HERTSMERE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2026

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Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Assistant Director Finance 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 Assistant Director Finance

The Assistant Director Finance 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 Assistant Director Finance 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 Assistant Director Finance 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 Assistant Director Finance:

I confirm that this Statement of Accounts presents a true and fair view of the financial position of Hertsmere Borough Council as at 31 March 2026 and its Income & Expenditure for the year then ended.

[redacted]

Matthew Bunyon
Assistant Director Finance (S151 Officer)

Date: 29 June 2026

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERTSMERE BOROUGH COUNCIL ON THE AUTHORITY'S FINANCIAL STATEMENTS

The REPORT ON THE AUDIT OF THE AUTHORITY'S FINANCIAL STATEMENTS, will be included upon the completion of the Audit

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Narrative Statement

Overview from the Head of Finance and Business Services

I am presenting these 2025/26 Statement of Accounts following yet another challenging year where high service demand has placed ongoing pressure on resources meaning continued difficult decisions needing to be made to balance the books. Nonetheless, the double digit inflationary peaks of 2022 are now behind us, as inflation peaked at 3.8% in July 2025 and despite recent energy price hikes due to the US/Iran conflict, the situation has improved from that in recent years.

The UK Base Rate, which is set by the Bank of England's Monetary Policy Committee reduced from 4.25% to 3.75% in year but concerns regarding sticky inflation has prevented further falls. All of this has meant mortgage rates peaked at around 6%, which has led to a relatively weak housing market.

The recent high inflation and high interest rates has had a significant impact on the lives of our residents and our local businesses as well as putting pressure on our own budgets.

While the council received a better local government funding settlement for 2026/27 than expected, the fundamental local government pressures remain, including cost of living, recruitment and retention of staff and temporary accommodation.

As a district council, Hertsmere is at the heart of the community and pivotal to the needs of its residents and businesses. Over the past few years, through this challenging economic period, we have introduced many measures to ensure the continuity of key services to support our residents and businesses and during 2025/26 these have included:

Economic

During 2025/26 we awarded over £400,000 in community grants to local voluntary sector and community groups, we continue to fund Citizens Advice with around £257,000 to provide support and advice to our residents, we continue to support foodbanks in the borough, we have been supporting over 120 community groups across the borough to access funding, improve their services and to support their communities better.

The Hertsmere Community Lottery continues to offer a free fundraising platform for 50 local causes, our economic development work has continued with government-funded schemes such as the 'Fit to Bid' programme in partnership with neighbouring boroughs, alongside a meet the buyer event and our Generation Hertsmere careers event linking local businesses with secondary school pupils from across the borough.

Health

Our staff have helped to raise awareness of local health priorities including distributing 450 Small Acts of Kindness Warm in Winter bags to the most vulnerable members of our community. Our Healthy Hubs continue to run drop ins in Borehamwood, Potters Bar, Radlett and Bushey, providing help and support on a range of health and wellbeing matters and our award winning Hertsmere Against Cancer campaign raised awareness of the signs and symptoms of cancer. Working in partnership with local GPs, we have seen more than 3,800 women booked for cervical screening and over 500 booked for breast screening.

Funding and Service Performance

In 2025/26 the Council did benefit from greater than anticipated investment returns more than offsetting service pressures and resulting in an overall General Fund surplus of £0.907m against budgeted net cost of Services of £13.814million. This surplus will be applied to provide an inflationary uplift in our General Fund reserve which provides a contingency to cushion the impact of unexpected events or emergencies. The remainder will be applied as a revenue contribution to capital spending.

Looking forward while the resources for 2026/27 are less than the council would have liked, a multi-year funding settlement allows the council to plan with more certainty, which is a significant benefit with Local Government Reform underway.

Hertsmere and our local area

Hertsmere is a largely rural Borough in Hertfordshire, situated immediately to the north of London. With over 70% of our borough in Green Belt land, the majority of our residents live in our four main towns - Bushey, Borehamwood, Radlett and Potters Bar - each with their own identity. Excellent north-south rail and road connections mean that Hertsmere is very well connected to London and the rest of the country.

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

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

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

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

What services is Hertsmere responsible for?

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

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

Your local councillors

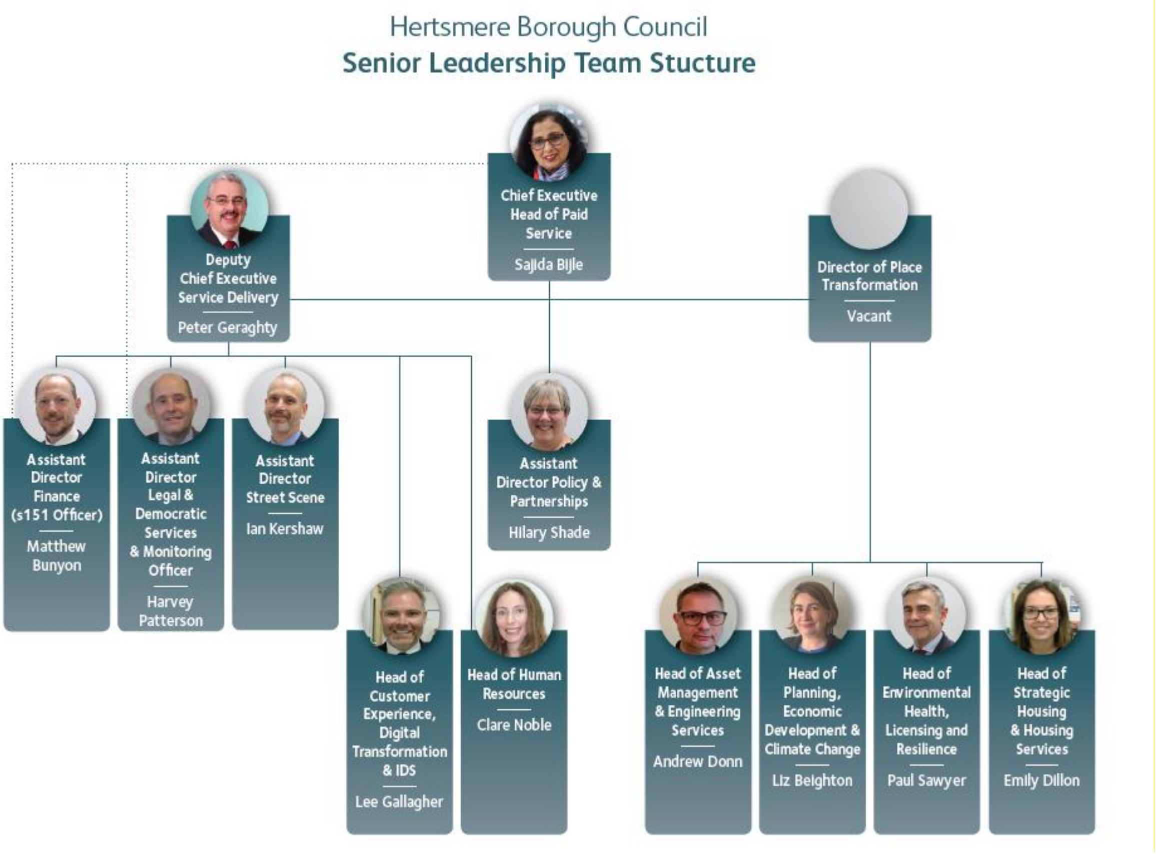
Hertsmere has 39 councillors in 16 wards who are elected to serve for four years at a time. The number of seats held during the 2025/26 financial year by political groups was:

Conservative	14
Labour	12
Liberal Democrats	8
Hertsmere First	3
Reform	2

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

The Council's Management Structure and Workforce

Supporting the work of Councillors is the organisational/management structure of the council headed by the Chief Executive. A new management structure was approved by the Council in February 2025 to build additional capacity to support the Council's priorities and came into effect from 1st April 2025.The Chief Executive is supported by the Deputy Chief Executive and Director of Place Transformation (currently vacant), along with a number of Assistant Directors and Heads of Service who cover a variety of areas of business. The council currently employs approximately 330 people in full and part time roles.



Hertsmere Vision 2026-28 – Delivering Better Futures

The Hertsmere Vision 2026-28 was agreed by the Cabinet and Full Council in February 2026. The document incorporates our high level vision and Corporate Plan. The Hertsmere Vision documents can be found in the link below:

FINAL - Hertsmere Vision 2026-28

The document is clearly structured with an overall Vision Statement, 4 main areas of aspirational foci and 20 deliverables that clearly demonstrate how we will achieve against these aspirations. 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 purposefully high level so that it can act as a clear framework for the development of future strategies and is integrated with the Corporate Plan to ensure a tight focus for delivery. The Corporate Plan is annually updated and sets how we will deliver against this vision in each financial year.

The 4 dynamic areas of focus contained within the Vision are:

- Growing Opportunities
- Strong Homes, Secure Futures
- Community Equals Place
- Delivering Excellence

The 2026/27 Corporate Plan adopts each of these focus areas and sets out how we will work towards implementing the 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. We set up Hertsmere Development Ltd (HDL) to take forward new developments on council-owned land as well as a joint venture stock holding company, Hertsmere Living Limited (HLL), providing housing at affordable, Local Housing Allowance rents. We currently have partnerships with other local authorities for Building Control, CCTV, Internal Audit and Anti-Fraud among others.

We (HDL and the Council) have already built some excellent quality houses for rent and the Council will be developing more over the coming year to help to meet local demand for housing.

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 have been considered by the cross-party Cabinet Performance Management Panel and by the Cabinet on a quarterly basis.
- The Key Performance Indicators which contain more detailed service level information were considered by exception only by the Performance Management Panel on a quarterly basis.
- The full indicator set is also considered at Chief Officer Board on a quarterly basis.

2025/26 Financial Statements

The financial statements link closely to the Corporate Plan which enables delivery of the Council's goals and objectives. These Statements set out the financial position of the Council as well as the financial position of the Group which includes the Council's wholly owned subsidiary companies Elstree Film Studios Limited and Hertsmere Developments Limited and our share in the joint venture stock holding company Hertsmere Living Limited (HLL).

The Council is continuing with its programme of improvement in performance and service delivery. This is underpinned by the Corporate Governance framework which is the mechanism through which our priorities are filtered down throughout the organisation.

The Council's Annual Governance Statement provides further details of the strategies implemented to achieve our objectives which have been developed and reviewed during the year. The Annual Governance Statement which was approved by the Audit Committee is included later in these accounts.

The Audit Committee, which met five times during 2025/26, works to promote and safeguard financial probity throughout the Council. The Audit Committee is attended by and receives reports from the Council's External Auditors which for 2025/26 is KPMG. The Committee also receives regular reports from the Assistant Director Finance in relation to the Statement of Accounts, Accounting Standards and Treasury Management, from the Shared Internal Audit Service (SIAS), from the Shared Anti-Fraud Service (SAFS) and from the Risk Manager.

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

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

Matthew Bunyon
Assistant Director Finance & Section 151 Officer
Civic Offices
Elstree Way
Borehamwood
Hertfordshire
WD6 1WA

3.1 Summary of Performance

Financial Performance

Council Funding

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

For Hertsmere in 2025/26, central government funding under the settlement funding assessment including from retained business rates, New Homes Bonus and the Funding Floor amounted to £4.863m which now represents just 35% of the funding required to meet the Council's budgeted net expenditure of £13.965m. This leaves around 65%, almost two thirds of the Council's total funding to come from local Council Tax.

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

- We have adopted a more entrepreneurial approach and focussed on expanding our ability to generate income as well as reducing costs.
- Entering into partnerships with other councils.
- Looking for commercial opportunities.
- Building new affordable housing for rent to meet local demand.
- Establishing our own property development company to take forward housing developments on Council-owned land.
- Establishing a joint venture housing company with Clarendon Living Ltd, a subsidiary of Watford Community Housing Trust, to provide housing for rent across a range of tenures.

Financial Management and Sustainability

The 2025/26 budget was set under challenging economic conditions. Whilst the economy was slowly recovering from the impact of the Covid-19 pandemic and the resulting cost of living crisis the ongoing impact of high inflation and high interest rates continued to have a significant impact on households, businesses and the Council's own budgets. The budget process considered all risks to the Council's financial position and for 2025/26 the key risks were identified as follows:

- **Economy:** The economy is slowly recovering however the increased cost of living continues to have a significant impact on household budgets affecting our residents and staff. These conditions could continue to have a detrimental impact on the cost of providing services and on Hertsmere's revenue streams for example through fees and charges and on collection of local taxation.
- **Staff Pay, Recruitment and Retention:** With the increased cost of living, staff expectations for a significant pay increase remain high. A 3% pay award was built into the 2025/26 budget however, the Council does need to be mindful of other public sector pay whilst also delivering a pay award that is affordable. Recruitment and retention continues to impact on some services.

As part of the 2026/27 budget process the Medium Term Financial Plan (MTFP) was reviewed and updated and now shows a nil budgetary gap over the three year period to 2028/29. The revised MTFP was approved by the full Council in February 2026 who also acknowledged that the continued delivery of efficiencies and additional income is an integral part of the annual budget process.

Finance Strategy

The Finance Strategy was reviewed and updated in 2026. This strategy assists the Assistant Director Finance 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.

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

The Council's Net Budget Requirement (NBR)

The Council's Net Budget Requirement (NBR), 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. The NBR 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 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 2026 the balance on the General Fund was £23.192 million (2024/25 £19.990 million) - out of this, £9.283 million was held as a contingency for unforeseen events and £13.909 million has been earmarked for specific purposes.

Earmarked reserves

Earmarked reserves are funds generated through the revenue account that have been specifically set aside for future revenue and capital projects, budget equalisation and commuted sums. During the year a net £2.897 million was utilised from earmarked reserves, the most significant spend being in relation to the preparation of the Council's local plan. Total funds earmarked for future use at 31 March 2026 is £13.909 million. The breakdown of this sum is provided at note 5.30.2.

Corporate Risks

As set out in the Annual Governance Statement (appended to these statements), 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.

Going Concern

The Accounting Code of Practice requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. Whilst the Council had identified a funding gap over the medium term when setting its 2025/26 budget, and has been working to close this gap, the multi-year settlement for 2026/27 to 2028/29 has now provided funding certainty and at ist budget meeting in February 2026 the Council were presented with and approved a balanced Medium Term Financial Plan for this period and also noted it has a reasonable level of reserves. For these reasons the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

Revenue outturn

In 2025/26 the budget for the Council's net cost of services was set at £13.965 million. The budget was regularly monitored and reported to senior management and members throughout the year. There were various budgetary variances to manage during the year and some service areas including Asset Management and General Expenses did post year-end overspends. These overspends were however more than offset by other service underspends and by greater than anticipated investment returns due to high interest rates resulting in a year-end net spend of £13.058 million, within the approved budget and an overall favourable variance for 2025/26 of £0.907 million.

FINANCIAL MONITORING POSITION 31-Mar-26	Revised Budget 2025/26	Outturn 2025/26	Suplus (Deficit)
SUMMARY OF PERFORMANCE	**£'000**	**£'000**	**£'000**
Asset Management & Engineering	(4,524)	(3,096)	(1,428)
Planning, Economic Development & Climate Ch	1,241	1,213	28
Environmental Health, Licencing & Resilience	1,193	1,127	66
Housing Services	870	715	155
Street Scene Services	5,594	5,448	146
Customer Experience, Digital Transformation &	2,472	2,378	94
Legal & Democratic Services	1,722	1,568	154
Finance & Business Services	1,761	1,728	33
Human Resources & Print Services	556	482	74
Policy and Partnerships	1,681	1,672	9
Executive Directors	683	635	48
Assurance Services	223	223	-
Net Service Operational Expenditure	**13,472**	**14,093**	**(621)**
			-
General Expenses, Audit & Bank Charges	1,932	2,137	(205)
Apprenticeship Levy	41	51	(10)
Minimum Revenue Provision	490	490	-
Investment Interest	(1,970)	(3,713)	1,743
Total Service Costs	**13,965**	**13,058**	**907**

Capital outturn

The council spent £8.475m million on capital projects during 2025/26 and is committed to spending a total of £32.870 million over the remaining three year programme (see Note 5.17.1). The most significant projects undertaken during the year included £1.395 million on the purchase of several properties, £1.840 million on works at Elstree Studios, £1.728 million on new housing developments, £1.069 million on Disabled Facilities Grants for home adaptations, £0.587 million on improvements to parks and open spaces and £0.549m on CIL funded community projects.

The outstanding major capital commitments include ongoing investment in Elstree Studios, the Civic Offices, new housing development, strategic parks and local community infrastructure.

FINANCIAL MONITORING POSITION 31 March 2026	2024-25 Outturn	2025-26 Outturn
SUMMARY OF CAPITAL SPEND	**£'000**	**£'000**
Asset Management	11,948	5,501
Planning, Economic Development & Climate Change	621	549
Environmental Health & Licencing	1,684	1,069
Street Scene Services	1621	1,058
Finance And Business Services	798	7
Customer Experience & IDS	-	291
Hertsmere Living Limited	3732	-
Total Capital Expenditure	**20,404**	**8,475**
FUNDING SOURCES	**£'000**	**£'000**
Usable Capital Receipts	5686	2,971
Reserves	7,658	791
Grants	2,883	4,713
Revenue	-	-
Internal Borrowing	4,177	-
Total Funding Sources	**20,404**	**8,475**

Pension fund liability

The Council's net pension fund deficit has decreased in total by £15.464m over the last year, from £15.464m to £0 due to the asset ceiling adjustment, re-measurement gains and (losses) and the IAS19 adjustments (£0.960) detailed in the table below:

Other actuarial gains/(losses) on assets	(4.373)
Actuarial gain on changes in financial assumptions	(4.169)
Actuarial gain on changes in demographic assumptions	3.058
Other experience losses	3.460
Ceiling Adjustment	(11.089)
Re-measurements of the net pension liability (decrease)	**(14.504)**
IAS 19 Adjustments	0.96
Movement in Pension Fund Deficit	**(15.464)**

The value of assets held within the scheme increased from £108.697m to £119.280m whilst the liabilities have increased £99.559m to £104.340m. 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 2025 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 2025 the Council's share stood at £6.471 million and after taking into account the sums utilised in 2025/26, the provision has reduced to £1.795 million at 31 March 2026. The reduction was mainly due to the reduction of appeals for local film and television studios.

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 2026 are set out following this narrative statement in pages 23 to 94. Where appropriate, figures for 2024/25 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 2025/26 has been made available for inspection on the Council's website, and are available at the Council offices from 7th July to 17th August 2026.

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 85 to 90.

