

HERTSMERE BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED 31 March 2023



Section	Note	Page
1		1
2		3
3		8
	3.1	16
	3.2	22
	3.3	23
	3.4	24
4		
	4.1	32
	4.2	33
	4.3	34
	4.4	35
5		
	5.1	36
	5.2	48
	5.3	48
	5.4	49
	5.5	51
	5.6	51
	5.7	52
	5.8	52
	5.9	53
	5.10	54
	5.11	55
	5.12	56
	5.13	56
	5.14	57
	5.15	60
	5.15.1	63
	5.15.2	66
	5.16	68
	5.16.1	72
	5.17	73
	5.17.1	74
	5.18	74
	5.19	75
	5.20	75
	5.21	77
	5.22	77
	5.23	78
	5.24	78
	5.25	79
	5.26	79

<b>Section</b>	<b>Note</b>	<b>Page</b>
<b>5</b>		
<a href="#"><u>Capital Grants Received in Advance</u></a>	5.27	81
<a href="#"><u>Financial Instruments</u></a>	5.28	82
<a href="#"><u>Defined Benefit Pension Scheme</u></a>	5.29	89
<a href="#"><u>Defined Benefit Pension Scheme - Comprehensive Income and Expenditure Statement</u></a>	5.29.1	90
<a href="#"><u>Defined Benefit Pension Scheme - Movement In Reserves Statement</u></a>	5.29.2	90
<a href="#"><u>Defined Benefit Pension Scheme - Pension Assets and Liabilities recognised in the Balance Sheet</u></a>	5.29.3	91
<a href="#"><u>Defined Benefit Pension Scheme - Pension Fair Values Scheme Assets</u></a>	5.29.4	92
<a href="#"><u>Defined Benefit Pension Scheme - Basis for estimating Assets and Liabilities</u></a>	5.29.5	94
<a href="#"><u>Usable Reserves</u></a>	5.30	96
<a href="#"><u>General Fund</u></a>	5.30.1	97
<a href="#"><u>Earmarked Reserves</u></a>	5.30.2	97
<a href="#"><u>Capital Receipts Reserve</u></a>	5.30.3	100
<a href="#"><u>Capital Grants Unapplied</u></a>	5.30.4	100
<a href="#"><u>Unusable Reserves</u></a>	5.31	101
<a href="#"><u>Revaluation Reserve</u></a>	5.31.1	101
<a href="#"><u>Capital Adjustment Account</u></a>	5.31.2	102
<a href="#"><u>Deferred Capital Receipts</u></a>	5.31.3	103
<a href="#"><u>Collection Fund Adjustment Account</u></a>	5.31.4	103
<a href="#"><u>Pension Reserve</u></a>	5.31.5	104
<a href="#"><u>Accumulated Absences Account</u></a>	5.31.6	104
<a href="#"><u>Cash Flow Statement - Operating Activities</u></a>	5.32	105
<a href="#"><u>Cash Flow Statement - Investing Activities</u></a>	5.33	106
<a href="#"><u>Cash Flow Statement - Financing Activities</u></a>	5.34	106
<a href="#"><u>Contingent Assets</u></a>	5.35	107
<a href="#"><u>Contingent Liabilities</u></a>	5.36	107
<a href="#"><u>Related Party Transactions</u></a>	5.37	108
<b>6</b>		
<b><a href="#"><u>Collection Fund</u></a></b>		
<a href="#"><u>Collection Fund Statement</u></a>	6.0	112
<a href="#"><u>Notes to the Collection Fund</u></a>	6.1	114
<a href="#"><u>Precepts and Demands</u></a>	6.2	115
<a href="#"><u>Council Tax</u></a>	6.3	116
<b>7</b>		
<b><a href="#"><u>Group Accounts</u></a></b>		117
<a href="#"><u>Group Movement in Reserves Statement</u></a>	7.1	119
<a href="#"><u>Group Comprehensive Income and Expenditure Statement</u></a>	7.2	120
<a href="#"><u>Group Balance Sheet</u></a>	7.3	121
<a href="#"><u>Group Cash Flow Statement</u></a>	7.4	122
<b>8</b>		
<b><a href="#"><u>Annual Governance Statement</u></a></b>		123
<b>9</b>		
<b><a href="#"><u>Glossary of Terms</u></a></b>		147

## **Statement of Responsibilities**

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance and Business Services also referred to as the Chief Finance Officer or Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

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

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

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

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

The Head of Finance and Business Services has also:

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

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

**I confirm that this Statement of Accounts presents a true and fair view of the financial position of Hertsmere Borough Council at 31 March 2023 and its Income & Expenditure for the year then ended.**

**Matthew Bunyon**

Head of Finance and Business Services

Date: 10 January 2024

This page was left intentionally blank

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

The 2022/23 audit report will be issued once the audit of the accounts has been completed.

This page was left intentionally blank

## Narrative Statement

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

I am presenting the 2022/23 Statement of Accounts following another challenging year.

As a district council, Hertsmere is at the heart of the community and pivotal to the needs of its residents and businesses. Since the beginning of 2022, rapidly rising inflation and in particular the increasing costs of utilities and fuel has had a significant impact on the lives of our residents and our local businesses as well as putting pressure on our own budgets.

Since the pandemic took hold in the UK in March 2020, we have introduced many measures to ensure the continuity of key services to support our residents and businesses including the implementation of various Government grant funds. During 2022/23 we implemented various measures to support households through the “Cost of Living Crisis” including:

- We have implemented the Covid-19 Additional Relief Scheme (CARF) providing backdated rates relief for local business impacted by the pandemic that had not previously received relief under the Retail, Hospitality and Leisure relief scheme.
- We have implemented the Government’s Energy Rebate scheme, making payments of £150 to around 24,500 households in council tax bands A-D across the borough. We have also introduced a discretionary scheme providing a rebate to over 700 vulnerable households in bands E-H and also a top up for around 6,500 vulnerable households across all bands.
- We have supported a network of warm spaces across the borough providing a safe and welcoming space for people to enjoy some company during the colder months.
- Over the summer we handed out over 6,000 free hot meals to families and individuals from hubs across the borough, made possible with funding from GMSP Foundation, The Childhood Trust and the Akshaya Patra Foundation.
- We continue to tackle the increased demand for foodbanks in the borough and have worked with our partners to produce a “Worrying about Money leaflet.
- We continue to fund Citizens Advice with around £273k to provide support and advice to our residents such as debt management.

The 2022/23 financial year continued to be as challenging as the previous year, not only due to the extreme economic conditions with high inflation and high interest rates which has seen large increases in the Council’s operating expenditure especially in relation to fuel and energy costs but once again we faced uncertainty in our funding due to Central Government announcing a further one-year financial settlement rather than the anticipated and long overdue multi-year settlement. The multi-year settlement would have provided more budgeting and financial certainty for local authorities over the medium term. The council however continues to work towards reducing the funding gap identified in its medium term financial plan and to produce a balanced budget in an extremely challenging financial climate. We continue to reduce reliance on the New Homes Bonus (NHB) due to the uncertain future of this funding and also the use of business rates growth due to the pending review of the system for the redistribution of business rates, which is now overdue.

## NARRATIVE STATEMENT

We also face uncertainty in some of our own funding sources which can be dependent on certain external drivers as well as factors at play within our own borough, which still includes the impact of the EU exit, levels of employment, business growth and demand for our services such as affordable housing. There has also been the ongoing impact of the pandemic with changes in behaviour such as working from home which is putting pressure on services such as waste whilst also reducing income from services like parking.

We have invested in the Council owned Elstree Studios completing a £15.6m project to build two new stages, subsequently named the Platinum Stages in honour of Her Majesty the Queen's Platinum Jubilee, along with ancillary space in early July 2022. Unfortunately however in August 2022, whilst carrying out routine maintenance asbestos was found in stages 7,8 and 9 and as a result these stages had to be closed immediately for asbestos remediation works.

The impact of all these pressures were regularly assessed by officers throughout the year and due to the unprecedented economic conditions additional monitoring and more frequent reporting to members has been undertaken during these difficult times.

## **Hertsmere and our local area**

Hertsmere is a largely rural Borough in Hertfordshire, situated immediately to the north of London. With 80% of our borough in Green Belt land, the majority of our 105,000 residents live in our four main towns - Bushey, Borehamwood, Radlett and Potters Bar - each with their own identity. Excellent north-south rail and road connections mean that Hertsmere is very well connected to London and the rest of the country.

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

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

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

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

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

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

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

## Your local councillors

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

Conservative	29
Labour	7
Liberal Democrats	3

The Local Elections were held in May 2023, following this accounting period, and the Council make up is now as follows:

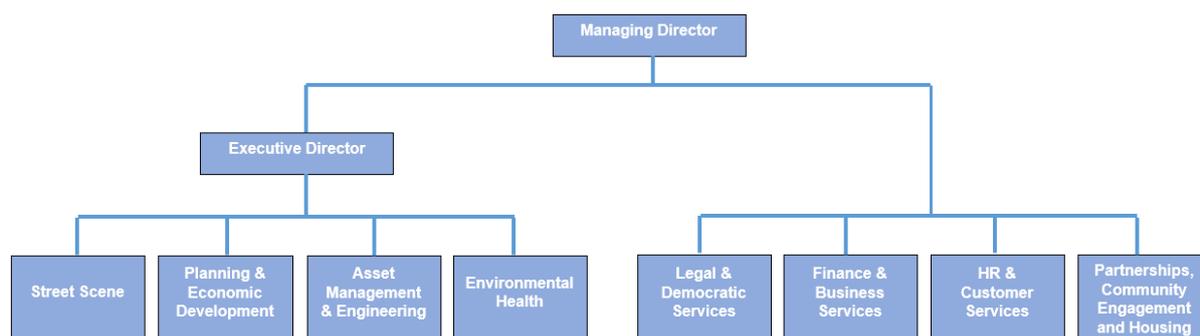
Conservative	16
Labour	14
Liberal Democrats	9

The Council AGM was held on 17 May 2023 and Labour and the Liberal Democrats formed a Partnership Administration.

## The Council’s Management Structure and Workforce

Supporting the work of Councillors is the organisational/management structure of the council headed by the Managing Director and Executive Director, along with a number of Heads of Service, detailed in Figure 1 below, who cover a variety of areas of business. The council currently employs approximately 330 people in full and part time roles.

**Figure 1 – Senior Management Structure**



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

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

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

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

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

The 6 Position Statements contained within the Vision are:

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

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

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

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

We have already built some excellent quality houses for rent and will be developing more to generate rental income while also contributing to meeting local demand for housing. We set up Hertsmere Development Ltd (HDL) to take forward new

#### NARRATIVE STATEMENT

developments on council-owned land and the company currently has two developments in progress which will deliver 26 new housing units in 2023/24.

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

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

## **Performance Management**

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

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

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

### ***Annual Report***

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

### ***Corporate Plan***

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

### ***Service Plans***

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

## 2022/23 Financial Statements

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

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

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

Parts of "The Accounts and Audit Regulations 2015" were superseded on 31 March 2021 by "The Accounts and Audit (Amendments) Regulations 2021". This was a result from the Redmond Review on the effectiveness of external audit and transparency of financial reporting in local authorities. It gave local authorities more flexibility whereby the public inspection period must commence on or before the first working day of August following the year end. This means the 2022/23 accounts have to be confirmed by the Chief Financial Officer by 31 July 2023 at the latest.

The publication date for the 2022/23 audited accounts following the Accounts and Audit (Amendment) Regulations 2021 is 30 September 2023.

However, in part due to the delay in the 2021/22 external audit which has an impact on the completion of the 2022/23 statements in addition to other conflicting priorities and key personnel changes, these draft accounts for 2023/23 were only signed on 10 January 2024 and will be available for public inspection on 11 January 2024. The intention is to have the audited accounts published as soon as practicable, subject to external audit resources.

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

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

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

### 3.1 Summary of Performance

#### Non-Financial Performance

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

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

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

#### ***Apprenticeships***

We have looked at new ways to recruit and develop staff, particularly in hard to recruit professions, and currently there are 14 apprenticeships in place across seven different Council departments.

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

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

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

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

The world renowned, council-owned Elstree Studios, continue to provide over £1.7m in rental payments and investment income to the council in 2022/23.

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

Unfortunately in August 2022, whilst carrying out planned stage door replacement at Elstree Studios in stages 7, 8 and 9, asbestos was found. As a result these stages had to be closed immediately and have remained closed whilst asbestos remediation works were carried out. It was initially planned that following the remediation works

that these stages would be reinstated and brought back into use as soon as possible however due to further structural issues alternatives including the demolition and rebuild of these stages have been considered and in subsequently in September 2023 the full Council approved a significant project for the demolition and rebuild of these stages.

### ***Parking Partnership***

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

### **Planning for the Future**

A key role of the Council is to help shape the future of the borough and during 2022/23 we have invested more than £14 million in capital projects.

### ***Expenditure on Parks***

We continue to invest in our parks and green spaces including phase two of the Meadow Park redevelopment which is ongoing, ensuring that green and open spaces are available for future use.

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

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

### ***Affordable Housing***

The council's wholly owned housing development company commenced its first developments during the year and is due to deliver 26 new affordable housing units next year. We are also building our own social and affordable housing utilising developer contributions which have been set aside for that purpose. This will provide housing requirements for the local community.

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

### **Supporting our Communities**

We have continued to support our residents as the rising cost of living impacts on communities, we recognise the need to develop and grow our local partnerships to deliver the best outcomes for our residents and we have been working with a range of organisations, from statutory and voluntary, to engage with residents to help keep them happy, healthy and safe.

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

- We have implemented the Government's Energy Rebate scheme, making payments of £150 to around 24,500 households in council tax bands A-D across the borough. We have also introduced a discretionary scheme providing a rebate to over 700 vulnerable households in bands E-H and also a top up for around 6,500 vulnerable households across all bands.

## NARRATIVE STATEMENT

- We have supported a network of warm spaces across the borough providing a safe and welcoming space for people to enjoy some company during the colder months.
- Over the summer we handed out over 6,000 free hot meals to families and individuals from hubs across the borough, made possible with funding from GMSP Foundation, The Childhood Trust and the Akshaya Patra Foundation.
- We continue to tackle the increased demand for foodbanks in the borough and have worked with our partners to produce a “Worrying about Money leaflet.
- We continue to fund Citizens Advice with around £273,000 to provide support and advice to our residents such as debt management.
- We have also awarded almost £400,000 in community grants to the local voluntary sector and community groups.
- The Hertsmere Community Lottery continues to offer a free fundraising platform for 31 local causes.

## Financial Performance

### Council Funding

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

For Hertsmere in 2022/23, central government core funding from retained business rates amounted to £3.001m which now represents just 24% of the funding required to meet the Council's budgeted net expenditure of £12.290m. Around 67% or just over two thirds of the Council's total funding now comes from local Council Tax with the remainder coming from other government grants, contributions from reserves and retained growth from business rates.

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

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

### Financial Management and Sustainability

The 2022/23 budget was set in the wake of the COVID-19 pandemic and also the UK's exit from the European Union and has reflected the ongoing impact that these events have had and continue to have on the Council's services and its financial position and performance during 2022/23 and beyond. This includes for example national changes in behaviours and working practices such as remote working and consideration of the following risks were therefore reflected in the budget:

- Ongoing loss of income on a service by service basis, in particular in relation to demand led services such as parking where demand has reduced.
- Additional expenditure on a service by service basis and expanded services such as waste and recycling where demand has increased.
- Changes to government policy such as business rate reliefs and the Energy Rebate Scheme which impact on resilience and resource capacity.
- The impact on recruitment and retention with many roles being difficult to fill.

As part of the budget process the Medium Term Financial Plan (MTFP) was also reviewed and updated and now shows a budgetary gap of £1.5 million over the four year period to 2026/27. The revised MTFP was approved by the full Council in February 2023 who also acknowledged that this needs to be managed through the delivery of efficiencies and additional income and is an integral part of the annual budget process.

The Council's General Fund Reserves remain healthy and as at 31 March 2023 were £36.028 million. This is made up of £8.520 million in an un-ring-fenced general fund

reserve which exists to cushion the impact of unforeseen events that would impact on the Council's resources and cannot be contained within existing budgets and would not be covered by normal insurance arrangements. The remaining £27.508 million is being held in specific ring-fenced reserves available for specific revenue and capital projects.

The Accounting Code of Practice requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. Hertsmere has there is a robust budget cycle. For these reasons the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

### **Revenue outturn**

In 2022/23 the budget for the Council's cost of services was set at £12.290 million after funding from reserves. The budget was regularly monitored and reported to senior management and members throughout the year. There were various budgetary pressure to manage during the year and these were more than offset by efficiencies with the actual service spend for the year being £12.126 million, within the approved budget. This has resulted in an overall favourable variance for 2022/23 of £0.164 million against the approved budget.

**FINANCIAL MONITORING POSITION**

31 Mar 2023

**SUMMARY OF PERFORMANCE**

	<b>REVISED BUDGET</b>	<b>ACTUAL SPEND FOR THE YEAR</b>	<b>SURPLUS (DEFICIT)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Planning & Economic Development	1,203	1,259	(56)
Housing Services	1,151	981	170
Partnership & Community Engagement	1,234	1,220	14
Environmental Health	1,154	1,116	38
Street Scene Services	5,438	5,204	234
Engineering Services	347	381	(34)
Asset Management	(4,946)	(4,049)	(897)
Finance & Business Services	2,616	2,561	55
Legal & Democratic Services	1,574	1,563	11
Human Resources & Customer Services	1,278	1,251	27
Executive Directors	497	506	(9)
Audit & Assurance	191	195	(4)
<b>Net Service Operational Expenditure</b>	<b>11,737</b>	<b>12,188</b>	<b>(451)</b>
General Expenses, Audit Fees, Bank Charges	284	474	(190)
Apprenticeship Levy	31	38	(7)
Central Contingency	155	85	70
Minimum Revenue Provision	482	482	-
Investment Interest	(400)	(1,142)	742
<b>Total Service Costs</b>	<b>12,289</b>	<b>12,125</b>	<b>164</b>

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

Table 1	General Fund £000	Reserves £000	Total £000
<b>Financial Monitoring Surplus</b>	164	-	<b>164</b>
Movements post Financial Monitoring Report	191	-	<b>191</b>
	355	-	<b>355</b>
Surplus transferred to			
Minor Revenue Grants	(70)	70	-
HR Strategy Reserve	(200)	200	-
Budgeted and other transfers to reserves	-	676	<b>676</b>
Capital expenditure funded from reserves	-	(1,961)	<b>(1,961)</b>
LCTS Grant	-	(65)	<b>(65)</b>
In lieu of InspireAll interest	-	(218)	<b>(218)</b>
Cost of Living	-	(248)	<b>(248)</b>
Housing Benefit Overpayments reserve	-	295	<b>295</b>
Uninsured Losses – insurance receipt	-	498	<b>498</b>
Homeless Prevention Grant	-	455	<b>455</b>
Funding additional pension cost	-	(116)	<b>(116)</b>
<b>Funding variances:</b>			
Business Rate Equalisation	-	1,547	<b>1,547</b>
Collection Fund Reserve - 3 Year Spreading	-	(5,942)	<b>(5,942)</b>
New Homes Bonus	-	475	<b>475</b>
<b>Movement in General Fund Balance</b>	<b>85</b>	<b>(4,334)</b>	<b>(4,249)</b>

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

Service	Revenue Outturn £000	Other movements post outturn £000	Trading Account Recharges £000	Contribution to / from EMR in outturn £000	Shown below NCS £000	EFA Column 1 £000
Asset Management	(4,049)	(220)	-	(198)	708	(3,759)
Audit & Assurance	195	-	-	-	-	195
Executive Directors	506	(3)	(2)	5	-	506
Engineering Services	381	200	-	11	-	592
Environmental Health Services	1,116	19	-	(19)	2	1,118
Finance & Business Services	2,561	(284)	(32)	371	106	2,722
General Expenses	1,079	233	(4)	(592)	(482)	234
Housing Services	981	40	-	(140)	(30)	851
Human Resources & Customer Services	1,251	209	(15)	16	-	1,461
Legal & Democratic Services	1,563	(41)	(1)	91	(139)	1,473
Partnership & Community Engagement	1,220	225	-	(348)	-	1,097
Planning & Economic Development	1,259	(85)	-	165	(44)	1,295
Street Scene Services	5,204	(323)	54	(557)	89	4,467
Investment Interest	(1,142)	(11)	-	-	-	(1,153)
	<b>12,125</b>	<b>(41)</b>	<b>-</b>	<b>(1,195)</b>	<b>210</b>	<b>11,099</b>

### 3.4 Capital outturn

The council spent £14.146 million on capital expenditure during 2022/23 and is committed to spending a total of £39.068 million over the remaining 3 year programme (see Note 5.17.1). The outstanding major capital commitments include the Civic Offices repurposing, refurbishment and re-planning, housing, disabled facilities grants and purchase of Street Scene Vehicles.

