



# STATEMENT OF ACCOUNTS

2019/20

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## The Council's Responsibilities

The Council is required to:

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

## The Chief Financial Officer's Responsibilities

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

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

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

The Director of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of Three Rivers District Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020

Signed \_\_\_\_\_ Date **31 August 2020**

**Alison Scott CPFA**  
**Director of Finance**

Signed \_\_\_\_\_ Date **31 August 2020**

**Councillor Margaret Hofman**  
**Chairman of Audit Committee**

## INTRODUCTION

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

The following Statement of Accounts give an overview of the Council's finances for 2019/20. I am pleased to be able to report that the Council has maintained its strong financial position, which shows that there is a high standard of financial management and stewardship of the Council's resources.

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

- A full and understandable explanation of the overall financial position of the Council and the outturn for 2019/20.
- Confidence that the Council has been responsible in spending the public money which it has been given and accounted for in an appropriate manner.
- Assurance that the financial position of the Council is sound and secure.

The deadlines for the preparation of the Accounts have been changed for 2019/20. The Ministry of Housing, Communities and Local Government (MHCLG) has recognised that local authorities' priorities have altered over the last few months as a result of dealing with the impact of the COVID-19 pandemic. The well-being of all the residents and businesses has been the top priority for this Council, along with other Councils across the country and that resources will have been redirected to deal with the pandemic. Therefore MHCLG in consultation with key stakeholders, introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015.

The draft Accounts must now be submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit is now 30 November 2020 rather than 31 July 2020. The Accounts were submitted to the External Auditor on 31 August 2020 in accordance with the revised statutory deadline.

The Council will submit the draft accounts to the Audit Committee to allow Members the opportunity to review them before they are asked to formally approve the Statement of Accounts. The approval of the accounts is planned for the Audit Committee on 23 November 2020.

## VISION

Three Rivers District Council's vision is that the district should be a better place for everyone, their neighbourhoods, health, employment and access to services.

## STRATEGIC PLAN AND COMMUNITY STRATEGY

The vision for Three Rivers is delivered via our two core documents, the Strategic Plan and the Community Strategy. The Local Strategic Partnership undertook a stakeholder engagement process to write a new Community Strategy in 2017 resulting in the adoption of our new Community Strategy 2018-2023 in March 2018.

The themes identified are:

- Housing
- Ambition

## NARRATIVE STATEMENT

- Independence & Resilience
- Health & Wellbeing
- Safety

These themes refer to the ambition for our individual residents as well as our community as a whole and are delivered through 4 community facing sub-partnerships:

- Watford and Three Rivers Families First Partnership (focusing on children and families),
- Three Rivers 11-19 Strategy Group (focussing on adolescents),
- Three Rivers Adults With Complex Needs Group (focusing on adults without children in their households), and our statutory
- Community Safety Partnership.

Our Community Strategy outlines the evidence base for the priorities within each Theme and the main objectives we wish to achieve in partnership.

The aims and priorities for the Council outlined in our Strategic Plan are shown below, and we work with public, private and voluntary services to achieve them.

### 1) **Better neighbourhoods** – we want to:

- Maintain high quality neighbourhoods;
- Reduce the eco-footprint of the district;
- Create access to good quality jobs and employment
- Support businesses and the local economy.

### 2) **Healthier Communities** – we want to:

- Develop and improve access to good quality housing;
- Create prosperity for all and access to opportunities;
- To support the most vulnerable people in the District;
- Provide a healthy and safe environment;
- Reduce health inequalities, promote healthy lifestyles, support learning and community organisations.

All of our work is underpinned by our values which ensure that the Council:

- Addresses the shortage of housing for those needing temporary accommodation and those who have not the means to pay market rates;
- Concentrates on aiding the most vulnerable people in our district;
- Promotes sustainable ways of delivering services, reducing the Eco-footprint of the district,
- Creates diverse and harmonious communities that enable people to live in harmony with each other and with their environment;
- Supports the local economy to create good quality jobs and prosperity
- Increases its income through sound investment in order to provide the services the local community wants;
- Maintains public land and assets in the ownership of the public sector.
- Provides excellent customer care whilst providing great services as e efficiently as possible.

### LOCAL CONTEXT

Three Rivers is undeniably a great place to live, work and grow. The district is the most prosperous in the East of England and our residents enjoy a very high quality of life with access to good schools, transport and communication links, housing, employment, culture and environment.

The health of the district's residents is very good with the percentage of our residents who are physically active being above the county average and the percentage who are overweight or smoke being below average. The number of stays in hospital for alcohol related harm are also better than the average for England. However, the district is a place of contrasts and, just as there is no one single Three Rivers' community, it is also true that there is no single picture of our residents' lives.

Despite a growing older population the life expectancy gap across the district is 7.5 years lower for men and 7.9 years lower for women in the most deprived areas of Three Rivers (South Oxhey) than in the least deprived areas (Moor Park and Eastbury).

There are also clear inequalities in childhood obesity and alcohol related harm within Three Rivers wards. We need to continue to take a population health approach by promoting wellbeing and focus on prevention in our communities consequently reducing the health inequality gap in our district.

With our three rivers, the Grand Union Canal, our local lakes and 76 percent of our land space designated as Green Belt, the district is undoubtedly home to some very special environmental features that provide spaces for wildlife, recreation and relaxation as well as serving as the green lungs for our residents and our precious climate.

We are home to an internationally important cluster of creative industries, centred on Leavesden studios and to the Head Quarters of some major companies – including those such as RES and Skanska with strong sustainability credentials. The district is also home to innovation – from the development of the Chorleywood bread process to the world's first pocket digital radio. However, the very things that make us successful also bring challenges. Demand for housing is increasing, especially as many of our families worry about the affordability and supply of homes for their children and future generations, meaning we need to plan for significant new development in the district.

The proportion of residents claiming unemployment related benefits has also been increasing since 2017 partly due to the introduction of universal credit as more claimants are required to look for work. There are areas in Three Rivers with unemployment rates in the 40% most deprived nationally, and more areas where education skills and training are in the 40% most deprived.

### Leadership of Place

In 2019-2020 Three Rivers District Council undertook a review of the Corporate Framework to reflect the changing needs in the community and reconfirm the priorities to continue to ensure Three Rivers remains a great place to live, work and visit. As part of this process it was agreed to review the former Strategic Plan and consider four new strategic priorities of, Housing and Communities, Sustainable Environment, Successful Economy, and High performing, financially sustainable Council.

The Council has shown leadership at a County level by identifying the key partnership areas we wish to influence. That is Three Rivers DC represents the District/Borough perspective on Hertfordshire's Early Help Board, Strategic Drug and Alcohol Board, Domestic Abuse Partnership Board, Multi-Agency Prevent Board, (Multi-agency public protection arrangements) MAPPA Strategic Management Board, and Strategic Accommodation Boards (Children's Services and Adult Care Services). We also play an active role on the Hertfordshire Leaders' Group, Hertfordshire Forward (the County LSP), the LEP, the Public Health Board, and the Police and Crime Commissioner's Community Safety Board.

In addition, the Council continues to take a lead role in the development of shared services through our sponsorship and leadership of Herts Building Control, the emerging Environmental Health

## NARRATIVE STATEMENT

Partnership, the development of Hertfordshire Families First Framework (Troubled Families and Early Help), and the development of the Healthy Hubs programme across Hertfordshire.

The Local Strategic Partnership Board and Community Safety Partnership Board have been working jointly for over five years. Meetings of both boards are held back to back, with representatives of both boards invited to be in attendance at each board meeting so that decisions are made in an informed manner, whilst recognising the different voting rights of the formal memberships of each board. This recognises that the crime and disorder outcomes that are visible in our community have much broader public health determinants, and that to address these broader determinants requires broader strategic thinking and action.

### **ORGANISATIONAL LEADERSHIP AND GOVERNANCE**

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

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

Corporate Management Team is extended twice a year to include meetings of all managers to ensure that key project issues are jointly discussed, and information from Corporate Management Team is shared through the intranet, the monthly staff newsletter All Aboard, departmental heads of service meetings, and team meetings. Annual "State of the Nation" meetings are held for all staff, including our depot staff to feedback on corporate performance and the organisation's direction of travel.

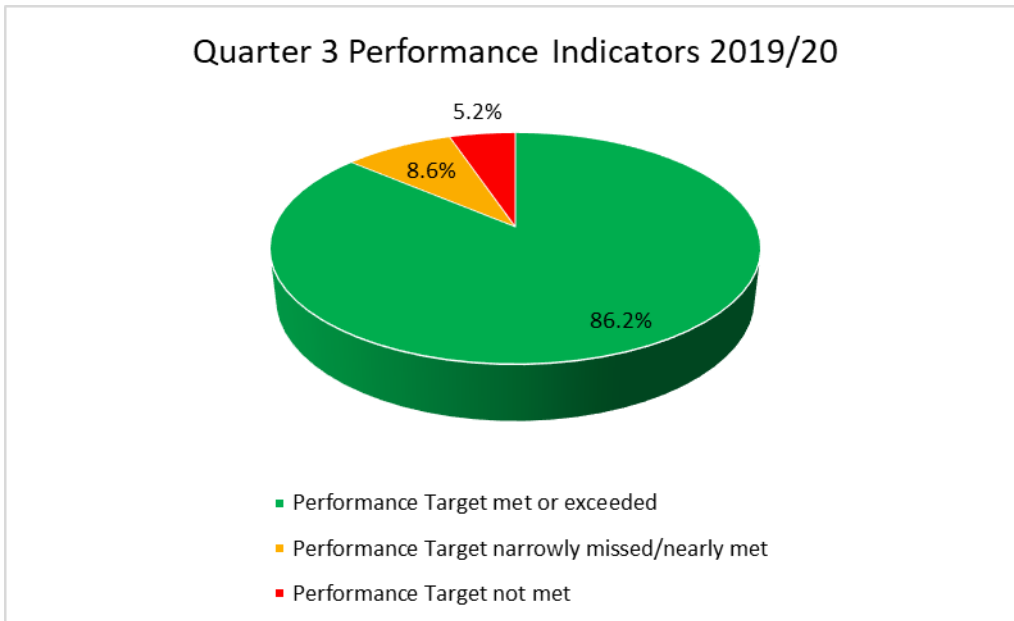
Quarterly performance monitoring is reviewed by the Corporate Management Team and is reported to all Members through the Members' Information Bulletin. The Strategic Service and Financial Planning Framework provides for member scrutiny of performance and performance targets of all service, alongside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