4.1 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 deficit on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net (increase)/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Note	Movements in Reserves during 2025/26	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	Balance at 1 April 2025 Brought Forward	**(19,990)**	**(5,036)**	**(22,637)**	**(47,663)**	**(175,303)**	**(222,966)**
	Adjustments to opening Balances				-	39	39
	Adjusted Balance as at 1st April 2025 Bfwd	**(19,990)**	**(5,036)**	**(22,637)**	**(47,663)**	**(175,264)**	**(222,927)**
CIES	(Surplus)/Deficit on Provision of Services	(16,800)			(16,800)		(16,800)
CIES	Other Comprehensive Expenditure and Income				-	(19,422)	(19,422)
CIES	**Total Comprehensive Expenditure and Income**	**(16,800)**	**-**	**-**	**(16,800)**	**(19,422)**	**(36,222)**
5.14	Adjustments between Accounting Basis and Funding Basis under Regulations	13,608	4,261	(562)	- 17,307	(17,307)	- -
	Net (Increase)/Decrease before Transfers to Reserves	**(3,192)**	**4,261**	**(562)**	**507**	**(36,728)**	**(36,222)**
5.30.2	Transfer to/from Reserves			-		-	-
	(Increase)/Decrease in Year 2025/26	**(3,192)**	**4,261**	**(562)**	**1,378**	**(36,728)**	**(36,222)**
	Balance at 31 March 2026 Carried Forward	**(23,183)**	**(775)**	**(23,199)**	**(47,156)**	**(211,992)**	**(259,149)**

Prior Year Comparator

Note	Movements in Reserves during 2024/25	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	Balance at 1 April 2024 Brought Forward	**(25,825)**	**(5,756)**	**(22,269)**	**(53,849)**	**(174,504)**	**(228,353)**
	Adjustments to opening Balances				-		-
	Adjusted Balance as at 1st April 2024 Bfwd	**(25,825)**	**(5,756)**	**(22,269)**	**(53,849)**	**(174,504)**	**(228,353)**
CIES	(Surplus)/Deficit on Provision of Services	(596)			(596)	5,983	5,387
CIES	Other Comprehensive Expenditure and Income				-		-
CIES	**Total Comprehensive Expenditure and Income**	**(596)**	**-**	**-**	**(596)**	**5,983**	**5,387**
					-		-
5.14	Adjustments between Accounting Basis and Funding Basis under Regulations	6,431	720	(369)	6,782	(6,782)	-
	Net (Increase)/Decrease before Transfers to Reserves	**5,835**	**720**	**(369)**	**6,186**	**(799)**	**5,387**
5.30.2	Transfer to/from Reserves			-	-	-	-
	(Increase)/Decrease in Year 2024/25	**5,835**	**720**	**(369)**	**6,186**	**(799)**	**5,387**
	Balance at 31 March 2025 Carried Forward	**(19,990)**	**(5,036)**	**(22,637)**	**(47,663)**	**(175,303)**	**(222,966)**

The purposes of these reserves are:

General Fund Balance
Holds the surpluses from the General Fund. The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise.

Earmarked General Fund Reserves (shown above as part of the General Fund balance)
Amounts set aside from the General Fund Balance to earmarked reserves to provide financing for specific future expenditure plans. Amounts are posted back from earmarked reserves to meet the specified General Fund expenditure.

Capital Receipts Reserve
Holds the proceeds from the disposal of non-current assets, which are available to finance capital expenditure in future years

Capital Grants Unapplied Reserve
Holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure.

4.2 Comprehensive Income and Expenditure Statement

2024/25					2025/26		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
9,084	(8,273)	810	Asset Management		5,345	(13,159)	(7,814)
217	-	217	Audit & Assurance		223	-	223
547	-	547	Executive Directors		628	-	628
262	(14)	247	Engineering Services		106	(9)	98
1,667	(490)	1,177	Environmental Health		1,854	(709)	1,145
28,038	(24,547)	3,491	Finance & Business Services		25,607	(23,466)	2,141
1,160	(22)	1,138	General Expenses		2,410	(104)	2,306
4,385	(1,575)	2,810	Housing Services		3,690	(2,092)	1,598
1,662	(63)	1,599	Human Resources & Customer Services		1,772	(98)	1,674
2,727	(844)	1,884	Legal & Democratic Services		2,235	(653)	1,583
3,740	(1,864)	1,876	Partnership & Community Engagement		3,012	(1,014)	1,998
4,250	(2,571)	1,679	Planning & Economic Development		5,556	(2,757)	2,798
9,881	(4,071)	5,810	Street Scene Services		11,322	(5,945)	5,377
67,620	**(44,333)**	**23,286**	**Cost of Services**		**63,760**	**(50,007)**	**13,753**
		3,577	Other Operating Expenditure	5.7			2,207
		(3,505)	Financing and Investment Income and Expenditure	5.8			(5,229)
		(23,955)	Taxation and Non-specific Grant Income	5.9			(27,532)
		(596)	**(Surplus)/Deficit on Provision of Services**				**(16,800)**
		(2,935)	(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets	5.31.1			(4,918)
		8,918	Actuarial (Gains)/ Losses on Pension Assets and Liabilities	5.29.1			(14,504)
		5,983	**Other Comprehensive Income and Expenditure**				**(19,422)**
		5,387	**Total Comprehensive Income and Expenditure**				**(36,222)**

4.3 Balance Sheet

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

2024/25 £'000		**Note**	**2025/26** £'000
189,915	Property, Plant and Equipment	5.16	186,797
1,157	Heritage Assets	5.19	1,137
9,335	Investment Property	5.2	8,397
807	Intangible Assets	5.21	634
3,065	Long Term Investments	5.23	3,065
17,493	Long Term Debtors	5.22	17,289
221,772	**Long Term Assets**		**217,318**
20,000	Short-Term Investments	5.23	50,000
10,398	Short-Term Debtors	5.22	5,522
101	Inventories		84
	Assets Held for Sale		14,715
34,739	Cash and Cash Equivalents	5.24	9,672
65,238	**Current Assets**		**79,992**
(34,511)	Short-term Creditors	5.25	(29,120)
(6,530)	Short-term Provisions	5.26	(1,853)
(41,041)	**Current Liabilities**		**(30,973)**
	Long-term Creditors		
(75)	Other Long-term Liabilities	5.25	(475)
(15,464)	Liability related to Defined Benefit Pension Scheme	5.31.5	-
(7,464)	Grants Receipts in Advance - Capital	5.27	(6,714)
	Grants Receipts in Advance - Revenue		
(23,003)	**Long Term Liabilities**		**(7,189)**
222,966	**Net Assets**		**259,149**
(47,663)	Usable Reserves	5.3	(47,156)
(175,303)	Unusable Reserves	5.31	(211,992)
(222,966)	**Total Reserves**		**(259,149)**

I certify that the draft statement of accounts gives a true and fair view of the financial position of the Council as at 31 March 2026 and its income and expenditure for the year ended 31 March 2026.

[redacted]

Matthew Bunyon

Assistant Director Finance (Section151 Officer)
(29 June 2026)

4.4 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 to the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of service 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 to the Council.

2024/25 £'000		Note	2025/26 £'000
(596)	Net (Surplus) or Deficit on the Provision of Services	CIES	16,800
(20,965)	Adjust to Surplus or Deficit on the Provision of Services for Non Cash Movements		(3,740)
6,533	Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		(21)
(15,027)	**Net Cash flows from Operating Activities**	**5.32**	**13,039**
21,061	Investing Activities	5.33	(38,876)
(11,662)	Financing Activities	5.34	770
9,399	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(25,046)**
29,111	Cash and Cash Equivalents at the beginning of the Reporting Period		34,739
34,739	**Cash and Cash Equivalents at the End of the Reporting Period**		**9,672**

5.1 Accounting Policies

Basis of Preparation

The Statement of Accounts summarises the Authority's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. 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 2025/26, 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). This 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 benefit 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.

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

Where an item of Property, Plant and Equipment has major components, the cost of which is significant in relation to the total cost of the item, the components are depreciated separately. Where such components have significantly different asset lives, the depreciation is charged over the useful economic life of each component. Where a component is replaced or restored (i.e. enhancements) the carrying amount of the old component is derecognised and the cost of the new component is reflected in the carrying amount of the asset.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost and capitalised on an accrual's 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.

Asset Category:	Basis of Valuation:
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.

Valuation Requirements

The 2025/26 Code of Accounting Practice for Local Authorities introduced new requirements for the valuation of property assets. Local Authorities are required to undertake a full revaluation every five years, and to update the carrying amount each year using the best available index of valuation changes.

The council operates a three-year valuation cycle for all properties within the category of Land and Building, with the following exceptions.

- All high value assets are valued each year
- All Investment Properties are valued at Fair value each year
- Buildings acquired in year – are held at the acquisition cost and are included in the rolling 3-year revaluation program -as appropriate

This change will apply from 2025/26 and any Land of Building that has not been valued in year will need to be uplifted by an appropriate level of indexation, from the date of the previous valuation.

Depreciation

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

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

Impairment

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

Disposals

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

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

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

Heritage assets

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

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

Investment Property

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

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

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

Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only where it is probable that expected future benefits attributable to the asset will flow to the council. They are measured initially at cost and subsequently at amortised cost. Subsequent expenditure that does not enhance the asset is charged to Surplus or Deficit on the Provision of Services when incurred.

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

Internally generated intangible assets

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

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

Software

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

Revenue Expenditure Funded by Capital Under Statute

Expenditure that may be capitalised under statutory provisions but does not result in the creation of non-current assets, has been charged as expenditure to the relevant service revenue account in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account via the Movement in

Reserves Statement then reverses out the amounts charged in the Comprehensive Income and Expenditure Statement, thereby ensuring there is no impact on the level of General Fund Balances.

Grants and Other Contributions

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

- Specific Revenue Grants
  Specific revenue grants are credited to service revenue accounts, support services, trading accounts and corporate accounts.
- General Revenue Grants
  General revenue grants, such as the Business Rates Baseline grant, are credited after net operating expenses.

Capital Grants and Contributions

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

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

Section 106

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

Community Infrastructure Levy

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

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

When CIL charges have been applied to fund capital expenditure, the CIL charges are transferred from the General Fund (or the Capital Grants Unapplied Account) to the Capital Adjustment Account. Where CIL charges are to be applied to fund revenue expenditure (such as administration expenses), the CIL charges are not to be transferred out of the General Fund.

Fair Value

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

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

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

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

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

Financial Instruments

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

Financial Assets

Financial assets are subsequently measured in one of two ways:

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

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

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure line in the CIES.

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

Statutory Reversals

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

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost.

Provisions

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

Financial guarantees

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

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

Inventories

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

Cost of Support Services

The Accounting Code of Practice requires the segmental analysis and amounts disclosed in the Comprehensive Income and Expenditure Statement to be based on the Council's financial monitoring reporting process. The cost of support services, with the exception of those recharged to trading accounts which are required to be disclosed on a total cost basis, are not reallocated and are disclosed in the Comprehensive Income and Expenditure segment that hosts the support service.

Contingent Assets & Liabilities

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

Reserves

Usable reserves

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

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

Unusable reserves

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

Cash and Cash Equivalents

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

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.

Termination Benefits

Termination benefits are amounts payable as a result of an authority to terminate an officers employment before the normal retirement date or an Officers decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate Service, or, where applicable to a Corporate Service segment at the earlier of when an Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

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

Pensions

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

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

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

Service Costs:

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

Net interest expense:

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

Re-measurements of the net pension liability

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

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

Contributions paid to the LGPS

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

Leases

The Council and Right-of-use assets

Leases and contracts that contain elements that require the use of or implied use of specific assets are known as 'right-to-use assets'. This right to use is usually for the entire duration and life of the contract, and are typically for a fixed period in excess of one year.

Right-of-use assets recognised under leases are accounted for using the policies applied generally to Property, Plant and Equipment assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated life. This will include an estimated valuation where the cost model does not provide a reliable proxy for the current value of the right-to-use asset.

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) and 50% of Hertsmere Living Limited. 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 2025/26 (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:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024.
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 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, Hertsmere Living Limited and Hertsmere Developments Limited.

- The Council has made provision in its Collection Fund of £4.487 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 (£1.795 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 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if Actual Results Different from Assumptions**
Property Plant & Equipment	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. Assets are valued on a three-year rolling basis.The Council has Property, Plant and Equipment with a carrying value of £186.797 million on the Balance Sheet as at 31st March 2026, with £3.000 million charged as depreciation during the year. Building indices are not applied to approximate for those assets that are not subject to the revaluation process in the year.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. 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 31/03/2026 would equate to the carrying value increasing by approximately £0.319 million. The valuers have reported the 31/03/2026 valuation is not subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.
Pensions Liability	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 £1.606m million. Note 5.29.5 sets out details of the assumptions made by the independent actuary to the Hertfordshire Local Government Pension Scheme
Non Domestic Rates Appeals provision	The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2026. The carrying amount of the provision is £4.487million, of which the Council's 40% share of £1.795 million is reflected in the accounts. Rateable value list amendments of £3.230 million were charged against the carrying amount of the provision in 2025/26 and £8.461 million was released from the provision 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
Fair value estimations	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.	Most estimates are based on current market information therefore material changes are not expected. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets. 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 31/03/2025 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.

5.5 Events after the Balance Sheet Date

Hertsmere Developments Limited
Following the resignation of the company's Development Surveyor, its only remaining employee, coupled with the Council's position on asset transfers due to the pending Local Government Reorganisation, at its meeting of 16 March 2026, the HDL Board took the decision to recommend to the Council's Shareholder and Investment Committee that it actively cease trading and to finalise and close the Company accounts and wind down the company to dormancy.

In light of this decision, the equity shareholding in HDL has been amortised accordingly.

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.

2024/25 £'000		Expenditure £'000	Income £'000	2025/26 £'000
(17)	**Cemeteries / Burial Grounds** 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.	233	(228)	4
(129)	**Trade Refuse** The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	566	(599)	(33)
(146)		**799**	**(828)**	**(29)**

5.7 Other Operating Expenditure

2024/25 £'000		2025/26 £'000
1,661	Parish and town council precepts	1,919
1,916	Net (Gains) on the Disposal of Non-current Assets	288
3,577		**2,207**

5.8 Financing and Investment Income and Expenditure

2024/25 £'000		2025/26 £'000
313	Interest Payable and similar charges	266
109	Net Interest on the net defined Benefit Liability (Asset)	(628)
(3,334)	Interest (Receivable) and similar income	(3,979)
210	Net (Gains) and Losses on Fair Value Adjustments on Investment Properties	(286)
(657)	Other investment income	(573)
(146)	(Surplus) / deficit on trading undertakings not included in net cost of services	(29)
-	Impairment of financial assets - should be on the face of the CIES under revaluation reservemovements	
(3,505)		**(5,229)**

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:

2024/25 £'000			2025/26 £'000	
(8,807)		Amount collectable from council tax	(9,102)	
(1,661)		Amount collectable on behalf of parishes	(1,919)	
(95)		Share of (surplus) / deficit on collection fund for the year	34	
	(10,564)	**Council Tax income**		**(10,988)**
(26,022)		Amount collectable from business rates	(27,503)	
25,538		Tariff payable	25,974	
(3,502)		Share of (surplus) / deficit on collection fund for the year	(6,827)	
2,383		Growth levy	4,472	
(27)		Levy Account Surplus Grant	(34)	
(5,304)		Grant in respect of small business and other rates reliefs	(5,867)	
		Pooling Gains		
	(6,934)	**Non-domestic rates income and expenditure (see note below):**		**(9,784)**
(468)		New Homes Bonus	(13)	
-		Lower Tier Services Grant		
(49)		Services Grant	-	
(873)		Funding Guarantee	(952)	
		Revenue Support Grant		
	(1,390)	**General Government Grants:**		**(965)**
(1,138)		Disabled facilities grant	(1,042)	
(1,715)		Community Infrastructure Levy	(1,728)	
(808)		Section 106 monies utilised	(1,571)	
(1,406)		Other capital contributions	(1,387)	
	(5,067)	**Capital grants and contributions: Recognised capital grants and contributions:**		**(5,727)**
-		Donated Assets	(67)	
	-	**Total of Donated Assets in year**		**(67)**
(23,955)	**(23,955)**		**(27,532)**	**(27,532)**

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

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

5.10 Members Allowances and Expenses

2024/25 £'000	Allowance / Expense:	**2025/26 £'000**
306	Basic allowance	288
198	Special responsibility allowance	210
2	Travel and other allowance	3
	Costs of Employement (ENI and Pensions)	45
416	**Total For the Year**	**546**

5.11 Employees Remuneration

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose:
the remuneration of the council's senior employees, analysed over the following categories:

2025/26	Notes	Salary, Fees and Allowance £	Expenses £	Compensation for Loss of Office £	Total Remuneration £	Pension Contributions £	Total £
Chief Executive		180,590			**180,590**	35,023	**215,613**
Deputy Chief Executive - Service Delivery	1	142,147	114		**142,261**	27,450	**169,711**
Director of Place & Transformation	2	32,679			**32,679**	-	**32,679**
Assistant Director Finance (S151 Officer)	3	106,281	487		**106,768**	20,937	**127,706**
Assistant Director Policy & Partnerships	4	103,281			**103,281**	20,346	**123,627**
Assistant Director Legal & Democratic Services (Monitoring Officer)	5	103,281			**103,281**	20,002	**123,283**
Head of Planning, Economic Development & Climate Change	6	70,835			**70,835**	13,954	**84,789**
Head of Planning, Economic Development & Climate Change	7	15,006			**15,006**	2,735	**17,742**
Assistant Director - Street Scene	8	97,074			**97,074**	19,124	**116,198**
Head of Environmental Health, Licensing and Resilience		90,518	22		**90,540**	17,832	**108,372**
Head of Asset Management & Engineering Services		85,673	1,578		**87,251**	16,877	**104,128**
Head of Human Resources	9	88,244	297		**88,541**	17,384	**105,925**
Head of Strategic Housing & Housing Services	10	83,484	158		**83,642**	16,446	**100,088**
Head of Customer Engagement, Digital Transformation & IDS	11	88,827	107		**88,934**	17,499	**106,433**
Total		**1,283,159**	**2,763**	**-**	**1,285,922**	**245,610**	**1,536,293**

Notes
1. From 1st April 2025 the post of Executive Director has been renamed Deputy Chief Executive - Service Delivery
2. A new post of Director of Place & Transformation was introduced from 1st April 2025. Post holder in place from 1st September 2025 to 24th November 2025
3. From 1st April 2025 the post of Head of Finance & Business Services (S151 Officer) has been renamed Assistant Director Finance (S151 Officer)
4. From 1st April 2025 the post of Head of Partnerships & Community Engagement has been renamed Assistant Director Policy & Partnerships
5. From 1/4/25 the post of Head of Legal & Democratic Services (Monitoring Officer) has been renamed Assistant Director Legal & Democratic Services (Monitoring Officer)
6. The postholder commenced role on 27th May 2025
7. Appointed as Interim Head of Service between 15th February 2025 and 27th May 2025
8. From 1st April 2025 the post of Head of Street Scene has been renamed Assistant Director Street Scene
9. A new post of Head of Human Resources was introduced from 1st April 2025.