#### FINANCIAL MONITORING POSITION

31 March 2022

2021-22

2022-23

#### SUMMARY OF CAPITAL SPEND

£000

£000

Asset Management  
 Planning & Economic Development  
 Environmental Health  
 Street Scene Services  
 Finance And Business Services  
 Housing & Partnerships

14,087  
 8  
 826  
 983  
 16  
 43

9,984  
 862  
 1,462  
 1,722  
 92  
 24

**Total Capital Expenditure**

**15,963**

**14,146**

#### FUNDING SOURCES

£000

£000

Usable Capital Receipts  
 Reserves  
 Grants  
 Revenue  
 Borrowing

592  
 905  
 7,211  
 40  
 7,215

267  
 1,821  
 5,328  
 156  
 6,574

**Total Funding Sources**

**15,963**

**14,146**

## **Economic climate**

The economic climate has been extremely challenging during 2022/23. The Bank of England base rate has been increasing progressively over the past year from 0.75% to 4.00% by the end of the financial year. The successive base rate increases agreed by the Monetary policy Committee (MPC) have been in response to high inflation, currently 10.1% (CPI), which has been driven by factors such as the impact of Brexit, the Covid-19 pandemic and the war in Ukraine. These factors have resulted in significant rises in energy and fuel costs, rising import costs and UK labour and supply shortages. By increasing interest rates the MPC are looking to counter the high level of inflation and bring this back under control.

## **Finance Strategy**

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

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

The Financial Strategy will be reviewed during 2023/24.

## **Corporate Risks**

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

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

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

## **The Council's Finances**

### **The General Fund**

The Council maintains an unallocated reserve, the General Fund. The maintenance of such a fund is necessary to cover both planned and unforeseen expenditure and to provide adequate levels of reserves for the Council's operations. At 31 March 2023 the balance on the General Fund was £36.028m (2021/22 £40.277m) - out of this, £8.520m was held as a contingency for unforeseen events and £27.508m has been earmarked for specific projects.

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

The Council has however seen reductions in core grant funding over a sustained period with the future of some funding streams such as the New Homes Bonus and Business Rates growth being uncertain due to long overdue funding reviews. Whilst the Council has continued to balance its budget through the delivery of efficiencies and increased income with challenging economic conditions and such funding uncertainty it is vital that robust levels of reserves are maintained in order to safeguard services.

### **Earmarked reserves**

Earmarked reserves are funds generated through the revenue account that have been specifically set aside for future revenue and capital projects. The Council has once again been able to make good use of its earmarked reserves by using them to help pay for the shortfalls in income, and redirecting those that were reserved for projects no longer required or considered a priority. During the year a net £4.334m was transferred from earmarked reserves. Total funds earmarked for future use at 31 March 2023 were £27.508m. The breakdown of this sum is provided at note 5.30.2.

Included within the opening earmarked reserves balance was £6.391m earmarked to fund the release of the 2020/21 collection fund deficit, which had arisen mainly due to the 100% extended retail relief announced by the Government. Collection authorities such as Hertsmere were compensated for the resulting losses in collection via a section 31 grant and it is the surplus grant funding (less Hertsmere's share) which is held in reserves and will need to be paid back to the Government. £5.942m of this reserve was drawn down during 2022/23 leaving £0.449m to be drawn down in 2023/24, the final year of the deficit spreading.

### **Capital expenditure programme and associated financing**

During the year the Council incurred expenditure of £14.146m on capital projects, which can include anything from the purchase or replacement of vehicles and equipment to the refurbishment of existing assets. The most significant projects undertaken during the year included £5.879m spent on the development and refurbishment of the Elstree Film Studios, £3.512m on new housing developments including through the Council's development company, £1.462m on Disabled Facilities

Grants for home adaptations, £0.931m on new Street Scene vehicles and £0.778m has been invested in our parks and open spaces.

At the balance sheet date the Council was committed to capital spending of £39.068m. Significant work will continue on a wide range of community facilities and green spaces as well as the refurbishment and development of Elstree Film Studios and housing development at Orchard Close and St John's Church and Hall.

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

### **Pension fund liability**

The Council's net pension fund deficit has decreased by £29.689m over the last year, from £40.326m to £10.637m due mainly to the re-measurement of the net liability which is detailed in the table below:

Return on plan assets	£10.749m
Actuarial gain on changes in financial assumptions	(£50.714m)
Actuarial gain on changes in demographic assumptions	(£1.044m)
Other experience losses	£8.712m
<b>Re-measurements of the net pension liability (decrease)</b>	<b>(£32.297m)</b>

The value of assets held within the scheme decreased from £110.561m to £101.940m whilst the liabilities have decreased from £150.887m to £112.577m. It should be noted that movements on the pension fund liability are not taken to the General Fund, which is only charged with pension fund contributions actually paid by the Council. Instead they are charged or credited to the Pensions Reserve (see note 5.31.5 to the accounts) which absorbs the differences between accounting adjustments and actual charges in accordance with statute.

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

The latest triennial valuation of the fund was carried out as at 31 March 2022 and the results were incorporated in the actuary's report, with assumptions updated where appropriate.

### **Significant changes to provisions**

The Council's accounts include its share of the provision in respect of the cost of successful appeals against valuations for business rates (see note 5.26). At 31 March 2022 the Council's share stood at £1.363m and after taking into account the sums utilised in 2022/23, the provision decreased to £0.418m at 31 March 2023. The decrease was mainly due to rateable value list amendments being charged against the provision.

### **The Council's accounting policies**

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

### **Statement of Accounts**

The Council's financial statements for the year ended 31 March 2023 are set out following this narrative statement in pages 32 to 160. Where appropriate, figures for 2021/22 are also shown to enable comparisons between the two years.

Under provisions contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (as amended in 2021), the Statement of Accounts for 2022/23 will be made available for inspection on the Council's website, and at the Council offices from 11 January 2024. This is later than required by the regulations which is in part due to the late audit of the 2021/22 financial statements which is ongoing and also due to changes in key personnel during the preparation of these statements.

In addition to this report, the Council is required to meet certain statutory requirements. Details of these responsibilities and the officer responsible are disclosed in the Statement of Responsibilities.

## **The Core Financial Statements**

### Movement in Reserves Statement

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

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

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

### Comprehensive Income & Expenditure Statement

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

### Balance Sheet

The Balance Sheet shows the values as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves comprises those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to fund services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

## Cash Flow Statement

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

## **Supplementary Statements**

### The Expenditure and Funding Analysis

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

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

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

### The Collection Fund

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

### Group Accounts

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

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

These statements are set out on pages 118 to 123.



## 4.2 Comprehensive Income and Expenditure Statement

	2021-22				2022-23		
	Gross	Gross	Net		Gross	Gross	Net
	Expenditure	Income	Expenditure	Note	Expenditure	Income	Expenditure
	£000	£000	/(Income)		£000	£000	/(Income)
			£000				£000
	1,706	(4,958)	<b>(3,252)</b>		8,621	(7,327)	<b>1,294</b>
	189	-	<b>189</b>		195	-	<b>195</b>
	521	(2)	<b>519</b>		558	-	<b>558</b>
	607	(180)	<b>427</b>		669	(24)	<b>645</b>
	1,645	(323)	<b>1,322</b>		1,698	(455)	<b>1,243</b>
	30,738	(27,880)	<b>2,858</b>		29,930	(26,813)	<b>3,117</b>
	505	(81)	<b>424</b>		333	(99)	<b>234</b>
	3,178	(1,415)	<b>1,763</b>		3,692	(1,285)	<b>2,407</b>
	1,556	(70)	<b>1,486</b>		1,724	(96)	<b>1,628</b>
	2,036	(542)	<b>1,494</b>		1,743	(178)	<b>1,565</b>
	2,168	(628)	<b>1,540</b>		2,020	(923)	<b>1,097</b>
	3,549	(1,316)	<b>2,233</b>		3,804	(1,703)	<b>2,101</b>
	7,961	(2,868)	<b>5,093</b>		9,067	(3,511)	<b>5,556</b>
	304	(139)	<b>165</b>		-	-	<b>-</b>
	1,642	(1,642)	<b>-</b>		-	-	<b>-</b>
	67	(67)	<b>-</b>		-	-	<b>-</b>
	<b>58,372</b>	<b>(42,111)</b>	<b>16,261</b>		<b>64,054</b>	<b>(42,414)</b>	<b>21,640</b>
	1,225	(13)	<b>1,212</b>		1,914	(759)	<b>1,155</b>
	1,680	(2,940)	<b>(1,260)</b>	5.7	4,974	(6,711)	<b>(1,737)</b>
	21,004	(47,158)	<b>(26,154)</b>	5.8	16,967	(41,694)	<b>(24,727)</b>
	<b>82,281</b>	<b>(92,222)</b>	<b>(9,941)</b>	5.9	<b>87,909</b>	<b>(91,578)</b>	<b>(3,669)</b>
			<b>(7,451)</b>				<b>(18,708)</b>
			<b>(5,136)</b>	5.31.1			<b>(32,297)</b>
			<b>(12,587)</b>	5.29.1			<b>(51,005)</b>
			<b>(22,528)</b>				<b>(54,674)</b>

## 4.3 Balance Sheet

31-Mar-22		Note	31-Mar-22
£000			£000
162,181	Property Plant and Equipment	5.16	186,202
1,222	Heritage Assets	5.19	1,199
9,692	Investment Properties	5.20	10,076
404	Intangible Assets	5.21	372
5,000	Long Term Investments	5.23	5,491
7,369	Long Term Debtors	5.22	7,046
<b>185,868</b>	<b>Long Term Assets</b>		<b>210,386</b>
40,092	Short Term Investments	5.23	31,371
5,232	Short Term Debtors	5.22	12,583
105	Inventories		110
28,384	Cash and Cash Equivalents	5.24	28,381
<b>73,813</b>	<b>Current Assets</b>		<b>72,445</b>
(25,169)	Short Term Creditors	5.25	(27,294)
(1,373)	Provisions	5.26	(420)
<b>(26,542)</b>	<b>Current Liabilities</b>		<b>(27,714)</b>
(182)	Provisions	5.26	(56)
(40,326)	Liability related to Defined Benefit Pension Scheme	5.29.3	(10,637)
(148)	Other Long Term Liabilities	5.25	(173)
(11,516)	Capital Grants Received In Advance	5.27	(8,610)
<b>(52,172)</b>	<b>Long Term Liabilities</b>		<b>(19,476)</b>
<b>180,967</b>	<b>Net Assets</b>		<b>235,641</b>
(63,688)	Usable Reserves	5.30	(61,988)
(117,279)	Unusable Reserves	5.31	(173,653)
<b>(180,967)</b>	<b>Total Reserves</b>		<b>(235,641)</b>

## 4.4 Cash Flow Statement

2021-22		Note	2022-23
£000			£000
(9,941)	(Surplus) / Deficit on Provision of Services	4.2	(3,669)
(3,193)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	5.32	(6,536)
11,001	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	5.32	8,585
<b>(2,133)</b>	<b>Net cash (inflow) / outflow from Operating Activities</b>		<b>(1,620)</b>
(9,261)	Investing Activities	5.33	(702)
(1,838)	Financing Activities	5.34	2,325
<b>(13,232)</b>	<b>Decrease / (increase) in cash and cash equivalents</b>		<b>3</b>
15,152	Cash and cash equivalents at the beginning of the reporting period		28,384
<b>28,384</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	5.24	<b>28,381</b>

## 5.1 Accounting Policies

### Basis of Preparation

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS).

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

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

### Revenue Recognition

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

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

### Property, Plant and Equipment

#### *Basis of Recognition*

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

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

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

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

5. NOTES TO THE ACCOUNTS

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

*Measurement*

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

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

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

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

*Increases and decreases on revaluation*

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

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

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

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

### Depreciation

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

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

### Impairment

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

### Disposals

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

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

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

### Heritage assets

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

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

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

### **Investment Property**

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

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

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

### **Intangible Assets**

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

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

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

#### *Internally generated intangible assets*

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

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

#### *Software*

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

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

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

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

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

## 5. NOTES TO THE ACCOUNTS

- *Specific Revenue Grants*

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

- *General Revenue Grants*

General revenue grants, such as the Business Rates Baseline grant, are credited after net operating expenses.

- *Capital Grants and Contributions*

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

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

### **Section 106**

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

### **Community Infrastructure Levy**

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

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

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

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

### **Fair Value**

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

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

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

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

- **Level 1** – quoted prices;
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability;
- **Level 3** – unobservable inputs for the asset or liability.

### **Financial Instruments**

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

#### *Financial Assets*

Financial assets are subsequently measured in one of two ways:

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

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

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

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

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

#### *Statutory Reversals*

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

#### *Financial Liabilities*

Financial liabilities are subsequently measured at amortised cost.

#### **Provisions**

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

#### **Financial guarantees**

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

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

#### **Inventories**

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

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

The 2022/23 Accounting Code of Practice requires the segmental analysis and amounts disclosed in the Comprehensive Income and Expenditure Statement to be based on the Council's financial monitoring reporting process. The cost of support services, with the exception of those recharged to trading accounts which are required to be disclosed on a total

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

### **Contingent Assets & Liabilities**

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

### **Reserves**

#### *Usable reserves*

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

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

#### *Unusable reserves*

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

## Pensions

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

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

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

### *Service Costs:*

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

### *Net interest expense:*

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

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

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

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

### *Contributions paid to the LGPS*

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

### *Short Term Employee Benefits*

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

### **Leases**

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

#### *The Council as lessee*

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

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

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

#### *Council as lessor*

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

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

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

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

The Council is required to produce group accounts alongside its own financial statements where it has material interests in subsidiaries, associates and / or joint ventures. Group accounts have been prepared including Elstree Studios Ltd and Hertsmere Developments Ltd (both 100% owned). In the Council's accounts the interests in companies are recorded as investments at cost or fair value.

### **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

### **Value Added Tax**

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

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

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

### **Collection Fund**

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted.

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

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

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

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

## 5.3 Critical Accounting Estimates and Judgements

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

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

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

5. NOTES TO THE ACCOUNTS

Developments Limited.

- The Council has made provision in its Collection Fund of £1.044 million for the future cost of making repayments of business rates to payers who successfully appeal against the rateable value of their property as determined by the local Valuation Office at 1 April 2010 or at a later date. Note 5.26 to the Statement of Accounts discloses the share of this provision allocated to the Council (£0.418 million - 40% of the total).

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

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

The items in the Council's balance sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

5. NOTES TO THE ACCOUNTS

Item	Uncertainty	Effect if actual results differ from assumptions
<p><i>Property Plant &amp; Equipment</i></p>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Assets are valued on a three-year rolling basis.</p> <p>Building indices are not applied to approximate for those assets that are not subject to the revaluation process in the year.</p> <p>The Council has Property, Plant and Equipment with a carrying value of £186.202 million on the Balance Sheet as at 31st March 2023, with £2.236 million charged as depreciation during the year.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>Based on the assets that were valued in the year as part of the three-year rolling revaluation programme, any 1% increase in valuation for assets last valued prior to 31/03/2023 would equate to the carrying value increasing by £0.399 million.</p> <p>The valuers have reported the 31/03/2023 valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.</p>

Item	Uncertainty	Effect if actual results differ from assumptions
<i>Pensions Liability</i>	Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in mortality rates and expected returns on pension fund assets. The Council concurs with the assumptions to be applied by the independent actuary to the Hertfordshire Local Government Pension Scheme.	The effect on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £1.7 million. Note 5.29.5 sets out details of the assumptions made by the independent actuary to the Hertfordshire Local Government Pension Scheme together with further examples.
<i>Non Domestic Rates Appeals provision</i>	The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2023. The carrying amount of the provision is £1.044 million, of which the Council's 40% share of £0.418 million is reflected in the accounts. Rateable value list amendments of £2.650 million were charged against the carrying amount of the provision in 2022/23 and an additional provision of £0.289 million was made during the year.	If NDR appeals were to increase significantly the provision would have to be increased. The increased liability would be shared between the Council, Hertfordshire County Council and Central Government. A large proportion of the 2017 list estimated appeals were settled in 2021/22 and the long and short term split has been maintained with 13.37% classified as long term.
<i>Fair value estimations</i>	The fair values of investment properties are principally based on the available market evidence for the sale and purchase of similar assets. Under IFRS 13 fair value hierarchy these have been shown as a level 2 input namely using quoted prices for similar assets or liabilities in active markets at the balance sheet date. If this information is not available estimates are undertaken in accordance with RICS professional guidelines.	<p>Most estimates are based on current market information therefore material changes are not expected.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p> <p>The council sought assurance from the valuer of the appropriateness of the valuations in light of the RICS related material uncertainty and the valuer reported the 31/03/2022 valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.</p>

### 5.5 Events after the Balance Sheet Date

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

### 5.6 Trading Operations

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

## 5. NOTES TO THE ACCOUNTS

2021/22		Expenditure	Income	2022/23
£000		£000	£000	£000
	<b>Cemeteries / Burial Grounds</b>			
4	The Council maintains two closed cemeteries (not available for burials) and one lawn cemetery that incurs expenditure – the trading objective is to minimise the subsidy funded from council tax.	194	(201)	(7)
	<b>Trade Refuse</b>			
(92)	The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	508	(594)	(86)
<b>(88)</b>	<b>Net (surplus) / deficit on trading accounts</b>	<b>702</b>	<b>(795)</b>	<b>(93)</b>

## 5.7 Other Operating Expenditure

2021-22		2022-23
£000		£000
1,225	Parish and town council precepts	1,313
(13)	Losses / (gains) on the disposal of non-current assets	(158)
<b>1,212</b>	<b>Total</b>	<b>1,155</b>

## 5.8 Financing and Investment Income and Expenditure

2021-22		2022-23
£000		£000
50	Interest payable and similar charges	192
(345)	Interest receivable and similar income	(1,345)
132	Impairment of financial assets	(93)
(1,183)	(Increase) / decrease in the fair value of investment property	(815)
(701)	Income in relation to investment properties	(691)
(88)	(Surplus) / deficit on trading undertakings not included in net cost of services	(93)
875	Net interest cost on the defined benefit pension liability	1,108
<b>(1,260)</b>	<b>Total</b>	<b>(1,737)</b>

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

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

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
	<b>Council tax income and expenditure</b>	
(7,847)	Amount collectable from council tax	(8,232)
(1,225)	Amount collectable on behalf of parishes	(1,313)
(163)	Share of (surplus) / deficit on collection fund for the year	10
<b>(9,235)</b>		<b>(9,535)</b>
	<b>Non-domestic rates income and expenditure (see note below):</b>	
(19,407)	Amount collectable from business rates	(15,325)
15,681	Tariff payable	15,681
4,870	Share of (surplus) / deficit on collection fund for the year	(2,069)
453	Growth levy	1,286
-	Levy Account Surplus Grant	(23)
(4,974)	Grant in respect of small business and other rates reliefs	(4,112)
-	Pooling Gains	(1,458)
-	NNDR - Tax Income Guarantee Compensation	-
<b>(3,377)</b>		<b>(6,020)</b>
	<b>Covid-19 Government Grants and Contributions</b>	
(503)	Covid-19 Local Authority Support	-
(284)	SFC Irrecoverable Income Compensation	-
(329)	New Burdens	-
<b>(1,116)</b>		<b>-</b>
	<b>General Government Grants:</b>	
(1,075)	New Homes Bonus	(876)
(116)	Lower Tier Services Grant	(124)
-	Services Grant	(188)
(165)	Local Council Tax Support Schemes Grant	-
<b>(1,356)</b>		<b>(1,188)</b>
	<b>Capital grants and contributions:</b>	
	<i>Recognised capital grants and contributions:</i>	
(951)	Disabled facilities grant	(1,107)
(3,407)	Community Infrastructure Levy	(2,779)
(1,175)	Section 106 monies utilised	(2,594)
(5,445)	Other capital contributions	(1,345)
<b>(10,978)</b>		<b>(7,825)</b>
(92)	Donated assets	(159)
<b>(26,154)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(24,727)</b>

5. NOTES TO THE ACCOUNTS

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

The Council's Comprehensive Income and Expenditure Statement includes a share of any surplus or deficit arising for the year on the collection of business rates. The Council set aside £9.685 million of Section 31 grants in a collection fund deficit reserve during 2020/21 and £5.079 million was drawdown in 2022/23 to fund the 2020/21 deficit released in 2022/23.