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

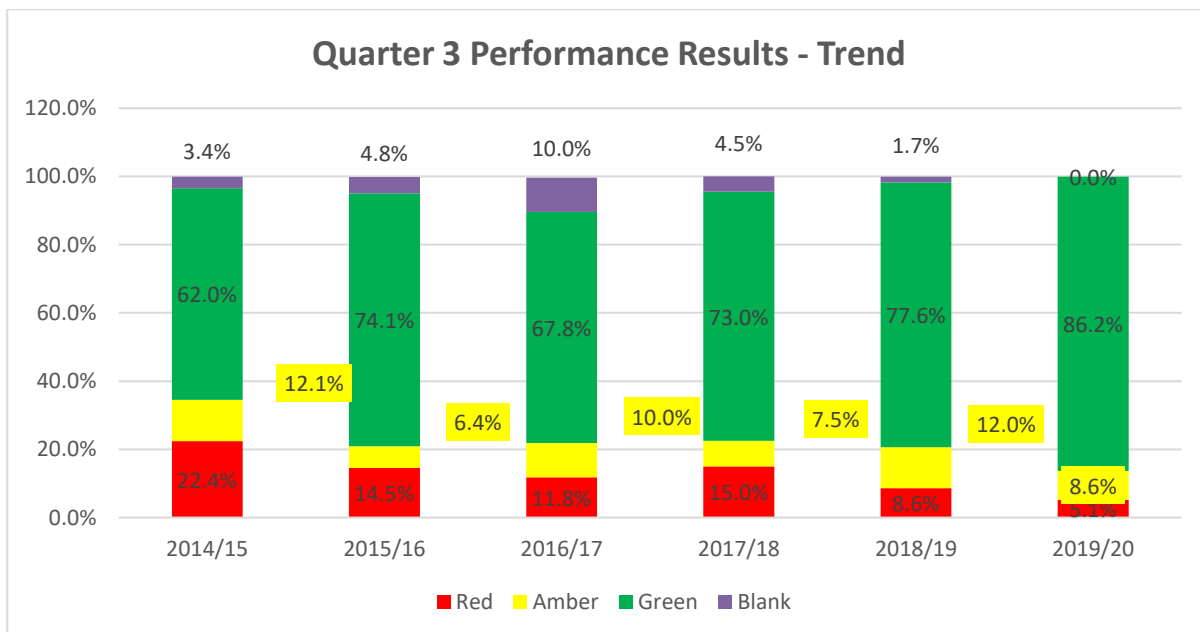


**CORPORATE PERFORMANCE**

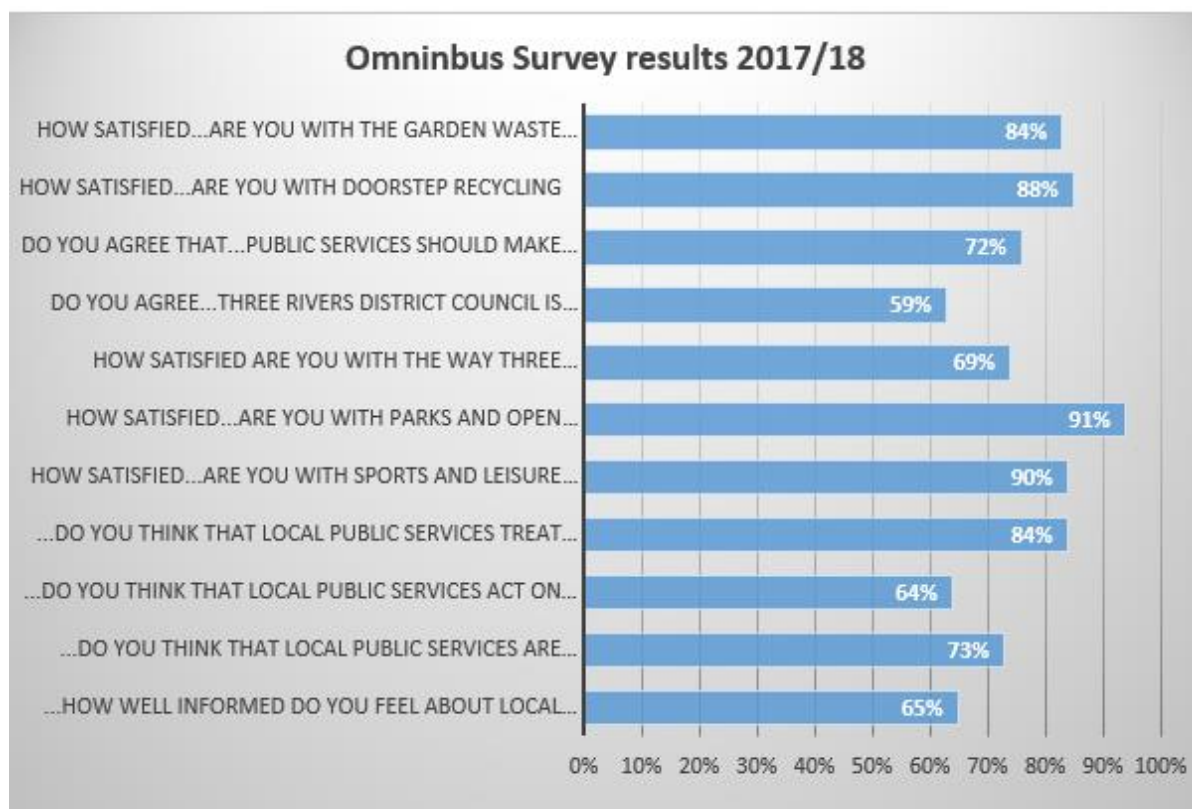
The latest corporate performance report shows the following results for the Council's Strategic Plan Performance Indicators.



This demonstrates a year on year improvement in PI outcomes as shown below:



This is matched by our rolling Omnibus Survey results which demonstrate the views of our residents:



**FINANCIAL OUTLOOK INCLUDING THE IMPACT OF COVID-19**

This section covers the 2019/20 outturn and looks forward to 2020/21 and its related Medium Term Financial Plan (MTFP) for 2020-23.

Looking ahead over the next three years, the MTFP has been prepared against the continued backdrop of uncertainty over funding, increasing pressure on services and continuing expectations from stakeholders for service provision. The Council has witnessed a reduction in Revenue Support Grant of £3.0m since 2013/14. The currently approved MTFP includes a forecast includes a reduction in resources due to the NDR reset and fair funding review which have now been postponed. In response to the projected reduction in resources this the Council has achieved cashable savings averaging over £0.3m per year sustained over a period of 14 years.

The development of the MTFP is supported by annual budget consultations and the review of the results of our Omnibus Customer Telephone Survey providing clear input on the views of residents as to their priorities for the Council’s work and areas of expenditure. The Council has retained a prudent minimum balance of the general fund of £2.0m. At the same time the Council has maintained an ambitious Capital Investment Programme.

Services have worked hard during the budget-setting process to keep budget growth to a minimum and remain within their budget limits. Services have submitted Project Initiation Documents (PIDS) to present business cases for any need for an increase in growth to their relevant service Committees for approval. This resulted in an increase in growth of £650k over the MTFP for 2020-23.

The garden waste initiative has continued to be extremely popular with residents and current demand has continued to exceed the anticipated participation rates. The base budgets for 2021/22 and 2022/23 include efficiency savings of £100k. These have yet to be specifically identified and allocated to individual services.

## NARRATIVE STATEMENT

The effect of the all variances on the Council's (surplus)/deficit for 2019/20 and the General Fund balance over the medium term is shown in the table below.

Movement on General Fund Balance	2019/20	2020/2021	2021/2022	2022/2023
	Outturn	Proposed	Draft	Draft
	£	£	£	£
General Fund Balance Brought Forward at 1 April	(4,821,407)	(5,048,286)	(4,281,448)	(3,416,773)
Revenue Budget (Surplus)/Deficit for Year	<b>(226,879)</b>	<b>766,838</b>	<b>864,675</b>	<b>1,048,556</b>
<b>General Fund Balance Closing Balance at 31 March</b>	<b>(5,048,286)</b>	<b>(4,281,448)</b>	<b>(3,416,773)</b>	<b>(2,368,217)</b>

The overall MTFP indicates a budget requirement (net expenditure) for 2020/21 of **£12.772 million**. Funding for this will come from a number of sources, as set out below.

### **Government Grant**

The Local Government Finance Settlement in February 2020 provided details of the funding available to the Council for 2020/21.

### **Business rates**

Business rates are collected by the Council, and the proceeds are shared between the District, the County Council, and central Government to fund services. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of business rates to be £1.995 million in 2020/21. In addition, the Council is estimating to receive £0.500 million in business rate growth. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation and reliefs.

It should be noted that the Government has postponed implementation of changes to local government funding to 2021/22. This includes plans for Councils to increase the percentage of business rates they keep from 50% to 75%. The proposed changes will establish new baseline funding levels and business rates baselines for each local authority. Details have not been confirmed at this stage, however it is likely to be a reduction and prudent estimates have been included in future years.

### **Business Rates Pooling**

In 2019/20 a new business rate pool consisting of the County Council, this Council and other Hertfordshire districts/borough councils has been established. This is to continue in 2020/21 with membership of this pool expecting to contribute £0.400 million to the Council's business rate income. This is already included in the base budget.

### **New Homes Bonus**

New Homes Bonus is a non-ring-fenced grant relating to the number of new homes delivered in a local authority area that may be used at the discretion of the Council for either capital expenditure or to support the revenue account (or combination). For 2020/21, based on the provisional settlement, the Council expects to receive £0.620 million of which will be split equally between revenue and capital funding. This funding stream will be part of the fair funding review, therefore estimates for future years are hard to predict, and therefore a prudent estimate has been included in the MTFP.

### ***Council Tax for 2020/21***

The Council needs to set a budget that gives an acceptable level of council tax, and is balanced in the medium to long term using the resources at its disposal.

A council tax increase of £5 per Band D equivalent has been assumed for 2020/21 and subsequent years. The Council expects to collect £7.015 million of council tax income in 2020/21. A one percentage increase in the council tax rate generates approximately a £70,000 increase in Council Tax revenue.

The Localism Act 2011 introduced a power for local electorates to approve or veto excessive council tax rises. Any authority setting a council tax increase of 2% or more or more than £5 (whichever is the greater) will be required to hold a council tax referendum.

The government assessment of core spending power assumes local authorities will increase Council Tax by the maximum amount available without triggering a referendum.

### ***Council Tax Base***

The Council Tax base for 2020/21 was set at the Council meeting on 21 January 2020 and totalled 39,212 assuming a collection rate of 99%. The base shows an increase of 0.3% over 2019/20. Where amounts of Council Tax collected exceed the estimates made, the surplus is shared between the relevant major precepting authorities (Hertfordshire County Council, Three Rivers District Council and Hertfordshire Police & Crime Commissioner). To reduce risk for the Parish Councils, surpluses or deficits are not paid or charged to them.

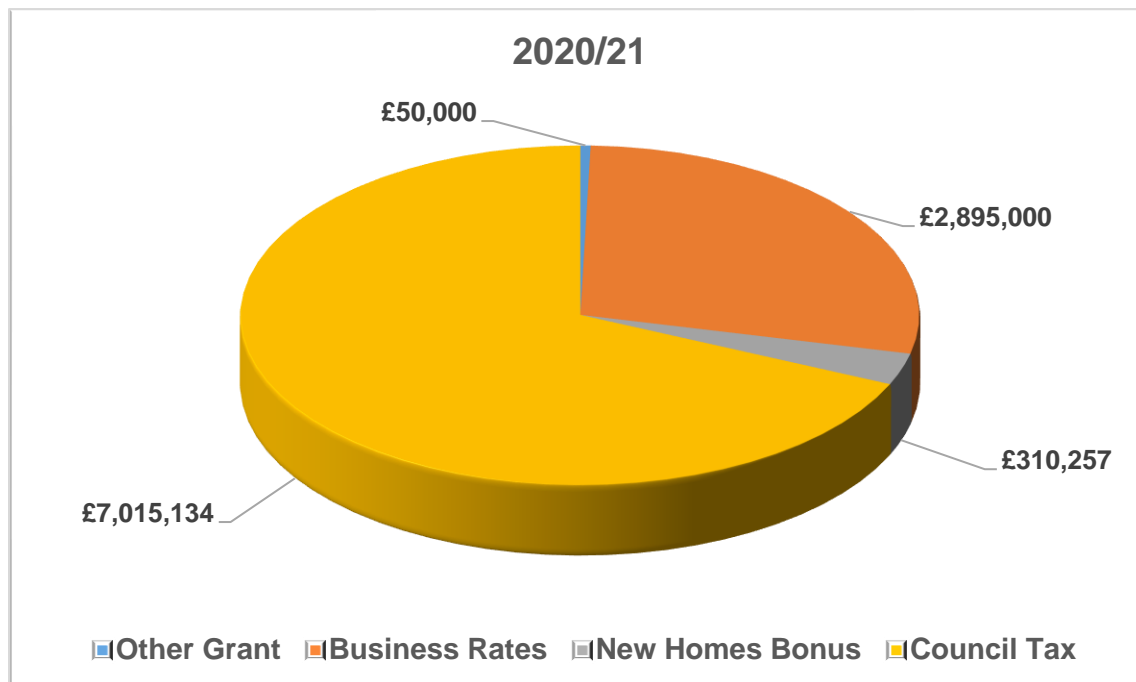
### ***Local Council Tax Reduction Scheme***

At the Council meeting on 10 December 2019, it was resolved to continue to apply the agreed Local Council Tax Reduction Scheme for 2020/21.

### ***Collection Fund***

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

The chart below show the value and proportion of each funding stream that supports the Council's revenue account for 2020/21.



**COVID-19**

The World Health Organisation declared a global pandemic of the COVID-19 virus on 11 March 2020. Subsequently a lockdown was instigated on 23 March for the whole country. Since then the country has been in recession and this has had and is still having a serious impact on individuals and businesses nationwide. The Council responded at pace by taking emergency action to ensure that the most vulnerable people were protected and to stem the spread of the virus. The Council has been working closely with central government, related agencies, the voluntary sector, town and parish councils and the health service to support businesses and residents.