10. A new post of Head of Strategic Housing & Housing Services was introduced from 1st April 2025.
11. A new post of Head of Customer Engagement, Digital Transformation & IDS was introduced from 1st April 2025.

Prior Year Comparator – 2024/25

2024/25	Notes	Salary, Fees and Allowance £'000	Expenses £'000	Compensation for Loss of Office £'000	Total Remuneration £'000	Pension Contributions £'000	Total £'000
Chief Executive*		177,835			**177,835**	34,497	**212,332**
Executive Director		136,328	210		**136,538**	26,320	**162,858**
Head of Finance & Business Services (S151 Officer)		103,272	409		**103,681**	20,345	**124,026**
Head of Partnerships & Community Engagement		100,272			**100,272**	19,754	**120,026**
Head of Legal & Democratic Services (Monitoring Officer)		100,272			**100,272**	19,754	**120,026**
Head of Planning & Economic Development	1	79,829	91		**79,920**	15,726	**95,646**
Interim Head of Planning & Economic Development	2	7,723			**7,723**	1,521	**9,244**
Head of Street Scene		91,233			**91,233**	17,973	**109,206**
Head of Env Health, Licensing & Resilience		85,844			**85,844**	16,911	**102,755**
Head of Asset Management & Engineering	3	22,918		22,145	**45,063**	4,192	**49,255**
Acting Head of Asset Management & Engineering	4	38,906			**38,906**	7,664	**46,570**
Head of Asset Management & Engineering	5	19,137			**19,137**	3,770	**22,907**
Total		**963,569**	**710**	**22,145**	**986,424**	**188,427**	**1,174,851**

Notes
1. Left the Council on 14th February 2025
2. Appointed as Interim Head of Service between 15th February 2025 and 27th May 2025
3. Left the Council on 30th June 2024
4. Appointed as ‘Acting Head of Service’ between 1st July 2024 and 5th January 2025
5. Started on 6th January 2025

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.

The table on the next page shows the number of Council officers whose remuneration exceeds £50,000 per annum grouped into £5,000 bands.

Remuneration is the amount paid to or receivable by an employee and includes gross pay (i.e. before deduction of the employee’s pension contributions, tax and National Insurance), sums due by way of expense allowances, and the estimated monetary value of any additional benefits that are non-cash in their nature. Also included, where applicable, are amounts relating to retirement and redundancy lump sum payments and pay in lieu of notice. Contributions made by the Council to the pension scheme are not included in this table.

2024/25 Number of Employees	Remuneration band	2025/26 Number of Employees
14	£50,000-£54,999	17
5	£55,000-£59,999	7
4	£60,000-£64,999	2
4	£65,000-£69,999	4
4	£70,000-£74,999	3
2	£75,000-£79,999	1
-	£80,000-£84,999	1
1	£85,000-£89,999	3
1	£90,000-£94,999	2
	£95,000-£99,999	1
3	£100,000-£104,999	2
	£110,000-£109,999	1
	£110,000-£114,999	
	£115,000-£119,999	
	£120,000-£124,999	
	£125,000-£129,999	
	£130,000-£134,999	
1	£135,000-£139,999	
	£140,000-£144,999	1
	£145,000-£149,999	
	£150,000-£154,999	1
	£155,000-£159,999	
	£160,000-£164,999	
	£165,000-£169,999	
	£170,000-£174,999	
1	£175,000-£179,999	
	£180,000-£184,999	1
	£185,000-£189,999	
40	**Total of Employees**	**47**

5.12 Termination Benefits

The Council terminated the contracts of a number of employees in 2025/26 incurring liabilities of £200,309 (2024/25: £383,195).

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 (including special payments)	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	
	31-Mar-26 Number	31-Mar-25 Number	31-Mar-26 Number	31-Mar-25 Number	31-Mar-26 Number	31-Mar-25 Number	31-Mar-26 £	31-Mar-25 £
Up to £20,000			3	4	3	4	47,895	32,607
£20,001-£40,000			2	4	2	4	58,763	124,185
£40,001-£60,000				-		-		-
£60,001-£80,000				2		2		144,819
£80,001-£100,000			1	1	1	1	93,651	81,584
Total	-	-	6	**11**	6	11	**200,309**	**383,195**

5.13 Audit Fees

The Council has incurred the following costs in 2025/26 in respect of the audit of the Statement of Accounts, certification of grant claims and statutory inspections and other services provided by the Council's external auditors, KPMG

31-Mar-25 £'000		31-Mar-26 £'000
144	Fees payable for external audit services carried out by the appointed auditor	176
24	Fee Variation	19
36	Fees payable to external audit in relation to grant claims	284
204	**Total**	**479**

5.14 Adjustment between accounting basis and funding basis under regulations

The Comprehensive Income and Expenditure Statement show 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 considers the use of reserves built up in the past and contributions to reserves earmarked for future specific expenditure.

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

5.14 Adjustments between Funding and Accounting Basis

2024/25					2025/26			
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves		General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Reversal of items Debited/(Credited) to the CIES:				
(129)			129	Amortisation of intangible assets	(180)			180
(2,713)			2,713	Depreciation	(2,820)			2,820
(1,890)			1,890	Impairment / Revaluation charged to the CIES	(8,476)			8,476
(210)			210	Movements in the market value of Investment Properties	10,278			(10,278)
(3,584)			3,584	Non-current assets written out on disposal	16			(16)
			-	Accumulated gains on non-current assets disposed	(1,398)			1,398
			-	Donated Assets	-			-
				Transfers between revenue and capital resources	19			(19)
18	(18)		()	Transfer of sale proceeds from revenue to the Capital Receipts Reserve	1,368	(1,368)		-
1,650			(1,650)	Transfer of sale proceeds from revenue to the Capital Adjustment Account	1,628			(1,628)
490			(490)	Minimum Revenue Provision	490			(490)
12,940			(12,940)	Capital expenditure charged against the General Fund	796			(796)
				Adjustment for funding				
				Adjustments to capital resources				-
	738		(738)	Use of Capital Receipts to finance capital expenditure		5,629		(5,629)
3,826		671	(4,497)	Application of capital grants and other contributions to finance capital expenditure			3,518	(3,518)
			-	**Adjustment primarily involving the Capital Grants Unapplied Account**				
(2,305)			2,305	Application of Grants to Capital financing transferred to the Capital Adjustment Account for Revenue Expenditure Funded from Capital under Statute	(1,619)			1,619
1,040		(1,040)	-	Capital Grants & Contributions unapplied credit to the Comp I & E	4,080		(4,080)	-
				Adjustments Involving the Pensions Reserve:				
(2,347)			2,347	Reversal of items relating to Post-Employment Benefits Debited/(Credited) to the (Surplus)/Deficit on the Provision of Services in the CIES	(2,463)			2,463
3,216			(3,216)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	3,423			(3,423)
				Adjustments between accounting and funding basis under regulations				
(3,566)			3,566	Council Tax	(67)			67
				NNDR	8,960			(8,960)
			-	Financial Instruments	(303)			303
(6)			6	Holiday Pay	(125)			125
6,431	**720**	**(369)**	**(6,781)**	**Total Adjustments**	**13,608**	**4,261**	**(562)**	**(17,307)**

5.15 Expenditure and Funding Analysis

2024/25				2025/26		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
3,673	2,862	810	Asset Management	(9,286)	(1,472)	(7,814)
217	-	217	Audit & Assurance	223	-	223
513	(34)	547	Executive Directors	620	(7)	628
263	15	247	Engineering Services	115	17	98
1,098	(79)	1,177	Environmental Health	1,136	(9)	1,145
3,469	(23)	3,491	Finance & Business Services	2,347	206	2,141
1,137	(1)	1,138	General Expenses	2,185	(121)	2,306
4,417	1,607	2,810	Housing Services	2,651	1,053	1,598
1,556	(43)	1,599	Human Resources & Customer Services	1,694	21	1,674
1,823	(61)	1,884	Legal & Democratic Services	1,570	(13)	1,583
2,622	745	1,876	Partnership & Community Engagement	2,463	465	1,998
2,211	532	1,679	Planning & Economic Development	3,367	569	2,798
6,231	421	5,810	Street Scene Services	6,642	1,265	5,377
29,228	**5,942**	**23,286**	**Net Cost of Services**	**15,727**	**1,974**	**13,753**
(23,394)	489	(23,883)	Other Income and Expenditure	(18,919)	11,634	(30,553)
5,835	**6,431**	**(596)**	**(Surplus) or Deficit**	**(3,192)**	**13,608**	**(16,800)**
(25,825)			**Opening General Fund**	(19,990)		
5,835			Surplus/(Deficit) on General Fund in year	(3,192)		
(19,990)			**Closing General Fund Balance as at 31 March 2025**	**(23,183)**		

The Adjustments between Funding and Accounting Basis column reflects major adjusting items in respect of:

- Capital purposes – adding in depreciation and impairment and revaluation gains and losses in respect of council dwellings and other land and buildings; adjusting for the sale of land or buildings; adding in the statutory charge for the repayment of borrowing; adjusting for capital grants received.
- Pensions – removing employer pension contributions allowed by statute and replacing with the current and past costs allowed under international accounting standards, including interest notionally payable on the actuarial defined pension liability.
- Other – reflecting the timing difference between the forecast of council tax and non-domestic rates to be received which is included in the accounts and the actual amounts received.

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

- 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).

5.15.1 Note to the Expenditure and Funding Analysis

2025/26	Adjustments for capital purposes (Note 1) £'000	2025/26 £'000	Other differences (Note 3) £'000	Total adjustments £'000
Asset Management	(1,462)	(9)	-	(1,472)
Audit & Assurance				-
Executive Directors		(7)	-	(7)
Engineering Services	17	-	-	17
Environmental Health	11	(20)	-	(9)
Finance & Business Services	225	(34)	15	206
General Expenses		(121)		(121)
Housing Services		(16)	1,069	1,053
Human Resources & Customer Services	37	(17)	-	21
Legal & Democratic Services		(13)	-	(13)
Partnership & Community Engagement	474	(9)	-	465
Planning & Economic Development	27	(24)	566	569
Street Scene Services	1,204	(68)	129	1,265
Net Cost of Services	**533**	**(339)**	**1,779**	**1,974**
Other Income and Expenditure	2,723	15	8,896	11,634
Adjustments between funding and accounting bas	3,257	(324)	10,675	13,608

Comparator 2024/25

2024/25	Adjustments for capital purposes (Note 1) £'000	Net change for pensions adjustments (Note 2) £'000	Other differences (Note 3) £'000	Total adjustments £'000
Asset Management	2,903	(41)		2,862
Audit & Assurance				-
Executive Directors		(34)		(34)
Engineering Services	15			15
Environmental Health	11	(91)	1	(79)
Finance & Business Services	136	(159)	1	(23)
General Expenses		(1)		(1)
Housing Services		(77)	1,684	1,607
Human Resources & Customer Services	38	(81)		(43)
Legal & Democratic Services		(61)		(61)
Partnership & Community Engagement	805	(60)	1	745
Planning & Economic Development	27	(117)	622	532
Street Scene Services	797	(268)	(108)	421
Net Cost of Services	**4,731**	**(990)**	**2,201**	**5,942**
Other Income and Expenditure	3,934	121	(3,566)	489
Adjustments between funding and accounting basis	8,664	(869)	(1,365)	6,431

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 receivables in the year to those receivables 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.

2025/26	Employees Related Costs £'000	Premises Related Expenditure £'000	Transport Related Costs £'000	Supplies and Services £'000	Third Party Payments 2025/26	Transfer payments £'000	Depreciation, Impairment and REFCUS £'000	Income £'000	Total £'000
Asset Management	964	3,313	4	1,247	1,279		(1,462)	(13,159)	(7,814)
Audit & Assurance	-			4	219				223
Executive Directors	606			20	2				628
Engineering Services	(2)	11	41	16	23		17	(9)	98
Environmental Health	1,696	1	12	87	48		11	(709)	1,145
Finance & Business Services	3,040	-	2	1,181	260	20,898	225	(23,466)	2,141
General Expenses	1,121	142	-	1,101	45			(104)	2,306
Housing Services	1,521	-	6	922	172		1,069	(2,092)	1,598
Human Resources & Customer Services	1,435	-	1	179	120		37	(98)	1,674
Legal & Democratic Services	1,233	69	5	877	51			(653)	1,583
Partnership & Community Engagement	1,047	32	2	514	943		474	(1,014)	1,998
Planning & Economic Development	3,347	9	6	525	1,093		577	(2,757)	2,798
Street Scene Services	6,103	1,282	1,378	717	638		1,204	(5,945)	5,377
Total	**22,111**	**4,859**	**1,457**	**7,391**	**4,893**	**20,898**	**2,152**	**(50,007)**	**13,753**

Prior Year Comparator 2024/25

2024/25	Employees Related Costs £'000	Premises Related Expenditure £'000	Transport Related Costs £'000	Supplies and Services £'000	Third Party Payments £'000	Transfer payments £'000	Depreciation, Impairment and REFCUS £'000	Income £'000	Total £'000
Asset Management	1,477	3,369	3	952	380		2,903	(8,273)	810
Audit & Assurance	-			7	210				217
Executive Directors	530			16	-				547
Engineering Services	(1)	3	42	18	186		15	(14)	247
Environmental Health	1,471	2	9	116	58		11	(490)	1,177
Finance & Business Services	2,935	-	3	1,241	230	23,491	136	(24,546)	3,491
General Expenses	582			524	53			(22)	1,138
Housing Services	1,392		6	1,105	197		1,684	(1,575)	2,810
Human Resources & Customer Services	1,338	-		169	118		38	(63)	1,599
Legal & Democratic Services	1,534	101	3	1,004	87			(844)	1,884
Partnership & Community Engagement	985	21	2	797	1,130		805	(1,864)	1,876
Planning & Economic Development	2,633	11	5	631	321		648	(2,571)	1,679
Street Scene Services	5,209	1,164	1,151	866	695		797	(4,071)	5,810
Total	**20,085**	**4,670**	**1,224**	**7,447**	**3,664**	**23,491**	**7,036**	**(44,332)**	**23,286**

5.16 Property, Plant & Equipment

Movements in 2025/26	**Other Land & Buildings £'000**	**Vehicles, Plant & Equipment £'000**	**Infra-structure Assets £'000**	**Community Assets £'000**	**Assets Under Construction £'000**	**Surplus Assets £'000**	**Right of Use Asset £'000**	**Total Property Plant and Equipment £'000**
Cost Valuation:								
At 1 April 2025	**180,812**	**10,406**	**571**	**2,152**	**2,634**	**-**		**196,576**
Adjustments to opening balance								
Additions	3,735	1,300	53	-	1,750	-	600	7,437
Donations								-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	7,499		-	-	-	-		7,499
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(2,238)				-			(2,238)
Indexation increase to Revaluation Reserve	790							790
Reversal of impaiments								-
Derecognition - Disposals	(211)	(232)			(251)			(694)
Derecognition - Other								-
Acc Dep & Imp WO to GCA	(2,008)							(2,008)
Assets reclassified - AHFS	(12,600)				(548)			(13,148)
Other movements in cost or valuation	(522)	-		407	114			-
Balance as at 31 March 2026	**175,257**	**11,474**	**624**	**2,560**	**3,698**	**-**	**600**	**194,213**

Accumulated Depreciation and Impairment:								-
At 1 April 2025	**(1,067)**	**(4,893)**	**(189)**	**(512)**	**(2)**	**-**		**(6,661)**
Adjustment to opening balance								-
Depreciation Charge	(1,730)	(1,146)	()	(23)	-		(100)	(3,000)
Depreciation written out to the Revaluation Reserve								-
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	11	227						238
Acc Dep & Imp WO to GCA	2,008							2,008
Assets reclassified								-
Other movements in cost or valuation	(1)				1			()
At 31 March 2026	**(779)**	**(5,812)**	**(189)**	**(535)**	**(1)**	**-**	**(100)**	**(7,416)**
Net Book Value at 31 March 2026:	**174,478**	**5,661**	**435**	**2,025**	**3,697**	**-**	**500**	**186,797**
Net Book Value at 31 March 2025:	179,746	5,514	382	1,641	2,632	-	-	189,915

Prior Year Comparator 2024/25

Movements in 2024/25	**Other Land & Buildings £'000**	**Vehicles, Plant & Equipment £'000**	**Infra-structure Assets £'000**	**Community Assets £'000**	**Assets Under Construction £'000**	**Surplus Assets £'000**	**Total Property Plant and Equipment £'000**
Cost Valuation:							
At 1 April 2024	**178,285**	**8,777**	**565**	**2,152**	**5,274**	**-**	**195,054**
Adjustments to opening balance							-
Additions	2,943	1,729	(9)	-	1,706	-	6,370
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,920		15	-	-	-	2,935
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(1,614)				(275)		(1,890)
Reversal of impaiments							-
Derecognition - Disposals	(6)	(100)			(3,579)		(3,685)
Derecognition - Other							-
Acc Dep & Imp WO to GCA	(1,717)						(1,717)
Assets reclassified					(491)		(491)
Other movements in cost or valuation							-
Balance as at 31 March 2025	**180,812**	**10,406**	**571**	**2,152**	**2,634**	**-**	**196,576**
Accumulated Depreciation and Impairment:							
At 1 April 2024	**(963)**	**(4,160)**	**(188)**	**(474)**	**(1)**	**-**	**(5,786)**
Adjustment to opening balance							-
Depreciation Charge	(1,820)	(833)	(1)	(37)	(1)		(2,693)
Depreciation written out to the Revaluation Reserve							-
Depreciation written out to the Surplus/(Deficit) on the Provision of Services		100					100
Acc Dep & Imp WO to GCA	1,717						1,717
Impairments Recognised in S/D							-
Impairments recognised in RR							-
Assets reclassified							-
Other movements in cost or valuation							-
At 31 March 2025	**(1,067)**	**(4,893)**	**(189)**	**(512)**	**(2)**	**-**	**(6,661)**
Net Book Value at 31 March 2025:	**179,746**	**5,514**	**382**	**1,641**	**2,632**	**-**	**189,915**
Net Book Value at 31 March 2024:	177,322	4,617	377	1,678	5,273	-	189,268

5.16.1 Rolling Revaluation

Valuations as at 31 March 2026 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.

Carrying value of assets – Based on last valuation date

	Other land and buildings £'000	Vehicle, plant & equipment £'000	Infrastructure assets £'000	Community assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Intangible £'000	Total £'000
Carried at historical cost	624	11,474	610	1,885	-	3,698	2,601	**20,891**
31-Mar-26	143,374	-	-	-	-	-	-	**143,374**
31-Mar-25	20,320	-	15	-	-	-	-	**20,334**
31-Mar-24	9,668	-	-	675	-	-	-	**10,342**
Prior to 2023	1,273	-	-	-	-	-	-	**1,273**
Gross Book Value	**175,257**	**11,474**	**624**	**2,560**	**-**	**3,698**	**2,601**	**196,214**

5.16.2 Assets Held for Sale

Assets with a carrying value of £14.715m were being held for Sale as at 31st March 2026. There were no assets deemed as being held for sale as at the end of the previous financial year (31st March 2025)

2024/25 £'000	Assets Held For Sale	2025/26 £'000
	Balance at start of year	**-**
	Additions	13,148
	Revaluation increases in year	2,094
	Revaluation decreases in year	(527)
-	**NBV AS AT 31 MARCH**	**14,715**

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.