**5.10 Members Allowances and Expenses**

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
	<b>Allowance / Expense:</b>	
235	Basic allowance	245
147	Special responsibility allowance	158
-	Travel and other allowance	1
<b>382</b>	<b>Total</b>	<b>404</b>

**5.11 Employees Remuneration**

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

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

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

	<b>Salary £000</b>	<b>Termination Benefits £000</b>	<b>Pension - employers contribution £000</b>	<b>2022- 23 Total £000</b>
Managing Director	157	-	29	<b>186</b>
Executive Director	119	-	22	<b>141</b>
Head of Finance & Business Services	92	-	17	<b>109</b>
Head of Partnerships & Community Engagement	92	-	17	<b>109</b>
Head of Legal & Democratic Services	92	-	17	<b>109</b>
Head of HR & Customer Services	57	-	11	<b>68</b>
<b>Total</b>	<b>609</b>	<b>-</b>	<b>113</b>	<b>722</b>

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

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

5. NOTES TO THE ACCOUNTS

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

2021-22	REMUNERATION BAND:	2022-23
5	£50,000 - £54,999	8
6	£55,000 - £59,999	5
3	£60,000 - £64,999	8
-	£65,000 - £69,999	-
3	£70,000 - £74,999	-
1	£75,000 - £79,999	2
-	£80,000 - £84,999	2
<b>18</b>		<b>25</b>

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

### 5.12 Termination Benefits

The Council terminated the contracts of a number of employees in 2022/23 incurring liabilities of £105k (2021/22: £45k).

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

Exit Package cost band:	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
							£000	£000
£0 - £20,000	-	-	2	4	2	4	21	20
£20,001 - £40,000	-	-	1	3	1	3	24	85
£40,001 - £60,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>3</b>	<b>7</b>	<b>3</b>	<b>7</b>	<b>45</b>	<b>105</b>

### 5.13 Audit Fees

2021-22		2022-23
£000		£000
	<b>Audit Fees:</b>	
108	Fees payable with regard to external audit services carried out by the appointed auditor	139
86	Fees payable for the certification of grant claims and returns	44
<b>194</b>	<b>Total</b>	<b>183</b>

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

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

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

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

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

2021-22	Usable Reserves			Movement in Unusable Reserves £000	Relevant Unusable Reserve
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
<b>Reversal of items debited or credited to the CIES</b>					
Amortisation of intangible assets	(118)	-	-	118	Capital Adjustment Account
Depreciation	(2,304)	-	-	2,304	
Impairment / Revaluation charged to the CIES	2,838	-	-	(2,838)	
Movements in the market value of Investment Properties	1,183	-	-	(1,183)	
Revenue expenditure funded from capital under statute	(1,232)	-	-	1,232	
Non-current assets written out on disposal	(9)	-	-	9	
Accumulated gains on non-current assets disposed	-	-	-	-	Revaluation Reserve
Donated Assets	92	-	-	(92)	Deferred Capital Receipts
Grant income transferred to Capital Grants Unapplied	4,298	-	(4,298)	-	
<b>Transfers between revenue and capital resources</b>					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	22	(22)	-		
Minimum Revenue Provision	242	-	-	(242)	Capital Adjustment Account
Capital expenditure charged against the General Fund	946	-	-	(946)	
<b>Adjustments to capital resources</b>					
Use of Capital Receipts to finance capital expenditure	-	592	-	(592)	Capital Adjustment Account
Application of capital grants and other contributions to finance capital expenditure	6,681	-	530	(7,211)	
<b>Adjustments between accounting and funding basis under regulations</b>					
Pension costs	(2,519)	-	-	2,519	Pensions Reserve
Council Tax and NNDR	3,581	-	-	(3,581)	Collection Fund Adjustment Account
Financial Instruments	-	-	-	-	Capital Adjustment Account
Holiday Pay	(22)	-	-	22	Accumulated Absences Account
<b>Total Adjustments</b>	<b>13,679</b>	<b>570</b>	<b>(3,768)</b>	<b>(10,481)</b>	

2022-23	Usable Reserves			Movement in Unusable Reserves £000	Relevant Unusable Reserve
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
<b>Reversal of items debited or credited to the CIES</b>					
Amortisation of intangible assets	(110)	-	-	110	Capital Adjustment Account
Depreciation	(2,236)	-	-	2,236	
Impairment / Revaluation charged to the CIES	(3,465)	-	-	3,465	
Movements in the market value of Investment Properties	815	-	-	(815)	
Revenue expenditure funded from capital under statute	(2,072)	-	-	2,072	
Non-current assets written out on disposal	(601)	-	-	601	
Accumulated gains on non-current assets disposed		-	-	-	Revaluation Reserve
Donated Assets	159	-	-	(159)	Deferred Capital Receipts
Grant income transferred to Capital Grants Unapplied	3,980	-	(3,980)	-	
<b>Transfers between revenue and capital resources</b>					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	269	(319)	-	50	Deferred Capital Receipts Reserve
Transfer of sale proceeds from revenue to the Capital Adjustment Account	491			(491)	Capital Adjustment Account
Minimum Revenue Provision	482	-	-	(482)	
Capital expenditure charged against the General Fund	1,977	-	-	(1,977)	
<b>Adjustments to capital resources</b>					
Use of Capital Receipts to finance capital expenditure	-	267	-	(267)	Capital Adjustment Account
Application of capital grants and other contributions to finance capital expenditure	3,845	-	1,483	(5,328)	
<b>Adjustments between accounting and funding basis under regulations</b>					
Pension costs	(2,608)	-	-	2,608	Pensions Reserve
Council Tax and NNDR	6,969	-	-	(6,969)	Collection Fund Adjustment Account
Financial Instruments	28	-	-	(28)	Capital Adjustment Account
Holiday Pay	(5)	-	-	5	Accumulated Absences Account
<b>Total Adjustments</b>	<b>7,918</b>	<b>(52)</b>	<b>(2,497)</b>	<b>(5,369)</b>	

### 5.15 Expenditure and Funding Analysis

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

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

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

## 5.15 Expenditure and Funding Analysis

		2021-22	
	Net General Fund Expenditure	Adjustments between funding and accounting basis	Amounts included in the Comprehensive Income and Expenditure Statement
SERVICE	£000	£000	£000
Asset Management	(2,468)	(784)	(3,252)
Audit & Assurance	189	-	189
Executive Directors	465	54	519
Engineering Services	373	54	427
Environmental Health	1,182	140	1,322
Finance & Business Services	2,426	432	2,858
General Expenses	424	-	424
Housing Services	838	925	1,763
Human Resources & Customer Services	1,312	174	1,486
Legal & Democratic Services	1,385	109	1,494
Partnership & Community Engagement	1,452	88	1,540
Planning & Economic Development	1,601	632	2,233
Street Scene Services	4,435	658	5,093
Exceptional Items – Covid-19	165	-	165
Exceptional Items – Covid-19 Business Support Grants	-	-	-
Exceptional Items – Covid-19 Self Isolation	-	-	-
<b>Total</b>	<b>13,779</b>	<b>2,482</b>	<b>16,261</b>
Other Income and Expenditure	(10,041)	(16,161)	(26,202)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>3,738</b>	<b>(13,679)</b>	<b>(9,941)</b>
<b>Opening Balance on the General Fund</b>	<b>(44,015)</b>		
Surplus / (Deficit) for the year	3,738		
<b>Closing Balance on the General Fund</b>	<b>(40,277)</b>		

		2022-23	
	Net General Fund Expenditure	Adjustments between funding and accounting basis	Amounts included in the Comprehensive Income and Expenditure Statement
SERVICE	£000	£000	£000
Asset Management	(3,759)	5,053	1,294
Audit & Assurance	195	-	195
Executive Directors	506	52	558
Engineering Services	592	53	645
Environmental Health	1,118	125	1,243
Finance & Business Services	2,722	395	3,117
General Expenses	234	-	234
Housing Services	851	1,556	2,407
Human Resources & Customer Services	1,461	167	1,628
Legal & Democratic Services	1,473	92	1,565
Partnership & Community Engagement	1,097	-	1,097
Planning & Economic Development	1,295	806	2,101
Street Scene Services	4,467	1,089	5,556
Exceptional Items - Covid-19	-	-	-
Exceptional Items - Covid-19 Business Support Grants	-	-	-
Exceptional Items - Covid-19 Self Isolation	-	-	-
<b>Total</b>	<b>12,252</b>	<b>9,388</b>	<b>21,640</b>
Other Income and Expenditure	(8,003)	(17,306)	(25,309)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>4,249</b>	<b>(7,918)</b>	<b>(3,669)</b>
<b>Opening Balance on the General Fund</b>	<b>(40,277)</b>		
Surplus / (Deficit) for the year	4,249		
<b>Closing Balance on the General Fund</b>	<b>(36,028)</b>		

## 5.15.1 Note to the Expenditure and Funding Analysis

	2021-22			
Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute	Adjustments for capital purposes (Note 1)	Net change for pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
SERVICE	£000	£000	£000	£000
Asset Management	(845)	59	2	(784)
Audit & Assurance	-	-	-	-
Executive Directors	-	54	-	54
Engineering Services	2	51	1	54
Environmental Health	3	138	(1)	140
Finance & Business Services	141	295	(4)	432
General Expenses	-	-	-	-
Housing Services	-	98	827	925
Human Resources & Customer Services	33	141	-	174
Legal & Democratic Services	-	108	1	109
Partnership & Community Engagement	-	82	6	88
Planning & Economic Development	4	212	416	632
Street Scene Services	245	406	7	658
Exceptional Items – Covid-19	-	-	-	-
Exceptional Items – Covid-19 Business Support Grants	-	-	-	-
Exceptional Items – Covid-19 Self Isolation	-	-	-	-
<b>Net Cost of Services</b>	<b>(417)</b>	<b>1,644</b>	<b>1,255</b>	<b>2,482</b>
Other Operating Expenditure	(13)	-	-	(13)
Financing and Investment Income and Expenditure	(2,370)	875	-	(1,495)
Taxation and Non-Specific Grant Income	(11,072)	-	(3,581)	(14,653)
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(13,455)</b>	<b>875</b>	<b>(3,581)</b>	<b>(16,161)</b>
<b>Adjustments between funding and accounting basis</b>	<b>(13,872)</b>	<b>2,519</b>	<b>(2,326)</b>	<b>(13,679)</b>

## 5. NOTES TO THE ACCOUNTS

	<b>2022-23</b>			
<b>Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute</b>	<b>Adjustments for capital purposes (Note 1)</b>	<b>Net change for pensions adjustments (Note 2)</b>	<b>Other differences (Note 3)</b>	<b>Total adjustments</b>
<b>SERVICE</b>				
Asset Management	5,003	50	-	<b>5,053</b>
Audit & Assurance	-	-	-	-
Executive Directors	-	52	-	<b>52</b>
Engineering Services	7	46	-	<b>53</b>
Environmental Health	3	121	1	<b>125</b>
Finance & Business Services	131	263	1	<b>395</b>
General Expenses	-	-	-	-
Housing Services	-	94	1,462	<b>1,556</b>
Human Resources & Customer Services	33	134	-	<b>167</b>
Legal & Democratic Services	-	92	-	<b>92</b>
Partnership & Community Engagement	(83)	82	1	-
Planning & Economic Development	-	195	611	<b>806</b>
Street Scene Services	717	371	1	<b>1,089</b>
Exceptional Items - Covid-19	-	-	-	-
Exceptional Items - Covid-19 Business Support Grants	-	-	-	-
Exceptional Items - Covid-19 Self Isolation	-	-	-	-
<b>Net Cost of Services</b>	<b>5,811</b>	<b>1,500</b>	<b>2,077</b>	<b>9,388</b>
Other Operating Expenditure	(159)	-	-	<b>(159)</b>
Financing and Investment Income and Expenditure	(3,302)	1,108	-	<b>(2,194)</b>
Taxation and Non-Specific Grant Income	(7,984)	-	(6,969)	<b>(14,953)</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(11,445)</b>	<b>1,108</b>	<b>(6,969)</b>	<b>(17,306)</b>
<b>Adjustments between funding and accounting basis</b>	<b>(5,634)</b>	<b>2,608</b>	<b>(4,892)</b>	<b>(7,918)</b>

### **1) Adjustments for Capital Purposes**

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

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

### **2) Net Change for the Pensions Adjustments**

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

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

### **3) Other Differences**

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

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

**5.15.2 Subjective Analysis**

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

<b>YEAR ENDED 31 March 2022</b>	<b>Employees Related Costs</b>	<b>Premises Related Expenditure</b>	<b>Transport Related Costs</b>	<b>Supplies and Services</b>	<b>Third Party Payments</b>	<b>Transfer Payments</b>	<b>Depreciation, Impairment and REFFCUS</b>	<b>Income</b>	<b>TOTAL</b>
<b>SERVICE</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Asset Management	762	1,488	1	94	206	-	(845)	(4,958)	<b>(3,252)</b>
Audit & Assurance	-	-	-	4	185	-	-	-	<b>189</b>
Executive Directors	506	-	-	15	-	-	-	(2)	<b>519</b>
Engineering Services	420	30	36	24	95	-	2	(180)	<b>427</b>
Environmental Health	1,386	2	7	218	29	-	3	(323)	<b>1,322</b>
Finance & Business Services	2,983	-	2	704	129	26,779	141	(27,880)	<b>2,858</b>
General Expenses	76	-	-	421	8	-	-	(81)	<b>424</b>
Housing Services	1,189	1	2	977	106	77	826	(1,415)	<b>1,763</b>
Human Resources & Customer Services	1,270	-	-	133	120	-	33	(70)	<b>1,486</b>
Legal & Democratic Services	1,272	41	4	717	2	-	-	(542)	<b>1,494</b>
Partnership & Community Engagement	788	15	-	695	670	-	-	(628)	<b>1,540</b>
Planning & Economic Development	2,385	-	2	350	402	-	410	(1,316)	<b>2,233</b>
Street Scene Services	5,030	1,086	658	476	475	-	236	(2,868)	<b>5,093</b>
Exceptional Items - Covid-19	81	132	30	44	17	-	-	(139)	<b>165</b>
Exceptional Items - Covid-19 Business Support Grants	-	-	-	-	-	1,642	-	(1,642)	-
Exceptional Items - Covid-19 Self Isolation	-	-	-	-	-	67	-	(67)	-
<b>Total</b>	<b>18,148</b>	<b>2,795</b>	<b>742</b>	<b>4,872</b>	<b>2,444</b>	<b>28,565</b>	<b>806</b>	<b>(42,111)</b>	<b>16,261</b>

## 5. NOTES TO THE ACCOUNTS

<b>YEAR ENDED 31 March 2023</b>	<b>Employees Related Costs</b>	<b>Premises Related Expenditure</b>	<b>Transport Related Costs</b>	<b>Supplies and Services</b>	<b>Third Party Payments</b>	<b>Transfer Payments</b>	<b>Depreciation, Impairment and REFFCUS</b>	<b>Income</b>	<b>TOTAL</b>
<b>SERVICE</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Asset Management	941	2,202	2	422	51	-	5,003	(7,327)	<b>1,294</b>
Audit & Assurance	-	-	-	7	188	-	-	-	<b>195</b>
Executive Directors	547	-	1	10	-	-	-	-	<b>558</b>
Engineering Services	443	43	39	21	116	-	7	(24)	<b>645</b>
Environmental Health	1,511	3	8	158	15	-	3	(455)	<b>1,243</b>
Finance & Business Services	3,324	-	4	1,225	127	25,119	131	(26,813)	<b>3,117</b>
General Expenses	97	-	-	137	99	-	-	(99)	<b>234</b>
Housing Services	1,203	-	5	920	52	50	1,462	(1,285)	<b>2,407</b>
Human Resources & Customer Services	1,437	-	-	128	126	-	33	(96)	<b>1,628</b>
Legal & Democratic Services	1,230	-	4	511	(2)	-	-	(178)	<b>1,565</b>
Partnership & Community Engagement	987	22	1	419	675	-	(84)	(923)	<b>1,097</b>
Planning & Economic Development	2,584	-	3	387	220	-	610	(1,703)	<b>2,101</b>
Street Scene Services	5,344	1,217	881	485	432	-	708	(3,511)	<b>5,556</b>
Exceptional Items - Covid-19	-	-	-	-	-	-	-	-	-
Exceptional Items - Covid-19 Business Support Grants	-	-	-	-	-	-	-	-	-
Exceptional Items - Covid-19 Self Isolation	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19,648</b>	<b>3,487</b>	<b>948</b>	<b>4,830</b>	<b>2,099</b>	<b>25,169</b>	<b>7,873</b>	<b>(42,414)</b>	<b>21,640</b>

5. NOTES TO THE ACCOUNTS

5.16 Property, Plant & Equipment

2021-22

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total Property Plant and Equipment £000
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>132,566</b>	<b>6,165</b>	<b>524</b>	<b>2,251</b>	<b>2,855</b>	-	<b>144,361</b>
Additions	288	956	-	-	13,487	-	<b>14,731</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,451	-	-	-	-	-	<b>7,451</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	2,838	-	-	-	-	-	<b>2,838</b>
Disposals	-	(415)	-	-	(8)	-	<b>(423)</b>
Assets reclassified (to) / from Investment Property	-	-	-	-	-	-	-
Other movements	1,099	-	-	-	(1,099)	-	-
Accumulated depreciation and impairment written to Cost or Valuation	(1,519)	-	-	-	-	-	<b>(1,519)</b>
<b>At 31 March 2022</b>	<b>142,723</b>	<b>6,706</b>	<b>524</b>	<b>2,251</b>	<b>15,235</b>	-	<b>167,439</b>

5. NOTES TO THE ACCOUNTS

**2021-22**

	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total Property Plant and Equipment £000</b>
<b>Accumulated Depreciation</b>							
<b>At 1 April 2021</b>	(370)	(4,019)	(184)	(337)	-	-	(4,910)
Depreciation	(1,888)	(345)	(3)	(46)	-	-	(2,282)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Disposals	-	415	-	-	-	-	415
Assets reclassified to / (from) Investment Property	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Accumulated depreciation and impairment written to Cost or Valuation	1,519	-	-	-	-	-	1,519
<b>At 31 March 2022</b>	<b>(739)</b>	<b>(3,949)</b>	<b>(187)</b>	<b>(383)</b>	<b>-</b>	<b>-</b>	<b>(5,258)</b>
<b>Net Book Value</b>							
<b>As at 31 March 2021</b>	<b>132,196</b>	<b>2,146</b>	<b>340</b>	<b>1,914</b>	<b>2,855</b>	<b>-</b>	<b>139,451</b>
<b>As at 31 March 2022</b>	<b>141,984</b>	<b>2,757</b>	<b>337</b>	<b>1,868</b>	<b>15,235</b>	<b>-</b>	<b>162,181</b>

5. NOTES TO THE ACCOUNTS

2022-23

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

## 5. NOTES TO THE ACCOUNTS

## 2022-23

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

5. NOTES TO THE ACCOUNTS

Assets included in note 5.16 within 'Other Land and Buildings' with a carrying value of £175 million at 31 March 2023 were revalued in full at the dates shown in the table below. Valuations as at 31 March 2023 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS) have been carried out on behalf of the Council by Messrs Wilks Head and Eve LLP, Chartered Surveyors. Vehicles, plant, and equipment have not been valued because any difference from depreciated historical cost would not be material.