There was little financial impact on the 2019/20 financial position as the pandemic was declared mid-March, but there will be significant challenges in the year ahead, and potentially future years as Council deals with the ongoing crisis. Given the uncertainty around the full extent of the economic impact at this stage, it is difficult to estimate with any confidence the likely impact on the Council’s financial position. The Government has allocated emergency COVID-19 funding to local authorities but the extent to which it will fully cover the additional expenditure and loss of income is not known at the moment.

The Council was, fortunately, well setup to be able to work from home before and so the move to home-working has had a relatively minor impact overall. The workload for some services has increased significantly due to the emergency action that it has had to take e.g. the Community Partnerships team have been working many external partners and the voluntary sector to provide extra services to residents; the Revenues and Benefits and Payments teams have seen their workload increase significantly with applying business rates relief and paying grants to businesses and in giving additional council tax relief to recipients of council tax support.

Because of the ongoing financial impact of COVID-19 the Council has reviewed its budget for 2020/21 and the Policy & Resources Committee approved a revised budget on 20 July 2020. The report estimated that the shortfall for the year could be £0.8m. It is anticipated that this will be met from the Council’s economic impact reserve. The Committee will receive an update on the Council’s financial position in the autumn. The Medium Term Financial Plan (MTFP) will continue to be revised as the position evolves.

### **Capital Programme**

The capital programme for 2019/20 totals £15.9 million. The services capital programme included in MTFP shows schemes totalling £7.1 million in 2020/21, £3.3 million in 2021/22 and £2.9 million in 2022/23.

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

- Disabled Facility Grants (£1.586 million)
- Waste and Recycling Vehicles (£1.900 million)
- Waste Services Depot – (£1.000 million)
- Garage Improvements (£0.655 million)
- Provision of Temporary Accommodation (£1.156 million)
- Leisure Facility South Oxhey (£1.754 million)

For 2020/21 there are proposals for five new schemes. Project Initiation Documents (PIDs) have been prepared and presented to the relevant service Committee at the November/December meetings. The proposed new schemes are;

- ASB Casework Management System (£18,750)
- Watersmeet External Roof Access (£55,750)
- Watersmeet Stage Lighting Replacement (£112,000)
- ModGov Committee Management System (£15,000)
- Property Information System (£50,000)

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

#### ***Government Grants & Other Contributions:***

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

#### ***Section 106 Contributions:***

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

#### ***Capital Receipts Reserve:***

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

#### ***Revenue Contributions:***

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

#### ***Future Capital Expenditure Reserve:***

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

## NARRATIVE STATEMENT

### ***New Homes Bonus Reserve:***

New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. There are no government restrictions on whether this is capital or revenue, nor is there any ring-fence imposed. It is anticipated that this form of funding will cease from 2020/21, although this may be compensated for by an increase in business rate baseline funding. However until the implementation of changes to local Government funding in 2021/22, it is prudent to leave the position as it currently stands.

### ***Borrowing:***

The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable. Presently the Council has borrowed to support the new leisure centre provision in South Oxhey, and the costs of this are covered in the income received from the leisure contractor. Other than this, it is not proposed to borrow to fund 'business as usual' capital expenditure in the medium-term.

### ***Future Investment***

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

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

Schemes that generate revenue budget savings for the Council;

Schemes that allow the Council to benefit from future economic regeneration and potential within the local area, especially those that attract additional investment into the local area from regional or national agencies; and

Schemes that provide additional or improved services to the Council's residents in line with the Council's Strategic Plan.

## **FINANCIAL PERFORMANCE**

### **Revenue Activity**

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

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

It was estimated that there would be a deficit for the year of £0.271 m. The actual outturn showed a surplus of £0.228m, a variance in the year of £0.043m.



## NARRATIVE STATEMENT

Income & Expenditure Account	2019/20	
	Net Latest Approved Budget	Net Outturn
	£000	£000
<b>Committee - Net Cost Of Services</b>		
Leisure, Environment & Community	4,590	4,403
Infrastructure, Housing & Economic Development	1,514	1,109
Policy & Resources	4,619	4,722
<b>Net Cost Of Services</b>	<b>10,722</b>	<b>10,234</b>
Parish Precepts	1,962	1,962
Net Interest	(176)	(204)
Other Income	0	0
<b>Net Operating Expenditure</b>	<b>12,509</b>	<b>11,992</b>
Contributions to /(from) reserves	(60)	(44)
(Contribution from Balances)/ Surplus/(Deficit) for Year	0	0
<b>Amount to be met from Government Grants and Local Taxpayers</b>	<b>12,449</b>	<b>11,948</b>
Demanded From Collection Fund	(8,760)	(8,760)
Collection Fund Transfer of (surplus)/Deficit	(58)	67
Business Rates	(2,933)	(3,057)
Non - Specific Grants	(358)	(373)
Other Income	(50)	(50)
<b>Total</b>	<b>(12,159)</b>	<b>(12,174)</b>
Balance in Hand at 1 April	(4,821)	(4,821)
(Surplus)/Deficit For Year	290	<b>-226</b>
<b>Balance in Hand at 31 March</b>	<b>(4,531)</b>	<b>(5,047)</b>



## NARRATIVE STATEMENT

### Capital Activity

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2019/20 is shown below:

Capital Programme	2019/20		
	Latest Approved Budget	Net Outturn	Variance
	£000	£000	£000
<b><u>Services</u></b>			
Infrastructure, Housing & Economic Development	919	721	(198)
Leisure, Environment & Community	1,858	1,877	20
Policy & Resources	1,651	1,396	(255)
<b>Service Capital Programme</b>	<b>4,428</b>	<b>3,994</b>	<b>(434)</b>
<b><u>Major Projects</u></b>			
South Oxhey Initiative	1,987	1,309	(678)
South Oxhey Leisure Facility	5,094	4,680	(414)
Temporary Accommodation	1,350	1,386	36
Property Investment	457	457	(0)
<b>Total Capital Programme</b>	<b>13,316</b>	<b>11,826</b>	<b>(1,490)</b>

The Council planned to complete capital schemes valued at £13.316m in 2019/20. The Council completed and funded £11.826m worth of capital work, £1.108m of which was funded from capital receipts. The remainder was funded from government grants, contributions from third parties and borrowing.

The variance mainly relates to schemes that have been rephased to future years including;

- South Oxhey initiative
- Temporary Accommodation
- Leisure Facility South Oxhey

The Council externally borrowed £8.0m in 2018/19 to fund the development of the South Oxhey leisure centre. £4.680m was used to support expenditure on this project in 2019/20. The remaining amount will be used to fund the project in 2020/21.

### FUTURE CHALLENGES

#### **General**

The future for local government funding remains very uncertain, with no information available on funding from April 2020 onwards. In setting out its medium term financial plan (MTFP) the Council has assumed reductions in government funding.

The budget strategy is intended to ensure that the Council has a balanced and sustainable budget that provides the financial resources needed to implement its key priorities. The items set out below

## NARRATIVE STATEMENT

are considered the main issues that will have an impact on the Council's budget strategy and financial planning in the medium term.

### **BASIS OF PREPARATION AND PRESENTATION**

The Accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. References to material and materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

There have been a number of **prior period adjustments** following the conclusion of the audit. These adjustments will ensure that the figures presented are as up to date as possible. The majority of the changes have been made to the valuations and classifications of our assets. We use a rolling programme of valuations and where an asset has not been valued for some years we have used indexation factors to show what the asset would have been valued at, had it been due for revaluation. The audit has highlighted a number of issues with our Fixed Asset Register and we have worked hard to ensure that our updated figures give a "true and fair view" and that assets are correctly classified. The details of all the prior period adjustments can be found in Note 5.

## SCOPE OF RESPONSIBILITY

1. Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
3. Three Rivers District Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. It is also in accordance with the requirements of the Accounts and Audit (England & Wales) Regulations 2015.
4. This Governance Statement explains how the Council has maintained sound governance during the financial year 2019/20 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.
6. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
8. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

## THE GOVERNANCE FRAMEWORK

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

### General

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

11. The Council's written Constitution sets out how the Council operates, how decisions are made including which decisions are delegated to the various Committees or to Officers under the scheme of delegation and the terms of reference for the various Committees. The procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law as set out in the Act and regulations made thereunder, whilst others are adopted locally by the Council. The Constitution is reviewed at least annually and is available on the Council's website and intranet. Changes to the Constitution are reported to Full Council.
12. The Council has an approved Local Code of Governance, a copy of which is included in Part 5 of the written Constitution. This sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website and intranet.
13. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.
14. The Corporate Management Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year. This evidences amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
15. Elected Members as decision-makers have to declare pecuniary and non-pecuniary interests as defined under the Act as and when they occur as well as formally recording this information in the Register of Members Interests which is available online. Each Councillor is personally responsible for keeping their entry in the Register up to date and are reminded of this obligation on an annual basis. Members have access to the Committee team and the Monitoring Officer for advice on declaration of interests at meetings.

### **Strategic Aims and Objectives**

16. The Council and the Policy and Resources Committee met regularly to set the strategic direction of the Council and together with the Audit Committee and the Service Committees, monitor service delivery.
17. The Council updates and formally adopts its Strategic Plan annually each February, and this sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the local context. Progress on the Plan is reported to the public.
18. For 2020/23 the Council has adopted a new Corporate Framework and this will be reviewed and reported in the same manner as the Strategic Plan. The Council's priorities for 2019/20 as contained in the Strategic Plan 2019/22 were as follows:

### **Vision**

19. The district should be a better place for everyone, their neighbourhoods, health, employment and access to services.

## Aims and Priorities

**Better Neighbourhoods:** We want to:

- maintain high quality neighbourhoods;
- reduce the eco-footprint of the district;
- create access to good quality jobs and employment;
- support businesses and the local economy.

**Healthier Communities:** We want to

- develop and improve access to good quality housing;
- create prosperity for all and access to opportunities;
- support the most vulnerable people in the district;
- provide a healthy and safe environment;
- reduce health inequalities, promote healthy lifestyles, support learning and community organisations.

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

## Decision Making Structures

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

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

## Constitution

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

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

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

26. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
27. Local Authorities operating a committee system do not have to have or appoint separate overview and scrutiny committees. The scrutiny function for health and community safety is undertaken by the Leisure Environment and Community Committee. At Three Rivers District Council the review and scrutiny of policy is co-ordinated through the Policy and Resources Committee.
28. The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.
29. Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website.
30. The Solicitor to the Council is the Council's Monitoring Officer and duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Leader and councillors on the Constitution or issues of maladministration, financial impropriety or probity.
31. The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account, and giving advice to the Council on financial planning.

### **Data Quality and Risk Management**

32. The Council has a performance management framework linked to the Council's Corporate Framework. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's committees review the Council's achievements against targets set for service delivery.
33. The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually. All of the Council's key objectives, including those in the Strategic Plan have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through service plans. Risks have been identified and assessed for their impact and likelihood. Where they require managing, a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.
34. Business continuity and emergency planning are other key aspects within the corporate governance framework and again falls within the remit of the Risk Management corporate group.



### Shared Services with Watford Borough Council

35. Three Rivers District Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with Watford Borough Council. Both Councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance.
36. From April 2014, the Governance arrangements for shared services changed to a lead authority model. Three Rivers District Council are responsible for providing financial services and revenues and benefits, whilst Watford Borough Council are responsible for the provision of ICT and human resources. An executive board of senior management from both councils is responsible for these services. The role of the Board covers:
- monitoring performance and dealing with complaints from either authority;
  - resolving conflicts between competing interests amongst the authorities;
  - reviewing the governance arrangements;
  - dealing with matters referred up to it by the Operations Board;
  - having overall supervision of the Shared Service;
  - receiving annual reports on each service within the shared service;
  - community engagement.
37. The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the Council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information.

### REVIEW OF EFFECTIVENESS

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

### The Council

39. All Councillors meet together as the Full Council. These meetings are chaired by the Chairman of the Council appointed in May for the municipal year. At these ordinary meetings, Councillors decide the Council's overall policies and set the budget each year. Certain decisions can only be made by the Council as a whole and these are clearly set out in the written Constitution. The Council also hold debates on issues which affect the district generally. The Leader of the Council can make an oral report on relevant district matters. Members of the public may, on notice, put written questions to the Council.
40. The Full Council comprises all 39 Members. They met five times during 2019/20. In addition there was a meeting of Annual Council in the municipal year. In cases of urgency an extraordinary meeting of the Council can be called by the Chairman and / or the Monitoring Officer under Part 4, Rule 1 of the Constitution.