2024/25 £'000		2025/26 £'000
33,690	**Opening Capital Financing Requirement**	**21,769**
(521)	Corrections	(2,835)
	Capital Investment:	
6,370	Property Plant and Equipment	7,437
	Elstree Film Studios'	
-	Investment Properties	19
633	Intangible Assets	7
-	Heritage	
1,684	Revenue Expenditure funded from Capital under Statute	1,619
932	Loan to Hertsmere Living Limited - Eldon	-
800	Loan to Hertsmere Living Limited- St Johns	-
	Loan to EFS	10,000
10,419	**Total Capital Investment**	**19,081**
	Sources of Finance:	
(2,404)	Capital Receipts	(1,368)
(3,750)	Government grants and other contributions	(4,080)
(840)	Section 106 - utilised	(1,398)
(572)	Repayment of Loan To HLT - HBC Leisure Centre Upgrades (InspireALL)	(601)
(2,279)	Repayment of Loans from HDL	-
-	Repayment of Loans	(250)
(9,845)	**Total Source of Finance**	**(7,698)**
	Sums set aside from revenue or one off use of capital receipts:	
(11,484)	- Direct revenue contributions	(796)
	- Section 106 Donated assets	
(490)	- MRP	(490)
	- One off use of capital receipts	(2,800)
(11,974)	**Total Set aside from Revenue or one off use of capital receipts**	**(4,086)**
21,769	***Closing Capital Financing Requirement***	**26,231**
	Explanation of movements in year:	
(11,921)	Increase in underlying need to borrowing (unsupported by Government Financial Assistance)	4,463
(11,921)	**Increase/(Decrease) in Capital Financing Requirement**	**4,463**

5.17.1 Capital Commitments

As at 31 March 2026 the Council has entered several contracts for enhancement to Property, Plant and Equipment and other assets at the end of 2025/26 the Council has a projected outstanding capital spend for schemes already commenced of £15.964m. Similar commitments at 31 March 2025 were £20.404 million. The major commitments are:

2024/25 £'000	Scheme	2025/26 £'000
11,948	Asset Management	9,076
3,732	Hertsmere Living	-
621	Planning & Economic Development	3,641
1,684	Environmental Health	-
-	Housing & Partnerships	-
1,621	Street Scene Services	2,913
798	Finance And Business Services	31
-	Loan to Hertsmere Development Company	304
20,404	**Total**	**15,964**

In February 2026 additional capital spend has been agreed for 26/27 and later years, however contract and commitments for this additional spend have not been entered into as at 31st March 2026 and are not included in the above committed spend figures.

5.18 Leases

The Council and Right-of-use assets

Right-of-use assets recognised under leases are accounted for using the policies applied generally to Property, Plant and Equipment assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated life. This will include an estimated valuation where the cost model does not provide a reliable proxy for the current value of the right-to-use asset.

The Council as Lessee

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

31-Mar-25 £'000		31-Mar-26 £'000
8	Not later than one year	4
4	Later than one year and not later than five years	-
	Later than five years	
12	**Total**	**4**

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

31-Mar-25 £'000		31-Mar-26 £'000
8	Minimum lease payments	8
8	**Total**	**8**

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 £1.4m paid in 2025/26 (£1.2m in 2024/25).

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:

2025/26	Artwork £'000	Rose Garden £'000	War Memorial £'000	Total £'000
Cost or Valuation				
Balance at start of year	110	**1,354**	**50**	**1,514**
Additions		-	-	-
Revaluation Increase/ (Decrease)				-
Recognised in the CIES				-
	110	**1,354**	**50**	**1,514**
Accumulated Depreciation and Impairment				
Balance at start of year	-	(356)	-	(356)
Depreciation Charged in Year	-	(20)	-	(20)
Impairments recognised to CIES				-
Balance at end of year	**-**	**(377)**	**-**	**(377)**
NBV AS AT 31 MARCH 2026	**110**	**977**	**50**	**1,137**

Prior Year Comparator 2024/25

2024/25	Artwork £'000	Rose Garden £'000	War Memorial £'000	Total £'000
Cost or Valuation				
Balance at start of year	110	**1,354**	**50**	**1,514**
Additions	-	-	-	-
Revaluation Increase/ (Decrease)				-
Recognised in the CIES				-
	110	**1,354**	**50**	**1,514**
Accumulated Depreciation and Impairment				
Balance at start of year	-	(336)	-	(336)
Depreciation Charged in Year	-	(20)	-	(20)
Impairments recognised to CIES				-
Balance at end of year	**-**	**(356)**	**-**	**(356)**
NBV AS AT 31 MARCH 2025	**110**	**997**	**50**	**1,157**

5.20 Investment Property

Rental income from investment property of £868k (2024/25: £657k) 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:

2024/25 £'000		2025/26 £'000
9,054	**Balance at Start of the Year**	**9,335**
(210)	Net Gains / (Losses) on Revaluation	(16)
	Write Out of Impairments on Revaluations	
8,844	**Net Gains / (Losses) from Movements in the Market Value of Investment Properties**	**(16)**
	Additions	19
	Impairment	
	Disposals	(942)
	Derecognition	
491	Reclassifications	-
9,335	**Balance at Year End**	**8,397**

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:

2024/25 £'000		2025/26 £'000
1,962	**Balance at start of year**	**2,594**
633	Additions	7
2,594		**2,601**
	Amortisation	
(1,659)	Balance at start of year	**(1,788)**
(129)	Amortisation Charged in Year	(180)
(1,788)	Balance at end of year	**(1,967)**
807	**NBV AS AT 31 MARCH**	**634**

5.22 Debtors

The table below shows the amount that was owed to the Council as at 31 March 2026 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

31-Mar-25 £'000	Debtors - Amounts receivable within one year:	31-Mar-26 £'000
	Financial assets	
4,834	Sundry debtors and accrued income	5,022
500	Due from group companies	500
(624)	Other loans	277
52	Employee car loans	38
4,762	**Sub Total**	**5,837**
	Non-financial assets and statutory debt	
2,635	Council tax	1,104
(734)	Business rates	1,067
461	HM Revenue and Customs	377
2,592	Government departments and other local authorities	(3,379)
2,111	Housing Benefits overpaid	1,981
784	Prepayments	855
7,849	**Sub Total**	**2,005**
(2,213)	Allowance for doubtful debt	(2,320)
10,398	**Total**	**5,522**

Debtors - Amounts receivable after one year:

31-Mar-25 £'000	Debtors - Amounts receivable after one year:	31-Mar-26 £'000
	Financial assets	
2,429	Equity charge on properties	2,389
46	Employee car loans	52
8,336	Loans to subsidiary undertakings	10,000
6,658	Other loans	4,829
24	Other	19
17,493	**Sub Total**	**17,289**
-	Allowance for doubtful debt	-
17,493	**Total**	**17,289**

5.23 Investments

31-Mar-25 £'000	Long Term Investments	31-Mar-26 £'000
	Long Term Investments:	
-	Investments in Subsidiaries	-
3,065	Other Investments	3,065
	Local Authorities	
3,065	**Total Long Term Investments**	**3,065**
	Short Term Investments:	
	Banks	
20,000	Local Authorities	50,000
20,000	**Total Short Term Investments**	**50,000**

Investments were held as follows:

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

Other long-term investments comprise:

- Hertsmere Living Limited – equity share capital of £2.574m representing a 50% holding in this joint venture stock holding company
- One £1 (12.5%) share in Broste Rivers Ltd which is the holding company of Hertfordshire Building Control Ltd (2023: £1 – 12.5%).
- 14% of the ordinary shares of £1 each issued by Hertfordshire CCTV Partnership Limited (2023: 14%).
- 20,000 shares of £0.01 each in UK Municipal Bonds Agency PLC (2023/24: £200).

The average interest rate received on core investments during the year was 4.5% (2023/24: 4.57%). 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:

31-Mar-25 £'000	Cash and Cash Equivalents	31-Mar-26 £'000
	Cash held by Officers	1
1,460	Bank Current Accounts	1,671
29,979	Call Deposit and Money market Funds	6,050
3,300	Short Term Deposits	1,950
34,739	**Total Cash and Cash Equivalents**	**9,672**

5.25 Creditors

The table below shows the amount that the Council owed as at 31 March 2026 to third parties, together with amounts received by the Council in advance of supply of goods or services.

31-Mar-25 £'000	Amounts payable within one year:	31-Mar-26 £'000
	Financial assets	
(6,787)	Sundry creditors	(5,424)
-	Due to group companies	-
(6,787)	**Sub Total**	**(5,424)**
	Non-financial assets and statutory	
(147)	Accrual for accumulated absences (note 5.31.6)	(272)
(306)	HM Revenue and Customs - payroll taxes	(361)
(23,387)	Due to government departments and other Local Authorities	(18,648)
(3,884)	Receipts in advance	(4,416)
(27,724)	**Sub Total**	**(23,697)**
(34,511)	**Total included in current Liabilities**	**(29,120)**

31-Mar-25 £'000	Amounts payable after one year:	31-Mar-26 £'000
	Financial assets	
(75)	Other creditors	(475)
(75)	**Sub Total**	**(475)**

5.26 Provisions

25/26 Provisions	Municipal Mutual Insurance £'000	Business Rates Appeals £'000	Herts Building Control Ltd Losses £'000	Total £'000
Opening Balance	**(58)**	**(6,471)**	**-**	(6,530)
Increase/(decrease) in provision during year		3,385		3,385
Amounts used		1292		1,292
Sub Total	**(58)**	**(1,795)**	**-**	**(1,853)**

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 because 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 if there are surplus 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:

31-Mar-25 £'000	Receipts in Advance S106 Monies	31-Mar-26 £'000
(7,724)	**Balance at 1 April**	**(7,464)**
(826)	New grants received in advance	(537)
(312)	Receipt in lieu of interest	(266)
1,397	Application of grants used in year	1,553
-	Amounts repaid	-
(7,464)	**Balance at 31st March**	**(6,714)**

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 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.

Criteria
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 2026 are considered to have low credit risk. Therefore 12 month expected credit losses have been calculated applying risk factors provided by the Council's treasury management advisors. These are not material and have not been reflected in the core financial statements. No allowance is required for deposits with central government and other local authorities as relevant statutory provisions prevent default.
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% (2025: £454k, 2024: £151k) and this amount has been earmarked against the Council's usable capital receipts (£0.775m at 31 March 2026).
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.

2024/25						2025/26				
Amortised Costs £'000	Fair Value through CIES £'000	Non Financial Instruments Balances £'000	Balance Sheet Carrying Amounts £'000	Financial Instruments Impairment Allowance £'000		Amortised Costs £'000	Fair Value through CIES £'000	Non Financial Instruments Balances £'000	Balance Sheet Carrying Amounts £'000	Financial Instruments Impairment Allowance £'000
					Financial Assets					
		3,065	3,065	(20)	Long Term Investments			3,065	3,065	
6,753	10,740		17,493	(128)	Long Term Debtors				17,289	
		20,000	20,000		Short Term Investments	50,000			50,000	
		10,398	10,398	(727)	Short Term Debtors			5,522	5,522	
34,739			34,739		Cash and Cash Equivalents	9,672			9,672	
					Financial Liabilities					
		(34,511)	(34,511)		Short Term Creditors			(29,120)	(29,120)	
		(75)	(75)		Other Long term Liabilities				(475)	

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 2025/26 in relation to financial instruments.

2024/25 Financial Instruments measured at amortised cost £'000	Financing and Investment Income and Expenditure	2025/26 Financial Instruments measured at amortised cost £'000
	Interest payable and similar charges	
(3,334)	Interest receivable and similar income	(3,979)
-	Impairment of Financial Assets	-
(3,334)		**(3,979)**

Changes in Expected Credit Losses

	2025/26			
	Allowance at 1 April 2025 £'000	Allowance for assets originated or acquired £'000	Allowance for assets derecognised £'000	Allowance at 31 March 2026 £'000
Long Term Investments				
Lifetime credit losses				-
Loans to businesses and group companies				
12-month credit losses	(20)			(20)
Deposits with banks and building societies				
12-month credit losses	(151)			(151)
Trade receivables				
Grouped assets	(601)			(601)
Total loss allowances	**(772)**	**-**	**-**	**(772)**

Credit Risk Exposure

The Council had the following exposure to credit risk at 31 March 2026.

	2025/26			
	Low £'000	Medium £'000	High £'000	Gross Carrying Amount £'000
Deposits with banks and building societies				
12-month credit losses	50,000			50,000
Loans to businesses and group companies				
12-month credit losses	13,300			13,300
Lifetime credit losses				
Trade receivables				
Grouped assets	Not subject to credit rating			-
Total amount exposed to credit risk	**63,300**	**-**		**63,300**

Credit Risk arising from deposits with Banks and Financial Institutions

This risk is minimised through the Council's Treasury Management Strategy. The Council's investment policy has regard to the Department of Levelling Up, Housing and Communities' (DLUHC) Guidance on Local Government Investments ("the Guidance"), the CIPFA Treasury Management in Public Services Code of Practice 2021 and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"), which is in the process of being updated and CIPFA Treasury Management Guidance Notes 2021.

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

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

As well as using the MUFG matrix, the Council will limit its exposure to any one particular Institution or group of banks. The Council will adopt a tiered exposure using Fitch long term (or equivalent from other agencies if Fitch does not provide) to determine the amount of funds placed with each institution. The table below shows counterparty investment limits for 2025/26 and deposits placed at 31st March 2026.

	2025/26		
	Maximum Investment	**Investment as at 31 March 2026**	**Call deposits at 31 March 2026 (included in cash and cash equivalents)**
	£'000	**£'000**	**£'000**
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 Councils banker limit
Medium Quality Rated Non UK Banks – rating A+, A	£4m		
Local Authorities	£10m	4 deposits not individually 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 individually exceeding £10m
Enhanced Money market funds – AAA	£8m		
Debt Management Account Deposit Facility	Unlimited		

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

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

	2025/26 Age (Days)						
Trade Receivable	**0-30**	**31-60**	**61-90**	**90-180**	**180-365**	**Over 365**	**Allowance at 31 March 2026**
	%	**%**	**%**	**%**	**%**	**%**	**£000's**
Other	-	4	3	23	80	453	(563)
Garage Rents	-	-	-	1	8	-	(9)
Parking	Provision is made based on age of Penalty Charge Notices.						(248)
							(820)

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.

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 ear, 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

2024/25 £'000	Comprehensive Income and Expenditure Statement (CIES)	2025/26 £'000
	Cost of Services:	
	Service cost comprising:	
2,238	Current service cost	1,656
	Past service cost	
	Finance and investment income and expenditure:	8
272	Net interest expense	799
2,510	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**2,463**
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined liability comprising:	
4,621	Return on plan assets (excluding the amount included in the net interest expense)	(1,391)
		(4,373)
(14,064)	Actuarial (gains) and losses arising on changes in financial assumptions	(4,169)
(1,928)	Actuarial (gains) and losses arising on changes in demographic assumptions	3,058
(762)	Other experience (gains) and losses	3,460
21,051	Changes in the effect of the asset ceiling	(11,089)
8,918	**Total post-employment benefit gains/(losses) charged to the CIES**	**(14,504)**

5.29.2 Movement in Reserves Statement

2024/25 £'000		2025/26 £'000
(2,510)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**(2,463)**
	Actual amount charged against the General Fund for pensions for the year:	
3,216	Employer's contributions payable to the scheme	**3,423**

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:

2024/25 £'000		2025/26 £'000
(99,559)	**Present value of defined benefit obligations**	**(104,340)**
108,697	Fair value of scheme assets	119,280
(24,602)	Effect of the asset ceiling	(14,940)
(15,464)	**Net liability arising from defined benefit obligation**	**-**

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

2024/25 £'000	Present Value of Defined Benefit Obligations:	2025/26 £'000
(113,487)	**As at 1 April**	**(99,559)**
(2,238)	Current service cost	(1,656)
	Past service cost	
(5,335)	Interest cost	(5,635)
(744)	Contributions by scheme members	(804)
	Re-measurement gains and (losses):	
1,928	Actuarial gains and (losses) arising on changes in demographic assumptions	(3,058)
14,064	Actuarial gains and (losses) arising on changes in financial assumptions	4,169
762	Other experience gains and (losses)	(3,460)
5,491	Benefits paid	5,663
(99,559)	**Closing balance at 31 March**	**(104,340)**

2024/25 £'000	Fair Value of Scheme Assets:	2025/26 £'000
109,623	**As at 1 April**	**108,697**
5,226	Interest Income	6,263
744	Contributions by scheme members	804
3,216	Contributions by employer	3,423
	Re-measurement gains and (losses):	
(4,621)	Return on plan assets excluding the amount included in the net interest expense	1,391
	Other actuarial gains/(losses)	4,373
	Administration expenses	(8)
	Other experience gains and (losses)	
(5,491)	Benefits paid	(5,663)
108,697	**Closing balance at 31 March**	**119,280**

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:

Period Ended 31 March 2025		Asset Breakdown		Period Ended 31 March 2026	
Quoted %	Unquoted %			Quoted %	Unquoted %
2%		Fixed Interest Government Securities	UK	2%	
1%			Overseas	1%	
10%		Index Linked Government Securites - UK	UK	8%	
			Overseas		
3%		Corporate Bonds - UK	UK	2%	
4%			Overseas	3%	
1%		Equities	UK	1%	
26%			Overseas	29%	
	13%	Property			12%
	5%	Hedge fund			5%
	9%	Private Equity			8%
	2%	Infrastructure			2%
19%		Unit trust		18%	
0%		Derivatives		4%	
	1%	Insurance Linked Stratergies			1%
	1%	Private Credit			1%
3%		Cash/Temporary Investments		3%	
		Net Current Assets	Debtors		
			Creditors		
66.0%	**31.0%**	**Total**		**71.0%**	**29.0%**

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 valuation as at 31 March 2026 by Barnett Waddingham, the independent actuary to Hertfordshire Local Government Pension Scheme.

The principal assumptions used by the actuary are as follows:

2024/25	Life expectancy from age 65 (years)	2025/26
	Retiring today:	
21.2	Men	22.8
24.1	Women	24.6
	Retiring in 20 years:	
21.9	Men	24.3
25.2	Women	26.3
	Rates of Inflation	
2.90%	CPI	2.90%
3.90%	Rate of increase in salaries	3.90%
5.80%	Rate of discounting scheme liabilities	6.10%
45.00%	A commutation allowance is included for future retirements to elect to take 45% of the maximum additional tax-free cash up to HMRC limits.	45.00%

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.