**5.16.1 Rolling Revaluation**

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total	Investment Property
	£000	£000	£000	£000	£000	£000	£000
<i>Valued at historical cost</i>	-	4,292	336	964	4,483	<b>10,075</b>	-
<i>Valued at Fair Value</i>							
As at 31 March 2023	136,169	-	-	-	-	<b>136,169</b>	10,076
As at 31 March 2022	17,578	-	-	-	-	<b>17,578</b>	-
As at 31 January 2021	21,030	-	-	899	-	<b>21,929</b>	-
As at 31 January 2019	451	-	-	-	-	<b>451</b>	-
<b>Total cost or valuation as at 31 March 2022</b>	<b>175,228</b>	<b>4,292</b>	<b>336</b>	<b>1,863</b>	<b>4,483</b>	<b>186,202</b>	<b>10,076</b>

**5.17 Capital Expenditure and Financing Statement**

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

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
<b>10,571</b>	<b>Opening Capital Financing Requirement</b>	<b>17,544</b>
	<b>Capital Investment:</b>	
14,731	Property, plant and equipment	11,161
-	Intangible assets	78
1,232	Revenue expenditure funded from capital under statute	2,072
-	Loan advanced for capital purposes	835
	<b>Sources of finance:</b>	
(7,211)	Government grants and other contributions	(5,328)
(592)	Capital receipts	(267)
(945)	Revenue contribution to capital	(1,977)
	<b>Provision for repayment of debt:</b>	
(242)	Minimum revenue provision	(482)
-	InspireAll Loan Repayment	(484)
<b>17,544</b>	<b>Closing Capital Financing Requirement</b>	<b>23,152</b>
	<b><i>Explanation of movements in year:</i></b>	
<b>6,973</b>	(Decrease) / Increase in the underlying need to borrow (unsupported by government financial assistance)	<b>5,608</b>

**5.17.1 Capital Commitments**

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
	<b>Capital Commitments:</b>	
10,265	Asset Management	32,984
-	Human Resources & Customer Services	-
628	Planning & Economic Development	601
2,988	Environmental Health	27
-	Housing & Partnerships	2,248
3,973	Street Scene Services	3,115
163	Finance And Business Services	93
-	Loan to Hertsmere Development Company	-
<b>18,017</b>	<b>Total</b>	<b>39,068</b>

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

## Operating Leases

There are no operating leases.

*The Council as Lessor*

## Operating Leases

The council has a license fee arrangement with Elstree Studios Limited (EFS), a 100% owned subsidiary company, under which the council receives income for use of premises occupied by EFS. The amount received in 2022/23 was £1,700k (2021/22: £1,650k).

**5.19 Heritage Assets**

Heritage assets held by the authority

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

Carrying value

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

	<b>Artwork</b>	<b>Rose Garden</b>	<b>War Memorial</b>	<b>Total Heritage Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Carrying Amounts</b>				
<b>At 1 April</b>	<b>110</b>	<b>1,353</b>	<b>50</b>	<b>1,513</b>
Additions in year	-	-	-	-
Valuation movements	-	-	-	-
<b>At 31 March</b>	<b>110</b>	<b>1,353</b>	<b>50</b>	<b>1,513</b>
<b>Depreciation</b>				
<b>At 1 April</b>	-	(291)	-	(291)
Depreciation charged in year	-	(23)	-	(23)
<b>At 31 March</b>	<b>-</b>	<b>(314)</b>	<b>-</b>	<b>(314)</b>
<b>Net Carrying Amounts</b>				
<b>31 March 2022</b>	<b>110</b>	<b>1,062</b>	<b>50</b>	<b>1,222</b>
<b>31 March 2023</b>	<b>110</b>	<b>1,039</b>	<b>50</b>	<b>1,199</b>

**5.20 Investment Property**

Rental income from investment property of £691k (2021/22: £701k) has been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment property over the year:

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
<b>8,509</b>	<b>At 1 April</b>	<b>9,692</b>

5. NOTES TO THE ACCOUNTS

-	Additions in year	-
1,183	Net gains / (losses) from Fair Value adjustments	815
-	Disposals	(431)
-	Other movements	
-	Assets reclassified (to)/from Property, Plant and Equipment	-
<u>9,692</u>	<b>Level 2 balances at 31 March</b>	<u>10,076</u>
<u>9,692</u>	<b>Total</b>	<u>10,076</u>

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

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

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

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

**5.21 Intangible Assets**

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

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
	<b>Gross Carrying Amount</b>	
1,831	<b>At 1 April</b>	1,831
-	Additions in year	78
<u>1,831</u>	<b>At 31 March</b>	<u>1,909</u>
	<b>Amortisation</b>	
(1,310)	<b>At 1 April</b>	(1,427)
(117)	Charged in year	(110)
<u>(1,427)</u>	<b>At 31 March</b>	<u>(1,537)</u>
<u>404</u>	<b>Net Carrying Amount</b>	<u>372</u>

**5.22 Debtors**

<b>31 March</b>		<b>31 March</b>
<b>2022</b>		<b>2023</b>
<b>£000</b>		<b>£000</b>
	<b>Amounts receivable within one year:</b>	
	<i>Financial assets</i>	
2,358	Sundry debtors and accrued income	2,420
-	Due from group companies	3,320
523	Other loans	589
29	Employee car loans	32
<u>2,910</u>	<b>Total</b>	<u>6,361</u>
	<i>Non-financial assets and statutory debt</i>	
578	Council tax	889
431	Business rates	366
379	HM Revenue and Customs	268
65	Government departments and other local authorities	3,617
204	Housing Benefits overpaid	390
665	Prepayments	692
<u>2,322</u>	<b>Total</b>	<u>6,222</u>
<u>5,232</u>	<b>Total amounts receivable within one year</b>	<u>12,583</u>
	<b>Amounts receivable after one year:</b>	
	<i>Financial assets</i>	
2,269	Equity charge on properties	2,378
46	Employee car loans	30
755	Loans to subsidiary undertakings	835
4,253	Other loans	3,756
46	Other	47
<u>7,369</u>	<b>Total amounts receivable after one year</b>	<u>7,046</u>

**5.23 Investments**

Investments were held as follows:

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
	<b>Long Term Investments:</b>	
-	Investments in subsidiaries	491
5,000	Local Authorities	5,000
<b>5,000</b>	<b>Total Long Term Investments</b>	<b>5,491</b>
	<b>Short Term Investments:</b>	
10,008	Banks	6,056
30,084	Local Authorities	25,315
<b>40,092</b>	<b>Total Short Term Investments</b>	<b>31,371</b>

The Council's investment in subsidiaries comprises 491,100 ordinary shares of £1 each in Hertsmere Developments Limited and 1 ordinary share of £1 in Elstree Film Studios Limited. During the year the Council, in exchange for the transfer of two sites, acquired 491,000 shares of £1 each at nominal value in Hertsmere Developments Limited. Both Hertsmere Developments Limited and Elstree Film Studios Limited are 100% owned by the Council.

Other long term investments comprise:

- One £1 (12.5%) share in Broste Rivers Ltd which is the holding company of Hertfordshire Building Control Ltd (2022: £1 – 12.5%) .
- 14% of the ordinary shares of £1 each issued by Hertfordshire CCTV Partnership Limited (2022: 14%).
- 20,000 shares of £0.01 each in UK Municipal Bonds Agency PLC (2022: £200).

The average interest rate received on core investments during the year was 1.68% (2021/22: 0.33%). Short-term investments are held for periods of one year or less.

**5.24 Cash and Cash Equivalents**

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

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
777	Bank current accounts	890
27,607	Call deposit and money market funds	27,491
<b>28,384</b>	<b>Total</b>	<b>28,381</b>

## 5.25 Creditors

31 March 2022		31 March 2023
£000		£000
<b>Amounts payable within one year:</b>		
<i>Financial liabilities</i>		
4,208	Sundry creditors	4,032
-	Due to group companies	43
<u>4,208</u>	<b>Total</b>	<u>4,075</u>
<i>Non-financial liabilities and statutory debt</i>		
128	Accrual for accumulated absences (note 5.31.6)	133
250	HM Revenue and Customs - payroll taxes	455
13,155	Due to government departments and other local authorities	18,817
7,428	Receipts in advance	3,814
<u>20,961</u>	<b>Total</b>	<u>23,219</u>
<u>25,169</u>	<b>Total included in current liabilities</b>	<u>27,294</u>
<b>Amounts payable after one year:</b>		
<i>Financial liabilities</i>		
148	Other creditors	173
<u>148</u>	<b>Total included in non-current liabilities</b>	<u>173</u>

## 5.26 Provisions

2021-22	Municipal Mutual Insurance	Business Rates Appeals	Herts Building Control Ltd Losses	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2021</b>	75	2,613	134	2,822
Increase/(decrease) in provision during year	-	571	-	571
Amounts used	(17)	(1,821)	-	(1,838)
Classified as Long Term	-	(182)	-	(182)
<b>Balance as at 31 March 2022</b>	<u>58</u>	<u>1,181</u>	<u>134</u>	<u>1,373</u>

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

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

Business Rates Appeals - a provision in respect of the Council's share of the cost of successful appeals against valuations for business rates. Estimated settlement for the next 12 months is 86.63% of total calculated provision – this has been based on the methodology applied in the previous financial year during which the Council had a large number of 2017 List Check, Challenge and Appeal settlements.

Hertfordshire Building Control Ltd Losses - a provision to meet the Council's share of earlier potential losses reversed in 2022/23.

**5.27 Capital Grants Received in Advance**

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

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

The balances at the year-end are as follows:

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
<b>11,391</b>	<b>Balance at 1 April 2022</b>	<b>11,516</b>
1,970	New grants received in advance	216
50	Receipt in lieu of interest	192
(1,895)	Application of grants used in year	(3,211)
-	Amounts repaid	(103)
<b>11,516</b>	<b>Balance at 31 March 2023</b>	<b>8,610</b>

Interest in lieu is allocated to S106 balances whilst they are held on deposit by the Council.

## 5.28 Financial Instruments

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

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

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

### Impairment Loss Allowances

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

Financial Asset	Criteria
Investments, cash and cash equivalents	Based on the Council's approach to credit risk arising from deposits with banks and financial institutions which are detailed below, all deposits held at 31 March 2023 are considered to have low credit risk. Therefore 12 month expected credit losses have been calculated applying risk factors provided by the Council's treasury management advisors. This amounted to £291 (2022: £2,010) which is considered to be immaterial and has therefore not been reflected in the core financial statements. No allowance is required for deposits with central government and other local authorities as relevant statutory provisions prevent default.
Loans to businesses and group companies	Financial assessment prior to loan advance, financial performance and position of the third party or group company, internal information e.g. attendance at board meetings and any relevant external information. The Covid-19 pandemic required the Council to review the level of expected credit loss applicable to a loan to a third party that manages the Council's leisure centres. The loan was advanced to enhance leisure centre revenue generating activities which would finance loan repayments. The Council supports the view of the third party management team that a combination of their support measures and overall management will enable the company to fully recover from the pandemic and repay the loan in full over the agreed extended period. The Council has therefore maintained the level of expected credit loss at 4% (2023: £175k, 2022: £203k) and this amount has been earmarked against the Council's usable capital receipts (£5.138m at 31 March 2023).
Trade receivables	The expected lifetime credit loss allowance is based on the provision matrices policies applied by the Council. This calculation, based on the age of debt outstanding, is adjusted for any improving or worsening position applicable to specific debtors.

**Financial Instruments by Category**

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

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

<b>31 March 2023</b>	<b>Amortised Cost £000</b>	<b>Fair Value through profit or loss £000</b>	<b>Non- financial instrument balances £000</b>	<b>Balance Sheet carrying amount £000</b>	<b>Financial Instruments Impairment Allowance £000</b>
<b>Financial Assets</b>					
Long Term					
Investments	5,000	-	491	5,491	(20)
Long Term Debtors	4,668	2,378	-	7,046	(151)
Short Term					
Investments	31,371	-	-	31,371	-
Short Term Debtors	6,361	-	6,222	12,583	(617)
Cash and Cash Equivalents	28,381	-	-	28,381	-
					<u>(788)</u>
<b>Financial Liabilities</b>					
Short Term Creditors	(4,678)	-	(22,616)	(27,294)	-
Other Long term Liabilities	(173)	-	-	(173)	-
					<u>(788)</u>

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

**Income, Expense, Gains and Losses**

The following gains and losses arose in 2022/23 in relation to financial instruments.

<b>2021-22</b> <b>Financial</b> <b>Instruments</b> <b>measured at</b> <b>amortised</b> <b>cost</b> <b>£000</b>	<b>2022-23</b> <b>Financial</b> <b>Instruments</b> <b>measured at</b> <b>amortised</b> <b>cost</b> <b>£000</b>
<u>Financing and Investment Income and Expenditure</u>	
- Interest payable and similar charges	-
(345) Interest receivable and similar income	(1,345)
132 Impairment of Financial Assets	(93)
<hr/> <u>(213)</u>	<hr/> <u>(1,438)</u>

**Changes in Expected Credit Losses**

	<b>Allowance</b> <b>at 1 April</b> <b>2021</b> <b>£000</b>	<b>Allowance</b> <b>for assets</b> <b>originated</b> <b>or</b> <b>acquired</b> <b>£000</b>	<b>Allowance</b> <b>for assets</b> <b>derecognised</b> <b>£000</b>	<b>Allowance</b> <b>at 31</b> <b>March</b> <b>2023</b> <b>£000</b>
<b>Long Term Investments</b>				
- Lifetime credit losses	(20)			(20)
<b>Loans to businesses and group companies</b>				
- 12-month credit losses	(203)	28		(175)
- Lifetime credit losses	(107)	107		-
<b>Deposits with banks and building societies</b>				
- 12-month credit losses	-			-
<b>Trade receivables</b>				
- Grouped assets	(664)	65	6	(593)
<b>Total loss allowances</b>	<hr/> <u>(994)</u>	<hr/> <u>200</u>	<hr/> <u>6</u>	<hr/> <u>(788)</u>

**Credit Risk Exposure**

The Council had the following exposure to credit risk at 31 March 2023.

	Credit Risk Rating			Gross Carrying Amount £000
	Low £000	Medium £000	High £000	
<b>Deposits with banks and building societies</b>				
- 12-month credit losses	34,437	-	-	34,437
<b>Loans to businesses and group companies</b>				
- 12-month credit losses	6,398	-	-	6,398
- Lifetime credit losses	107	-	-	107
<b>Trade receivables</b>				
- Grouped assets	Not subject to credit rating			3,483
<b>Total amount exposed to credit risk</b>				<u>44,425</u>

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

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

As well as using the matrix produced by Link Asset Services, the Council limits its exposure to any one particular institution or group of banks and uses Fitch long-term ratings (or equivalent) to determine the amount of funds placed with each institution as follows (limits effective in 2022/23):

Category	Maximum Investment	Investment as at 31 March 2023	Call deposits at 31 March 2023 (included in cash and cash equivalents)
Higher Quality Rated Banks – rating AAA, AA+, AA and AA-	£10m		
UK Medium Quality Rated Banks and Building Societies - rating A+, A	£6m	1 deposit not exceeding £6m	1 deposit not exceeding Council's banker limit
Medium Quality Rated Non UK Banks – rating A+, A	£4m		
Local Authorities	£10m	5 deposits not exceeding £10m	
Part nationalised banks	£10m		
Unrated Building Societies or with rating below A - min £3B Asset Size	£3m		
Barclays Bank – Council's banker	£5m		
Money market funds – AAA	£10m		3 deposits not exceeding £10m
Enhanced Money market funds – AAA	£8m		
Debt Management Account Deposit Facility	Unlimited		

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

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

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

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

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

Trade Receivable	Age (Days)						Allowance at 31 March 2023 £000
	0-30 %	31-60 %	61-90 %	90- 180 %	180- 365 %	Over 365 %	
Other	0	15	30	50	80	100	(538)
Garage Rents	0	0	40	60	80	80	(11)
Parking	Provision is made based on age of Penalty Charge Notices.						(44)
							<b>(593)</b>

**Liquidity Risk**

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

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

### **Interest Rate Risk**

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

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

### **Price Risk**

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

### **Foreign Exchange Risk**

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

## 5.29 Defined Benefit Pension Scheme

### Participation in Pension Schemes

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

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

### Discretionary Post-retirement Benefits

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

### Transactions Relating to Post-employment Benefits

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

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

**5.29.1 Comprehensive Income and Expenditure Statement**

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
	<b>Cost of Services:</b>	
	<i>Service cost comprising:</i>	
4,341	Current service cost	4,346
1	Past service cost	-
	Finance and investment income and expenditure:	
875	Net interest expense	1,108
<b>5,217</b>	<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,454</b>
	<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:</b>	
	Re-measurement of the net defined liability comprising:	
(2,472)	Return on plan assets (excluding the amount included in the net interest expense)	10,749
(8,599)	Actuarial (gains) and losses arising on changes in financial assumptions	(50,714)
(1,509)	Actuarial (gains) and losses arising on changes in demographic assumptions	(1,044)
7,444	Other experience (gains) and losses	8,712
<b>(5,136)</b>	<b>Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement</b>	<b>(32,297)</b>

**5.29.2 Movement in Reserves Statement**

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
(5,217)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(5,454)
	<b>Actual amount charged against the General Fund for pensions for the year:</b>	
2,698	Employer's contributions payable to the scheme	2,846

**5.29.3 Pensions Assets and Liabilities recognised in the Balance Sheet**

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

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
(150,887)	Present value of defined benefit obligations	(112,577)
110,561	Fair value of scheme assets	101,940
<b>(40,326)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(10,637)</b>

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

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
	<b>Present Value of Defined Benefit Obligations:</b>	
<b>(147,583)</b>	<b>As at 1 April</b>	<b>(150,887)</b>
(4,341)	Current service cost	(4,346)
(1)	Past service cost	-
(2,957)	Interest cost	(4,080)
(616)	Contributions by scheme members	(664)
	<i>Re-measurement gains and (losses):</i>	
1,509	Actuarial gains and (losses) arising on changes in demographic assumptions	1,044
8,599	Actuarial gains and (losses) arising on changes in financial assumptions	50,714
(9,704)	Other experience gains and (losses)	(8,712)
4,207	Benefits paid	4,354
<b>(150,887)</b>	<b>As at 31 March</b>	<b>(112,577)</b>
	<b>Fair Value of Scheme Assets:</b>	
<b>104,640</b>	<b>As at 1 April</b>	<b>110,561</b>
2,082	Interest Income	2,972
616	Contributions by scheme members	664
2,698	Contributions by employer	2,846
	<i>Re-measurement gains and (losses):</i>	
2,472	Return on plan assets excluding the amount included in the net interest expense	(10,749)
2,260	Other experience gains and (losses)	-
(4,207)	Benefits paid	(4,354)
<b>110,561</b>	<b>As at 31 March</b>	<b>101,940</b>

**5.29.4 Pension Fair Values Scheme Assets**

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

	Year ended 31 March 2022			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000	£000	£000	%
<b>Cash and cash equivalents</b>	<b>6,469</b>	-	<b>6,469</b>	<b>6</b>
<b>Equity instruments:</b>				
<i>By industry type:</i>				
Consumer	1,577	-	<b>1,577</b>	<b>1</b>
Manufacturing	523	-	<b>523</b>	-
Financial Institutions	607	-	<b>607</b>	<b>1</b>
Health & Care	955	-	<b>955</b>	<b>1</b>
Information Technology	2,011	-	<b>2,011</b>	<b>2</b>
<b>Sub-total equity instruments</b>	<b>5,673</b>	-	<b>5,673</b>	<b>5</b>
<b>Debt Securities:</b>				
UK Government	8,112	-	<b>8,112</b>	<b>7</b>
Other	-	2,897	<b>2,897</b>	<b>3</b>
<b>Sub-total debt securities</b>	<b>8,112</b>	<b>2,897</b>	<b>11,009</b>	<b>10</b>
<b>Private Equity</b>	-	<b>8,079</b>	<b>8,079</b>	<b>7</b>
<b>Property:</b>				
UK Property	-	8,583	<b>8,583</b>	<b>8</b>
Overseas Property	-	6,190	<b>6,190</b>	<b>5</b>
<b>Sub-total property</b>	-	<b>14,773</b>	<b>14,773</b>	<b>13</b>
<b>Investment Funds and Unit Trusts:</b>				
Equities	40,639	-	<b>40,639</b>	<b>37</b>
Bonds	16,401	-	<b>16,401</b>	<b>15</b>
Infrastructure	-	67	<b>67</b>	-
Other	934	6,575	<b>7,509</b>	<b>7</b>
<b>Sub-total investment funds and unit trusts</b>	<b>57,974</b>	<b>6,642</b>	<b>64,616</b>	<b>59</b>
<b>Derivatives: foreign exchange</b>	-	<b>(58)</b>	<b>(58)</b>	-
<b>Total assets</b>	<b>78,228</b>	<b>32,333</b>	<b>110,561</b>	<b>100</b>

	Year ended 31 March 2023			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000	£000	£000	%
<b>Cash and cash equivalents</b>	<b>5,773</b>	-	<b>5,773</b>	<b>6</b>
<b>Equity instruments:</b>				
<i>By industry type:</i>				
Consumer	1,350	-	<b>1,350</b>	<b>1</b>
Manufacturing	596	-	<b>596</b>	<b>1</b>
Financial Institutions	512	-	<b>512</b>	<b>1</b>
Health & Care	802	-	<b>802</b>	<b>1</b>
Information Technology	1,790	-	<b>1,790</b>	<b>2</b>
<b>Sub-total equity instruments</b>	<b>5,050</b>	-	<b>5,050</b>	<b>6</b>
<b>Debt Securities:</b>				
UK Government	7,496	-	<b>7,496</b>	<b>7</b>
Other	-	2,985	<b>2,985</b>	<b>3</b>
<b>Sub-total debt securities</b>	<b>7,496</b>	<b>2,985</b>	<b>10,481</b>	<b>10</b>
<b>Private Equity</b>	-	<b>9,660</b>	<b>9,660</b>	<b>9</b>
<b>Property:</b>				
UK Property	-	8,615	<b>8,615</b>	<b>8</b>
Overseas Property	-	6,820	<b>6,820</b>	<b>7</b>
<b>Sub-total property</b>	-	<b>15,435</b>	<b>15,435</b>	<b>15</b>
<b>Investment Funds and Unit Trusts:</b>				
Equities	34,492	-	<b>34,492</b>	<b>34</b>
Bonds	13,396	-	<b>13,396</b>	<b>13</b>
Infrastructure	-	106	<b>106</b>	-
Other	953	6,901	<b>7,854</b>	<b>7</b>
<b>Sub-total investment funds and unit trusts</b>	<b>48,841</b>	<b>7,007</b>	<b>55,848</b>	<b>54</b>
<b>Derivatives: foreign exchange</b>	-	<b>(307)</b>	<b>(307)</b>	-
<b>Total assets</b>	<b>67,160</b>	<b>34,780</b>	<b>101,940</b>	<b>100</b>

### 5.29.5 Basis for estimating Assets and Liabilities

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

The estimated liabilities are based on a formal valuation as at 31 March 2022 and are updated to the current year by Hymans Robertson, the independent actuary to Hertfordshire Local Government Pension Scheme.