### **The Policy and Resources Committee**

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

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

42. Policy and Resources Committee met eight times during 2019/20.

### **The Service Committees**

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

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

44. The functions of the Service Committees are to:

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

### **Regulatory Committees**

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

### **Member Allowances**

46. Members Allowances were reviewed in 2018 by an Independent Remuneration Panel. The report and recommendations of the Independent Remuneration Panel for 2019/20 was approved by the full Council in December 2018. The Panel did recommend increases in the allowances and these were implemented from 1 April 2019

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

### **Senior Management**

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



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

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

### **Procurement**

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

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

### **The Audit Committee**

53. Audit Committee comprised seven members and met five times during 2019/20.

54. The role of Audit Committee is to:

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

### **Internal Audit**

55. 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.

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

improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee.

57. In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the Audit Committee (at its meeting on 23 November 2020), which:

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

58. The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2019/20 this Report includes the following statements:

- In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2019/20.
- A satisfactory assurance opinion is given on the adequacy and effectiveness of both financial systems and non-financial systems in the internal control environment. The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements. There are no qualifications to this assurance.

### **The Council's External Auditors**

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

60. The Annual Audit Letter 2018/19 was presented to the Audit Committee in September 2019 and the main conclusions for the year were:

- The 2018/19 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council; and
- The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

61. The Local Government contract for the Council was awarded to EY (Ernst and Young LLP) following re-tendering by the Audit Commission ahead of its abolition in March 2015. In December 2017, EY were appointed by PSAA as auditor for Three Rivers for 2019/20.

### **SIGNIFICANT GOVERNANCE ISSUES**

62. The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. No significant governance issues have been identified for 2019/20 and no outstanding matters were brought forward from 2018/19.

63. Coronavirus (COVID-19) – whilst the coronavirus is not a specific governance issue, the impact of this national crisis does need to be noted. There has been some financial impact in 2019/20 on the management accounts for the year, with reduced income and additional expenditure, however, the full financial impact of Coronavirus is not likely to be clear for some time yet and is currently

# ANNUAL GOVERNANCE STATEMENT

being closely monitored, including via regular returns to Government. In the short-term there will be additional reporting to members and ongoing review of the budget position for 2020/21. To date Three Rivers have received a total of £1.079m of emergency Government funding.

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

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

Signed \_\_\_\_\_

Date

Leader of the Council – Sarah Nelmes

Signed \_\_\_\_\_

Date

Chief Executive – Joanne Wagstaffe

### **Movement in Reserves Statement (MIRS) (Page 26)**

The MIRS shows the movement in the year in the 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 'unusable reserves.' The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net (Increase)/Decrease line shows the statutory General Fund balance movements in the year following those adjustments.

### **Comprehensive Income and Expenditure Statement (CIES) (Page 27)**

The CIES statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting policies, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MIRS).

### **Balance Sheet (Page 27)**

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

### **Cash Flow Statement (Page 29)**

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

## CORE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

2019/20	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2019</b>		(4,815)	(16,030)	1	(2,225)	(23,069)	(45,027)	(68,096)
Total Comprehensive income and expenditure		2,501				2,501	(14,302)	(11,801)
Adjustments between accounting basis, and funding basis under regulations	8	(4,201)		1	1,365	(2,835)	2,835	0
Transfer to/from Earmarked Reserves		1,472	(1,332)			140	(140)	0
<b>Total Increase\decrease) during the year</b>		<b>(228)</b>	<b>(1,332)</b>	<b>1</b>	<b>1,365</b>	<b>(194)</b>	<b>(11,607)</b>	<b>(11,801)</b>
<b>Balance as at 31 March 2020</b>		<b>(5,043)</b>	<b>(17,362)</b>	<b>2</b>	<b>(860)</b>	<b>(23,263)</b>	<b>(56,634)</b>	<b>(79,897)</b>
<b>2018/19 - Restated</b>	<b>Note</b>	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2018</b>		(4,344)	(12,994)	(5,252)	(2,168)	(24,758)	(46,827)	(71,585)
Total Comprehensive income and expenditure		1,742				1,742	1,747	3,489
Adjustments between accounting basis, and funding basis under regulations	8	(6,210)		5,253	(57)	(1,014)	1,014	0
Transfer to/from Earmarked Reserves		3,997	(3,036)			961	(961)	0
<b>Total Increase\decrease) during the year</b>		<b>(472)</b>	<b>(3,036)</b>	<b>5,253</b>	<b>(57)</b>	<b>1,688</b>	<b>1,801</b>	<b>3,489</b>
<b>Balance as at 31 March 2019</b>		<b>(4,815)</b>	<b>(16,030)</b>	<b>1</b>	<b>(2,225)</b>	<b>(23,069)</b>	<b>(45,027)</b>	<b>(68,096)</b>

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19 Restated					2019/20		
Gross Spend	Gross Income	Net Spend			Gross Spend	Gross Income	Net Spend
£'000	£'000	£'000		Note	£'000	£'000	£'000
			<b>Services</b>				
9,089	(4,232)	4,857	Leisure Wellbeing and Health		11,739	(4,844)	6,895
3,392	(1,596)	1,796	Infrastructure Housing and Economic Development		3,509	(1,873)	1,636
34,499	(24,246)	10,253	Policy Resources		29,107	(21,281)	7,826
			Leisure Environment and Community *				
			Sustainable Development, Planning & Transportation *				
			General Public Services & Community Safety *				
<b>46,980</b>	<b>(30,073)</b>	<b>16,907</b>	<b>Cost of Services</b>		<b>44,355</b>	<b>(27,998)</b>	<b>16,357</b>
		(3,785)	Other Operating (Income)	9			(2,031)
		1,152	Financing and Investment (Income)/Expenditure	10			2,311
		(12,532)	Taxation and Non-Specific Grant Income	11			(14,136)
		<b>1,742</b>	<b>Deficit on Provision of Services</b>				<b>2,501</b>
		(794)	(Surplus) on Revaluation of PPE	38(e)			(1,080)
		2,541	Re-measurement of the net defined benefit pension liability	35			(13,222)
		<b>1,747</b>	<b>Other Comprehensive (Income)/Expenditure</b>				<b>(14,302)</b>
		<b>3,489</b>	<b>Total Comprehensive (Income)/Expenditure</b>				<b>(11,801)</b>

## BALANCE SHEET

2018/19 Restated £'000		Note	2019/20 £'000
	Property, Plant and Equipment		
57,900	Land and Buildings	22	60,748
6,158	Vehicles, Plant and Equipment	22	6,950
409	Infrastructure Assets	22	374
714	Community Assets	22	1,109
1,920	Asset Under Construction	22	6,018
206	Heritage Assets	23	145
12,531	Surplus Assets		13,923
13,571	Investment Properties	24	10,712
14,761	Long-Term Debtors	27	14,947
510	Long-Term Investments	27	510
	Capital Programmes		
<b>108,679</b>	<b>Total Long term Assets</b>		<b>115,436</b>
0	Assets Held For Sale	28	0
38	Inventories	28	46
7,895	Short-Term Debtors	29	6,164
1	Short-Term Investments	39	1
5,191	Cash and Cash Equivalents	30	9,851
<b>13,125</b>	<b>Total Current Assets</b>		<b>16,062</b>
(8,529)	Short-Term Creditors	32	(10,636)
	Short Term Borrowings	32	(8,000)
<b>(8,529)</b>	<b>Total Current Liabilities</b>		<b>(18,636)</b>
0	Deferred Liabilities	33	0
(16,000)	Loans	33	(16,000)
(1,869)	Provisions	34	(953)
(637)	Grants & Contributions		(147)
(26,672)	Defined Benefit Pension Scheme	35	(15,867)
<b>(45,178)</b>	<b>Total Long Term Liabilities</b>		<b>(32,967)</b>
<b>68,096</b>	<b>Net Assets</b>		<b>79,895</b>
	<b>Reserves</b>		
(23,069)	Usable Reserves	37	(23,263)
(45,027)	Unusable Reserves	38	(56,632)
<b>(68,096)</b>	<b>Total Reserves</b>		<b>(79,895)</b>

Signed

**Alison Scott**  
Director of Finance

Date: 31 August 2020.

Signed

**Councillor Margaret Hofman**  
Chairman of Audit Committee

Date: 31 August 2020



CASH FLOW STATEMENT

2019				2020	
£'000	£'000		Note	£'000	£'000
1,742		Net (deficit) on the provision of services	CIES	(2,501)	
5,385		Adjustments to net surplus or deficit on the provision of services for non cash movements	31a	7,749	
(5,699)		Adjustments for items that are outflows in provision of services from investing and financing activities	31a	(2,620)	
	<b>1,428</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>			<b>2,628</b>
	(25,825)	Investing Activities outflows	31b		(6,990)
	16,000	Financing Activities outflows	31c		9,023
	<b>(8,397)</b>	<b>Net increase in cash and cash equivalents</b>			<b>4,661</b>
	<b>13,588</b>	<b>Cash and Cash equivalents at the beginning of the reporting period</b>			<b>5,191</b>
	<b>5,191</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>	30		<b>9,852</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link between the figures reported in the Narrative Statement and the Comprehensive Income & Expenditure Statement (CIES) notes

2018/19 - Restated				2019/20		
Net Expenditure chargeable to General Fund	Adjustments	Net Expenditure in the CIES		Net Expenditure chargeable to General Fund	Adjustments	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
2,843	2,014	4,857	Leisure Wellbeing and Health	4,978	1,917	6,895
1,366	430	1,796	Infrastructure Housing and Economic Development	1,069	567	1,636
3,993	6,260	10,253	Policy Resources	5,160	2,666	7,826
<b>8,202</b>	<b>8,705</b>	<b>16,907</b>	<b>Net Cost of Services</b>	<b>11,206</b>	<b>5,151</b>	<b>16,357</b>
(12,669)	(2,496)	(15,165)	Other Income and Expenditure	(12,909)	(947)	(13,856)
<b>(4,467)</b>	<b>6,209</b>	<b>1,742</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(1,703)</b>	<b>4,204</b>	<b>2,501</b>
3,997			Transfer (from)/to Reserves	1,472		
<b>(470)</b>			<b>(Surplus)/Deficit as per Outturn</b>	<b>(231)</b>		
<b>(4,344)</b>			Opening General Fund Balance	<b>(4,815)</b>		
(470)			(Surplus)/Deficit on Provision of Services	(231)		
<b>(4,815)</b>			<b>Closing General Fund Balance</b>	<b>(5,043)</b>		

## NOTES TO THE FINANCIAL STATEMENTS

### 1(a) Note to Expenditure and Funding Analysis

2018/19 - Restated					2019/20			
Adjustments for capital purposes	Net change for the pension adjustments	Other Difference	Total Adjustments		Adjustments for capital purposes	Net change for the pension adjustments	Other Difference	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
1,228	784	2	2,014	Leisure Wellbeing and Health	1,185	724	9	1,917
174	257	(1)	430	Infrastructure Housing and Economic Development	312	246	9	567
5,241	996	23	6,260	Policy Resources	1,735	915	16	2,666
<b>6,644</b>	<b>2,037</b>	<b>24</b>	<b>8,705</b>	<b>Net Cost of Services</b>	<b>3,232</b>	<b>1,885</b>	<b>34</b>	<b>5,151</b>
			(2,496)	Other Income and Expenditure				(947)
			<b>6,209</b>	<b>Difference between General Fund (surplus)/deficit and CIES (surplus)/deficit</b>				<b>4,204</b>

## - Single Entity

## 2 Accounting Policies

### 2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the CIPFA Service Reporting Code of Practice 2019/20 (SERCOP). SERCOP does not prescribe guidance on the Statement of Accounts. This is provided by the Code, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern basis.

### 2.2 Accruals of Income and Expenditure

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

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

### 2.3 Cash and Cash Equivalents

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

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. See Note 4 for an outline of PPA's within this set of accounts.

### 2.5 Charges to Revenue for Long Term Assets

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

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

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

### 2.6 Employee Benefits

#### Benefits Payable During Employment

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

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

#### Termination Benefits

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

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

#### Post Employment Benefits

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

#### The Local Government Pension Scheme

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

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

- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS) 19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.

### **The change in the net pension liability is analysed into six components:**

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

contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the CIES.