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	103,011	104,340	105,699
Projected Service Cost	1,500	1,552	1,606
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	104,413	104,340	104,267
Projected Service Cost	1,552	1,552	1,552
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	105,708	104,340	103,314
Projected Service Cost	1,610	1,552	1,496
Adjustment to life expectancy assumptions	+ 1 year	None	-1 year
Present Value of Total Obligation	108,126	104,340	100,704
Projected Service Cost	1,603	1,552	1,503

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 115% over a 20-year period. The Council is participating in this strategy in order to contribute to meeting the scheme deficit while maintaining contribution rate their current levels at least until the triennial valuation as at 31 March 2025 is implemented, which revises contribution rates for future years (2026/27 through 2028/29). Meanwhile funding levels are monitored on an annual basis.
It is estimated that the Council will contribute approximately £2.097 million to the Local Government Pension Scheme during the year ending 31 March 2027.

2022 £'000	2023 £'000	2024 £'000	2025 £'000	As at 31 March	2026 £'000
(150,887)	(112,577)	(113,487)	(99,559)	Present value of defined benefit obligations	(104,340)
110,561	101,940	109,623	108,697	Fair value of employer assets	119,280
(40,326)	**(10,637)**	**(3,864)**	**9,138**	**Deficit(-) / Surplus(+) in the scheme**	**14,940**

The defined benefit obligations show the underlying commitments that the Council has in the long term to pay retirement benefits. Where the council has a net liability, 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. However, before taking account of the asset ceiling, the council's net position would be an asset of £14.940m; after taking account of the accounting adjustment the net asset is reduced to zero.

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).

31-Mar-25 £'000		**Note**	**31-Mar-26** £'000
(8,979)	General Fund	5.30.1	(9,273)
(11,011)	Earmarked Reserves (General Fund)	5.30.2	(13,909)
(5,036)	Capital Receipts Reserve	5.30.3	(775)
(22,637)	Capital Grants and Contributions Unapplied	5.30.4	(23,199)
(47,663)			**(47,156)**

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.

31-Mar-25 £'000		**Note**	**31-Mar-26** £'000
(8,751)	**Balance at 1 April**		(8,978)
(596)	(Surplus) / deficit on provision of services	4.2	(16,800)
6,431	Adjustments between accounting basis and funding basis under regulation	5.14	13,608
(6,062)	Transfers to (from) earmarked reserves	5.30.2	2,898
(8,978)			**(9,273)**

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:

31-Mar-25 £'000		Note	31-Mar-26 £'000
(11,012)	**Balance at 1 April**		**(11,012)**
-	Transfer to (from) earmarked reserves	5.30.2	(2,898)
(11,012)			**(13,909)**

A brief description of general fund earmarked reserves are shown below and a table showing the reserve balances held at 31 March 2026:

Reserve Type	Balance as at 31st March 2025 £'000	Movement £'000	Balance as at 31st March 2026 £'000
Services Related	(3,344)	(92)	(3,252)
Equalisation	(1,501)	(1,132)	(369)
Grants	(1,246)	289	(1,535)
Local Plan	(2,637)	(994)	(1,643)
Sinking Funds	(1,781)	(141)	(1,640)
Commuted Sums	(453)	4,972	(5,425)
Non HBC Funds	(50)	(5)	(45)
	(11,012)	**2,897**	**(13,909)**

Reserve Type	Description
Services Related	Reserves held for services expenditure including funding capital schemes
Equalisation	Equalisation reserves including business rates and housing benefit overpayment
Grants	Grants received including Housing grants for rough sleeping, and private rental scheme
Local Plan	Funds set aside to fund the production of the local plan
Sinking Funds	Funds set aside for planned replacement of vehicles and equipment
Commuted Sums	Sum received under S106 agreement for future maintenance
Non HBC Funds	Funds held on behalf of Haco and the Domestic Forum

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:

31-Mar-25 £'000		31-Mar-26 £'000
(5,756)	**Balance as at 1 April**	**(5,036)**
(18)	Receipts in year	(1,320)
	Realisation of deferred capital receipts	(48)
738	Applied during the year	5,629
(5,036)	**Balance as at 31 March**	**(775)**

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:

31-Mar-25 £'000		31-Mar-26 £'000
(22,269)	**Balance as at 1 April**	**(22,637)**
(1,896)	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(4,080)
1,528	Application of grants to capital financing transferred to the Capital Adjustment Account	3,518
(22,637)	**Balance as at 31 March**	**(23,199)**

The balance above includes Community Infrastructure Levy (CIL) funding of £22.198m (2024/25 21.354m). The vast majority of this has already been allocated to support community projects.

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".

31-Mar-25 £'000		Note	31-Mar-26 £'000
	Revaluation Balances		
(104,501)	Revaluation Reserve	5.31.1	(108,425)
	Financial Instruments Revaluation Reserve		
	Adjustment Accounts		
(82,899)	Capital Adjustment Account	5.31.2	(91,472)
(2,429)	Deferred Capital Receipts	5.31.3	(2,389)
(1,086)	Collection Fund Adjustment Account	5.31.4	(9,978)
15,464	Pensions Reserve	5.31.5	-
147	Accumulated Absences Account	5.31.6	272
(175,303)			**(211,992)**

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:

31-Mar-25 £'000	Revaluation Reserve Movements in Year	31-Mar-26 £'000
(102,569)	**Balance at 1 April**	**(104,501)**
(10)	Correct opening balance	
		(790)
(3,555)	Upward Revaluation of Assets	(16,715)
620	Downward Revaluation of Assets	12,587
(2,945)	**In Year surplus on revaluation of non-current assets**	**(4,918)**
1,013	Difference between Fair Value Depreciation and Historical Cost Depreciation	921
-	Accumulated Gains on Assets Sold or Scrapped written off to the Capital Adjustment Account	73
1,013	**In Year amounts written out to the Capital Adjustment Account**	**993**
(104,501)	**Balance at 31st March**	**(108,425)**

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 £490k (2024/25 £490k) 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:

31-Mar-25 £'000	Capital Adjustment Account Movements in year 2025- 26	31-Mar-26 £'000
(72,293)	**Balance at 1 April**	**(82,899)**
103	Opening Balance Adjustment	(1)
	Reversal of items debited or credited to the CIES	
2,841	Depreciation and amortisation	3,000
1,890	Impairment/Revaluation charged to the CIES	8,476
-	Reversal of Impairments charged to the CIES	(10,278)
210	Movements in the market value of Investment Properties	(16)
2,305	Revenue expenditure funded from capital under statute	1,619
3,584	Non-current assets written out on disposal	1,398
-	Donated Assets	(19)
	Transfers between revenue and capital resources	
(490)	Minimum Revenue Provision	(490)
(12,940)	Capital expenditure charged against the General Fund	(796)
(2,532)	Investment proceeds recognition	(1,628)
	Adjustments to capital resources	
(738)	Use of Capital Receipts to finance capital expenditure	(5,629)
(3,826)	Application of capital grants and other contributions to finance capital expenditure	(3,518)
	Adjustments involving the Revaluation Reserve	
-	Accumulated gains on non-current assets disposed	(73)
(1,013)	Difference between current value depreciation over historic cost depreciation	(921)
	Adjustements for Financial Impairments	
	Impairment of Investments	303
(82,899)	**Closing Balance 31st March**	**(91,472)**

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:

31-Mar-25 £'000	Deferred Capital Receipts	31-Mar-26 £'000
(2,429)	**Balance as at 1 April**	**(2,429)**
	Deferred receipts - recognition of PPE & donated assets	
	Realised in year	40
(2,429)	**Balance at 31st March**	**(2,389)**

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 taxpayers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31-Mar-25 £'000	Collection Fund	31-Mar-26 £'000
23	**COUNCIL TAX**	**(158)**
	Balance as at 1 April	
(181)	Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	67
(158)	**Balance as at 31 March**	**(91)**
	NON-DOMESTIC RATES	
(4,630)	**Balance as at 1 April**	**(928)**
5	Adjustment to opening balance	
3,696	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	(8,960)
(928)	**Balance as at 31 March**	**(9,888)**
(1,086)	**Total NNDR and Council Tax**	**(9,978)**

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. 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:

31-Mar-25 £'000		31-Mar-26 £'000
7,252	**Balance at 1 April**	**15,464**
(12,133)	Re-measurement of the net defined pension liability (note 5.29.1)	(3,415)
2,510	Reversal of items relating to retirement benefits debited or credited to the Surplus / (deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement (note 5.14 & 5.29.2)	2,463
(3,216)	Employers contribution payable to scheme (note 5.14 / 5.29.2)	(3,423)
21,051	Asset Ceiling Adjustment	(11,089)
15,464	**Balance at 31 March**	**-**

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.

31-Mar-25 £'000		31-Mar-26 £'000
141	**Balance at 1 April**	**147**
(141)	Settlement or cancellation of accrual made at the end of the preceding year	(147)
-		-
147	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	272
147	**Balance at 31 March**	**272**

5.32 Cash Flow Statement - Operating Activities

31-Mar-25 £'000		31-Mar-26 £'000
	Adjustments for Non-cash movements:	
	Charges for depreciation, impairment and amortisation of non-current assets:	
(4,602)	Property, plant and equipment	-
(20)	Heritage assets	(20)
(129)	Intangible assets	-
(210)	Movements in the value of investment properties	-
	Donated assets	
	Carrying amount of non-current assets sold:	
(3,584)	Property, plant and equipment	-
869	Non cash pension costs	706
	Movement in respect of internal interest	
7	Increase / (decrease) in inventories	1
(25,632)	Increase / (decrease) in revenue debtors	(20,773)
12,236	(Increase) / decrease in revenue creditors & provisions	(142,082)
(21,065)		**(162,169)**
	Adjustments for items that are investing or financing activities:	
4,865	Capital grants credited to deficit on the provision of services	4,312
1,668	Proceeds from the sale of non-current assets:	-
6,533		4,312
	The cash flows for operating activities include the following:	
(3,334)	Interest received	(2,665)
(17,865)	**Total**	**(160,522)**

5.33 Cash Flow Statement - Investing Activities

31-Mar-25 £'000		31-Mar-26 £'000
	Investing activities	
17,607	Purchase of property, plant and equipment, investment property and intangible assets	7,462
60,800	Purchase of short-term and long-term investments	296,713
16,971	Other payments for investing activities	-
	Proceeds from the sale of non-current assets	
	Property plant and equipment	
(68,552)	Proceeds from short-term and long-term investments	(292,013)
(3,165)	Grants received towards the purchase of property plant and equipment	
(2,851)	Other receipts from investing activities	
20,810	**Net cash flows from investing activities**	**12,162**

5.34 Cash Flow Statement - Financing Activities

31-Mar-25 £'000		31-Mar-26 £'000
	Financing activities	
(11,662)	Cash inflow from agency arrangements for the collection of NNDR and council tax	(21)
	Net cash (inflow) / outflow from financing activities	**-**

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.

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

Central Government
Central Government has the effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a major proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of principal transactions with government departments are set out in note 5.9.

Other local authorities and other bodies
Details of the amounts precepted and demanded are set out in the council's Collection Fund Statement.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2025/26 is shown in note 5.10.

Twenty-four members represent the Council on the governing bodies of voluntary and community organisations. Grants totalling £525k (2024/25: £467k) were made to voluntary organisations by the council in the year. A further £90k (2024/25: £100k) of support has been distributed to foodbanks to support the community utilising the Household Support Fund.

Details of the interests of members in external organisations are maintained in the Register of Members' Interests. CIL payments made in year to Parish Councils totalled £276k. (2024/25: £94k).

The following members held Director positions on Hertsmere Developments Ltd, the Council's wholly owned subsidiary: C Shenton, P Kaza and PJ Hodgson-Jones. Details of relationship described below.

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

The following members held position of Director on Elstree Immersive Experience Ltd. which was incorporated on 9 March 2026: Cllrs M Bright, R Butler, J Newmark, C Shenton and L Sullivan.

Chief Officers

Chief Officers are entitled to receive car loans from the Council. During the year a loan of £10k was made (2024/25: £28k), repayments of £10k (2024/25: £10k) were received and £23k was receivable at 31 March 2026 (2025: £28k).

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

Additionally, Senior Officer ML Bunyon holds position of Director in Broste Rivers Limited and its two subsidiaries Hertfordshire Building Control Limited and The Building Control (Hertfordshire) Limited.

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

The following Senior Officers of the Council hold positions of Director in Hertsmere Living Ltd: Sajida Bijle and Emily Dillon. Details of relationship described below.

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

Pension Fund

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

Elstree Film Studios Limited

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

Since August 2018 the company has operated the premises owned by the Council and included in the Council's balance sheet at a net book value of £38.8 million (2025: £50.4 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 2025/26 the annual rent was agreed at £1,400k net of VAT in accordance with clause 6.4 (2024/25 £1,200k).

In August 2022, during planned maintenance, asbestos was discovered in three stages and some ancillary buildings, which were immediately closed to allow clean up and remediation works to be undertaken. During these remediation works it was discovered that some of the roof panels in these stages which are made of Reinforced Aerated Autoclaved Concrete (RAAC), had failed. All remediation works are now complete and the site is fully operational.

The Council agreed to provide financial support to EFS and have provided the company with a working capital loan facility of up to £10 million. As at 31 March 2026 EFS has drawn all of this facility. A loan of £250k has been repaid in full.

Hertsmere Developments Limited

Hertsmere Developments Limited (HDL) has been established as a general commercial company limited by shares. The registered office is the council's civic offices. The company has issued share capital of 491,100 shares with a face value of £1 each, all of which are owned by Hertsmere Borough Council. The company will take forward development of land within the borough with a view to generating future income streams. The Council provides working capital and development loan funding to HDL. The working capital loan of £500k was repaid post year end.

Hertsmere Living Limited

Hertsmere Living Limited (HLL), a joint venture stock holding company was incorporated on 21 December 2022 with the Council holding 50% of share capital and Clarendon Living (a subsidiary of Watford Community Housing Trust) owning the remaining 50%. The council hold £2,574k investment (2024/25: £2,574k).
The Council have entered into two capital loans for £2m and £0.8m respectively to enable HLL to purchase properties. As at 31 March 2026 the company had capital loans outstanding of £2.8 million (2024/25: 2.8 million). Interest of £178k has been received in 2025/26

Elstree Immersive Experience Ltd.

This newly created company is there to support the creation of a local entertainment and visitor attraction.

InspireAll (a company limited by guarantee)

InspireAll was the successful bidder when the contract to manage the Council's leisure services was re-awarded in 2011. The contract included management of leisure centres and community centres as before and in addition took over the activities previously managed by the Council's subsidiary Bushey Country Club Limited, together with the delivery of the play, 50 plus and parks events programmes previously provided by the Council itself. The Bushey Golf and Country Club was returned to the Council on 1 April 2018 and is currently being let by the Council on short leases with various tenants whilst the future of the site is being considered.

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 £423k (£410k in 2024/25). The leisure contract has generated significant budget savings for the Council and is regarded as a contract which will deliver value for money for Hertsmere's residents. At the end of the contract, the premises, plant and machinery will be returned to the Council in the same condition. This ensures that the service delivery capability of the facilities is maintained and enhanced.

In 2019 the Council provided a loan facility of £5 million to InspireAll to invest in the Council's assets, the loan to be repaid over the contract term. The loan balance at the end of 2025/26 is £2.603 million 2024/25 £3.204 million).

West Herts Crematorium

The Council is represented on the Joint Committee, or governing body, of West Herts Crematorium. Each of the four Hertfordshire boroughs represented is required to contribute to any deficit incurred by the operations of the crematorium. The Council made no such contribution in the year (2024/25: £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 did not receive a share of such surpluses (2024/25: £50k).

Hertfordshire CCTV Partnership

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. The year-end surplus was divided between the Partnership members with Hertsmere receiving £18k.

Hertfordshire Building Control (Broste Rivers Limited)

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. Directors' remuneration of £15k was received in 2025/26.

In August 2016 the Council made a loan of £107k to the company which is held in Long Term Debtors on the balance sheet. The organization repaid £25k of the loan, leaving £82k remaining. Annual interest of £6k was received in 2024/25 (2024/25: £5k)

COLLECTION FUND STATEMENT OF ACCOUNTS 2025/26

6.0 The Collection Fund Statement

NNDR 2024/25 £'000	Council Tax 2024/25 £'000	Total 2024/25 £'000		NNDR 2025/26 £'000	Council Tax 2025/26 £'000	Total 2025/26 £'000
			Income			
	(95,732)	(95,732)	Council Tax Receivable		(100,535)	(100,535)
	(55)	(55)	Council Tax Discount funded by Billing Authority GF		(33)	(33)
(63,368)		(63,368)	Business Rates Receivable	(69,844)		(69,844)
(5,742)		(5,742)	Transitional Protection Payments	(4,139)		(4,139)
(69,110)	**(95,786)**	**(164,897)**	**Total Income**	**(73,983)**	**(100,567)**	**(174,550)**
			Expenditure			
			Precepts, Demands and Shares			
32,528		32,528	DLUHC	34,379		34,379
26,022	10,468	36,490	Hertsmere Borough Council	27,503	11,021	38,524
6,506	72,788	79,294	Hertfordshire County Council	6,876	76,691	83,567
	10,838	10,838	Hertfordshire Police & Crime Commissioner		11,483	11,483
65,055	**94,094**	**159,150**		**68,757**	**99,195**	**167,952**
			Charges to Collection Fund			
	835	835	Write offs charged to collection fund			-
(785)		(785)	Increase (-) / Decrease in Impairment Allowance	(343)	1,675	1,332
(4,166)		(4,166)	Increase (-) / Decrease in Provision for Appeals	(11,692)		(11,692)
162		162	Cost of Collection	159		159
27		27	Renewable Energy Schemes	34		34
61		61	Interest paid on refunds	-		-
(4,701)	**835**	**(3,866)**		**(11,842)**	**1,675**	**(10,167)**
(8,756)	**(857)**	**(9,613)**	**Deficit/Surplus (-) for the year**	**(17,068)**	**302**	**(16,765)**
			Apportionment of Previous Year Surplus / Deficit (-)			
8,994		8,994	DLUHC	(2,666)		(2,666)
7,195	(85)	7,110	Hertsmere Borough Council	(2,133)	33	(2,099)
1,799	(592)	1,206	Hertfordshire County Council	(533)	232	(302)
	(88)	(88)	Hertfordshire Police & Crime Commissioner		34	34
17,988	(766)	17,223		(5,332)	299	(5,033)
9,233	**(1,623)**	**7,610**	**Deficit/(Surplus) arising during the year**	**(22,400)**	**602**	**(21,798)**
(11,573)	207	(11,366)	Deficit/(Surplus) brought forward 1st April 2025	(2,320)	(1,417)	(3,736)
20	-	20	Less agreed adjustment to Surplus/deficit			-
(2,320)	(1,416)	(3,736)	Deficit/(Surplus) carried forward 31 March 2026	(24,720)	(815)	(25,534)
(928)	(158)	(1,086)	Hertsmere Borough Council (included in reserves)	(9,888)	(91)	(9,978)
(1,392)	(1,258)	(2,651)	Precepting authorities (included in current assets or liabilities)	(14,832)	(725)	(15,556)
(2,320)	**(1,416)**	**(3,736)**	**Total**	**(24,720)**	**(815)**	**(25,535)**

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 accrual's basis.