The principal assumptions used by the actuary are as follows:

31 March 2022		31 March 2023
	<b>Financial assumptions:</b>	
3.20%	Rate of increase in inflation / pension cost	3.00%
3.70%	Rate of increase in salaries	3.50%
2.70%	Rate for discounting scheme obligations	4.75%
45%	A commutation allowance is included for future retirements to elect to take 45% of the maximum additional tax-free cash up to HMRC limits.	45%
	<b>Mortality assumptions:</b>	
	Longevity at 65 for current pensioners (years)	
22.1	Men	22.0
24.7	Women	24.4
	Longevity at 65 for future pensioners (years)	
22.9	Men	22.4
26.1	Women	26.0

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

<b>Approximate Impact on the Defined Benefit Obligation in the Scheme</b>			
	<b>Percentage Increase to Employer Liability</b>		<b>Monetary Increase to Employer Liability</b>
	<b>%</b>		<b>£000</b>
0.1% increase in the Salary Increase Rate	0%		184
0.1% increase in the Pension Increase Rate	1%		1,613
0.1% decrease in Real Discount Rate	2%		1,771
1 year increase in member life expectancy	4%		4,503

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

The objectives of the scheme include that of keeping the employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a 20 year period. The Council is participating in this strategy in order to contribute to meeting the scheme deficit while maintaining contribution rates at their current levels at least until the next triennial valuation as at 31 March 2025. Meanwhile funding levels are monitored on an annual basis.

It is estimated that the Council will contribute approximately £2.833 million to the Local Government Pension Scheme during the year ending 31 March 2024.

<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>As at 31 March</b>	<b>2023</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>
(130,861)	(117,172)	(147,583)	(150,887)	Present value of defined benefit obligations	(112,577)
90,170	87,011	104,640	110,561	Fair value of employer assets	101,940
<b>(40,691)</b>	<b>(30,161)</b>	<b>(42,943)</b>	<b>(40,326)</b>	<b>Deficit in the scheme</b>	<b>(10,637)</b>

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

**5.30 Usable Reserves**

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

<b>31 March 2022 £000</b>		<b>Note</b>	<b>31 March 2023 £000</b>
(8,435)	General Fund	5.30.1	(8,520)
(31,842)	Earmarked Reserves (General Fund)	5.30.2	(27,508)
(5,086)	Capital Receipts Reserve	5.30.3	(5,138)
(18,325)	Capital Grants and Contributions Unapplied	5.30.4	(20,822)
<b><u>(63,688)</u></b>	<b>Total</b>		<b><u>(61,988)</u></b>

**5.30.1 General Fund**

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

<b>2021-22</b>		<b>Note</b>	<b>2022-23</b>
<b>£000</b>			<b>£000</b>
<b>(8,392)</b>	<b>Balance at 1 April</b>		<b>(8,435)</b>
(9,941)	(Surplus) / deficit on provision of services	4.2	(3,669)
13,679	Adjustments between accounting basis and funding basis under regulation	5.14	7,918
(3,781)	Transfers to (from) earmarked reserves	5.30.2	(4,334)
<b><u>(8,435)</u></b>	<b>Total</b>		<b><u>(8,520)</u></b>

**5.30.2 Earmarked Reserves**

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

<b>2021-22</b>		<b>Note</b>	<b>2022-23</b>
<b>£000</b>			<b>£000</b>
<b>(35,623)</b>	<b>Balance at 1 April</b>		<b>(31,842)</b>
3,781	Transfers (to) from earmarked reserves	5.30.1	4,334
<b><u>(31,842)</u></b>	<b>Total</b>		<b><u>(27,508)</u></b>

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

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

5. NOTES TO THE ACCOUNTS

The table below shows the reserve balances held at **31 March 2023** and the amounts transferred from / to the General Fund in order to meet future / current expenditure.

	Balance at 31 Mar 21 £000	Transfers Out 2021-22 £000	Transfers In 2021-22 £000	Balance at 31 Mar 22 £000	Transfers Out 2022-23 £000	Transfers In 2022-23 £000	Balance at 31 Mar 23 £000
3 Valleys Way Play Area	(102)	1	(100)	(201)	-	-	(201)
3 Valleys Way Swale	-	8	(150)	(142)	10	-	(132)
Building Reserve	-	-	-	-	-	(200)	(200)
Business rates equalisation	(6,858)	105	-	(6,753)	366	(1,650)	(8,037)
Collection fund deficit	(9,685)	3,294	-	(6,391)	5,942	-	(449)
CCTV Reserve	(114)	-	(15)	(129)	-	-	(129)
Civic Offices Sinking Fund	(347)	-	(55)	(402)	457	(55)	-
Corporate Consultation	(202)	-	-	(202)	-	-	(202)
Council Contribution to Pension Fund	(345)	133	-	(212)	117	(50)	(145)
Covid-19	(590)	123	-	(467)	467	-	-
EFS Sinking Fund	-	-	-	-	-	(200)	(200)
Elections Reserve	(36)	181	(254)	(109)	-	(43)	(152)
Emergency Funding	(1,496)	7	(7)	(1,496)	-	-	(1,496)
EWC Housing Zone	(155)	-	-	(155)	-	-	(155)
Fishers Park Play Area	(103)	-	-	(103)	-	-	(103)
Flexible Homeless Support	(114)	541	(537)	(110)	321	(454)	(243)
Housing & Council Tax Benefit Equalisation Account	(1,957)	514	(360)	(1,803)	349	(295)	(1,749)
Human Resources strategy	(181)	-	-	(181)	65	(200)	(316)
Information Services - Infrastructure Replacement	(317)	31	(15)	(301)	121	-	(180)
Innovation and Investment fund	(1,754)	89	(56)	(1,721)	206	-	(1,515)
Land Drainage	(308)	73	(15)	(250)	11	(10)	(249)
LDS reserve	-	-	-	-	60	(515)	(455)
Minor revenue grants	(1,970)	970	(878)	(1,878)	374	(783)	(2,287)
New Homes Bonus Equalisation Reserve	(3,414)	15	(475)	(3,874)	515	(475)	(3,834)
Non-recurring Items	(1,014)	-	(6)	(1,020)	-	(18)	(1,038)
Parking Repairs & Renewals	(879)	-	(100)	(979)	11	(100)	(1,068)
Parks Play Equipment	(306)	-	(10)	(316)	160	(10)	(166)
Recycling Initiatives	(747)	6	-	(741)	-	(153)	(894)
Uninsured Losses Garages Reserve	-	-	-	-	-	(189)	(189)
Uninsured Losses Reserve	(229)	-	-	(229)	-	(499)	(728)
Waste Services Vehicles Replacement	(1,587)	980	(513)	(1,120)	931	(350)	(539)
Other < £100k	(813)	630	(374)	(557)	167	(67)	(457)
<b>Total</b>	<b>(35,623)</b>	<b>7,701</b>	<b>(3,920)</b>	<b>(31,842)</b>	<b>10,650</b>	<b>(6,316)</b>	<b>(27,508)</b>

**5.30.3 Capital Receipts Reserve**

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

<b>2021-22</b> <b>£000</b>		<b>2022-23</b> <b>£000</b>
<b>(5,656)</b>	<b>Balance as at 1 April</b>	<b>(5,086)</b>
(22)	Receipts in year	(269)
-	Realisation of deferred capital receipts	(50)
592	Applied during the year	267
<b><u>(5,086)</u></b>	<b>Balance as at 31 March</b>	<b><u>(5,138)</u></b>

**5.30.4 Capital Grants Unapplied Account**

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

<b>2021-22</b> <b>£000</b>		<b>2022-23</b> <b>£000</b>
<b>(14,557)</b>	<b>Balance as at 1 April</b>	<b>(18,325)</b>
(4,298)	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(3,980)
530	Application of grants to capital financing transferred to the Capital Adjustment Account	1,483
<b><u>(18,325)</u></b>	<b>Balance as at 31 March</b>	<b><u>(20,822)</u></b>

The balance above includes Community Infrastructure Levy (CIL) funding of £19,384k (2021/22 £17,326k).

**5.31 Unusable Reserves**

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

<b>31 March 2022</b>		<b>Note</b>	<b>31 March 2023</b>
<b>£000</b>			<b>£000</b>
(86,214)	Revaluation Reserve	5.31.1	(102,946)
(74,385)	Capital Adjustment Account	5.31.2	(77,265)
(2,269)	Deferred Capital Receipts	5.31.3	(2,378)
5,135	Collection Fund Adjustment Account	5.31.4	(1,834)
40,326	Pension Reserve	5.31.5	10,637
128	Accumulated Absence Account	5.31.6	133
<b>(117,279)</b>	<b>Total</b>		<b>(173,653)</b>

**5.31.1 Revaluation Reserve**

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

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

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

<b>2021-22 £000</b>		<b>2022-23 £000</b>
<b>(79,853)</b>	<b>Balance as at 1 April</b>	<b>(86,214)</b>
(7,451)	Upward revaluation of non-current assets	(18,708)
-	Accumulated gains on non-current assets disposed	1,004
1,090	Difference between current value depreciation and historical cost depreciation	972
<b>(86,214)</b>	<b>Balance as at 31 March</b>	<b>(102,946)</b>

**5.31.2 Capital Adjustment Account**

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

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). During the year a minimum revenue provision of £482k (2021/22 £242k) was made towards reducing the Council's capital financing requirement which is further disclosed in note 5.17.

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>(63,946)</b>	<b>As at 1 April</b>	<b>(74,385)</b>
	<b>Reversal of items debited or credited to the CIES</b>	
2,422	Depreciation, impairment and amortisation	2,346
(2,838)	Impairment / Revaluation charged to the CIES	3,465
(1,183)	Movements in the market value of Investment Properties	(815)
1,232	Revenue expenditure funded from capital under statute	2,072
9	Non-current assets written out on disposal	601
-	Donated Assets	-
-	Financial Instrument Impairment Allowance	(28)
	<b>Transfers between revenue and capital resources</b>	
(242)	Minimum Revenue Provision	(482)
(946)	Capital expenditure charged against the General Fund	(1,977)
-	Investment proceeds recognition	(491)
	<b>Adjustments to capital resources</b>	
(592)	Use of Capital Receipts to finance capital expenditure	(267)
(7,211)	Application of capital grants and other contributions to finance capital expenditure	(5,328)
	<b>Adjustments involving the Revaluation Reserve</b>	
-	Accumulated gains on non-current assets disposed	(1,004)
(1,090)	Difference between current value depreciation over historic cost depreciation	(972)
<b>(74,385)</b>	<b>As at 31 March</b>	<b>(77,265)</b>

**5.31.3 Deferred Capital Receipts**

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

<b>2021-22</b> <b>£000</b>		<b>2022-23</b> <b>£000</b>
<b>(2,177)</b>	<b>Balance as at 1 April</b>	<b>(2,269)</b>
(92)	Deferred receipts - recognition of PPE & donated assets	(159)
-	Realised in year	50
<u><b>(2,269)</b></u>	<b>Balance as at 31 March</b>	<u><b>(2,378)</b></u>

**5.31.4 Collection Fund Adjustment Account**

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

<b>2021-22</b> <b>£000</b>		<b>2022-23</b> <b>£000</b>
	<b>COUNCIL TAX</b>	
<b>(127)</b>	<b>Balance as at 1 April</b>	<b>(223)</b>
(96)	Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	181
<u><b>(223)</b></u>	<b>Balance as at 31 March</b>	<u><b>(42)</b></u>
	<b>NON-DOMESTIC RATES</b>	
<b>8,843</b>	<b>Balance as at 1 April</b>	<b>5,358</b>
(3,485)	Amount by which non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates calculated for the year in accordance with statutory requirements	(7,150)
<u><b>5,358</b></u>	<b>Balance as at 31 March</b>	<u><b>(1,792)</b></u>
<u><b>5,135</b></u>	<b>Total</b>	<u><b>(1,834)</b></u>

**5.31.5 Pension Reserve**

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

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

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

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
<b>42,943</b>	<b>Balance as at 1 April</b>	<b>40,326</b>
(5,136)	Re-measurement of the net defined pension liability (note 5.29.1)	(32,297)
5,217	Reversal of items relating to retirement benefits debited or credited to the Surplus / (deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement (note 5.14 & 5.29.2)	5,454
(2,698)	Employers contribution payable to scheme (note 5.14 / 5.29.2)	(2,846)
<b>40,326</b>	<b>Balance as at 31 March</b>	<b>10,637</b>

**5.31.6 Accumulated Absences Account**

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

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
<b>106</b>	<b>Balance as at 1 April</b>	<b>128</b>
22	Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in accordance with statutory requirements	5
<b>128</b>	<b>Balance as at 31 March</b>	<b>133</b>

**5.32 Cash Flow Statement - Operating Activities**

<b>2021-22</b> <b>£000</b>		<b>2022-23</b> <b>£000</b>
	<b>Adjustments for Non-cash movements:</b>	
	<i>Charges for depreciation, impairment and amortisation of non-current assets:</i>	
557	Property, plant and equipment	(5,678)
(23)	Heritage assets	(23)
(118)	Intangible assets	(110)
1,183	Movements in the value of investment properties	815
92	Donated assets	159
	<i>Carrying amount of non-current assets sold:</i>	
(9)	Property, plant and equipment	(601)
(2,519)	Non cash pension costs	(2,608)
(50)	Movement in respect of internal interest	(192)
(10)	Increase / (decrease) in inventories	5
(225)	Increase / (decrease) in revenue debtors	5,030
(2,071)	(Increase) / decrease in revenue creditors & provisions	(3,333)
<b>(3,193)</b>		<b>(6,536)</b>
	<b>Adjustments for items that are investing or financing activities:</b>	
10,979	Capital grants credited to deficit on the provision of services	7,825
22	Proceeds from the sale of non-current assets:	760
<b>11,001</b>		<b>8,585</b>
	<b>The cash flows for operating activities include the following:</b>	
(372)	Interest received	(982)

**5.33 Cash Flow Statement - Investing Activities**

<b>2021-22 £000</b>		<b>2022-23 £000</b>
	<b>Investing activities</b>	
13,947	Purchase of property plant and equipment, investment property and intangible assets	12,428
5,000	Purchase of long-term investments	-
22,000	Purchase of short-term investments	15,000
242	Other payments for investing activities	1,559
	<b>Proceeds from the sale of non-current assets</b>	
(22)	Property plant and equipment	(269)
(38,000)	Proceeds from the redemption of short-term investments	(24,000)
(12,428)	Grants received towards the purchase of property plant and equipment	(4,936)
-	Other receipts from investing activities	(484)
<u>(9,261)</u>	<b>Net cash (inflow) / outflow from investing activities</b>	<u>(702)</u>

**5.34 Cash Flow Statement - Financing Activities**

<b>2021-22 £000</b>		<b>2022-23 £000</b>
	<b>Financing activities</b>	
(1,838)	Cash inflow from agency arrangements for the collection of NNDR and council tax	2,325
<u>(1,838)</u>	<b>Net cash (inflow) / outflow from financing activities</b>	<u>2,325</u>

### **5.35 Contingent Assets**

#### Proceeds of Right to Buy

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

#### Truck Cartel Case

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

### **5.36 Contingent Liabilities**

#### Financial Guarantees

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

**5.37 Related Party Transactions**

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

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

<b>Central Government</b>	Central Government has the effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a major proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of principal transactions with government departments are set out in note 5.9.
<b>Other local authorities and other bodies</b>	Details of the amounts precepted and demanded are set out in the council's Collection Fund Statement.
<b>Members</b>	<p>Members of the council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2022/23 is shown in note 5.10.</p> <p>Twenty-seven members represent the Council on the governing bodies of voluntary and community organisations. Grants totalling £436k (2021/22: £448k) were made to voluntary organisations by the council in the year. A further £102k of support has been distributed to foodbanks to support the community utilising the Household Support Fund.</p> <p>Details of the interests of members in external organisations are maintained in the Register of Members' Interests. CIL payments to Parish Councils totalled £240k. (2021/22: £190k).</p> <p>The following members hold Director positions on Hertsmere Developments Ltd, the Council's wholly owned subsidiary: Cllrs DJ Carter, HS Cohen and PJ Hodgson-Jones. Details of relationship described below.</p> <p>The following members hold positions of Director on Elstree Film Studios, the Council's 100% owned subsidiary: Cllrs M Bright, CS Clapper, PJ Hodgson-Jones, PB Morris, MP Reeve, PD Rutledge, L Selby. Details of relationship described below.</p>