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

### **Discretionary Benefits**

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

### 2.7 Financial Instruments

#### Financial Liabilities

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

#### Financial Assets - Loans and Receivables

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

#### Financial Assets Measured at Amortised Cost

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

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

#### Expected Credit Loss Model

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

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

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

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

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



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

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

### **2.8 Government Grants and Contributions**

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

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

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

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

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

### **2.9 Intangible Assets**

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible

asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

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

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

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

### **2.10 Inventories and Long Term Contracts**

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

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

### **2.11 Investment Property**

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

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

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

### 2.12 Leases

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

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

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

#### The Council as Lessee

##### Finance Leases

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

##### Lease payments are apportioned between:-

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

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

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

##### Operating Leases

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

### The Council as Lessor

#### Finance Leases

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

#### Lease rentals receivable are apportioned between:

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

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

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

#### Operating Leases

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

### 2.13 Overheads and Support Services

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

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

### 2.14 Property, Plant and Equipment

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

#### Recognition

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

#### Measurement

##### Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

### **When decreases in value are identified:**

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

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

### **Impairment**

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

### **When impairment losses are identified:**

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

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

### **Depreciation**

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

### **Depreciation is calculated on the following bases:-**

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years;
- Vehicles — straight-line over the estimated life of the asset - up to 20 years;
- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years;
- Infrastructure — straight-line over the estimated life of the asset - up to 25 years; and

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

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

Depreciation commences in the year following acquisition.

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

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

### **Disposals of Non-current Assets**

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

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

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

### **Construction Contracts**

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

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



### 2.15 Heritage Assets

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

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

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

### 2.16 Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

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

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

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

The level of provisions is reviewed annually by the Council.

#### Contingent Liabilities

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

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

### **Contingent Assets**

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

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

### **2.17 Reserves**

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

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

### **2.18 Revenue Expenditure Funded from Capital under Statute**

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

### **2.19 Value Added Tax (VAT)**

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

### **2.20 Jointly Controlled Operations and Jointly Controlled Assets**

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

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

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

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

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

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

### **2.21 Single Entity Financial Statements**

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

### **2.22 Fair Value**

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

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

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

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

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

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

### **3 Accounting Standards that have been issued but have not yet been adopted**

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

For 2019/20 the following accounting standard changes that need to be reported relate to:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.
- IAS 19 Employee Benefits will require the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1<sup>st</sup> April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

### **4 Critical Judgements in Applying Accounting Policies**

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

The critical judgement in the Statements of Accounts is the level of uncertainty about future levels of funding for local government. However, the Council has planned to make savings to compensate for reductions in funding. These savings will result predominantly from efficiencies and not reduced level of services, so the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Council has a well-established shared service arrangement with Three Rivers District Council for ICT, HR, Finance, and Revenues & Benefits services. These working arrangement and future related changes will not reduce the level of service provided by the Council. The Council therefore believes that it is not necessary to impair any non-current assets in light of this arrangement.

### **5 Prior Period Adjustments**

As referenced in our narrative statement, we have made some material changes to figures from previous years' accounts which are highlighted in this section. Readers of the accounts will see the rationale for

## NOTES TO THE FINANCIAL STATEMENTS

the change and how this affected the comparative figures in the notes to the accounts and the primary statements.

Following the conclusion of the audit, there have been a number of prior period adjustment which have been applied to the accounts to present an updated position and to ensure that the brought forward balances also reflect prior year changes. The areas in which prior year adjustments have been made are summarised as below.

Fixed Assets, held as Property Plant and Equipment (PPE), Investment Property (IP) and Rent to Mortgage Properties have been adjusted for incorrect classifications and valuations. The accounting treatment for the South Oxhey Initiative has also been corrected, as shown in the following disclosures:

- a) PPE Classifications and Valuations
- b) Rent to Mortgage Properties
- c) IP and Surplus Asset and inventory Classification
- d) Deferred Income and Capital Receipt Adjustments
- e) Finance Leases Disclosure
- f) Financial Instruments Disclosure

### **Fixed Asset Adjustment – Commentary**

This year, the auditors have looked in great depth at our reporting arrangements for Property, Plant and Equipment. This has highlighted a number of classification issues and some additions which had not been linked to a particular asset. As we work on a five-year rolling basis for revaluations and to ensure that values are appropriate in years where individual assets are not due for valuation, an indexation factor has been applied. Hence the revaluations have increased. These indexed adjustments will crystallise then the assets are revalued as part of the rolling programme. We have therefore made a number of changes to ensure that the closing balance in the Balance Sheet are correct. Each of the following tables summaries the impact on each class of fixed asset, but does not itemise the movements between fixed asset class. Please note that the changes shown below include the reclassification of Rent to Mortgage properties in 5 (b) on the following pages.

## NOTES TO THE FINANCIAL STATEMENTS

### 5 (a) PPE Adjustments

PPE 2017/18 Opening Balance Adjustments	Assets Under Constr'n	Land & Building	Plant & Equipment	Infra-Structure	Community	Total
<b><u>Cost or Valuation as at 01/04/2017</u></b>						
2017/18	5,764	53,420	12,576	1,763	195	<b>73,718</b>
As Restated	14	54,388	13,049	1,809	196	<b>69,455</b>
<b>Change</b>	<b>(5,750)</b>	<b>968</b>	<b>473</b>	<b>46</b>	<b>1</b>	<b>(4,263)</b>
<b><u>Accumulated Depreciation and Impairment as at 01/04/2017</u></b>						
2017/18	0	(1,769)	(6,822)	(1,056)	0	<b>(9,647)</b>
As Restated	0	(1,697)	(6,881)	(1,057)	0	<b>(9,634)</b>
<b>Change</b>	<b>0</b>	<b>72</b>	<b>(59)</b>	<b>(1)</b>		<b>13</b>
<b><u>Balance Sheet Value as at 01/04/2017</u></b>						
2017/18	5,764	51,651	5,754	707		<b>63,876</b>
As Restated	14	52,691	6,168	752		<b>59,625</b>
<b>Change</b>	<b>(5,750)</b>	<b>1,040</b>	<b>414</b>	<b>45</b>		<b>(4,251)</b>

## NOTES TO THE FINANCIAL STATEMENTS

PPE 2017/18 In-Year Adjustment	Assets Under Constr'n	Land & Building	Plant & Equipment	Infra-Structure	Community	Total
<b>Additions</b>						
2017/18	11,052	1,164	1,202	40	6	13,464
As Restated	307	798	1,356	40	6	2,507
<b>Change</b>	<b>(10,745)</b>	<b>(366)</b>	<b>154</b>	<b>0</b>	<b>0</b>	<b>(10,957)</b>
<b>Revaluation Increases / (Decreases)</b>						
<b>Recognised in the Revaluation Reserve</b>						
2017/18	0	840	0	0	0	840
As Restated	0	2,993	0	0	0	2,993
<b>Change</b>	<b>0</b>	<b>2,153</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,153</b>
<b>Recognised in the Surplus/Deficit on Provision of Services</b>						
2017/18	(4,598)	(292)	0	0	0	(4,890)
As Restated	0	(1,215)	0	0	0	(1,215)
<b>Change</b>	<b>4,598</b>	<b>(923)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,675</b>
<b>Assets Reclassified and Disposal</b>						
2017/18	(12,218)	0	(2)	(1)	0	(12,221)
As Restated	0	0	0	0	0	0
<b>Change</b>	<b>12,218</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>12,221</b>
<b>Cost/Valuation 31/3/2018</b>						
2017/18 (A)	0	55,132	13,776	1,802	201	70,911
As Restated (B)	322	56,964	14,405	1,849	202	73,741
<b>Change</b>	<b>322</b>	<b>1,832</b>	<b>629</b>	<b>47</b>	<b>1</b>	<b>2,830</b>
<b>Depreciation Charge</b>						
2017/18	0	(977)	(1,633)	(244)	0	(2,854)
As Restated	0	(891)	(1,674)	(249)	0	(2,814)
<b>Change</b>	<b>0</b>	<b>86</b>	<b>(41)</b>	<b>(5)</b>	<b>0</b>	<b>40</b>
<b>Other Depreciation Movements</b>						
2017/18	0	133	0	0	0	133
As Restated	0	138	0	0	0	138
<b>Change</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
<b>Accumulated Depreciation and Impairment as at 31/03/2018</b>						
2017/18 (C)	0	(2,613)	(8,455)	(1,300)	0	(12,368)
As Restated (D)	0	(2,449)	(8,555)	(1,306)	0	(12,310)
<b>Change</b>	<b>0</b>	<b>164</b>	<b>(100)</b>	<b>(6)</b>	<b>0</b>	<b>58</b>
<b>Balance Sheet Value 31/3/18</b>						
2017/18 (A+C)	0	52,519	5,321	502	201	58,543
As Restated (B+D)	322	54,514	5,850	543	202	61,430
<b>Change</b>	<b>322</b>	<b>1,995</b>	<b>529</b>	<b>41</b>	<b>1</b>	<b>2,887</b>



## NOTES TO THE FINANCIAL STATEMENTS

PPE 2018/19 Opening Balance Adjustments (B/f From 2017/18)	Assets Under Constr'n	Land & Building	Plant & Equipment	Infra-Structure	Community	Total
<b>Cost or Valuation as at 01/04/2018</b>						
Originally Stated	0	55,132	13,776	1,802	201	<b>70,911</b>
Restated	322	56,964	14,405	1,849	202	<b>73,539</b>
<b>Amount of Restatement</b>	<b>322</b>	<b>1,832</b>	<b>629</b>	<b>47</b>	<b>1</b>	<b>2,628</b>
<b>Accumulated Depreciation and Impairment as at 01/04/2018</b>						
Originally Stated	0	(2,613)	(8,455)	(1,300)	0	<b>(12,368)</b>
Restated	0	(2,449)	(8,555)	(1,306)	0	<b>(12,310)</b>
<b>Amount of Restatement</b>	<b>0</b>	<b>164</b>	<b>(100)</b>	<b>(6)</b>	<b>0</b>	<b>58</b>
<b>Balance Sheet Value as at 01/04/2018</b>						
Originally Stated	0	52,519	5,321	502	201	<b>58,543</b>
Restated	322	54,514	5,850	543	202	<b>61,430</b>
<b>Amount of Restatement</b>	<b>322</b>	<b>1,995</b>	<b>529</b>	<b>41</b>	<b>1</b>	<b>2,887</b>

## NOTES TO THE FINANCIAL STATEMENTS

PPE 2018/19 In-Year Adjustment	Assets Under Constr'n	Land & Building	Plant & Equipment	Infra-Structure	Community	Total
<b>Additions</b>						
Originally Stated	3,346	4,910	1,542	60	512	10,370
Restated	1,598	4,910	1,542	60	512	8,621
<b>Amount of Restatement</b>	<b>(1,748)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>(1,749)</b>
<b>Recognised In the Revaluation Reserve</b>						
Originally Stated	0	258	0	0	0	258
Restated	0	(1,512)	0	0	0	(1,512)
<b>Amount of Restatement</b>	<b>0</b>	<b>(1,770)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,770)</b>
<b>Recognised in the Surplus/Deficit on Provision of Services</b>						
Originally Stated	(1,748)	(1,668)	0	0	0	(3,416)
Restated	0	(1,460)	0	0	0	(1,460)
<b>Amount of Restatement</b>	<b>1,748</b>	<b>208</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,956</b>
<b>Assets Reclassified</b>						
Originally Stated	242	(8)	0	0	73	307
Restated	0	200	0	0	0	200
<b>Amount of Restatement</b>	<b>(242)</b>	<b>208</b>	<b>0</b>	<b>0</b>	<b>(73)</b>	<b>(107)</b>
<b>Cost/Valuation 31/3/2019</b>						
Originally Stated (A1)	1,840	58,624	15,318	1,862	786	78,430
Restated (B1)	1,920	59,101	15,946	1,909	714	79,590
<b>Amount of Restatement</b>	<b>80</b>	<b>477</b>	<b>628</b>	<b>47</b>	<b>(72)</b>	<b>1,160</b>
<b>Depreciation Charge</b>						
Originally Stated	0	(905)	(1,420)	(193)	0	(2,518)
Restated	0	(923)	(1,233)	(194)	0	(2,350)
<b>Amount of Restatement</b>	<b>0</b>	<b>(18)</b>	<b>187</b>	<b>(1)</b>	<b>0</b>	<b>168</b>
<b>Other Depreciation Movements</b>						
Originally Stated	0	0	0	0	0	0
Restated	0	2,171	0	0	0	2,171
<b>Amount of Restatement</b>	<b>0</b>	<b>2,171</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,171</b>
<b>Accumulated Depreciation and Impairment as at 31/03/2019</b>						
Originally Stated (C1)	0	(3,518)	(9,875)	(1,493)	0	(14,886)
Restated (D1)	0	(1,201)	(9,788)	(1,500)	0	(12,489)
<b>Amount of Restatement</b>	<b>0</b>	<b>2,317</b>	<b>87</b>	<b>(7)</b>	<b>0</b>	<b>2,397</b>
<b>Balance Sheet Value 31/03/19</b>						
Originally Stated (A1+C1)	1,840	55,106	5,443	369	786	63,544
Restated (B1+D1)	1,920	57,900	6,158	409	714	67,101
<b>Amount of Restatement</b>	<b>80</b>	<b>2,794</b>	<b>715</b>	<b>40</b>	<b>(72)</b>	<b>3,557</b>

The Balance Sheet has been affected as illustrated in the tables. The revised prior year balances sheets have been provided in the main body of the accounts.