6.1.2 Provision for Irrecoverable Debts

During the year the provision for irrecoverable council tax was increased by £1,674k. The provision for irrecoverable business rates was released by £343k.

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 (2024/25: 49.9p) and 55.5p (2024/25: 54.6p) with no relief. The total rateable value of properties for 2025/26 amounted to £177m (2024/25: £177m). The total amount, less certain reliefs and other deductions, is allocated amongst the Council, Hertfordshire County Council as a preceptor and DLUHC. The Council's share is paid into the General Fund.

6.2 Precepts and Demands

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

Precepts, Demands and Shares	Business Rates £'000	Council Tax £'000	Total £'000
MHCLG	34,379		**34,379**
Hertsmere Borough Council	27,503	9,102	**36,605**
Hertfordshire County Council	6,876	76,691	**83,567**
Hertfordshire PCC		11,517	**11,517**
Aldenham Parish Council		781	**781**
Elstree & Borehamwood Town Council		998	**998**
Shenley Parish Council		112	**112**
South Mimms		28	**28**
	68,757	**99,229**	**167,987**

6.3 Council Tax

This tax is a property-based tax and assumes that two adults are resident in the property. Exemptions and discounts are available for example for single residents. A 100% levy is payable for properties empty for more than two years rising up to 300% for long-term empty.

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 20205/26 the numbers as approved by full Council were as follows:

Valuation Band	Range of values at 1 April 1991	Total Dwellings	Total Discounts and Exemptions	Dwellings after Discounts & Exemptions	2025/26	Band D Equivalent
A*Disabled	*			-	5/9	-
A	Up to £40,000	815.00	(278)	537.10	6/9	358.1
B	£40,001 to £52,000	3,079.00	(1,391)	1,688.20	7/9	1,313.0
C	£52,001 to £68,000	7,436.00	(2,220)	5,215.70	8/9	4,636.2
D	£68,001 to £88,000	14,958.00	(2,791)	12,166.90	9/9	12,166.9
E	£88,001 to £120,000	8,988.00	(1,053)	7,934.70	11/9	9,698.0
F	£120,001 to £160,000	4,636.00	(493)	4,143.10	13/9	5,984.5
G	£160,001 to £320,000	4,737.00	(257)	4,480.40	15/9	7,467.3
H	Over £320,001	1,221.00	-52.7	1,168.30	18/9	2,336.6
Total		**45,870.00**	**(8,535.60)**	**37,334.40**		**43,960.6**

Tax Base at 98% Collection Rate	43,081
Mod Empty Property at 50%	-41.8
Number of equivalent band D contributions in lieu	292.2
Total Tax Base	**43,332**

GROUP ACCOUNTS
FOR
YEAR ENDED 31ST MARCH 2026

GROUP ACCOUNTS 2025-26

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 2025/26, 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 2025/26 this rental was £1.4 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 is 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 2025/26 income was generated from already contracted major productions and new tenant licences.

As previously reported, 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 2026 this work has been completed and the states are now available for use.

The Council initially funded the clean-up, and remediation works and agreed to provide financial support to EFS whilst these works are undertaken. The Council also agreed a working capital loan facility to EFS of up to £10m. The asbestos related works have since been completed and claims against EFS have also now been settled. The apportionment of the total costs, which amounted to £20.215 million, were agreed to be apportioned between on a 60:40 basis by both the Council and the EFS Board on 1 October 2024.

Following settlement of significant claims against EFS which included the termination of the sublease for the affected stages, the Council also agreed not to continue the demolition and rebuild project and instead agreed to undertake health and safety and subsequently also agreed reinstatement works to return these stages to use. These stages were operational again during Q3 of 2025/26.

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

7.1 Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council and its group companies, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Income and Expenditure Statement.

These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The net increase/ decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movements in Reserves during 2025/26	Council's Usable Reserves £'000	Subsidiary Usable Reserves £'000	Total Group Usable Reserves £'000	Council's Unusable Reserves £'000	Subsidiary Unusable Reserves £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 1 April 2025	**(47,663)**	**5,990**	**(41,673)**	**75,303**	-	**(175,303)**	**(216,976)**
Adjustments to opening Balances			-	**39**		39	39
Adjusted Balance as at 1st April 2025 Bfwd	**(44,599)**	**5,990**	**(38,609)**	**(178,329)**	-	**(175,264)**	**(216,938)**
Group (Surplus)/Deficit	(16,800)	1,095	(15,705)				(15,705)
Other Comprehensive Expenditure and Income			-	(19,422)		(19,422)	(19,422)
Total Comprehensive Expenditure and Income	**(15,900)**	**1,095**	**(14,805)**	**(20,321)**		**(20,321)**	**(35,126)**
Adjustments between Accounting Basis and Funding Basis under Regulations	17,307		17,307	(17,307)		(17,307)	-
Increase / Decrease in Year 2025/26	**507**	**1,095**	**1,602**	**(36,728)**		(34,799) (36,728)	(35,125)
Balance at 31 March 2026 carried forward	**(47,156)**	**7,085**	**(40,071)**	**(211,992)**	-	**(211,992)**	**(252,063)**

Prior Year Comparator

Restated Movements in Reserves during 2024/25	Council's Usable Reserves £'000	Subsidiary Usable Reserves £'000	Total Group Usable Reserves £'000	Council's Unusable Reserves £'000	Subsidiary Unusable Reserves £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 1 April 2024	**(53,849)**	**4,946**	**(48,903)**	**(174,504)**	-	**(174,504)**	**(223,407)**
Adjustments to opening Balances			-				
Adjusted Balance as at 1st April 2024 Bfwd	**(53,449)**	**4,946**	**(48,903)**	**(174,504)**	-	**(174,504)**	**(223,407)**
Group (Surplus)/Deficit	(596)	1,043	447				447
Other Comprehensive Expenditure and Income			-	5,983		5,983	5,983
Total Comprehensive Expenditure and Income	**(596)**	**1,043**	**447**	**5,983**		**5,983**	**6,430**
Adjustments between Accounting Basis and Funding Basis under Regulations	6,782		6,782	(6,782)		(6,782)	-
Increase / Decrease in Year 2024/25	**6,186**	**1,043**	**7,229**	**(799)**		(799)	6,431
Balance at 31 March 2025 carried forward	**(47,663)**	**5,990**	**(41,673)**	**(175,303)**	-	**(175,303)**	**(216,976)**

The purposes of these reserves are:

General Fund Balance
Holds the surpluses from the General Fund. The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise.

Earmarked General Fund Reserves
Amounts set aside from the General Fund Balance to earmarked reserves to provide financing for specific future expenditure plans. Amounts are posted back from earmarked reserves to meet the specified General Fund expenditure.

Capital Grants Unapplied Reserve
Holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure.

Capital Receipts Reserve
Holds the proceeds from the disposal of non-current assets, which are available to finance capital expenditure in future years.

Subsidiary Usable Reserves
Holds the consolidated balances available for use by the group companies after eliminating inter-group transactions with the Council

7.2 Group Comprehensive Income and 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.

2024/25				Note	2025/26		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,971	(7,073)	897	Asset Management		4,174	(10,226)	(6,053)
217	-	217	Audit & Assurance		223	-	223
547	-	547	Executive Directors		628	-	628
262	(14)	247	Engineering Services		106	(9)	98
1,667	(490)	1,177	Environmental Health		1,854	(709)	1,145
28,038	(24,547)	3,491	Finance & Business Services		25,300	(23,159)	2,141
1,074	(22)	1,052	General Expenses		2,410	(104)	2,306
4,385	(1,575)	2,810	Housing Services		3,690	(2,092)	1,598
1,662	(63)	1,599	Human Resources & Customer Services		1,772	(98)	1,674
2,727	(844)	1,884	Legal & Democratic Services		2,235	(653)	1,583
3,740	(1,864)	1,876	Partnership & Community Engagement		3,012	(1,014)	1,998
4,250	(2,571)	1,679	Planning & Economic Development		5,556	(2,757)	2,798
9,881	(4,071)	5,810	Street Scene Services		11,322	(5,945)	5,377
2,358	(3,130)	(772)	EFS		987	(4,122)	(3,135)
3,290	(3,417)	(127)	HDL		177	-	177
109	(488)	(379)	HLL		215	(440)	(226)
72,178	**(50,168)**	**22,011**	**Cost of Services**		**63,660**	**(51,329)**	**12,332**
		5,386	Other Operating Expenditure				3,934
		(3,082)	Financing and Investment Income and Expenditure				(4,462)
		(23,955)	Taxation and Non-specific Grant Income				(27,532)
		447	**(Surplus)/Deficit on Provision of Services**				**(15,705)**
		(2,935)	(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets				(4,918)
		-	(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets				-
		8,918	Actuarial (Gains)/ Losses on Pension Assets and Liabilities				(14,504)
		5,983	**Other Comprehensive Income and Expenditure**				**(19,422)**
		6,431	**Total Comprehensive Income and Expenditure**				**(35,126)**

7.3 Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held by the group.

2024/25 £'000		**2025/26** £'000
197,176	Property, Plant and Equipment	193,936
1,157	Heritage Assets	1,137
10,938	Investment Property	9,999
807	Intangible Assets	634
3,065	Long Term Investments	3,065
10,443	Long Term Debtors	10,639
223,585	**Long Term Assets**	**219,409**
20,000	Short-Term Investments	50,000
101	Assets Held for Sale	84
-	Inventories	14,715
9,957	Short-Term Debtors	5,650
36,836	Cash and Cash Equivalents	11,316
-	Current Tax Asset Group only	-
66,893	**Current Assets**	**81,764**
-	Short-term Borrowing	103
(30,728)	Short-term Creditors	(24,494)
(6,530)	Short-term Provisions	(1,853)
(18)	Current Tax liability Group only	
(37,275)	**Current Liabilities**	**(26,243)**
31	Other liabilities	(500)
(13,329)	Long-term Borrowing	(15,654)
(15,464)	Liability related to Defined Benefit Pension Scheme	-
(7,464)	Grants Receipts in Advance - Capital	(6,714)
(36,227)	**Long Term Liabilities**	**(22,867)**
216,977	**Net Assets**	**252,063**
(38,609)	Usable Reserves	(38,935)
(178,368)	Unusable Reserves	(211,992)
(216,977)	**Total Reserves**	**(252,063)**

7.4 Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group 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 group are funded by way of taxation and grant income or from the recipients of services provided by the group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the group'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 group.

2024/25 £'000		2025/26 £'000
621	Net (Surplus) or Deficit on the Provision of Services	15,705
(21,935)	Adjust to Surplus or Deficit on the Provision of Services for Non Cash Movements	(5,080)
6,533	Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	184
(14,781)	**Net Cash flows from Operating Activities**	**10,808**
21,061	Investing Activities	(39,015)
(11,662)	Financing Activities	2,686
(5,382)	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**(25,521)**
31,393	Cash and Cash Equivalents at the beginning of the Reporting Period	36,836
36,775	**Cash and Cash Equivalents at the End of the Reporting Period**	**11,315**

7.5 Group Property Plant and Equipment

Movements in 2025/26	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Right of Use Property £'000s	Total Property Plant and Equipment £'000
Cost Valuation:								
At 1 April 2025	**188,545**	**12,887**	**571**	**2,152**	**2,634**	**0**	**0**	**206,789**
Adjustments to opening balance	(2)	0	0	0	0	0	0	**(2)**
Additions	3,818	1,317	53	0	1,750	0	600	**7,538**
Donations	0	0	0	0	0	0	0	**0**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	7,499	0	0	0	0	0	0	**7,499**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(2,238)	0	0	0	0	0	0	**(2,238)**
Indexation increase to Revaluation Reserve	790	0	0	0	0	0	0	**790**
Reversal of impaiments	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	(211)	(232)	0	0	(251)	0	0	**(694)**
Derecognition - Other	0	0	0	0	0	0	0	**0**
Acc Dep & Imp WO to GCA	(2,008)	0	0	0	0	0	0	**(2,008)**
Assets reclassified - AHFS	(12,600)	0	0	0	(548)	0	0	**(13,148)**
Other movements in cost or valuation	(522)	0	0	407	114	0	0	**0**
Balance as at 31 March 2026	**183,072**	**13,971**	**624**	**2,560**	**3,699**	**0**	**600**	**204,526**
								-
At 1 April 2025	**(1,766)**	**(7,146)**	**(189)**	**(512)**	**(2)**	**0**		**(9,614)**
Adjustment to opening balance	0	0	0	0	0	0	0	**0**
Depreciation Charge	(1,862)	(1,236)	(0)	(23)	0	0	(100)	**(3,221)**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	**0**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	11	227	0	0	0	0	0	**238**
Acc Dep & Imp WO to GCA	2,008	0	0	0	0	0	0	**2,008**
Impairments Recognised in S/D	0	0	0	0	0	0	0	**0**
Impairments recognised in RR	0	0	0	0	0	0	0	**0**
Assets reclassified	0	0	0	0	0	0	0	**0**
Other movements in cost or valuation	(1)	0	0	0	1	0	0	**(0)**
At 31 March 2026	**(1,611)**	**(8,155)**	**(189)**	**(535)**	**(1)**	**0**	**(100)**	**(10,590)**
Net Book Value at 31 March 2026:	**181,462**	**5,816**	**435**	**2,025**	**3,698**	**-**	**500**	**193,936**
Net Book Value at 31 March 2025:	186,779	5,741	382	1,641	2,632	-	-	197,176

Movements in 2024/25	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Right of Use Property £'000s	Total Property Plant and Equipment £'000
Cost Valuation:								
At 1 April 2024	**183,183**	**11,014**	**565**	**2,152**	**5,274**	**-**		**202,189**
Adjustments to opening balance	2	40	-	-	-	-		**41**
Additions	5,776	1,933	(9)	-	1,706	-		**9,407**
Donations	-	-	-	-	-	-		**-**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-		**-**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	2,920	-	15	-	-	-		**2,935**
Reversal of impairments	(1,614)	-	-	-	(275)	-		**(1,890)**
Derecognition - Disposals	-	-	-	-	-	-		**-**
Derecognition - Other	(6)	(100)	-	-	(3,579)	-		**(3,685)**
Acc Dep & Imp WO to GCA	-	-	-	-	-	-		**-**
Assets reclassified	(1,717)	-	-	-	(491)	-		**(2,208)**
Other movements in cost or valuation	-	-	-	-	-	-		**-**
Balance as at 31 March 2025	**188,545**	**12,887**	**571**	**2,152**	**2,634**	**-**	**-**	**206,789**
Accumulated Depreciation and Impairment:								
At 1 April 2024	**(498)**	**(2,034)**	**(188)**	**(474)**	**(1)**	**-**	**-**	**(3,194)**
Adjustment to opening balance	(76)	(101)	-	-	-	-		**(177)**
Depreciation Charge	(127)	(118)	(1)	(37)	(1)	-		**(284)**
Depreciation written out to the Revaluation Reserve	(963)	(4,160)	-	-	-	-		**(5,123)**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	-	-	-	-	-	-		**-**
Impairments Recognised in S/D	(1,820)	(833)	-	-	-	-		**(2,653)**
Impairments recognised in RR	-	-	-	-	-	-		**-**
Impairments written out to the RR	-	100						**100**
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services	1,717	-						**1,717**
Derecognisation - disposals	-	-	-	-	-	-		**-**
Derecognition - Other	(652)	(2,253)						**(2,905)**
Other movements in depreciation and impairment	-	-						**-**
At 31 March 2025	**(1,766)**	**(7,146)**	**(189)**	**(512)**	**(2)**	**-**	**-**	**(9,614)**
Net Book Value at 31 March 2025:	**186,779**	**5,741**	**382**	**1,641**	**2,632**	**-**		**197,176**
Net Book Value at 31 March 2024:	182,686	8,981	377	1,678	5,273	-	-	198,995

7.6 Group Investment Properties

2024/25 £'000		2025/26 £'000
9,054	**Balance at Start of the Year**	**10,938**
56	Net Gains / (Losses) on Revaluation	(16)
	Write Out of Impairments on Revaluations	
56	**Net Gains / (Losses) from Movements in the Market Value of Investment Properties**	**(16)**
1,337	Additions	19
-	Impairment	-
-	Disposals	(942)
-	Derecognition	-
491	Reclassifications	-
10,938	**Balance at Year End**	**9,999**

HERTSMERE

HERTSMERE BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2025/26

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 2025/26.

4. The Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (CIPFA / LASAAC) states that the preparation of an AGS fulfils the statutory requirement for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control, and that Council’s should include an AGS report on the review in its Statement of Accounts. It also states that:

   a) The statement shall relate to the governance system as it applied during the financial year for the accounts that it accompanies,

b) Significant events or developments relating to the governance system that occur between the reporting date and the date on which the Statement of Accounts is signed by the responsible financial officer shall also be reported, and

c) Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control shall include its group activities.

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

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

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

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

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

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

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

11. The AGS should include the following information:

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

SCOPE OF RESPONSIBILITY

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

13. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in

which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

15. This Governance Statement explains how the Council has maintained sound governance during the financial year 2025/26 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 2025/26, 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 Council has a framework of corporate governance that integrates the Hertsmere Vision and Corporate Plan with corporate policies, operational procedures, and service plans. The Council has recently updated its service plan template, and this is expected to be implemented by services over 2026/27.

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 Leadership Team are aware of the financial and other procedures and controls outlined in the Constitution, and the Chief Executive, Deputy Chief Executive, Assistant Directors and each Head of Service are 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 are required to 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 was launched at the LSP and adopted by the Council in September 2023 covering the period up to 2027.

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 were reviewed following the 2023 election and further reviewed during 2025/26. The high-level vision and priorities were set out in the Hertsmere Vision 2024-27 and this was reviewed during 2025/26 with the new Hertsmere Vision and Corporate Plan for 2026-28 which was agreed by Council in February 2026 and is published on the Council's website - FINAL - Hertsmere Vision 2026-28

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

31. The Council's vision, priorities and values were subject to review following the change in administration in May 2023 to better reflect the ambitions and priorities of the new administration. The updated high-level Hertsmere Vision 2024-27 – Delivering Better Futures is clearly structured with three priority areas: Our Communities, Our Places and Our Services and includes a set of corporate values, which were developed by a joint Member/Officer panel. This was reviewed and updated during 2025/26 with the priority areas changing to: Growing Opportunities; Strong Homes, Secure Futures; Community Equals Place and Delivering Excellence.

32. The updated Vision and Corporate Plan was agreed by Cabinet and Council in February 2026 and was supported by an updated Performance Management Framework. The Corporate Plan is reviewed annually.