<p><b>Chief Officers</b></p>	<p>Chief Officers are entitled to receive car loans from the Council. During the year no loans were made to chief officers (2021/22: £30k), repayments of £12.0k (2021/22: £7.5k) were received and £19.3k was receivable at 31 March 2023 (2022: £31.3k).</p> <p>The following Senior Officers of the Council hold positions of Director in Hertsmere Developments Ltd (HDL): P Geraghty, ML Bunyon, and HJ Shade. The Council's dormant company, Hertsmere Homes Ltd (HHL) is represented by ML Bunyon. RJH Patterson was appointed the Company Secretary of HDL and HHL. Details of relationship described below.</p> <p>Additionally, Senior Officer ML Bunyon holds position of Director in Broste Rivers Limited and its two subsidiaries Hertfordshire Building Control Limited and The Building Control (Hertfordshire) Limited. The Council has shared ownership of one-seventh of Broste Rivers Limited. Details of relationship described below.</p> <p>The following Senior Officers of the Council hold positions of Director in Hertsmere Living Ltd: Sajida Bijle and Emily Dillon the latter with effect from 2<sup>nd</sup> May 2023. Details of relationship described below.</p> <p>HJ Shade represents the Council on the CCTV partnership. Details of relationship described below.</p>
<p><b>Pension Fund</b></p>	<p>Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 5.29.</p>
<p><b>Elstree Film Studios Limited</b></p>	<p>Elstree Film Studios Limited (EFS) is a wholly owned subsidiary of the Council incorporated on 25 November 2003. The accounts for EFS are consolidated with the Council's accounts in the Group Accounts section.</p> <p>Since August 2018 the company has operated the premises owned by the Council and included in the Council's balance sheet at a net book value of £50.2 million (2022: £18.9 million) under a 30 year lease. The company pays the Council an annual rental based on its turnover, with a minimum rent of £1,200k (clause 6.4.1). For 2022-23 the annual rent was agreed at £1,700k net of VAT in accordance with clause 6.4 (2021/22 £1,650k).</p> <p>In August 2022, during planned maintenance, asbestos was discovered in three stages and some ancillary buildings, which were immediately closed to allow clean up and remediation works to be undertaken. As at the 31 March 2023 these stages and ancillary space remained closed and this is reflected in the asset value accordingly. The Council have initially funded the clean up and remediation works and have agreed to provide financial support to EFS whilst these works are undertaken. The apportionment of these costs will be agreed between the Council and EFS once the final cost position is known.</p>
<p><b>Hertsmere Developments Limited</b></p>	<p>Hertsmere Developments Limited has been established as a general commercial company limited by shares. The registered office is the council's civic offices. The company has issued share capital of 491,100 shares with a face value of £1 each, all of which are owned by Hertsmere Borough Council. The company will take forward development of land within the borough with a view to generating future income streams. The accounts for Hertsmere Developments Limited are consolidated with the Council's accounts in the Group Accounts section.</p>

<b>Hertsmere Living Limited</b>	Hertsmere Living Limited was incorporated on 21 December 2022 with the Council holding 50% of share capital. There have been no transactions during 2022/23.
<b>InspireAll (a company limited by guarantee)</b>	<p>InspireAll was the successful bidder when the contract to manage the Council's leisure services was re-awarded in 2011. The contract included management of leisure centres and community centres as before and in addition took over the activities previously managed by the Council's subsidiary Bushey Country Club Limited, together with the delivery of the play, 50 plus and parks events programmes previously provided by the Council itself. The Bushey Golf and Country Club was returned to the Council on 1 April 2018, with its future uses being out to consultation. It is currently on a short lease (five years with a two year break) to an events management company.</p> <p>The InspireAll contract was for an initial 10 years from 1 February 2012 and was subsequently extended to 2032. The contract stipulates that the Council should receive an annual management fee which amounted to £343k in 2022/23. The leisure contract has generated significant budget savings for the Council and is regarded as a contract which will deliver value for money for Hertsmere's residents. At the end of the contract, the premises, plant and machinery will be returned to the Council in the same condition. This ensures that the service delivery capability of the facilities is maintained and enhanced.</p> <p>In 2019 the Council provided a loan facility of £5 million to InspireAll to invest in the Council's assets, the loan to be repaid over the contract term. The loan balance at the end of 2022/23 is £4.363 million.</p>
<b>West Herts Crematorium</b>	The Council is represented on the Joint Committee, or governing body, of West Herts Crematorium. Each of the four Hertfordshire boroughs represented is required to contribute to any deficit incurred by the operations of the crematorium. The Council made no such contribution in the year (2022: £nil). The Joint Committee is required to return to the councils any surpluses arising after financing of capital expenditure, repayment of debt and transfers to reserves. During the year, the Council received a share of such surpluses in the sum of £50k (2022: £50k).
<b>Hertfordshire CCTV Partnership</b>	The Council participates in the Hertfordshire CCTV Partnership in conjunction with three other boroughs. The lead partner is Stevenage Borough Council, on whose premises the control and monitoring room is located. A limited company (Hertfordshire CCTV Partnership Limited, registration number 09295528) was formed in November 2014; the Council holds 14% of the share capital (£14) and is represented on the board. The company commenced trading on 1 April 2015. Its purpose is to enable the partnership to pursue commercial trading by providing services to third parties.
<b>Hertfordshire Building Control (Broste Rivers Limited)</b>	<p>The Council partnered with six local authorities across Hertfordshire to create a fully integrated Building Control service which was launched in August 2016. During 2019/20, an additional local authority joined the partnership to make a total of eight local authority partners. The Council holds 12.5% of the share capital (£8) and is represented on the board. Control is shared equally among the eight partners.</p> <p>In 2022/23 the Council, having reviewed the position, released a provision (£134k) for a potential share of earlier estimated losses. In August 2016 the Council made a loan of £107k to the company which is held in Long Term Debtors on the balance sheet.</p>

## 6.0 The Collection Fund Statement

## COLLECTION FUND 2021-22

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

**COLLECTION FUND 2022-23**

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

## 6. COLLECTION FUND

### 6.1 The Collection Fund

#### 6.1.1 General

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

#### 6.1.2 Provision for Irrecoverable Debts

During the year the provision for irrecoverable council tax was increased by £1,441k (2021/22: increase £808k). The provision for irrecoverable business rates was increased by £730 k (2021/22: increase £808k).

#### 6.1.3 Income from Business Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. During the year the rate with Small Business Relief was 49.9p (2021/22: 49.9p) and 51.2p (2021/22: 51.2p) with no relief. The total rateable value of properties for 2022/23 amounted to £114m (2021/22: £116m). The total amount, less certain reliefs and other deductions, is allocated amongst the Council, Hertfordshire County Council as a preceptor and DLUHC. The Council's share is paid into the General Fund.

6. COLLECTION FUND

**6.2 Precepts and Demands**

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

**Precepts, Demands and Shares**

	<b>Business Rates £000</b>	<b>Council Tax £000</b>	<b>Total £000</b>
DLUHC	19,157	-	<b>19,157</b>
Hertsmere Borough Council	15,326	8,232	<b>23,558</b>
Hertfordshire County Council	3,831	65,455	<b>69,286</b>
Hertfordshire PCC	-	9,544	<b>9,544</b>
Aldenham Parish Council	-	662	<b>662</b>
Elstree & Borehamwood Town Council	-	550	<b>550</b>
Shenley Parish Council	-	83	<b>83</b>
South Mimms	-	19	<b>19</b>
<b>Total</b>	<b>38,314</b>	<b>84,545</b>	<b>122,859</b>

### 6.3 Council Tax

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

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

For 2022/23 the numbers as approved by full Council on 26 January 2022 (Ref: C/22/02) were as follows:

Band	Valuation £			Number of dwellings equivalents (after applying discounts and premiums to calculate tax base)	Total number of band D equivalents (after allowance for council tax support)
				No.	No.
A	Up	to	40,000	505	337
B	40,001	to	52,000	1,814	1,411
C	52,001	to	68,000	5,011	4,454
D	68,001	to	88,000	11,983	11,983
E	88,001	to	120,000	7,943	9,708
F	120,001	to	160,000	4,030	5,821
G	160,001	to	320,000	4,362	7,270
H	Over		320,000	1,092	2,185
Removal of Empty Property Discount					200
<b>Total number of equivalent band D dwellings</b>					<b>43,369</b>
Assumption of 98.0% collection					42,502
Number of equivalent band D contribution in lieu					298
<b>Total tax base</b>					<b>42,800</b>

## GROUP ACCOUNTS 2022-23

### Introduction

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

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

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

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting 2022/23, consolidating any material subsidiary, associate or joint venture entities over which the Council exercises control or influence. Prior year comparative figures have been restated to reflect the inclusion of Hertsmere Developments Limited in the group accounts.

Group companies consolidated in these group accounts:-

- Elstree Film Studios Ltd (EFS), is a company formed in November 2003, since when the Council has owned 100% of shares purchased for a cash consideration of £1. Since August 2018 the arrangement with EFS consists of a 30 year lease with an annual rental, based on turnover, payable to the Council by the company for the use of the site. For 2022/23 this rental was £1.7 million.  
EFS provide film and television studio space and related production and back office units for hire within the media industry.
- Hertsmere Developments Limited (HDL) a wholly-owned local authority property development company (491,100 shares of £1 each). The principal activity of HDL is to explore property development opportunities and maximise its income stream. It was formed to assist the Council to deliver its regeneration, housing, financial and commercial objectives.

### Accounting Policies

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

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

## Going Concern

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

Much of the 2022/23 income was generated from already contracted major productions and new tenant licences. However in August 2022, during planned maintenance, asbestos was discovered in three stages and some ancillary buildings, which were immediately closed to allow clean up and remediation works to be undertaken. As at the 31 March 2023 these stages and ancillary space remained closed and this is reflected in the asset value accordingly.

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

The Council have initially funded the clean up and remediation works and the apportionment of these costs will be agreed between the Council and EFS once the final cost position is known. The demolition and rebuild costs will be funded by the Council as the owner and landlord.

Due to the Council's ongoing support the directors are confident of the Company's ability to continue trading as a going concern for the foreseeable future.

Hertsmere Developments Limited is funded by a combination of equity and loan funding provided by the Council. The company whilst operational is still in its infancy with its first two development projects now underway and due to complete in 2023/24. The company's operational costs are funded via a flexible working capital loan facility and the two projects are funded by separate development loans which are repayable on sale of the completed units. The working capital loan will be repaid from development profits.

Due to the Council's ongoing support the directors of HDL are confident of the Company's ability to continue trading as a going concern for the foreseeable future.



## 7.2 Group Comprehensive Income and Expenditure Statement

2021-22			2022-23			
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
1,638	(3,302)	(1,664)	Asset Management	8,183	(5,622)	2,561
189	-	189	Audit & Assurance	195	-	195
521	(2)	519	Executive Directors	558	-	558
607	(180)	427	Engineering Services	669	(24)	645
1,645	(323)	1,322	Environmental Health	1,698	(455)	1,243
30,738	(27,866)	2,872	Finance & Business Services	29,930	(26,742)	3,188
505	(81)	424	General Expenses	333	(99)	234
3,178	(1,415)	1,763	Housing Services	3,692	(1,285)	2,407
1,556	(69)	1,487	Human Resources & Customer Services	1,724	(95)	1,629
2,038	(542)	1,496	Legal & Democratic Services	1,743	(178)	1,565
2,168	(628)	1,540	Partnership & Community Engagement	2,020	(923)	1,097
3,549	(1,316)	2,233	Planning & Economic Development	3,808	(1,703)	2,105
7,961	(2,867)	5,094	Street Scene Services	9,067	(3,510)	5,557
304	(139)	165	Exceptional Items – Covid-19	-	-	-
1,642	(1,642)	-	Exceptional Items – Covid-19 Business Support Grant	-	-	-
67	(67)	-	Exceptional Items – Covid-19 Self isolation	-	-	-
3,029	(4,948)	(1,919)	Elstree Film Studios Ltd	4,204	(5,038)	(834)
178	-	178	Hertsmere Developments Limited	170	-	170
<b>61,513</b>	<b>(45,387)</b>	<b>16,126</b>	<b>Net Cost of Services</b>	<b>67,994</b>	<b>(45,674)</b>	<b>22,320</b>
1,225	(13)	1,212	Other Operating Expenditure	1,914	(759)	1,155
1,680	(2,896)	(1,216)	Financing and Investment Income and Expenditure	4,986	(6,647)	(1,661)
21,004	(47,028)	(26,024)	Taxation and Non-Specific Grant Income	16,967	(41,564)	(24,597)
33	-	33	Tax expense of subsidiary	67	-	67
<b>85,455</b>	<b>(95,324)</b>	<b>(9,869)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>91,928</b>	<b>(94,644)</b>	<b>(2,716)</b>
		(7,451)	(Surplus) / Deficit on revaluation of non-current assets			(18,708)
		(5,126)	Re-measurements of net pension liability			(32,387)
		<b>(12,577)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(51,095)</b>
		<b>(22,446)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(53,811)</b>

## 7.3 Group Balance Sheet

31 March 2022 £000		31 March 2023 £000
162,537	Property Plant and Equipment	186,845
1,222	Heritage Assets	1,199
9,692	Investment Properties	10,076
404	Intangible Assets	372
5,000	Long Term Investments	5,000
7,119	Long Term Debtors	6,211
<b>185,974</b>	<b>Long Term Assets</b>	<b>209,703</b>
40,092	Short Term Investments	31,371
4,933	Short Term Debtors	9,822
105	Inventories	2,072
29,547	Cash and Cash Equivalents	30,816
<b>74,677</b>	<b>Current Assets</b>	<b>74,081</b>
(25,906)	Short Term Creditors	(28,865)
(1,373)	Provisions	(420)
<b>(27,279)</b>	<b>Current Liabilities</b>	<b>(29,285)</b>
(182)	Provisions	(56)
(40,287)	Liability related to defined benefit pension scheme	(10,578)
(148)	Other Long Term Liabilities	(205)
(11,516)	Capital Grants Received In Advance	(8,610)
<b>(52,133)</b>	<b>Long Term Liabilities</b>	<b>(19,449)</b>
<b>181,239</b>	<b>Net Assets</b>	<b>235,050</b>
(63,863)	Usable Reserves	(61,210)
(117,376)	Unusable Reserves	(173,840)
<b>(181,239)</b>	<b>Total Reserves</b>	<b>(235,050)</b>

## 7.4 Group Cash Flow Statement

2021-22		2022-23
£000		£000
(9,869)	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(2,716)</b>
(3,355)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	(9,309)
11,001	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	8,585
<b>(2,223)</b>	<b>Net cash (inflow) / outflow from Operating Activities</b>	<b>(3,440)</b>
(9,206)	Investing Activities	(154)
(1,838)	Financing Activities	2,325
<b>(13,267)</b>	<b>Decrease / (increase) in cash and cash equivalents</b>	<b>(1,269)</b>
16,280	Cash and cash equivalents at the beginning of the reporting period	29,547
<b>29,547</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>30,816</b>



ANNUAL GOVERNANCE  
STATEMENT FOR THE  
FINANCIAL YEAR 2022/23

This Annual Governance Statement covers the 2022/23 financial year and up to the date of the approval of the audited accounts.

## **BACKGROUND**

1. The Accounts and Audit (England) Regulations 2015 require the Council to:
  - a) Ensure that it has a sound system of internal control (Regulation 3),
  - b) Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5),
  - c) Conducts a review at least once a year of the effectiveness of its system of internal control (Regulation 6),
  - d) Prepare an annual governance statement (Regulation 6),
  - e) Consider the findings of the review (either at a committee meeting or at Council) and, following that consideration, approve an AGS prepared in accordance with proper practices (Regulation 6), and
  - f) Approve the annual governance statement in advance of approval of the statement of accounts (Regulation 6).
2. A local authority shall undertake a review of its system of internal control in accordance with best practice. Delivering Good Governance in Local Government: Framework (2016), published by CIPFA and SOLACE, recommends that the review be reported in an Annual Governance Statement.
3. The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore, a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (CIPFA / LASAAC) states that the preparation of an AGS fulfils the statutory requirement for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control, and that Council’s should include an AGS report on the review in its Statement of Accounts. It also states that:
  - a) The statement shall relate to the governance system as it applied during the financial year for the accounts that it accompanies;
  - b) Significant events or developments relating to the governance system that occur between the reporting date and the date on which the Statement of Accounts is signed by the responsible financial officer shall also be reported; and
  - c) Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control shall include its group activities.
5. Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important

## 8. ANNUAL GOVERNANCE STATEMENT

to taxpayers and service users. They need to ensure that they meet the highest standards, and that governance arrangements are not only sound but are seen to be sound.

6. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework') defines governance as "Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."
7. The International Framework also states that "To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders."
8. Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own local code of governance ('local code' essentially refers to the governance structure), which in turn is consistent with the good governance principles in the Framework 2016. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.
9. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework 2016. It should therefore develop and maintain a local code of governance / governance arrangements reflecting the principles set out.
10. The seven core principles in the Framework 2016 are as follows:
  - a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law,
  - b) Ensuring openness and comprehensive stakeholder engagement,
  - c) Defining outcomes in terms of sustainable economic, social, and environmental benefits,
  - d) Determining the interventions necessary to optimise the achievement of the intended outcomes,
  - e) Developing the entity's capacity, including the capability of its leadership and the individuals within it,
  - f) Managing risks and performance through robust internal control and strong public financial management, and
  - g) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
11. The AGS should include the following information:
  - a) An acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance,
  - b) Reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate,
  - c) An opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework,

## 8. ANNUAL GOVERNANCE STATEMENT

- d) An agreed action plan showing actions taken, or proposed, to deal with significant governance issues,
- e) Reference to how issues raised in the previous year's annual governance statement have been resolved, and
- f) A Conclusion – a commitment to monitoring implementation as part of the next annual review.

### **SCOPE OF RESPONSIBILITY**

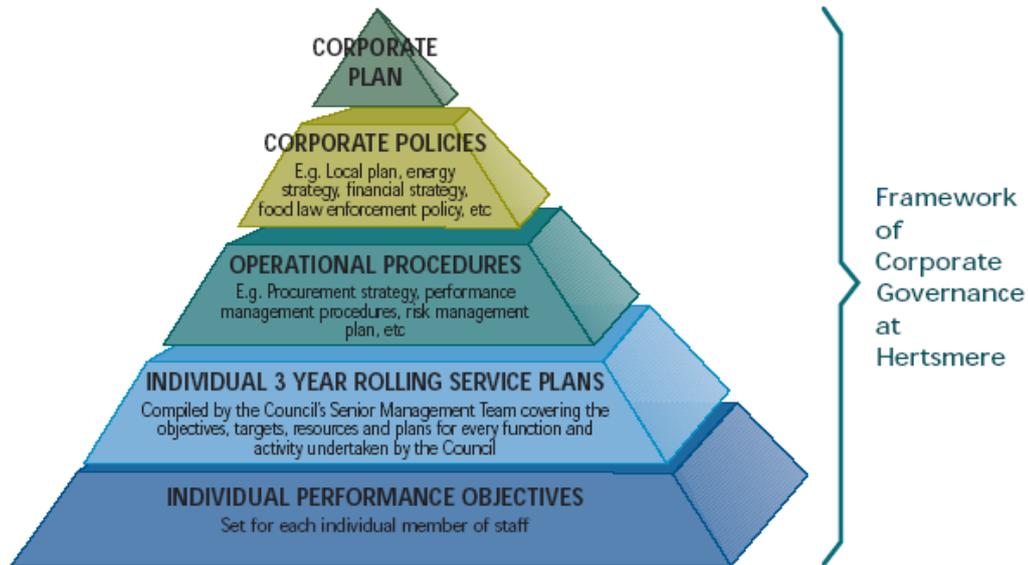
- 12. Hertsmere Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
- 13. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 14. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 15. This Governance Statement explains how the Council has maintained sound governance during the financial year 2022/23 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

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

- 16. The governance framework, which has been in place for the financial year 2022/23, comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.
- 17. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 18. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
- 19. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