The adjustments we have made to the valuations have also affected the Comprehensive Income and Expenditure Statement (CIES, but it is important to stress that changes due to revaluation are mitigated in local government accounts so there is no effect on the "bottom line" and the charge to Council Tax payers.

## NOTES TO THE FINANCIAL STATEMENTS

The Following Extracts show how the CIES was affected:

	2018/19 £000	As Restated £000	Change £000
(Surplus)/Deficit on Revaluation of PPE	(257)	(794)	(537)
	2017/18	As Restated	Change*
(Surplus)/Deficit on Revaluation of PPE	0	(3,216)	(3,126)

\*NB. The amendments related to previous years were actioned in the 17/18 account figures.

**The changes in valuation and the reclassifications affect the Movement in Reserves (MIRS) analysis.**

The following is an extract of the MIRS showing the line in which this change is shown:

	2018/19 £000	As Restated £000	Change £000
Total Comprehensive income and expenditure charged to Unusable Reserves in relation to Revaluations	2,284	1,747	(537)
	2017/18	As Restated	Change*
Total Comprehensive income and expenditure charged to Unusable Reserves in relation to Revaluations	(4,423)	(7,549)	(3,126)

**Note 8: Adjustments between accounting basis and funding basis under regulations** reflect the way that in local government accounts these revaluations are mitigated. This note has therefore been updated to show this movement. The comparative year has been restated in the note on page xx

### 5 (b) – Rent to Mortgage Properties

We have a number of properties which are part owned by the Council and part owned by the tenant. We have previously carried the Council element as a Long-term Debtor. This was incorrect. The amendments have therefore changed our Long-term Debtor note and the Balance Sheet. As the Council element should have been shown as a property asset, the amendment has changed our Fixed Asset Register and hence Note 21 Property Plant and Equipment.

The Long-term Debtor relating to these assets has now been removed and reclassified as Land & Buildings in Property, Plant and Equipment. They have also been subsequently revalued. The impact of this change is included in table 5 (a).

### 5 (c) IP and Surplus Asset and Inventory Adjustments

During 2018/19 some assets had been wrongly classified as Investment Properties and these have now been moved to Property Plant and Equipment (included within the disclosures at 5 (a) and 5 (b))

Please note that the Surplus Asset movements shown relate to the reclassification of assets held as part of the South Oxhey Initiative discussed in 5 (d) below.

These changes are summarised on the following pages:

2017/18	Investment Property	Surplus Assets	Total
<b><u>Cost or Valuation as at 01/04/2017</u></b>			
2017/18	8,805	0	<b>8,805</b>
As Restated	8,814	3,539	<b>12,353</b>
<b>Change</b>	<b>9</b>	<b>3,539</b>	<b>3,548</b>
<b><u>Additions</u></b>			
2017/18	773	0	773
As Restated	467	11,052	11,519
<b>Change</b>	<b>(306)</b>	<b>11,052</b>	<b>10,746</b>
<b><u>Recognised in the Surplus/Deficit on Provision of Services</u></b>			
2017/18	1,356	0	1,356
As Restated	1,356	0	1,356
<b>Change</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Assets Reclassified and Disposal</u></b>			
2017/18	(7,565)	0	(7,565)
As Restated	(7,565)	0	(7,565)
<b>Change</b>	<b>0</b>	<b>0</b>	<b>0</b>
2017/18	3,369	0	(7,565)
As Restated	3,072	14,591	(7,565)
<b>Change</b>	<b>(297)</b>	<b>14,591</b>	<b>0</b>

2018/19	Investment Property	Surplus Assets	Total
<b><u>Cost or Valuation as at 01/04/2019</u></b>			
2018/19	3,369	0	3,369
As Restated	3,072	14,591	17,664
<b>Change</b>	<b>(297)</b>	<b>14,591</b>	<b>14,295</b>
<b><u>Additions</u></b>			
2018/19	11,638	0	11,638
As Restated	11,638	1,748	13,387
<b>Change</b>	<b>0</b>	<b>1,748</b>	<b>1,749</b>
<b><u>Recognised in the Surplus/Deficit on Provision of Services</u></b>			
2018/19	(723)	0	(723)
As Restated	(868)	0	(868)
<b>Change</b>	<b>(145)</b>	<b>0</b>	<b>(145)</b>
<b><u>Assets Reclassified and Disposal</u></b>			
2018/19	(714)	0	(714)
As Restated	(272)	(3,809)	(4,081)
<b>Change</b>	<b>442</b>	<b>(3,809)</b>	<b>(3,367)</b>
<b><u>Balance Sheet Value 31/3/19</u></b>			
2018/19	13,570	0	13,570
As Restated	13,571	12,531	26,101
<b>Change</b>	<b>1</b>	<b>12,531</b>	<b>12,531</b>

<b>Inventory 2017/18 In Year Adjustments</b>	<b>Inventory</b>
<b><u>Cost or Valuation as at 01/04/2017</u></b>	
2017/18	18,124
<b><u>Assets Reclassified and Disposal</u></b>	
2017/18	0
As Restated	(18,089)
<b>Change</b>	<b>(18,089)</b>
	<b>Inventory</b>
<b><u>Balance Sheet Value 31/3/18</u></b>	
2017/18	18,124
As Restated	35
<b>Change</b>	<b>(18,089)</b>
	<b>Inventory</b>
<b>Inventory 2018/19 In Year Adjustments</b>	
<b><u>Cost or Valuation as at 01/04/201</u></b>	
2018/19	18,124
As Restated	35
<b>Change</b>	<b>(18,089)</b>
<b><u>Assets Reclassified and New Stock Added</u></b>	
2018/19	(1,809)
As Restated	3
<b>Change</b>	<b>1,812</b>
<b><u>Balance Sheet Value 31/3/19</u></b>	
2018/19	16,315
As Restated	38
<b>Change</b>	<b>(16,277)</b>

**5 (d) - South Oxhey Initiative Adjustments**

The South Oxhey Initiative is a major scheme to redevelop an area of South Oxhey. Under the scheme Council property assets have been redeveloped and let on long leases to Countryside Properties. The accounting treatment for this scheme was agreed and implemented during 2017/18. During this year's audit, the external auditor identified a number of issues with the accounting treatment, as follows:

- Assets being developed under the scheme classified as Inventories rather than Surplus Assets
- Issues with the treatment of outstanding debtors and deferred receipts, with deferred receipts being incorrectly classified as long-term liabilities.
- Issues with the timing of income recognition vs lease inception for the phases of the scheme.
- Lease Accounting

The amounts disclosed for **Inventories** (note 28) have been changed as follows:

	<b>Original £000</b>	<b>Revised £000</b>	<b>Change £000</b>
Inventories (2018/19)	16,277	0	(16,277)
Inventories (2017/18)	18,089	0	(18,089)

**The long-term Debtors** (note 27) disclosures have been changed as follows:

	<b>Original £000</b>	<b>Revised £000</b>	<b>Change £000</b>
Long Term Debtors – South Oxhey Initiative (2018/19)	16,277	0	(16,277)
Long Term Debtors – South Oxhey Initiative (2017/18)	18,088	0	(18,088)

**The Long-term Creditors** (note 33) disclosures have changed as follows:

	<b>Original £000</b>	<b>Revised £000</b>	<b>Change £000</b>
Long Term Debtors – South Oxhey Initiative (2018/19)	(16,277)	0	16,277
Long Term Debtors – South Oxhey Initiative (2017/18)	(18,089)	0	18,089

**Income Recognition**

Accounting principles dictate that income should be recognised when it falls due, rather than when it is received. In the case of the South Oxhey Initiative, income became due when the leases for various phases were signed, and in some cases lease premium payments from the lessee were received in later accounting periods. Where income is to be received in a subsequent period, it is necessary to recognise a debtor with a corresponding deferred capital receipt. When the cash is received the debtor is written down and a capital receipt recognised. Errors in how the timing of transactions was reflected has resulted in the following amendments:



## NOTES TO THE FINANCIAL STATEMENTS

The 2017/18 opening balances have been adjusted for the South Oxhey Initiative as shown in the table below:

	Original £000	Revised £000	Change £000
Deferred Capital Receipts	0	(1,708)	(1,708)
Short Term Debtors	0	1,708	1,708
Change in Income Recognised in CIES	0	(2,229)	(2,229)

The 2017/18 closing balances have been adjusted for the South Oxhey Initiative as shown in the table below:

	Original £000	Revised £000	Change £000
Short Term Debtors	2,021	69	(1,952)
Capital Adjustment Account	(2021)	(1,849)	171
Change in Income Recognised in CIES	0	1,952	1,952

The 2018/19 closing balances have been adjusted for the South Oxhey Initiative as shown in the table below:

	Original £000	Revised £000	Change £000
Deferred Capital Receipts	0	(1,888)	(1,888)
Short Term Debtors	0	2,059	2,059
Capital Adjustment Account	(1,578)	(1,984)	(406)
Capital Receipts Reserve	(235)	0	235
Change in Income Recognised in CIES	0	(2,059)	(2,059)

### 5 (e) Leases Disclosure – Note 26

The CIPFA Code requires specific disclosures to be made about the finance lease arrangements where the Council is a lessor. These disclosures were not made in the draft accounts, because the nature of the arrangement means that the inherent value of the leases is not material to the accounts. However, Note 26 has been amended to reflect the existence of the leases.

### 5 (f) Financial Instruments Disclosure – Note 39

We have revised our Financial Instrument note from that reported in the draft accounts as it did not comply fully with the CIPFA Code of Practice requirements. The details within Note 39 have therefore been fully updated and we have separated out the financial instruments into current and non-current and classified them under Fair Value through Profit and Loss; Fair Value through Operating CI and amortised cost. An additional note has been added to disclose the Fair Value gain or loss on these Financial Instruments.