33. 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.

34. 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

35. The annual Corporate Plan provides 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.

36. The Council has made proper arrangements for monitoring and reporting performance through Chief Officer Board, the Executive Performance Management Panel and Cabinet 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. From 2026 performance reporting will move to the Operations Review Committee and the performance panel will be retired.

37. 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.

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

39. 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.

External review and challenge – Hertsmere LGA Corporate Peer Challenge

40. The Council recognises the importance of external challenge and review for ongoing service and organisational improvement and therefore invited the Local Government Association (LGA) to carry out a whole council Corporate Peer Challenge (CPC). This review was part of the LGA's sector led improvement programme and involved a

team of experienced senior local government Councillors and officers, providing robust, strategic and credible independent support and challenge across 5 main areas:

- Local priorities and outcomes
- Organisational and place leadership
- Governance and culture
- Financial planning and management
- Capacity for improvement

41. The onsite element of the CPC took place from the 7-10th October 2024 with six officer and member peers from similar authorities across the country. They held over 25 meetings and spoke to more than 130 partners, staff and Members in a mix of interviews and focus groups.

42. The Council received a full feedback report in January 2025. The report recognised the commitment from both officers and Members to make a difference in their local communities. They also thanked all that participated for their openness, which they saw as testimony to their collective commitment to the council.

43. The report made a number of recommendations, and the Council has produced an action plan in response to these. The report and action plan were considered by Cabinet and Council and are available on the website. The Peer Review Team revisited in February 2026 and reviewed the Council's progress against it's action plan to address the recommendations made at the initial Peer Review. A follow up report has been issued by the LGA and this is published on the Council's website.

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

44. 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.

45. There are regular meetings of the Council, the Cabinet, the Management Board and the Senior Leadership Team.

46. In addition, there are regular meetings of the following standing Committees:

   - Planning, Licensing, Operations Review, Policy Review, Shareholder & Investment, Personnel, Standards and Audit.

Each has a clear Terms of Reference covering the business they conduct.

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

48. 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, Cabinet 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.

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

50. 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.

51. 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 / Assistant Director 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.

52. 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

53. 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 provisions on General Conduct, the Register of Members' Interests, (including Gifts and Hospitality) and the declaration of interests at Council, Cabinet and Committee

meetings. Depending on the nature of the interest declared, the member may be required to leave the meeting room during consideration of the item of business that generated the declaration. Member declarations are also recorded in the minutes of the meeting. The entries in the Register of Members Interests 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 also subject to review by both Management and SIAS. In conjunction with officers, Members are also required to make an annual declaration of Related Party Transactions.

In November 2025, the Government responded to the results of a consultation in December 2024 titled "*Strengthening the standards and conduct framework for local authorities in England*" by indicating that it intended to legislate to introduce a mandatory Code of Conduct for local authorities in England. Other proposed reforms include making Standards Committees compulsory, providing complainants, and the members complained of, with a right to review standards investigation decisions, and introduce a power in the most serious cases to suspend members for up to six months with the option to withhold allowances and impose premises and facilities bans. However, there is still no clear indication when the Government will bring forward legislation to enable these ethical reforms to occur.

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.

54. 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.

55. 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

56. 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 Panel included further updates to the Council's Constitution which were approved by the Council on 17 September 2025, 21 January 2026 and 25 March 2026.

57. 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,
- 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,
- People Strategy.

58. 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.

59. The Council's Risk Register is recorded on Ideagen (formerly Pentana) the Council's Performance and Risk management software. This includes both Strategic and Service 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

60. The Audit Committee has a Terms of Reference, which is included in the Council's Constitution and is 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. The Council also determined in financial year 2024/25 to appoint an Independent Member to the Audit Committee and on 26 February 2025 the Council approved the appointment of Mr Tom Macartney to the Audit Committee for a term of four years.

61. 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.

62. 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.

63. 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

64. 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 Declarations of Interests and Declarations of Related Party Transactions.

Employees:
Code of Conduct, Job / Person Specification, Performance Management, Team Meetings, 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 Council, Cabinet, 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, Asset Management, Personnel, Risk Management and Equalities,
d) The Corporate Governance Group meets quarterly to review policy and track changes in legislation,
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

65. The Council’s Whistle-blowing Policy was reviewed and updated by the Standards Committee on 14 August 2024 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,
c) Any contractor, supplier, consultant or partner of the Council in the course of their work for the Council.

66. The Whistle-Blowing Policy is undergoing a further review and update as at March 2026 to reflect current officer roles and contact numbers and to incorporate best practice updates recommended by Protect. These are likely to be adopted by June 2026.

67. 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

68. 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".

69. 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."

70. 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 Living Limited.

71. Senior officers' training needs are identified (and regularly monitored) as part of the Council's Performance Management Policy and Mandatory Training Policy. Corporate Training and various professional development courses, seminars and conferences, 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

72. As part of Hertsmere Borough Council's commitment to more actively engage with its residents, the Council has procured the online Community Engagement Platform, Zencity. Zencity has three main components: Organic: which monitors and analysis sentiment across social media; Engage: which provides a platform and vehicle for engagement through surveys, suggestion boards and discussions; and Community Survey: a twice yearly temperature check of residents' perceptions about the local area, the council and its services. The platform has led to an increased number of engagements with the

public around a variety of services and provides full analysis of the results. The results provided through the platform are shared with service areas, Senior Leaders and the community as appropriate, and have been used to improve service delivery.

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

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

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

76. 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.

77. Some Committee meetings of the Council, including the Cabinet and Planning Committee are webcast.

78. 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.

79. 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.

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

Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

81. 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

82. 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.

83. 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 Corporate Governance Group and by the Operations 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.

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

REVIEW OF EFFECTIVENESS

85. 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.

86. 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, Cabinet, Policy Review Committee, Operations Review Committee, Audit Committee, Standards Committee and the 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 Chief Audit Executive'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

87. 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 a Cabinet 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.

88. At the Annual Meeting in May 2025 the Council 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. The Leader of the Council (who had been elected for four years at the Annual Meeting in 2023) also notified the Council of his appointments to the following Cabinet roles:-

- Portfolio-holder for Finance and Budget (Deputy Leader);
- Portfolio-holder for Environmental Sustainability, Net Zero & Public Health;
- Portfolio-holder for Communities, Neighbourhoods, Enforcement & Economic Development and Transformation;
- Portfolio-holder for Housing and Housing Development;
- Portfolio-holder for Planning, Infrastructure and Transport;
- Portfolio-holder for Resources, IT and Digital Transformation; and
- Portfolio-holder for Street Scene, Parks, Leisure & Culture.

89. The Council met eight times during the 2025/26 financial year comprising of an annual meeting, a Budget and Council Tax setting meeting, five ordinary meetings and one extraordinary meeting. The Agendas, Open Reports and Minutes of these meetings are permanently available on the Council's website.

The Cabinet

90. The Cabinet comprises the Leader of the Council and seven other Members appointed by him, one of whom is also appointed as Deputy

Leader. The Cabinet 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.

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

92. The dates of all Cabinet meetings 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 website and all background documents can be inspected by the public for six years after the date of the decision.

93. The Cabinet 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.

94. The Cabinet met fourteen times during the 2025/26 financial year. The Agendas, Open Reports and Minutes of these meetings are permanently available on the Council's website.

The Review Committees

95. At the Annual Meeting in 2025, Council appointed two Review Committees. These were the Policy Review Committee and the Operations Review Committee whose role is to undertake policy development and review work, scrutinise the decisions and performance of the Cabinet and the Council as a whole and call-in unimplemented executive decisions for re-consideration. 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.

96. The Policy Review Committee is the 'lead' scrutiny committee and has responsibility for keeping the Council's strategies and plans under

review, for reviewing the draft capital and revenue budgets including the Medium Term Financial Plan, Financial Strategy and Capital Strategy and for overseeing the enterprise and regeneration agenda of the Council. It met seven times during 2025/26 and its work plan included the receipt of presentations from Cabinet Portfolio-holders and reviews of the Council's communications campaigns, staff retention, housing availability, Housing Allocations Policy, regulation and licensing issues relating to houses in multiple occupation and strategic and Neighbourhood CIL spending procedure. The Committee also hosted a joint meeting with the Operations Review Committee to receive the Cabinet's consultation on the draft capital and revenue budgets for 2026/27.

97. The Operations Review Committee has responsibility for reviewing all aspects of the Council's operational business and met seven times in 2025/26. It set and monitored its own work program, which included regular Financial and Performance Monitoring, the consideration of the annual reports in relation to partnership monitoring, complaints handling, data breaches, Elstree Film Studios Limited and the Leisure Contract. The Committee also considered quarterly procurement update reports and debt monitoring reports. The Committee also established and approved terms of reference for a scrutiny review of bins storage serving flats and received and considered reports in relation to the Community Enforcement Service and the Hertfordshire County Council Services for Young People. The Committee also received and considered the annual monitoring report in relation to the collection of Community Infrastructure Levy funds, the enforcement of obligations in Section 106 Agreements and the outcome of Planning Appeals. Members of the Committee also attended a joint meeting with the Policy Review Committee to review the draft capital and revenue budgets for 2026/27.

98. 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.

99. Hertsmere Shareholder & Investment Committee

At the Annual Meeting in 2025 the Council appointed the Hertsmere Shareholder & Investment Committee (HSIC) whose role is to secure the efficient and effective discharge of the Council's functions as a shareholder and investor in all Council wholly or jointly owned trading companies, including Elstree Film Studios Limited (EFS), Hertsmere Developments Limited (HDL) and Hertsmere Living Limited (HLL) 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 Cabinet and the Council thereon. The HSIC met four times in 2025/26 and received regular updates from HDL, EFS and HLL as well as scrutinising reports from HDL requesting loan funding from the Council prior to consideration by the Cabinet.

Member Panels

100. There are a number of cross-party Member Panels to scrutinise the various areas of Council activity including the Asset Management Panel, Financial Monitoring Panel, Grants Panel, Leisure Contract Panel, Members Planning Panel, Community Infrastructure Levy Investment Panel, Performance Management Panel, Climate Emergency Panel, Hertsmere Growth Panel and Grounds Maintenance Contract Member Oversight Panel.

The Standards Committee

101. The Standards Committee comprises five Borough Councillors, supported by two Independent Persons. Mr. Geoff Corre was re-appointed by the Council as an Independent Person on 22 February 2025 and was joined by Mr. Patrick Hodson as the second Independent Person. Both appointments were for a term of four years.

102. The Standards Committee met twice during 2025/26 to receive an update report on complaints against elected and co-opted Members of Hertsmere Borough Council and/or the Town and Parish Councils established in the Borough of Hertsmere and considered the government's response to its consultation on Strengthening the Standards and conduct Framework for Local Authorities in England.

103. The Standards Assessment Panel, which considers whether a complaint against an elected or co-opted member warrants investigation or other action, met on five occasions to consider 23 complaints from members of the public against 4 members of Hertsmere Borough Council, one member of Shenley Parish Council and one member of South Mimms and Ridge Parish Council. The Panel resolved to accept written apologies from one member in relation to three separate complaints and resolved to take 'No Further Action' in relation to 20 other complaints (14 of which were directed at a single member in relation to a single incident).

Members' and Officers' Allowances and Expenses

104. Member Allowances increased by 3% in 2025/26 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 2025/26, including those received by Members appointed by the Council as directors of Council owned and controlled companies, will be reported to full Council in July 2026 and thereafter published on the Council's website.

105. 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.

106. 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

107. There are three Council officers who are statutory appointments - the Chief Executive is the Head of Paid Service, the Assistant Director - Finance is the Chief Finance/Section 151 Officer and the Assistant Director - Legal and Democratic Services is the Monitoring Officer.

108. The Chief Officers' Board consists of the Chief Executive, Deputy Chief Executive - Service Delivery, Director of Place and Transformation, Assistant Director – Finance (S151 Officer) and, Assistant Director - Legal & Democratic Services (Monitoring Officer).

109. Together with the above the Senior Leadership Team also has the Assistant Director - Policy & Partnerships, Assistant Director - Street Scene, Head of Human Resources, Head of Planning, Economic Development and Climate Change, Head of Asset Management and Engineering Services, Head of Environmental Health, Licensing and Resilience, Head of Strategic Housing and Housing Services, Head of Customer Experience, Digital Transformation and IDS. The Senior Leadership Team met formally on a monthly basis during 2025/26 with additional informal meetings as required. The Risk Manager and the SIAS Client Audit Manager also attend meetings of the Senior Leadership Team.

110. Each member of the Senior Leadership Team 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

111. The Corporate Governance Group is chaired by the Chief Executive in her capacity as the Council's Head of Corporate Governance.

112. 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, External Audit and the Statement of Accounts, Health and Safety, Partnerships and Performance Management and Risk Management and other current governance matters.

Performance Management

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

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

115. A Cabinet-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 Cabinet on a quarterly basis. As part of the review of the Hertsmere Vision and Corporate Plan, the Performance Framework has been reviewed and from 2026/27 the Performance Panel will cease to meet and instead the quarterly performance review will be reported to the Operations Scrutiny Committee.

116. 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 who receive reports on the revenue budget monthly and on the capital budget, treasury management and debt management quarterly. The quarterly monitoring reports are also reported to the Operations Review Committee.

Procurement

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

118. 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, legislation and general good practice such as the Procurement Act 2023. The Procurement Strategy 2025 to 2028 and

the Contract Procedures Rules were approved by the Council in February 2025.

119. To ensure compliance with these rules, an expenditure report is run periodically 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.

120. 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

<u>The Audit Committee</u>

121. 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".

122. The Audit Committee, comprising five non-Executive Members and an Independent Member, met five times during the 2025/26 financial year, including an extraordinary meeting in February 2026 to approve the final Statement of Accounts for 2024/25 ahead of the 27 February backstop date. Agendas, Open Reports and Minutes are available on the Council's website.

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

- The Council's External Auditors – External Audit Plan, External Audit Results Report and Annual Report,
- The Shared Anti-Fraud Service – Anti-fraud Plan and Progress Update Reports, Annual Report and Failure to Prevent Fraud training,
- The SIAS Team – Annual Internal Audit Plan and Progress Update Reports, Draft Annual Governance Statement, Annual Assurance Statement and Annual Report,
- The Risk Manager – Progress Reports, Deep Dive reports (co-ordinates reports with risk holders)
- The Assistant Director - Finance – Accounting Policies, Statement of Accounts, Audit Committee Assurance from Management and Treasury Management.

Ensuring the authority's assurance arrangements conform with governance requirements

Internal Audit

124. 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.

125. 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.

126. 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 Global Internal Audit Standards (GIAS).

127. In line with the GIAS, 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.

128. The SIAS Annual Assurance Statement and Internal Audit Annual Report is a key source document for the Council's Annual Governance Statement. For 2025/26 this report includes the following statements:

- A reasonable assurance opinion is given on the adequacy and effectiveness of both financial systems 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.

129. Individual SIAS Reports also state whether or not there are any implications for the Annual Governance Statement. All 2025/26 final reports issued have stated that there are no implications for the Annual Governance Statement.

130. 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

131. 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), initially 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. These temporary arrangements have since been made permanent and Hertsmere, along with around 98% of eligible Public Bodies have opted into the PSAA's national collective scheme.

132. Delays in public sector audit have been widely publicised and have impacted on a large majority of local authorities including Hertsmere. These delays are due to a combination of issues including additional audit requirements as a result of changes to accounting standards, sector wide resourcing difficulties and the impact of the Covid-19 pandemic. These delays were the subject of a review by the Financial Standards Agency and following a consultation, legislation was laid before Parliament to manage these delays which included a back-stop date for all outstanding audits up to 2022/23 to be signed off by no later than 13 December 2024, for 2023/24 audits to be signed off by 28 February 2025, for 2024/25 audits to be signed off by 27 February 2026 and for 2025/26 audits to be signed off by 31 January 2027. This legislation enabled Statement of Accounts to be signed off under a disclaimer without a full audit having been carried out, albeit the Value for Money audit was still required.

133. Hertsmere again opted into the PSAA's national collective scheme in 2022 and following a national procurement exercise we were advised on 19 December 2022 that KPMG had been appointed as the Council's External Auditors for the period 2023/24 to 2027/28.

134. KPMG carried out their audit work on the 2024/25 Statement of Accounts during 2025/26 and the final 2024/25 Statement of Accounts

was presented to the Audit Committee at the extraordinary meeting on 24 February 2026. KPMG issued their disclaimed audit opinion on 27 February 2026, the back-stop date.

135. The PSAA scheme does not include provision for the audit of the Housing Benefit Subsidy claim and Local Authorities are responsible for their own appointment in this respect. In September 2017, it was recommended to the Audit Committee that Hertsmere also appoint its external auditors, then 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, agreed and recommended their appointment by the Full Council. During 2023/24 Ernst & Young concluded the 2020/21 Housing Benefit Subsidy claim but due to resource issues were unable to undertake the audits for the 2021/22 and 2022/23 claims. Similar to EY, KPMG were appointed as Hertsmere's accountants for the 2023/24 Housing Benefit Subsidy claim and subsequently agreed to also audit the claims for 2021/22 and 2022/23. These claims along with the 2023/24 subsidy audit have now been undertaken and officers are currently reviewing their reports prior to submission to the DWP. It is intended that KPMG will also undertake the 2024/25 HB Subsidy Audit.

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

<u>Anti-Fraud and Anti-Corruption</u>

136. 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 work with the Council on 1 April 2015.

137. 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.

138. The Council has in place a suite of anti-fraud and corruption policies that includes the latest best practice from CIPFA, LGA and the Fighting Fraud and Corruption Locally Board. These policies are reviewed annually.

139. 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.

140. 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 3rd Parties or shared for mutual benefit,
- Continue to develop SAFS as a recognised centre of excellence regionally and nationally.

141. 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

142. Responsibility and accountability for Risk Management is placed with the Heads of Service and on-going training and support is provided to assist them in this role. Risk Management support was provided by Hertfordshire County Council. In 2025/26, the Audit Committee received in-depth reports on four of the Council's Strategic risks. The Risk Owners were present to respond to any queries from Members on the management of the risk.

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

SIGNIFICANT GOVERNANCE ISSUES

144. 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.

145. Management from across the Council have provided the primary source of assurance – this is evidenced by Assistant Directors 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.

The output from these Service Assurance Statements is subject to moderation by Chief Officers.

146. 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 Head of Internal Audit has reported the matter as significant in the annual opinion on the internal control environment,
f) The Assistant Director - Policy & Partnerships has reported the matter as significant in relation to the Performance Management Framework,
g) The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation, and
h) The issue has resulted in formal action being undertaken by the S151 Officer and/or the Monitoring Officer.

147. 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 Statement and Internal Audit Report.

148. 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.

149. Corporate Governance Group and Chief Officers Board, both of which are chaired by the Chief Executive (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.