### **THE GOVERNANCE FRAMEWORK**

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



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

**General**

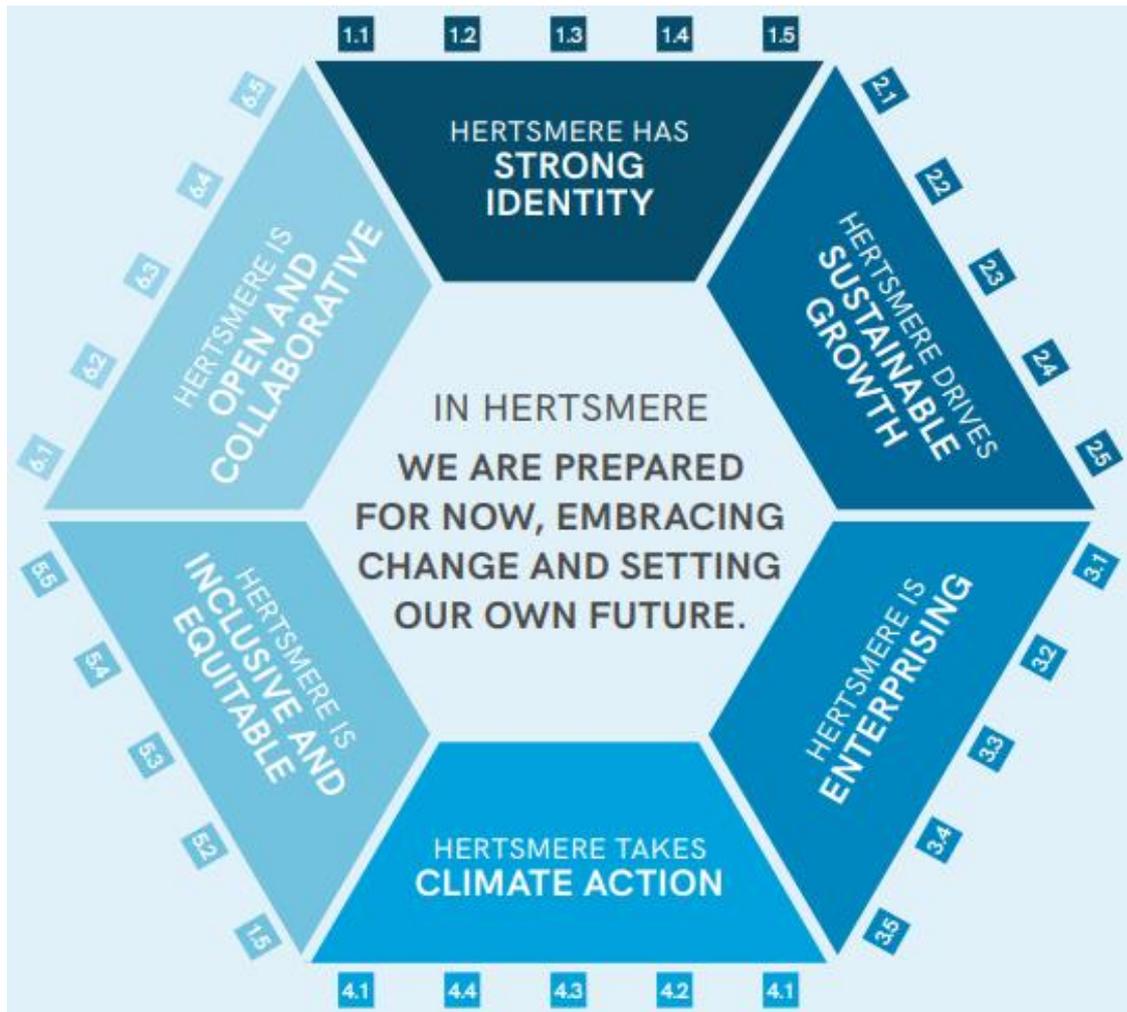
- 22. The Council has adopted the Leader and Cabinet style of political management under the Local Government Act 2000 and has a comprehensive Constitution to govern its actions and decision-making.
- 23. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council’s website and intranet.
- 24. The Council has an approved Local Code of Governance, which
  - a) Defines good governance,
  - b) Establishes and describes the seven principles of good governance in the 2016 Framework,
  - c) States its commitment to the principles of good governance,
  - d) Sets out the Council’s governance structure and framework specifically in terms of the seven principles within the 2016 Framework.
  - e) Establishes the arrangements and timing for ensuring that it operates effectively in practice.
- 25. The Local Code of Governance is included as an Appendix to the Annual Governance Statement, which is available on the Council’s website and intranet and should be read together with the AGS.
- 26. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.

27. The Chief Officers' Board and the Senior Management Team are aware of the financial and other procedures and controls outlined in the Constitution, and the Managing Director and each Head of Service is required to sign a declaration of compliance, in the form of a Service Assurance Statement, at the end of each year – this evidences amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
28. Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as on an annual basis. All staff complete an outside commitments form which for senior officers would include directorships. A Related Party Declaration is also completed by Members and Senior Officers.

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

29. The Council and its partner agencies in the Local Strategic Partnership (LSP) Hertsmere Together have a Sustainable Community Strategy which is underpinned by the Council's Corporate Plan. The Community Strategy was reviewed during 2022 and the revised strategy will be launched at the LSP and be adopted by the Council in 2023.
30. The Community Strategy and Corporate Vision ensure that the Council's strategic plans, priorities and targets are robustly developed in consultation with local communities and other key stakeholders.

The Corporate Plan and associated Performance Management Framework was reviewed during 2022. The high-level vision and priorities were agreed by the Council in November 2021 and contained in the Hertsmere Vision 2022-27 as below:



<ul style="list-style-type: none"> <li>1.1 Maximise our location</li> <li>1.2 Celebrate our heritage and identities</li> <li>1.3 Know that our place is our people</li> <li>1.4 Encourage vibrant and thriving town centres</li> <li>1.5 Protect our precious natural environment</li> </ul>	<ul style="list-style-type: none"> <li>4.1 Increase biodiversity and ecology</li> <li>4.2 Green our infrastructure</li> <li>4.3 Recycle our resources</li> <li>4.4 Accelerate towards net zero</li> <li>4.5 Seek a cleaner and greener construction industry</li> </ul>
<ul style="list-style-type: none"> <li>2.1 Secure the right growth in the right place</li> <li>2.2 Promote mixed use and efficient development</li> <li>2.3 Make it easy to move</li> <li>2.4 Create places for all</li> <li>2.5 Value infrastructure first</li> </ul>	<ul style="list-style-type: none"> <li>5.1 Champion social justice</li> <li>5.2 Keep residents safe</li> <li>5.3 Improve mental and physical wellbeing</li> <li>5.4 Support inclusive communities</li> <li>5.5 Create affordable communities</li> </ul>
<ul style="list-style-type: none"> <li>3.1 Capitalise on our creative industries</li> <li>3.2 Grow an innovative and resilient economy</li> <li>3.3 Support big and small business</li> <li>3.4 Help our future workforce match our economy</li> <li>3.5 Target the investment we want</li> </ul>	<ul style="list-style-type: none"> <li>6.1 Lead with purpose</li> <li>6.2 Maintain relationships</li> <li>6.3 Act with integrity</li> <li>6.4 Communicate regularly and honestly</li> <li>6.5 Embrace and champion change</li> </ul>

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

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

## 8. ANNUAL GOVERNANCE STATEMENT

32. The Vision was agreed at Council in November 2021. This is supported with an Annual Corporate Action Plan and Annual Report of Performance. The Performance Management Framework has also been revised to reflect the new arrangements. The Corporate Plan is reviewed annually.
33. The Corporate Plan for 2022/23 was agreed at Executive in March 2022.
34. The Hertsmere Vision and Corporate Plan will always form part of the Council's governance arrangements as, together with the Community Strategy, they fully encompass Council and community priorities for the Borough and they are used to inform other key documents such as the Council's Medium-Term Financial Strategy.
35. The Council publishes an Annual Statement of Accounts, which show its activities, achievements, financial position and performance.

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

36. The Corporate Plan and Annual Action Plan provide the benchmarks for performance within the Council, and the Annual Report of Performance and Annual Statement of Accounts shows the achievements against the Plan. The Council allocates resources based on its priorities, as set out in the Plan as well as in other Policy Framework Documents and the Communications Strategy and Residents' Survey.
37. The Council has made proper arrangements for monitoring and reporting performance through the Executive Performance Management Panel and Scrutiny Committees and has sound systems to provide management and financial information. Where performance does not meet the planned levels, the Panel may refer the matter to the Scrutiny Committee for a more in-depth review.
38. The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (i.e. Comments, Compliments or Complaints) through the approved Customer Feedback Procedure.
39. The Council aims to use its resources efficiently, effectively and economically – the Constitution provides specific guidance in this.
40. The Council has entered into a number of shared service initiatives, e.g. with Hertfordshire County Council, Broxbourne Borough Council, Dacorum Borough Council, East Herts Council, North Herts District Council, Stevenage Borough Council, Three Rivers District Council, Watford Borough Council and Welwyn Hatfield Borough Council as well as the Hertfordshire Constabulary.

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

41. The Council's Constitution sets out the roles and responsibilities of both Members and officers. It also commits the Council to provide clear leadership to the community. It aims to enhance the involvement of citizens in decision-making and make the decision-making process efficient, effective and transparent and those involved in it accountable.
42. There are regular meetings of the Council, the Executive, the Management Board and the Senior Management Team.
43. In addition, there are regular meetings of the Planning, Licensing, Operations Review, Policy Review, Personnel, Standards and Audit Committee. Each has a clear Terms of Reference covering the business they conduct.

44. There is a realistic level of delegation in place, which permits the Council's business to be conducted as effectively as possible.
45. Committee terms of reference and levels of delegation are kept under review to ensure that there is a clear demarcation of roles between the Council, Executive and various Committees, and between the Committees and officers. These boundaries are understood in order to manage reputational and uninsurable risks that are contrary to the best interests of the Council, and it is advisable to have regular training in respect of these roles.
46. The Council's Forward Plan and publication of minutes provides the Operations Review Committee and the Policy Review Committee with proposed and recently made executive decisions including key decisions, which are used to determine items for call-in or scrutiny.
47. In addition, the Council has created a list of policies and strategies, which identifies the responsible officer and when the policy is due for review. This document is used by councillors wishing to raise items on the scrutiny agenda.
48. The Constitution includes roles and responsibilities of the three statutory officers, and the Chief Officers, as well as Proper Officer Functions. In addition, each Head of Service has an up-to-date Scheme of Delegation which is reviewed annually. Roles and responsibilities of officers are further defined in the job descriptions for each post.
49. The Constitution also provides a Protocol for Member/Officer Relations and Codes of Conduct, which define the standard of behaviour that the Council requires of both Members and Officers. These also ensure that Members and Officers are not influenced by prejudice, bias or conflict of interest in their work.

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

50. The Council's Constitution sets out:
  - a) Code of Conduct for Members:  
The Council has adopted the LGA Model Code of Conduct for Councillors. This includes General Provisions, Interests and the Register of Members' Interests, including Gifts and Hospitality and Related Party Declarations. The Register entries are renewed annually and when Members are elected or re-elected. Members are regularly advised to keep their entries accurate and up to date. The Register is subject to review by both Management and SIAS. Members are also required to declare the existence and nature of interests at meetings and these are recorded in the minutes of the meeting,
  - b) Local Code of Guidance for Members and Officers involved in Planning Matters:  
This includes conduct of Members and officers, Procedures for Committees considering Planning Matters, Site Visits by Members and by the Planning Control Committee,
  - c) Officers' Code of Conduct:  
This includes Duties, Disclosure of Information, Political Neutrality, Outside Commitments, Personal Interests, Interests of Officers in Contracts, Gifts and Hospitality and Related Party Declarations. Appointment and other employment matters, Use of Financial Resources and Disciplinary Rules. Officers are regularly reminded to record any offers of gifts and hospitality, and
  - d) Protocol on Member Officer Relations:  
This includes the Principle's underlying Member Officer Relations, the roles of Members and Officers, the relationships between the Mayor and officers, the Leader and Members of the Cabinet and officers, the Chairmen and Members of Committees and officers, Officer relationships with Party Groups, etc.

## 8. ANNUAL GOVERNANCE STATEMENT

51. Copies of the Council's Constitution are available to all on the Council's website and at Council Offices (including the Members' Room), libraries and other appropriate locations.
52. In addition, Induction Training is provided to all newly elected Members and new employees and the Council has been awarded the Elected Members' Development Charter. In a digital world, there is also an emphasis on responsible use of social media.

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

53. The Constitution and the decision-making structures (both Members and officers) are regularly reviewed to ensure that they are up-to-date, relevant, in line with good practice and fit for purpose. In the period covered by this Statement, the work of the Constitution and Member Development Working Party included consideration of the Association of Electoral Administrators health check and a Periodic Governance Review which was approved by the Council on 21 September 2023.
54. The Constitution sets out the Council's Policy Framework which includes the following plans and policies at Article 4:
- Community Strategy
  - Corporate Plan
  - Community Safety Partnership Plan
  - Economic Development Strategy
  - Financial Strategy including the Efficiency Plan
  - Gambling Policy
  - Homelessness and Rough Sleeping Strategy
  - Local Development Documents which include the Local Development Framework; the Local Plan Core Strategy and Site Allocation and Development Management Development Plan Document
  - Risk Management Strategy
  - The Local Code of Governance
  - Treasury Management Strategy
  - Workforce Strategy
55. The Council has an approved Risk Management Strategy, which sets out:
- the key features of its risk management system
  - roles and responsibilities with regard to risk management
  - its overall approach to the management of risk
  - actions to embed the process in future periods
56. The Council's Risk Register is recorded on Pentana the Council's Performance and Risk management software. This includes both Strategic and Operational risks. The Risk Management Strategy provides an introduction to the risk management framework, definitions and how to identify assess and manage risks. The use of a risk matrix enables the assessment level of the risks to be readily identified.

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

57. The Audit Committee has Terms of Reference, which are included in the Council's Constitution and are regularly reviewed to ensure compliance with recognised best practice - the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities and Police". Responsibilities arising from the Bribery Act were added. The Audit Committee is the nominated body responsible for the scrutiny of the Treasury Management function and receives a minimum of three reports per annum in accordance with the Treasury Management Code of Practice.
58. The Audit Committee may require any officer to attend meetings of the Committee, so it may receive explanations regarding any matter that it is considering.
59. At the beginning of each financial year, the Committee establishes a Work Program and at each Committee, it receives reports from officers setting out performance against listed items.
60. The Audit Committee Chair presents a report on the work of the Committee to the Full Council.

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

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

Members:

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

Employees:

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

Other:

- a) The Constitution and other policies and procedures are available on the Council's website, intranet and as hard copy,
- b) Officers prepare timely reports to all of the Council's decision-making bodies (including the Executive, the Audit Committee and the Chief Officers' Board) on statutory requirements and proposals regarding their implementation,
- c) Standard report formats require officers to consider the implications of Corporate Policy, Finance, Health and Safety, Legal, Personnel and Risk Management,
- d) The Governance Group meets quarterly to review policy and track changes in legislation, and
- e) The work of the Council's external auditors, who report to members, officers and the Council's stakeholders if they have been required to issue a report in the public interest or exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014, including applying to the court for a declaration that an item of account is contrary to law.

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

62. The Council's Whistle-blowing Policy was reviewed and updated in June 2017 to ensure that staff can continue to raise concerns in confidence and without fear of retribution in relation to actual or perceived unlawful conduct, financial malpractice or dangers to the public and the environment. The Policy is available on the Council's Website and Intranet and covers malpractice or wrongdoing by:
- a) Any Member of the Council,
  - b) Any employee of the Council, and

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

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

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

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

64. On taking up office, all Members are required to attend a comprehensive Members' Induction Course. The Constitution states that the Council's Standards Committee is responsible for "advising, training or arranging to train Councillors and co-opted members on matters relating to the Members' Code of Conduct".
65. The Constitution also states that "All Members appointed to the Planning Committee (and all other Members who may from time to time consider a planning application) must receive training in planning procedures. Induction training in planning procedures shall be provided to all Members, either before serving on the Committee or within two months of appointment."
66. The Council has also identified the need to provide role descriptions and training to members nominated or appointed by the Council to the Boards of Management of Council owned companies and dedicated training had been delivered by the Institute of Directors to the member and officers who currently act as non-executive directors or company secretaries to Elstree Film Studios Limited, Hertsmere Developments Limited and Hertsmere Homes Limited.
67. Senior Officers' training needs are identified (and regularly monitored) as part of the Council's Continuous Performance Review Scheme (appraisals). In addition to the Corporate Training Programme and various professional development courses, seminars and conferences, a variety of Management Development Courses, Project Planning and mentoring facilities have been delivered to senior managers.

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

68. Opinion Research Services has been commissioned by the Council to undertake a survey in which the Council wished to examine residents' views on a range of services. Overall the results have historically been very positive for the Council, showing improvements in key areas. The chart below shows the response to key questions from each year the survey was carried out since 1999. The most recent survey was conducted in early 2018 with the next resident's survey scheduled for autumn 2023. Overall, the results show that Hertsmere Borough Council is performing similarly to other councils nationally. Hertsmere Borough Council figures have fallen back when benchmarked against the Hertsmere 2014/15 survey but are generally at similar levels to other council areas in the country, and in some cases better (LGA Survey Results).

8. ANNUAL GOVERNANCE STATEMENT

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

69. The Council's official magazine "Hertsmere News" is published three times a year and delivered throughout the Borough.
70. The Council's upgraded website has provision for residents and interested parties to register to receive e-alerts on topics which are of interest of them or for all council alerts. In addition, the Council has an active presence on social media platforms, including Facebook, Instagram, Twitter and Youtube.
71. Residents and property / business owners in the Borough are able to submit relevant questions in writing for consideration and response at Council meetings.
72. There is a facility for the Council to receive petitions should a group of residents feel strongly about an issue that relates to or affects the Council's functions or the Council has an interest in or involvement with.
73. Some Committee meetings of the Council, including the Executive and Planning Committee are webcast.
74. Members of the public (by prior arrangement only) are also able to speak at a Planning Committee on any application being considered at that meeting.
75. The Council is subject to the requirements of the Freedom of Information Act 2003 and the Local Government Transparency Code 2014, the approaches of which are to provide demand-led, open, honest, timely and transparent information to all stakeholders without compromising confidentiality.
76. The Council has established clear channels of communication with its staff, e.g. briefings from the Managing Director, regular Directorate meetings and weekly 'All Staff' e-mails and a regular Hertsmere in Focus publication for staff and Councillors.

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

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

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

78. The Council is committed to improving and supporting collaborative working of all kinds, although the wide range of partnership models do make it very difficult to prescribe a single set of arrangements. However, partnership working should not result in diminished accountability to the public.
79. There is a Partnership Governance Framework in place for significant partnership and the register of such partnerships and shared services is reviewed on an annual basis by the Governance Group and by the Policy Review Committee. For the organisations which the council supports through core funding there are individual Service Level / Partnership Agreements in place and there are regular

meetings with partners to monitor the performance of the work carried out by the organisation / partnership. All Service Level / Partnership Agreements are subject to an annual review with a full review carried out every five years ahead of any renewal of agreements.

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

### **REVIEW OF EFFECTIVENESS**

81. The Council has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
82. This review is informed by those Members and officers, who have the responsibility for the development and maintenance of the governance environment, including:
- a) The work of Members at Council, Executive, Overview and Scrutiny Committees, the Audit Committee, the Standards Committee and Financial Monitoring Panel,
  - b) The work of the Corporate Governance Group,
  - c) The annual Service Assurance Statements prepared by the Directors and Heads of Service relating to internal controls, performance and risk management within their areas of activity,
  - d) The Head of SIAS's Annual Assurance Statement and Annual Report as well as the individual audit reports, and
  - e) Reports made by the Council's External Auditors and any other review agencies and inspectorates.

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

#### **The Council**

83. The full Council comprises 39 Members, who as a collective, approve the Council's annual Revenue and Capital Budgets, set the Council Tax, approve the Policy Framework and take decisions that are contrary to, or not in accordance with, the Budget or the Policy Framework. Full Council also takes a range of decisions that are reserved to it such as approving the Council's Constitution, electing or removing an Executive Leader (in Hertsmere called the Leader of the Council), establishing a number of committees to discharge the Council's regulatory, scrutiny and non- executive functions, approving an Officers Scheme of Delegations, making by-laws and making a Scheme of Allowances for Members.
84. At the Annual Meeting in May 2022 the Council noted the appointment by the Leader to the Executive of a Deputy Leader and six other portfolio-holders. The Council also elected a Mayor, appointed a Deputy Mayor and appointed members to the standing Committees in accordance with the requirements of political balance and appointed a number of members to represent the Council on a range of outside bodies for the coming municipal year. At its meetings in November 2022 and January 2023 and following a change in the composition of the political groups, the Council reviewed and agreed appointments in line with the requirements of political balance
85. The Council met eight times during the last financial year comprising of an annual meeting, six ordinary meetings and one extraordinary meeting. Agendas, Open Reports and Minutes are permanently available on the Council's website.