## 6 Events after the Balance Sheet date

There are no known events that would have material impact on the Council's position as at 31 March 2020. The draft Statement of Accounts was authorised for issue by the Section 151 Officer on XX November 2020.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information

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

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

The Items in the Council's Balance Sheet at 31 March 2020 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.</p> <p>Due to the effects of Covid-19 on the property market the Council's valuer Wilks, Head and Eve have provided valuations reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they advise that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>The impact of different valuations would have an impact on the value of non-current assets and reserves on the Balance Sheet changing both by the same amount.</p>
Investment Properties	<p>Due to the effects of Covid-19 on the property market the Council's valuer Wilks, Head and Eve have provided valuations reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they advise</p>	<p>The impact of different valuations would have an impact on the value of non-current assets and reserves on the Balance Sheet changing both by the same amount.</p>

## NOTES TO THE FINANCIAL STATEMENTS

	that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.	
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>The ongoing impact of the Covid19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value according to preferred accounting policy.</p>	The effects of these individual assumptions can have a major impact on the pension liability calculation. During 2019/20, The Council's actuaries advised that the net pensions liability had decreased by £10,296k as a result of estimates and assumptions being updated.
Arrears	<p>At 31 March 2020, the Council had gross short term debtors totalling £8,357k A review of significant balances suggested a provision of (£2,193k) was appropriate. However, in the current political and economic climate it may not be certain that such an allowance would be sufficient. See Note 29.</p> <p>The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p>	If collection rates were to deteriorate an increasing level of doubtful debts would require an additional amount to be set aside as a bad debt provision or additional bad debt write offs.
Non Domestic Rates Appeals provision	The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2019 and an estimate of the appeals not yet lodged.	If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.
Fair Value Estimations	<p>When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using the following valuation techniques:</p> <p>1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;</p>	The Council uses combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

	<p>2. For level 3 inputs, valuations based on; - Most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the authority employs RICS qualified valuers to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p>
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8 Adjustments between accounting basis and funding basis under regulations

2019/20	Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
		£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	<b>38(b)</b>				
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation, impairment and revaluation losses, and		(2,060)			2,060
Revaluation gains \ (losses) on Property, Plant and Equipment		(310)			310
Movements in the market value of Investment Properties		(2,859)			2,859
Amortisation of Intangible Assets		(100)			100
Capital Grants and Contributions applied					
Revenue Expenditure Funded from Capital Under Statute		(677)			677
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals		0			0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>	<b>37(e)</b>				
Capital grants and contributions unapplied credited to the CIES		1,509		(1,509)	
Application of grants to capital financing transferred to the CAA				2,875	(2,875)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	<b>37(b)</b>				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES		2,997	(2,995)		
Capital Receipts applied			2,996		(2,996)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the CIES		(1,888)			1,888
<b>Adjustments primarily involving the Pensions Reserve:</b>	<b>38(g)</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES		(4,180)			4,180
Employer's pensions contributions and direct payments to pensioners payable in the year		1,763			(1,763)
<b>Adjustments primarily involving the Collection Fund Adjustments Accounts:</b>					
Amount by which council tax & business rates income credited to the CIES is different from statutory requirements		1,639			(1,639)
<b>Adjustments primarily involving the Accumulated Absences Accounts:</b>	<b>38(f)</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements.		(35)		(1)	34
		<b>(4,201)</b>	<b>1</b>	<b>1,365</b>	<b>2,835</b>

## NOTES TO THE FINANCIAL STATEMENTS

2018/19	Note 18/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
		£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	<b>38(b)</b>				
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation, impairment and revaluation losses, and		(2,350)			2,350
Revaluation gains \ (losses) on Property, Plant and Equipment		(1,460)			1,460
Movements in the market value of Investment Properties		(868)			868
Amortisation of Intangible Assets		(110)			110
Capital Grants and Contributions applied					
Revenue Expenditure Funded from Capital Under Statute		(978)			978
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals		(3,809)			3,809
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>	<b>37(e)</b>				
Capital grants and contributions unapplied credited to the CIES		1,087		(1,087)	0
Application of grants to capital financing transferred to the CAA				1,030	(1,030)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	<b>37(b)</b>				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES		4,409	(4,409)		0
Capital Receipts applied			9,662		(9,662)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the CIES		1,888			(1,888)
<b>Adjustments primarily involving the Pensions Reserve:</b>	<b>38(g)</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES		(4,196)			4,196
Employer's pensions contributions and direct payments to pensioners payable in the year		1,790			(1,790)
<b>Adjustments primarily involving the Collection Fund Adjustments Accounts:</b>					
Amount by which council tax & business rates income credited to the CIES is different from statutory requirements		(1,590)			1,590
<b>Adjustments primarily involving the Accumulated Absences Accounts:</b>	<b>38(f)</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements.		(23)			23
		<b>(6,210)</b>	<b>5,253</b>	<b>(57)</b>	<b>1,014</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 9 Other Operating Income and Expenditure

2018/19 Restated		2019/20
£'000		£'000
1,921	Parish Council Precepts	1,962
1,748	Loss on Disposal of Non-Current Assets	(1)
(4,237)	Unapplied Capital Receipts	(1,109)
(3,217)	Other Operating (Income)/Expenditure	(2,883)
<b>(3,785)</b>		<b>(2,031)</b>

### 10 Financing and Investment Income and Expenditure

2018/19 Restated		2019/20
£'000		£'000
587	Net Interest on the Net Defined Benefit Pension Liability/(Asset)	664
0	Interest Receivable and Similar Income	(546)
72	Interest Payable & Similar Charges	341
(375)	(Income)/ Expenditure on Investment Properties	(1,007)
868	Investment Properties - Fair Value losses	2,859
<b>1,152</b>		<b>2,311</b>

### 11 Taxation and Non Specific Grant Incomes

2018/19		2019/20
£'000		£'000
(8,436)	Council Tax Income	(8,693)
(3,474)	Non-domestic Rates Income and Expenditure	(5,020)
(567)	Non-ringfenced Government Grants	(358)
0	Capital Grants & Contributions	0
(55)	Other contributions	(65)
<b>(12,532)</b>		<b>(14,136)</b>



## 12 Expenditure and Income analysed by Nature

The council's expenditure and income by nature is analysed as follows:

2018/19 - Restated		2019/20
£'000		£'000
(8,485)	Fees and Charges	(8,461)
(366)	Interest and Investment Income	(1,553)
(8,436)	Income From Council Tax	(8,693)
(29,100)	Government Grants and Contributions	(24,456)
(4,237)	Unattached Capital Receipts	(4,077)
(326)	Support Services Recharge	(260)
<b>(50,950)</b>	<b>Total Income</b>	<b>(47,500)</b>
15,727	Employee Expenses	15,820
24,886	Other Service Expenditure	25,536
7,575	Depreciation, Amortisation and Impairment	2,978
1,921	Precepts and Levies	1,962
1,893	Losses on Fixed Assets	2,859
103	Interest payment and similar charges	341
587	Pensions adjustments	505
<b>52,692</b>	<b>Total Expenditure</b>	<b>50,001</b>
<b>1,742</b>	<b>(Surplus)/Deficit on Provision of Services (CIES)</b>	<b>2,501</b>

### 13 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

2018/19 (Restated)		2019/20
£'000		£'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(1,109)	New Homes Bonus	(358)
(50)	Other	(65)
(12)	Revenue Support Grant	0
(730)	Section 31 grant	(952)
<b>(1,901)</b>		<b>(1,375)</b>
	<b>Credited to Services</b>	
0	Homelessness General Fund	0
(5)	Community Sports Network	(2)
(285)	Housing & Council Tax Benefit Administration Grant	(263)
(20,845)	Housing Benefits - DWP	(17,745)
(92)	NNDR - cost of collection	(91)
(283)	Other.	(375)
(26)	Parish & County Elections	(1)
0	Police & Crime Commissioner	0
(105)	Safer & Stronger Communities	(342)
(50)	Public Health	(19)
(31)	Parliamentary Elections	(175)
	Referendum and European Elections	(143)
<b>(21,721)</b>		<b>(19,156)</b>
<b>(23,622)</b>	<b>Total</b>	<b>(20,531)</b>

## NOTES TO THE FINANCIAL STATEMENTS

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the giver. The balances at the year-end are:

2018/19 (restated)		2019/20
£'000		£'000
	<b>Current Liabilities</b>	
0	Grants' Receipts in Advance (Capital Grants)	0
	<b>Long Term Liabilities</b>	
(637)	Grants' Receipts in Advance (Capital Grants) Section 106	(147)
<b>(637)</b>	<b>Total</b>	<b>(147)</b>

### 14 Joint Operations

The Council is party to the West Herts Crematorium Joint Committee under the Local Government Act 2000, as disclosed at note 19.

### 15 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections by Ernst & Young.

2018/19		2019/20
£'000		£'000
40	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	35
15	Fees payable for other services provided by external auditors during the year.	12
<b>55</b>		<b>47</b>

### 16 Members Allowances

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

## NOTES TO THE FINANCIAL STATEMENTS

The total of Members' Allowances and expenses paid in the year was:

2018/19		2019/20
£'000		£'000
253	Allowances	258
3	Expenses (travel & subsistence)	3
<b>256</b>		<b>261</b>

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

### 17 Officers' Remunerations

The Council is required to disclose the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £5,000, starting with £50,000. For completeness, the Council has included the senior officers' remuneration (excluding pensions) from the second table of this note, in the first table of this note, detailed below:-

2018/19		2019/20
No of Employees	Remuneration Band	No of Employees
9	£50,000 - £54,999	10
6	£55,000 - £59,999	6
2	£60,000 - £64,999	5
4	£65,000 - £69,999	2
0	£70,000 - £74,999	3
0	£75,000 - £79,999	1
0	£85,000 - £89,999	1
2	£90,000 - £94,999	0
0	£95,000 - £99,999	1
0	£100,000 - £104,999	1
0	£105,000 - £109,999	1
1	£125,000 - £129,999	0
<b>24</b>		<b>31</b>

The Director of Finance is a shared post with Watford Borough Council. Three Rivers District Council as the lead authority, picks up the costs of this post which are recharged to Watford Borough Council on a 50:50 basis.

## NOTES TO THE FINANCIAL STATEMENTS

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

There were no bonuses given during either period.

2019/20 Post	Salary Including Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total Remuneration
	£	£	£	£	£
Chief Executive (Apr 19- Aug 19)	87,375	-	63,514	5,780	156,669
Interim Chief Executive (Sep 19- Jan 20)	110,658	-	-	-	110,658
Chief Executive (Feb 20 - Mar 20)	20,869	-	-	3,761	24,630
Director of Finance (Shared post with WBC, Apr 19 - Jan 20)	80,425	-	-	14,449	94,874
Interim Director of Finance (Shared post with WBC, Feb 20 - Mar 20)	13,612	-	-	2,441	16,053
Director of Community & Environmental Services	109,387	-	-	19,752	129,139
Solicitor to the Council (Monitoring Officer)	55,480	-	-	10,074	65,554
<b>Total</b>	<b>477,806</b>	<b>-</b>	<b>63,514</b>	<b>56,257</b>	<b>597,577</b>

2018/19 Post	Salary Including Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total Remuneration
	£	£	£	£	£
Chief Executive	125,776	0	0	22,666	148,442
Director of Finance (Shared post with WBC)	93,816	0	0	16,999	110,815
Director of Community & Environmental Services	94,679	0	0	17,006	111,685
Solicitor to the Council (Monitoring Officer)	53,948	0	0	9,819	63,767
<b>Total</b>	<b>368,219</b>	<b>0</b>	<b>0</b>	<b>66,490</b>	<b>434,708</b>

## 18 Termination Benefits

The Council terminated the contracts of 5 employees in 2019/20, incurring liabilities of £112,306 (£28,421 in 2018/19). All of this total was payable in the form of compensation for loss of office and no payments were made for enhanced pension benefits as part of the Council's rationalisation of Services.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

2018/19			Remuneration Band	2019/20		
Compulsory Redundancy	Other Departures	Total Cost £		Compulsory Redundancy	Other Departures	Total Cost £
3	0	28,421	£0 - £20,000	3	0	19,904
1	0	0	£20,001 - £40,000	1	0	27,590
0	0	0	£60,001 - £80,000	1	0	63,514
<b>4</b>	<b>0</b>	<b>28,421</b>		<b>5</b>	<b>0</b>	<b>111,008</b>

The total cost of £111,008 in the table above is for exit packages that have been charged to the Council's CIES in the current year.

## 19 Related Party Transactions

This disclosure note has been prepared using specific declarations obtained in respect of related party transactions from Members and Senior Officers. The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council

### Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates. It provides a substantial part of the funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example- Council tax bills and Housing Benefits).

Details of grant funding transactions with government departments and agencies are set out in Note 8 to the Core Financial Statements. The Council also paid precepts to Hertfordshire County Council, Hertfordshire Police Authority and Parish Council's with which details can be found in the Collection Fund Accounts.

**Members and Senior Officers**

Information gathered through declarations provided by both members and officers alike has been tabulated below

Name	Role	Name of Entity	Details	
	Three Riv. DC	Entity		
Jo Wagstaffe	Chief Executive	Treasurer	West Herts Crematorium	An agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers and Watford) to constitute a Joint Committee under the Local Government Act 2000.
		Designated Member	Three Rivers Housing Developments LLP	A limited liability partnership between Three Rivers Commercial Services Limited and Clarendon Living Limited
		Director	Three Rivers Commercial Services Limited	Wholly owned subsidiary of the Council
Alison Scott	Director Finance	Director	Three Rivers Homes Limited	The Council has a 50% Stake
Geof Mugeridge	Director of Community & Environmental Services	Director	Three Rivers Homes Limited	The Council has a 50% Stake

**Entities Controlled or Significantly Influenced by the Council**

The Council has an agreement with five other Hertfordshire authorities for the running of the West Hertfordshire Crematorium through a Joint Committee. The Agreement provides for deficits to be met by the constituent councils but in practice the Crematorium meets its running costs from its own income, and builds up reserves where possible to meet future capital improvement costs. The Agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment – in 2019/20 the Council received £50k.