150. Prior to the approval of the AGS, the Chief Executive 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

151. A key part of the AGS is the AGS Action Plan. For 2025/26, four significant governance issues have been identified, as detailed below. The action plan is set out in Appendix A.

Auditors Annual Report for 2024/25

152. The External Auditor in their Annual Report for 2024/25 identified two significant value for money risks in relation to the delayed publication of the 2024/25 Statement of Accounts and a potential Planning Determination in relation to planning decisions and appeals. These risks are identified below along with two further risk areas in relation to bank reconciliation and cyber security making up the four significant governance areas included in the AGS Action Plan:

Late publication of the Statement of Accounts for 2024/25

153. The 2024/25 Draft Statement of Accounts were not published by the statutory deadline of 30th June 2025. This was noted by the External Auditor in their Value for Money report as a significant value for money risk. Further to this there were delays in providing information to the external auditor due to resource and staffing issues and some errors were also identified in the Accounts.

154. A financial accounting expert was appointed to undertake a complete review of the 2024/25 Statement of Accounts. They were able to identify and correct various errors and provide all the required supporting information to the External Auditor during the audit.

155. The updated and corrected 2024/25 Statement of Accounts were signed off by the Auditor by the backstop date of 27 February 2026 with a “Disclaimed Opinion”, which was always the expected opinion in line with the Backstop legislation.

156. The financial accounting expert has also designed a new Statement of Accounts working paper model to prevent these errors reoccurring and is training permanent staff in their use. They will continue to provide support, guidance and expert advice throughout the 2025/26 closure process to ensure publication of the draft 2025/26 Statements by the statutory deadline of 30 June 2026.

157. In addition, permanent appointments have since been made to the now redefined Financial Services Manager (previously Chief Accountant and Deputy S151) and Senior Financial Accountant roles.

Planning Decisions and Appeals

158. The Council’s performance on planning decisions is regularly monitored by the government (as with every local planning authority). The MHCLG recently published the latest set of statistics on planning performance. Hertsmere has had 15% of decisions for Major applications overturned at appeal for the performance period - April 2023 to March 2025 (exceeding the target of 10%). As a consequence, the Council has on the 15 June 2026 been formally designated under S.62A of the Town and Country Planning Act 1990 (as amended). This designation will remain until removed by the Government. In the light of this designation the Council is required to put together an action plan to address this issue following discussions with the Ministry of Housing, Communities and Local Government. The action plan must be approved by the Ministry.

Bank Reconciliation

159. A significant historic difference of c.£2m remained on the General Ledger Bank Reconciliation cost centre that shows the General Ledger reporting less money in the bank than the cash in the bank. The bank reconciliation is now balancing on a day to day basis with a new member of staff fully trained and new guidance notes having been put in place.

160. The financial accounting expert mentioned above (paragraph 154) has also been tasked with reviewing the Bank Reconciliation going back to April 2023. This directly links to their work on the Statement of Accounts, and they have made good progress with all income receipting having now been reconciled.

161. Subsequently the Financial Services Manager and their staff have now identified a grant payment that had been incorrectly posted in the balance sheet which accounts for the majority of the reconciling difference. The remaining difference is now c.£60k which continues to be investigated through a detailed review of the General Ledger side of the bank reconciliation.

Cyber Security

162. 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 cyber insurance renewal requires the Council to also review its cyber arrangements and make any necessary changes to meet their requirements.

Other Governance Considerations

163. Although not considered to be significant governance issues, the following areas relating to corporate resilience around Local Government Reorganisation, the Local Plan and recruitment and retention are noted with the following details:

164. On 16 December 2024, the Government published the English Devolution White Paper which sets out proposals for major changes to the way local government is structured and run. This will affect all existing councils in Hertfordshire, including Hertsmere. Alongside the other Hertfordshire councils, Hertsmere submitted an interim proposal to the government in March 2025 and received feedback in May 2025 on the proposal. Hertfordshire then submitted LGR proposals to Government in November 2025, this providing three options for the future structure of Hertfordshire. A Government decision on the preferred unitary model is expected in July 2026, with the vesting day for the new unitary councils currently set at 1 April 2028. Whilst this is an area of high risk it is not considered to constitute a significant governance issue.

165. Recruitment and retention of staff continues to be a challenge for the Council and for Local Government generally particularly in certain professions such as Environmental Health and Planning and is considered a risk to the Council’s business continuity and with the progression of Local Government Reorganisation this could become even more challenging. To address this issue and having listened to feedback through the recent Peer Review and annual staff survey, Hertsmere has reviewed its Workforce Strategy, have reviewed its Pay

Progression and Flexible Working Policies and have introduced a number of Health and Well Being initiatives to create a happier, healthier workplace.

166. The Council continues to manage the risks faced in its preparation and delivery of its Local Plan. This is being managed with regular member reporting, oversite by Cabinet and Full Council at key stages and a periodic review of the risk register to ensure relevant actions are identified to mitigate and manage risk. The Council has published an ambitious Local Development Scheme approved by Full Council and has recently published Hertsmere Local Plan Regulation 18 Consultation Document. The Hertsmere Local Plan Regulation 18 Consultation will conclude on 29 May 2026. In view of these actions, it is not considered to constitute a significant governance issue at this time.

CERTIFICATION

167. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet, 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.

168. 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 [redacted]

Signed: Chief Executive
Sajida Bijle [redacted]

GLOSSARY OF TERMS AND ABBREVIATIONS

9. Glossary of Terms and Abbreviations

This glossary of terms and abbreviations is designed to aid interpretation of the Council's Statement of Accounts.

12 Month Expected Credit Losses

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.

Accounting Period

A period of 12 months commencing on 1 April also referred to as "financial year of account" or "financial year". The end of the accounting period (31 March) is the Balance Sheet date.

Accruals

Amounts included in the accounts for income or expenditure relating to the financial year for which payment has not been received or made in the financial year. The Council accrues for both revenue and capital items as they are earned or incurred.

Actuarial Gains and Losses

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

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

Agency Arrangements

Arrangements under which the Council provides goods or services to third parties on behalf of another organisation.

Amortisation

The measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period, charged to the Income and Expenditure Account. It reduces the carrying value of these assets in the Balance Sheet and is like a depreciation charge.

Amortised Cost – Financial instruments

Investments for which gains and losses in fair value are not accounted for until the investment matures or is sold. Defined as financial assets:

- Held within a business model whose objective is to hold investments in order to collect their contractual cash flows,

And

- 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).

Annual Governance Statement

This is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

Apprenticeship Levy

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.

Asset

Anything, which somebody owns, which can be given a monetary value, for example land, buildings, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in and organisations accounts.

Assets Held for Sale

Assets are classified as held for sale if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes any assets that are going to be abandoned or scrapped at the end of their useful lives.

Balances (or Reserves)

These are accumulated funds available to the Council. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities; and some that are technical only and may not be used to finance services.

Billing Authority

A billing authority is a local authority responsible for collecting Council Tax and Non-Domestic Rates.

Business Model

Arrangements for holding financial assets, whose objectives can involve making a return by either collecting cash flows payable under the contracts for each investment (e.g., interest) or hoping to sell investments to gain from increases in their value.

Business Rates

Business Rates (sometimes referred to as Non-Domestic Rates or NDR) are charged on most non-domestic premises, including commercial properties such as shops, offices, pubs, warehouses and factories. The sums collected by the Council are distributed to Central Government (MHCLG 50%) and to local authorities for the area (Hertsmere Council 40%, Hertfordshire County Council 10%).

Capital Expenditure

Spending which produces or enhances an asset such as land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Only expenditure that directly relates to bringing the asset in use may be treated as capital expenditure. Any expenditure which does not fall within the definition must be charged to a revenue account.

Capital Adjustment Account

This is an account that reflects financing of capital from revenue and capital receipts together with the adjustment of the minimum revenue provision.

Capital Financing Requirement (CFR)

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.

Capital Receipts

Proceeds from the sale of non-current assets such as land and buildings which can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure, within rules set down by Government. Capital receipts cannot be used to finance revenue expenditure.

Carrying Amount

The value at which an asset is shown in the Balance Sheet after deducting any accumulated depreciation and impairment losses.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

Code of Practice (The Code)

The Code of Practice on Local Authority Accounting in the United Kingdom (issued by CIPFA) defines proper accounting practices to be adopted for the Statement of Accounts to ensure they ‘present a true and fair view of the financial position of the Council. The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards and carries statutory status via the provision of the Local Government Act 2003. An updated version is published every year.

Collection Fund

This is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging authority in relation to Business Rates and Council Tax and illustrates the way in which the fund balance is distributed to the Government, preceptors and the Council.

Collection Fund Adjustment Account

This is a reserve that reconciles differences between statutory requirements as a Billing Authority and proper accounting practice.

Community Assets

The class of Non-current Assets held in perpetuity that have no determinable useful life and may have restriction on their disposal.

Componentisation

For some assets it is possible to identify parts of that asset separately which then, by their nature, can be depreciated separately according to their individual economical lives. For example, components in a building might comprise land, building structure, major mechanical and electrical items, all of which would have different useful lives and so would be depreciated at different rates.

Consistency

The concept that the accounting treatment of items within an accounting period and from one period to the next is the same.

Consumer Price Index (CPI)

This is a measure of inflation that examines changes in the weighted average of prices of a basket of consumer goods and services. Changes in CPI are used to assess price changes associated with the cost of living.

Contingent Assets/Liabilities

These are potential gains and losses for which a future event will establish whether a liability or asset exists and for which it is inappropriate to set up a debtor or provision in the accounts.

Council Tax

The tax raised on households, based each year on the position of the property in eight valuation bands A to H.

Council Tax Support

A reduction in the liability to pay Council Tax granted in accordance with a locally determined support scheme.

Credit Arrangements

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.

Credit Liabilities

These relate to liabilities of the Council in respect of money borrowed (principal only), or in respect of credit arrangements.

Credit Losses

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).

Creditors

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.

Current Service Cost
The increase in pension liabilities arising from employee service in the current year.

Curtailment
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 their future service. Curtailments include:

- Termination of employees' services earlier than expected, for example because of closing a factory or discontinuing a segment of a business.
- 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.

Debtor
Sums of money due to the Council but not received at the Balance Sheet date.

Defined Benefit Scheme
A pension scheme where the future benefits receivable by pensioners are guaranteed and sufficient contributions must be paid into the fund to ensure that payments will be affordable.

Defined Contribution Scheme
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.

Deferred Capital Receipts
Arise when non-current assets are sold and the amounts owed by the purchasers are repaid over several years, e.g. mortgages. The balance is reduced by the amount principal repayable in any financial year.

Depreciation
A charge made to the revenue account that represents a measure of the 0f the cost or revalued amount of the benefit of the non-current assets that have been consumed during the period.

Discretionary Benefits
Pensions benefits that the Council can choose to award in certain circumstances that employees would not otherwise be entitled to.

DWP
The Department for Work and Pensions, which is a Central Government department that administers the State Pension and a range of working age, disability and ill health benefits.

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

Effective Interest Method
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.

Exceptional Items

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.

Expected Credit Losses (ECL's)

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

Expected Rate of Return on Pension Assets

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.

Extraordinary Items

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.

Fair Value Through CIES Financial Assets

Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income.

Financial Instruments

This is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Examples include bank deposits, cash, investments, debtors (or receivables), long-term debtors, creditors, temporary loans and borrowings.

General Fund

This is the primary account through which all the Council's non-HRA related transactions pass. The balance at year-end is not earmarked for any specific purpose.

Government Grants

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.

Housing Advances

Loans made by the Council to individuals towards the cost of acquiring or improving their homes.

Impairment

This is an accounting adjustment made to the value of an asset when its carrying amount (the amount at which an asset is recognised in the Balance Sheet after deducting accumulated depreciation and impairment losses) exceeds its recoverable amount (the higher of assets fair value less cost of sale and its value in use).

Infrastructure Assets

These are assets which have no tangible value such as highways and roads.

Intangible Assets

Assets which are of benefit to the organisation but have no physical presence such as software licences, or goodwill which is more commonly found in the private sector.

Interest Costs (Pensions)

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.

International Accounting Standard Board (IASB)

This is an accounting standards setting body. The Council will comply with the accounting standards when preparing the Statement of Accounts. It should be noted that compliance with statute will override compliance with the accounting standards and so adjustment will be made in the accounts to move from one position to the other where required.

International Financial Reporting Standards (IFRS)

These are accounting standards which are recognised globally and are ones that the Council will comply with in preparing the accounts initially. Adjustments will be made to the accounts prepared in accordance with the standards in order to present a position that complies with statute.

International Public Sector Accounting Standards (IPSAS)

These are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

Inventories

Assets such as raw materials, building supplies and retail stock that will used to produce goods or provide services or be sold as part of the Council's normal activities.

Investment Property

These are land and buildings, or part of a building held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of operations.

Investments (Non-Pension Fund)

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

Investments (Non-Pension Fund)

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.

Investments – Short-Term

These are cash deposits for less than one year with approved institutions.

Lease

An arrangement whereby the lessee is treated as the owner of the leased asset and is required to include such assets within the non-current assets on the balance sheet.

Levy (also see 'Safety Net')

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 exceeds a threshold set by central government, a levy is payable to central government, but the Council may retain a proportion of the surplus.

Liabilities

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.

Lifetime Expected Credit Losses

The expected credit losses that are projected to arise from all possible default events that might happen in the lifetime of a financial asset.

Liquid Resources

Liquid resources are current asset investments held as readily disposable assets

Loans and Receivables

These are sums invested by the Council that are not quoted in an active market, and short-term trade debtors.

Long-Term Debtors

These are debtors where the capital income is still to be received, for example, from the sale of an asset or the granting of a loan.

Loss Allowance

An allowance made by setting funds aside to cover the expected credit losses calculated for a financial asset.

Medium Term Financial Strategy (MTFS)

This is the Council's strategic financial plan for the next five-year period. It considers the anticipated cost of future service plans and matches this with the Council's financial resources and its forecast levels of grant and other income. It is updated annually so that it is constantly looking at the next 5 years into the future.

Minimum Revenue Provision (MRP)

This is a charge made to the General Fund representing the setting aside of prudential sums for the repayment of debt. When a Council has incurred borrowing, there is a statutory requirement to set a prudent level of MRP for the General Fund.

Movement in Reserves Statement (MIRS)

This is a core financial statement which shows the movement in usable and unusable reserves (the Council's total reserve balances).

Net Book Value

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.

Net Current Replacement Cost

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.

Net Realisable Value

The amount at which an asset could be sold after the deduction of any related selling costs on the open market in its existing use (or open market value in the case of non-operational assets).

Non-Current Assets

These are capital assets which provide benefits to the Council for more than a year.

Non-current Assets - Tangible

These are any assets with a physical presence such as land and buildings, and which yield benefits to the Council and the services it provides for a period of more than one year.

Non-current Assets – Intangible

There are any assets which are of benefit to the organisation but have no physical presence, e.g. as software licences.

Non-operational Assets

These are non-current assets held by an organisation but not directly occupied, used or consumed in the delivery of services. An example of a non-operational asset is an investment property or an asset being held pending its sale.

Operational Asset

These are non-current assets held by the Council which are used or consumed in the delivery of its services.

Past Due

A financial asset for which a payment that was due contractually to the Council has not yet been paid.

Past Service Cost

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.

Payment of Principal and Interest

The amounts that would be paid under a basic lending arrangement. For accounting purposes, they comprise:

- The repayment of the fair value of a financial asset when it was brought onto the Council's Balance Sheet (principal)

And

- Consideration for the time value of money, compensation for credit risk, recovery of basic lending costs and a profit margin (interest).

Pension Fund

This is a pension scheme for employees, maintained by an administering authority, or a group of authorities, under statute primarily in order to make pension payments on retirement of scheme members. It is financed from contributions from both the employing authorities and the employees together with income from investments.

Perpetuity Reserves

These are funds received from a range of sources over many years which have covenants concerning their use (contractually binding obligations, usually indefinite in nature) or have other contractual or ring-fencing obligations incorporated within them.

Post Balance Sheet Events

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.

Precept

This is the amount which an authority, e.g. a County Council, a Police Authority, requires from a Billing Authority (e.g. District Councils) to meet its expenditure requirements. The Billing Authority collects these sums on behalf of the precepting authorities from its residents through the Council Tax.

Prior Year Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Profit on the sale of Non-Current Assets

The difference between the book value of an asset sold and the sale proceeds.

Projected Unit Method – Pension Funds

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings

Provisions

Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.

Receivables

These are sums due from customers and clients that the Council provides services to and are known as short-term trade debtors.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party.
- The parties are subject to common control from the same source.
- 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.
- 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.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- The purchase, sale lease, rental or hire of assets.
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party.
- The provision of services to a related party.
- Transactions with individuals who are related parties of the Council, except those applicable to other members of the community such as council tax, rents and payments of benefits.
- The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.

Rent Allowance

Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.

Rent Rebates

Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.

Reserves

These are amounts set aside, each for a specific purpose in one year and carried forward to meet future obligations.

Retail Price Index (RPI)

This is a measure of inflation that examines changes in the weighted average of prices of a basket of consumer goods and services. RPI includes the cost of mortgage interest in its calculation which is excluded from CPI.

Retirement Benefits

The benefits that employees earn during their period of employment but which are not paid to them until after they retire (predominately pensions).

Revenue (Expenditure and Income)

Costs and income relating to the day-to-day running of services e.g. salaries and wages, supplies and services, transport and fees from service-related income.

Revenue Expenditure Funded from Capital under Statute

This is capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the Code’s definition of non-current assets (as the assets on which the expenditure is being incurred does not belong to the Council). Examples include grants and similar advances made to other parties to finance capital investment.

Revenue Support Grant

This is a government grant provided by the MHCLG based on the Government’s assessment as to what a Council should be spending on local services. The amount of grant is fixed at the beginning of each financial year.

Safety Net (also see Levy)

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 considering 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.

Scheme Liabilities

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.

Settlement

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.

Standard Spending Assessment

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.

Subsidiary Company

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

- The Council holds a majority of the voting rights in the company.

- The Council is a member of the company and has the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on most matters.
- The Council has the right to exercise a dominant influence over the company.
- The Council is a member of the company and controls alone a majority of the voting rights in the company.
- The Council has a participating interest in the company and it actually exercises a dominant influence on the company or it and the company are managed on a unified basis.

Surplus Asset

This is a non-current asset not in use which does not meet the criteria of an Asset Held For Sale and is held as Property, Plant and Equipment.

Tangible Assets

These are assets that are property, plant or equipment which has long-term physical existence or is acquired for use in the operations of the organisation and is not specifically held for sale to customers.

Transfer Payments

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

Usable Capital Receipts

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

UK Generally Accepted Accounting Practice (GAAP) Accounting Standards

These are accounting Standards and other guidance published by the UK's Financial Reporting Council (FRC).

Vested Rights

With relation to employee benefits, the benefits that employees have earned an entitlement to before the year-end, and not those that it is projected they will become entitled to because of future events.