#### **The Executive**

86. The Executive comprises the Leader of the Council and seven other members appointed by him, one of whom is also appointed as Deputy Leader. The Executive is responsible for developing the

annual budget, for the development and implementation of Council policy, for the delivery of the Council's corporate plan priorities, for ensuring that the officers team have sufficient resources to effectively discharge all the Council's statutory and discretionary functions and for setting and monitoring service standards and service delivery performance indicators.

87. Each Member of the Executive has responsibility for a range of Council functions, known as a portfolio and each portfolio-holder is required to work closely with Directors and Heads of Service and develop an in-depth knowledge of their portfolio area.
88. The dates of all Executive meeting are pre-published and all executive decisions have been taken in public apart from a small number of reports which were considered and determined after the press and public has been lawfully excluded (for example, to protect personal or commercially sensitive information or to receive confidential legal advice). Agendas, open reports and the minutes of the meetings are available on the Council's web site and all background documents can be inspected by the public for six years after the date of the decision.
89. The Executive are unable to take key decision that have not been published in the Forward Plan unless the general exception or urgency procedures are followed and officers are unable to implement key decisions until the five day 'call-in' period has elapsed – except for those decisions taken under urgency procedures.
90. The Executive met 9 times during the 2022/23 financial year. Agendas, Open Reports and Minutes are permanently available on the Council's website.

#### The Review Committees

91. At the Annual Meeting in 2022, Council appointed two Review Committees. These were the Operations Review Committee and the Policy Review Committee whose role is to scrutinise the decisions and performance of the Executive and the Council as a whole, to call-in unimplemented executive decisions for re-consideration and to undertake policy development and review work. Both Committees have the power to require executive member and officers to appear before them to give account and have extensive rights of access to Council records and information to enable them to effectively discharge their functions. It is important to maintain the clear demarcation between the conduct of executive functions and the scrutiny of executive decisions as part of democratic accountability.
92. The Operations Review Committee has responsibility for reviewing all aspects of the Council's operational business and met seven times in 2022/23. It set and monitored its own work plan which included regular Financial and Performance Monitoring, the receipt of presentations from Executive Portfolio-holders and consideration of the annual reports of Elstree Film Studios Limited and InspireAll Leisure Limited.
93. The Policy Review Committee has responsibility for keeping the Council's strategies and plans under review, for reviewing the draft budget and financial performance of the Council and for overseeing the enterprise and regeneration agenda of the Council. It met nine times during 2022/23 and its work plan included Adoption of an Anti-Fraud and Corruption Strategy and Anti-Money Laundering Policy and consultation on the setting of the capital and revenue budgets.
94. If a councillor refused to attend a review meeting after first being required to attend, it would be dealt with as a potential breach of the Members Code of Conduct for bringing his or her office into disrepute. An officer in the same position would be dealt with under the Disciplinary Policy.
95. Shareholder & Investment Committee

At the Annual Meeting in 2022 the Council appointed the Shareholder & Investment Committee (SIC) whose role is to secure the efficient and effective discharge of the Council's functions as a

shareholder and investor in all Council owned or controlled trading companies, including Elstree Film Studios Limited (EFS) and Hertsmere Developments Limited (HDL) or any other trading company or holding company of a trading company in which the Council is a shareholder and/or an investor and to make recommendations to the Executive and the Council thereon. The SIC met four times in 2022/23 and received regular updates from HDL, EFS and Hertsmere Living Limited (HLL) as well as scrutinising reports for loan funding prior to consideration by the Executive.

#### Member Panels

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

#### The Standards Committee

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

The Standards Committee met once during 2022/23 The Standards Assessment Panel which considers whether a complaint against an elected or co-opted member warrants investigation or other action, met on 3 occasions and considered 7 complaints and an investigation report. The Panel resolved to take 'No Further Action' in relation to 4 complaints and requested apologies in relation to 3 complaints. When one of the subject members refused to apologise, the complaint was referred to the Monitoring Officer to procure an investigation.

#### Members' and Officers' Allowances and Expenses

98. Members' Allowances:  
Member Allowances increased by 4% in 2022/23 due to the link recommended by the Independent Remuneration Panel to the annual pay award given to the majority of Council Officers. The actual allowances and expenses received by members in 2022/23, including those received by members appointed by the Council as directors of Council owned and controlled companies, will be reported to full Council in June 2023 and thereafter published on the Council's website.
99. Officers' Allowances & Expenses:  
Allowances are stipulated by individual employment contracts, whereby the Human Resources Team instructs the Payroll Team as to the payment to be made.

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

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

#### Senior Management

101. There are three Council officers who are statutory appointments – the Managing Director's role as the Head of Paid Service, the Head of Finance and Business Services as the Section 151 Officer and the Head of Legal and Democratic Services as the Monitoring Officer.
102. The Chief Officers' Board (Managing Director and Executive Director), together with the Heads of Partnerships, Community Engagement and Housing, Finance and Business Services, HR & Customer Services, Street Scene, Planning and Economic Development, Asset Management and Engineering Services, Environmental Health and Legal and Democratic Services comprise the Senior Management Team, which met formally on a monthly basis during 2022/23 with additional informal meetings as required. The SIAS Client Audit Manager also attends Senior Management

Team.

103. Each Director and Head of Service has completed and signed off a personal Service Assurance Statement. These statements have been designed to require each officer to certify the effective operation of the control environment in their service area – including arrangements for performance management and risk management. As a consequence, these Statements are key supporting documents in identifying any significant governance issues.

#### Corporate Governance Group

104. The Corporate Governance Group is chaired by the Managing Director, in their capacity as the Council's Head of Corporate Governance.
105. The Group met four times during the financial year and received reports and updates covering Ethics and Standards, New Legislation, Officer and Member Issues, Internal Control, Internal Audit, Counter-fraud and Corruption, Health and Safety, Partnerships and Performance Management and Risk Management and other current governance matters.

#### Performance Management

106. The Performance Strategy remains a key link between the Hertsmere Vision, Community Strategy, the Corporate Plan, Service Plans and individual Key Result Areas – “the golden thread”.
107. Local Performance Indicators have been regularly collected, analysed, risk managed alongside the Corporate Plan Annual Action Plan and reported to Members and senior management – the process is facilitated by a software package, Pentana.
108. An Executive-led Performance Management Panel, which comprises key Members and Senior Officers, has met on a quarterly basis to consider selected key performance indicators and the delivery of the Corporate Annual Action Plan where the performance is deteriorating or below target, the Panel may refer the matter to Scrutiny. The quarterly performance report has also been presented to the Executive on a quarterly basis.
109. The Financial Monitoring Panel has met on a monthly basis, since the end of quarter 1, to scrutinise the Council's financial performance (April through to March). The financial performance is scrutinised in detail by the Panel and reported back to the Operations Review Committee quarterly. The Panel were informed of the ongoing impact from the pandemic and of the impact of the cost of living on the Council's services and budgets both in terms of additional cost pressures, the loss of income from fees and charges and the impact on debt collection and collection rates. The Panel were also advised how the Covid-19 reserve would be utilised in 2022/23.

#### Procurement

110. The Council aims to use its resources efficiently, effectively and economically.
111. The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes the Procurement Strategy, Contract Procedure Rules and the Procurement Handbook. These documents are regularly reviewed to reflect changes in local requirements, EU policy and legislation and general good practice. The Procurement Strategy 2020 to 2023 was approved by the Council in September 2020 and is due to be reviewed during 2023/24. Both the Contract Procedure Rules and Procurement Handbook were updated and approved during 2021/22.
112. To ensure compliance with these rules, an expenditure report is run on a six-monthly basis and mapped against the contract list. An exception list is then produced and, where possible, non-compliance is highlighted. Officers are then required to provide an explanation of this non-compliance and then put into place an action plan to address this.

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

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

The Audit Committee

114. The Audit Committee's Terms of Reference have been kept under regular review to ensure that its role complies with those prescribed by the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities".
115. The Audit Committee has comprised five non-Executive Members (as required) and met five times during the financial year – Agendas, Open Reports and Minutes are available on the Council's website.
116. It substantially completed its Planned Work Programme, regularly receiving reports from:
- The Council's External Auditors – Progress Reports, Annual Governance Report, Annual Audit Letter, Audit Plan and Certification Report on Claims and Returns
  - The Shared Anti-Fraud Service – Progress Reports and Annual Report
  - The SIAS Team – Progress Reports, Draft Annual Governance Statement, Annual Assurance Statement and Annual Report, and Annual Audit Plan
  - The Risk Manager – Progress Reports
  - The Head of Finance and Business Services – Accounting Policies, Statement of Accounts, Treasury Management.

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

Internal Audit

117. Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment – this comprises the systems of governance, internal control and risk management – by evaluating its effectiveness in achieving the organisation's objectives.
118. The Council joined six other districts / boroughs (East Herts Council, North Herts DC, Stevenage BC, Welwyn Hatfield BC, Watford BC and Three Rivers DC) and Hertfordshire County Council in 2011/12 to deliver a shared internal audit service to provide efficiency and resilience.
119. The SIAS Team has undertaken a work programme during the financial year, which was approved by the Audit Committee, and has operated in accordance with the Public Sector Internal Audit Standards (PSIAS).
120. In line with the PSIAS, an Annual Assurance Statement and Internal Audit Annual Report is presented to the Audit Committee which:
- a) includes an opinion on the overall adequacy and effectiveness of the Council's internal control environment,
  - b) discloses any qualifications to that opinion, together with any reasons for the qualification, and
  - c) draws attention to any issues which are judged particularly relevant to the preparation of the Annual Governance Statement.

121. The SIAS Annual Assurance Statement and Internal Audit Annual Report is a key source document for the Council's Annual Governance Statement. For 2022/23 this report includes the following statements:
- A reasonable assurance opinion is given on the adequacy and effectiveness of both financial and non-financial systems in the internal control environment. There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. There are no qualifications to this assurance.
  - SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement. Although no specific audit of Risk Management was carried out by SIAS during the year, these arrangements are considered during annual audit planning and delivery of all individual audit assignments.
122. Individual SIAS Reports also state whether or not there are any implications for the Annual Governance Statement. All 2022/23 final reports issued have stated that there are no implications for the Annual Governance Statement.
123. All recommendations made by the SIAS Team to strengthen the internal control environment and agreed by management are kept under review by the Audit Committee, Corporate Governance Group and Chief Officers Board to ensure that they are implemented in a timely manner.

#### The Council's External Auditors

124. Following the abolition of the Audit Commission in March 2015, the Secretary of State for Communities and Local Government delegated statutory functions to Public Sector Audit Appointments Limited (PSAA), on a transitional basis, to make auditor appointments to local government, police and local NHS bodies under the Local Audit and Accountability Act 2014 until 2018/19. Ernst and Young LLP were appointed as Hertsmere's external auditors under these transitional arrangements from 2015/16.
125. The transitional arrangements only extended to the 2017/18 financial year and in November 2016 the Full Council agreed that Hertsmere BC should take advantage of the new national collective scheme that the Public Sector Audit Appointments (PSAA) was developing by formally "opting in" in January 2017. Hertsmere have since opted into the new PSAA scheme (along with 98% of Local Authorities) and on 17 August 2017 the PSAA confirmed the appointment of Ernst & Young LLP as Hertsmere's external auditors for five years from 2018/19.
126. Ernst & Young LLP presented their Annual Report for the year ended 31 March 2021 to the Audit Committee in October 2022 having previously issued their Audit Results Report for 2020/21 to the Audit Committee in March 2022. The annual report confirmed the external auditor opinion as unqualified and that the financial statements gave a true and fair view of the financial position and were prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
127. In September 2022 the External Auditor wrote to the Chair of Audit Committee to advise of a delay in 2021/22 audit and subsequently presented their "*Indicative Audit Planning Report*" for the "*Year ended 31 March 2022*" to the Audit Committee in January 2023. At the time of writing the 2021/22 audit is ongoing.
128. The new PSAA scheme did not include provision for the audit of the Housing Benefit Subsidy claim and Local Authorities are now responsible for their own appointment in this respect. In September 2017, it was recommended to the Audit Committee that Hertsmere also appoint Ernst & Young LLP

to undertake this subsidy work along-side their other audit work due in the main to the efficiencies of appointing a single auditor. The Audit Committee considered Ernst & Young LLP's proposal and recommended their appointment by the full Council. Ernst & Young are currently concluding the 2020/21 Housing Benefit Subsidy claim.

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

#### Anti-Fraud and Anti-Corruption

129. During 2014/15, the Council joined four other districts / boroughs (East Herts Council, North Herts DC, Stevenage BC and Broxbourne BC) and Hertfordshire County Council to form the Shared Anti-Fraud Service (SAFS), offering an exclusive strategic fraud prevention and investigation service to its partners across Hertfordshire. Since 2015 the partnership has been strengthened with Luton Council and Welwyn Hatfield Council also joining. The SAFS officially commenced at the Council on 1 April 2015.
130. The service provides a full range of fraud risk assessments, fraud awareness training, the use of highly developed investigation skills, data-matching opportunities and partnership working with law enforcement agencies. This allows for the investigation of any fraud and corruption, bribery or money laundering matters (internal or external) that the Council becomes aware of and, the comprehensive reporting of all fraud deterrence, prevention and investigation activity undertaken by the SAFS and the Council.
131. The Council has in place a suite of anti-fraud and corruption policies that SAFS helps to develop and review and includes the latest best practice from CIPFA, LGA and the Fighting Fraud and Corruption Locally Board. These policies are reviewed annually.
132. SAFS is part of national network for organisations, including CIFAS / London Fraud Forum / London Borough Fraud Investigators Group / National Anti-Fraud Network / Fraud Advisory Panel, these provide horizon scanning and alerts of new and emerging fraud threats.
133. The aims of the Shared Anti-Fraud Service are as follows:
- Ensure ongoing effectiveness and resilience of Partner anti-fraud arrangements
  - Deliver financial benefits in terms of cost savings or increased revenue to Partners
  - Develop the current Data-Hub into a *FraudHub* working in partnership with the Cabinet Office and others
  - Improve the reach into new areas of fraud risk across all partner services, with a focus on Adult Care, Procurement and emerging areas of high risk
  - Develop services which can be marketed to 3<sup>rd</sup> Parties or shared for mutual benefit
  - Continue to develop SAFS as a recognised centre of excellence regionally and nationally.
134. The Audit Committee reviews the comprehensive Anti-Fraud Action Plan each year which is agreed by SAFS and senior managers. This is based on CIPFA / DLUHC / NAO Good Practice and progress against this is reported to Audit Committee three times each year. The Committee also reviews the Anti-Fraud and Corruption Strategy and Anti-Money Laundering Policy.

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

#### Risk Management

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

2021/22 and a reasonable level of assurance was provided. The identified actions to improve the processes were commenced and completed in 2022/23. The Audit Committee have requested in depth reports on two of the Council's Strategic risks to be presented by risk owners at each meeting where risk is discussed.

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

### **SIGNIFICANT GOVERNANCE ISSUES**

137. In reviewing and approving the AGS, officers and Members require assurances on the effectiveness of the governance framework and how this addresses the key risks faced by the Council, taking account of changing risks and circumstances.
138. Management from across the Council have provided the primary source of assurance – this is evidenced by the Managing Director, Executive Director and Heads of Service (including statutory officers) producing a signed Service Assurance Statement. This certifies the effective operation of the control environment in their Directorate and Service Areas, including arrangements for:
- a) Internal controls,
  - b) Governance,
  - c) Financial and Non-Financial Performance, and
  - d) Risk Management.
139. Weaknesses or gaps in control identified were given consideration as to whether they constituted a significant governance issue, and thus whether they should be included in the AGS Action Plan. Significant governance issues should fulfil at least one of the following criteria:
- a) It has seriously prejudiced or prevented the achievement of a principal corporate or service priority or objective of the authority,
  - b) It has resulted in the need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from other areas,
  - c) It has led to a material adverse impact on the accounts,
  - d) The Audit Committee has advised that it should be considered significant,
  - e) The SIAS Client Audit Manager has reported the matter as significant in the SIAS Annual Assurance Statement and Annual Internal Audit Report,
  - f) The Head of Partnerships, Community Engagement and Housing has reported the matter as significant in relation to the Performance Management Framework,
  - g) The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation, and
  - h) The issue has resulted in formal action being undertaken by the Section 151 Officer and / or the Monitoring Officer.
140. Another significant source of assurance and source of identification of significant governance issues is the work of the Internal Audit Team – this is evidenced by the production of the Annual Assurance and Internal Audit Report.
141. Further assurances are available from a wide range of external sources including corporate assessments and direction of travel statements, peer reviews, inspections and the Council's External Auditors – through the annual audit of the accounts.

## 8. ANNUAL GOVERNANCE STATEMENT

142. The officer Corporate Governance Group and Chief Officers Board, both of which are chaired by the Managing Director (i.e., the Head of Governance), has reviewed the assurances and significant governance issues, as well as the Constitutional review, performance reporting, risk management arrangements and the individual audit and risk management assessments.
143. Prior to the approval of the AGS, the Managing Director and the Leader of the Council should seek to satisfy themselves that all of the information obtained to support the disclosures made is relevant and reliable so that they can then sign the AGS.

### AGS Action Plan

144. A key part of the AGS is the AGS Action Plan. No significant governance issues were identified for 2022/23 and none were brought forward from 2021/22, therefore there is no Action Plan with this year's AGS. Although not considered to be a significant governance issues, the following areas are noted.
145. Cyber and information security continues to be an area of high risk. Whilst the IDS team do their utmost to protect the Council from various types of cyber-attack, these are a common, everyday occurrence with attacks becoming more and more sophisticated. Staff and members continue to receive mandatory training to maintain their awareness of the risks. The 2022/23 annual Cyber internal audit concluded a 'Reasonable' level of assurance with agreed actions to mitigate the issues identified. In addition, the Cyber insurance renewal requires the Council to further review its cyber arrangements and make any necessary changes to meet their requirements. As a result, whilst this remains an area of high risk it is not considered to constitute a significant governance issue.
146. The Council continues to manage the risks faced in its preparation and delivery of its Development Plan. This is being managed with regular member reporting and a periodic review of the risk register to ensure relevant actions are identified to mitigate and manage risk. The Council continues to monitor the expected publication of a revised NPPF in Spring / Summer 2023, along with resourcing to ensure it is able to prepare and deliver an up-to-date Development Plan. As a result, it is not considered to constitute a significant governance issue.

**CERTIFICATION**

- 147. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive, the Audit Committee and the Governance Group, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above, and the plan to address the identified weaknesses and to ensure continuous improvement of the system is in place.
  
- 148. We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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

**Signed: Managing Director** .....  
**Sajida Bijle** **Date**

## 9. GLOSSARY OF TERMS

<b>Term</b>	<b>Definition</b>
<b>12 month expected credit losses</b>	The expected credit losses for a financial asset that are projected for the possible default events that might happen only in the next financial year.
<b>Accruals</b>	The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.
<b>Actuarial Gains and Losses</b>	For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).</li> <li>• The actuarial assumptions have changed.</li> </ul>
<b>Agency Arrangements</b>	Arrangements under which the Council provides goods or services to third parties on behalf of another organisation.
<b>Amortised cost</b>	A way of measuring financial instruments that ignores changes in fair value but takes into account the spreading of transactions costs over the instrument term and the impact of any concessionary interest rates.

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

## GLOSSARY

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

## GLOSSARY

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

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

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

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

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

## GLOSSARY

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

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

<b>Term</b>	<b>Definition</b>
<b>Related Party Transaction</b>	<p>A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made. Examples of related party transactions include:</p> <ul style="list-style-type: none"> <li>• The purchase, sale lease, rental or hire of assets.</li> <li>• The provision of a guarantee to a third party in relation to a liability or obligation of a related party.</li> <li>• The provision of services to a related party.</li> <li>• Transactions with individuals who are related parties of the Council, except those applicable to other members of the community such as council tax, rents and payments of benefits.</li> </ul> <p>The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.</p>
<b>Rent Allowances</b>	<p>Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.</p>
<b>Rent Rebates</b>	<p>Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.</p>
<b>Reserves</b>	<p>The balances in the Balance Sheet that show variously the revenue and capital resources available to support the provision of services by the Council, the cumulative effect of statutory adjustments to manage the availability of those resources for particular financial years, and balances of revaluation gains and losses on assets that have yet to be realised.</p>

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

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