The assets and liabilities of the Joint Committee are shared by the five Hertfordshire Local Authorities in ratio of their populations except that the Land and Building assets are vested in



## NOTES TO THE FINANCIAL STATEMENTS

the local authority where the Crematorium is situated. The Council's share of the assets and liabilities and of the net income is immaterial to the accounts and has not been consolidated.

Three Rivers Homes Limited is a joint venture between Clarendon Living Limited and Three Rivers District Council.

There are two loan facilities in place between Three Rivers District Council and Three Rivers Homes Limited. The first loan facility is for £1.51 million and carries a fixed interest rate of 2.5%. This has been utilised in full. The second loan facility is for £3.43 million carries a fixed interest rate of 4.8%. At 31<sup>st</sup> March 2020, £3.25 million of this facility had been utilised.

### 20 Partnership Working

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

The table below shows the net expenditure of the 5 shared services (4 when Tax and Benefits are considered as one) and the charge to each authority of which Three Rivers District Council's share was £2.479m in 2019/20 (£2.617m 2018/19).

2018/19		2019/20		
Total Net Cost		Provided by TRDC	Provided by WBC	Total Net Cost
£'000	<b>Services</b>	£'000	£'000	£'000
1,464	Local Tax Collection	1,474		1,474
1,690	Housing Benefits	1,486		1,486
1,496	Finance	1,397		1,397
716	HR		668	668
1,195	ICT		1,201	1,201
<b>6,561</b>	<b>Net Cost of Services / Operating Expenditure</b>	<b>4,357</b>	<b>1,869</b>	<b>6,226</b>
<b>(2,617)</b>	<b>Paid by Three Rivers District Council</b>	<b>(1,785)</b>	<b>(694)</b>	<b>(2,479)</b>
<b>(3,944)</b>	<b>Paid by Watford Borough Council</b>	<b>(2,572)</b>	<b>(1,175)</b>	<b>(3,747)</b>
<b>0</b>	<b>(Surplus) /Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 21 Intangible Assets

Intangible non-current assets are non-financial assets which do not have a physical substance but are identified and controlled by the Council through legal rights, e.g. IT software, which brings benefits to the Council for more than one year.

2018/19		2019/20
£'000		£'000
110	Expenditure on Software Licences	101
(110)	Written out in year of Acquisition	(101)
<b>0</b>	<b>Total</b>	<b>0</b>

During 2019/20, all capital expenditure recorded in this category (£101k) was written off in year (£110k 2018/19).

## 22 Property, Plant and Equipment

### (a) Movement of Property, Plant and Equipment

2019/20	Assets under Construction	Community Assets	Land & Buildings	Plant & Eqpt	Infra-Structure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
<b>Gross at 1 April 2019</b>	1,920	714	59,101	15,946	1,909	79,590
Additions - Capital Programme	5,945	395	1,101	1,800	85	9,326
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	232	0	0	232
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	0	(310)	0	0	(310)
Assets reclassified	(1,846)		1,846	0	0	0
Other movements in cost or valuation						0
<b>Balance as at 31 March 2020</b>	<b>6,018</b>	<b>1,109</b>	<b>61,971</b>	<b>17,747</b>	<b>1,994</b>	<b>88,838</b>
<b>Accumulated Depreciation and Impairment</b>	0					
<b>Total at 1 April 2019</b>	0	0	(1,201)	(9,788)	(1,500)	(12,489)
Depreciation Charge	0	0	(931)	(1,009)	(120)	(2,060)
Depreciation written out to the Revaluation Reserve	0	0	910	0	0	910
Other Movements						
<b>Total at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>(1,222)</b>	<b>(10,797)</b>	<b>(1,620)</b>	<b>(13,639)</b>
<b>Balance Sheet Value at 31 March 2020</b>	<b>6,018</b>	<b>1,109</b>	<b>60,748</b>	<b>6,950</b>	<b>374</b>	<b>75,199</b>
<b>Balance Sheet Value at 1 April 2019</b>	<b>1,920</b>	<b>714</b>	<b>57,900</b>	<b>6,158</b>	<b>409</b>	<b>67,101</b>

2018/19 - Restated	Assets under Construction	Community Assets	Land & Buildings	Plant & Eqpt	Infra-Structure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
<b>Gross at 1 April 2018</b>	322	202	56,964	14,405	1,849	73,741
Additions - Capital Programme	1,598	512	4,910	1,542	60	8,621
Revaluation increases / (decreases) recognised in the Revaluation Reserve			(1,512)			(1,512)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services			(1,460)			(1,460)
Assets reclassified			200			200
Disposal			0			0
<b>Balance as at 31 March 2019</b>	<b>1,920</b>	<b>714</b>	<b>59,101</b>	<b>15,946</b>	<b>1,909</b>	<b>79,590</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>Total at 1 April 2018</b>	0	0	(2,449)	(8,555)	(1,306)	(12,310)
Depreciation Charge			(923)	(1,233)	(194)	(2,350)
Depreciation written out to the Revaluation Reserve			2,171			2,171
Other Movements						
<b>Total at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>(1,201)</b>	<b>(9,788)</b>	<b>(1,500)</b>	<b>(12,489)</b>
<b>Balance Sheet Value at 31 March 2019</b>	<b>1,920</b>	<b>714</b>	<b>57,900</b>	<b>6,158</b>	<b>409</b>	<b>67,101</b>
<b>Balance Sheet Value at 1 April 2018</b>	<b>322</b>	<b>202</b>	<b>54,514</b>	<b>5,850</b>	<b>543</b>	<b>61,430</b>

**(b) Revaluations**

The Council carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Wilks, Head & Eve LLP undertook valuations on behalf of the Council in 2019/20 in relation to Operational and Investment Properties and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final statements of account reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in the Statement of Accounting Policies at Note 1.

The following table illustrates the scope of the revaluation work undertaken and demonstrates the Council's rolling revaluation programme. The Council undertakes an impairment review at the year end and any asset which has had a material gain or loss in value during the year is adjusted. Therefore, the Council believes that the prior year valuations are still appropriate.

<b>Revaluations - Restated</b>	<b>Community Assets</b>	<b>Land &amp; Building</b>	<b>Plant &amp; Eqpt</b>	<b>Infra-structure</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Carried at historical cost</b>	<b>1,109</b>	<b>0</b>	<b>17,747</b>	<b>1,994</b>	<b>20,849</b>
31/03/2020	0	2,870	0	0	2,870
31/03/2019	0	2,138	0	0	2,138
31/03/2018	0	2,576	0	0	2,576
31/03/2017	0	6,587	0	0	6,587
31/03/2016	0	47,801	0	0	47,801
<b>Total cost at 31 March 2020 carried forward</b>	<b>1,109</b>	<b>61,971</b>	<b>17,747</b>	<b>1,994</b>	<b>82,820</b>

**(c) Information About Depreciation Methodologies**

Depreciation has been provided for all assets with a finite useful life. The basis for depreciating assets is detailed in the Statement of Accounting Policies (Note 1.17). Depreciation commences in the year following acquisition. Freehold land, Investment Properties, Assets under construction, Surplus Assets and Heritage Assets are not depreciated.

**23 Heritage Assets**

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

2019/20	Musical Instrument	Works of Art	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2018	150	41	15	206
Revaluation increases (decreases) recognised in the Revaluation	(60)			(61)
<b>At 31 March 2020</b>	<b>90</b>	<b>41</b>	<b>15</b>	<b>145</b>

2018/19	Musical Instrument	Works of Art	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2018	150	41	15	206
<b>At 31 March 2019</b>	<b>150</b>	<b>41</b>	<b>15</b>	<b>206</b>

## 24 Investment Properties and Surplus Assets

### 24 (a) Movement of Investment Properties and Surplus Assets

2019/20	Investment Properties	Surplus Assets	Total
	£'000	£'000	£'000
<b>At 1 April 2019</b>	<b>13,571</b>	<b>12,531</b>	<b>26,101</b>
Additions	0	1,392	1,392
Revaluation (decreases) recognised in the surplus/deficit on the provision of services	(2,859)	0	(2,859)
Derecognition - disposals	0	0	0
Derecognition - Other	0	0	0
Assets reclassified	0		0
<b>At 31 March 2020</b>	<b>10,712</b>	<b>13,923</b>	<b>24,635</b>
<b>Balance Sheet Value at 31 March 2020</b>	<b>10,712</b>	<b>13,923</b>	<b>24,635</b>
<b>Balance Sheet Value at 1 April 2019</b>	<b>13,571</b>	<b>12,531</b>	<b>26,101</b>

2018/19 - Restated	Investment Properties	Surplus Assets	Total
	£'000	£'000	£'000
<b>At 1 April 2018</b>	<b>3,072</b>	<b>14,591</b>	<b>17,664</b>
Additions	11,638	1,748	13,387
Revaluation (decreases) recognised in the surplus/deficit on the provision of services	(868)	0	(868)
Derecognition - disposals	0	(3,809)	(3,809)
Derecognition - Other	0	0	0
Assets reclassified	(272)	0	(272)
<b>At 31 March 2019</b>	<b>13,571</b>	<b>12,531</b>	<b>26,101</b>
<b>Balance Sheet Value at 31 March 2019</b>	<b>13,571</b>	<b>12,531</b>	<b>26,101</b>
<b>Balance Sheet Value at 1 April 2018</b>	<b>3,072</b>	<b>14,591</b>	<b>17,664</b>

### Fair Value Hierarchy

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

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

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

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

### Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

**Valuers**

The investment property portfolio has been valued at 31 March 2019 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Wilks, Head & Eve LLP, as the Council’s valuing agents.

**24 (b) Accounted for in Comprehensive Income and Expenditure Statement (CIES)**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

2018/19		2019/20
£'000		£'000
(418)	Rental income from investment property	(1,080)
43	Direct operating expenses arising from investment properties	73
<b>(375)</b>	<b>Net (gain) /Loss</b>	<b>(1,007)</b>

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 repairs, maintenance or enhancement.



## 25 Capital Expenditure, Financing and Commitments

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

2018/19		2019/20
£'000		£'000
<b>857</b>	<b>Opening Capital Financing Requirement</b>	<b>17,073</b>
	<b>Capital Investment</b>	
10,370	Property, Plant and Equipment	9,119
11,638	Investment Properties	207
110	Intangible Assets	101
978	Revenue Expenditure Funded from Capital Under Statute	761
4,434	Long Term Debtors	1,324
<b>27,530</b>		<b>11,512</b>
	<b>Sources of Finance</b>	
(9,254)	Capital receipts	(1,109)
	Long Term Debtors	(3,025)
(1,099)	Government Grants and Other Contributions (including S106)	(2,875)
(961)	Earmarked Reserves	(131)
<b>(11,314)</b>		<b>(7,140)</b>
<b>17,073</b>	<b>Closing Capital Financing Requirement</b>	<b>21,445</b>

At 31 March 2020 the Council had entered into contractual commitments valued at £1.802m (31 March 2019: £2.961m) in respect of its capital schemes.

**26 Leases**

**Finance Leases – The Council as a Lessor**

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

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

The following leases were agreed prior to 2019/20:

Phase	Lease Date	Fair Value of Asset £000	Premium Receivable £000
1A	08/02/2017	710	1,979
2A	19/04/2018	820	1,712
2B	10/12/2018	470	2,097

**Operating Leases – The council as Lessor**

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

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

The future minimum leases payments receivable are:

2018/19		2019/20
£'000		£'000
643	Not later than one year	982
2,440	Later than one year and not later than five years	3,639
2,128	Later than five years	5,416
<b>5,211</b>	<b>Balance as at 31 March carried forward</b>	<b>10,037</b>

## 27 Debtors & Investments - Long Term

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

2018/19 - Restated		2019/20	Net Movements in Year
£'000		£'000	£'000
	<b>Long Term Debtors</b>		
1	Mortgages	0	(1)
0	Rent to Mortgage	0	0
0	Finance Leases as Lessor	0	0
16	Charges Registered to Properties	16	0
0	South Oxhey	0	0
4,514	Loan - Grapevine	4,186	(328)
8,000	Loan - Thrive Homes	8,000	0
920	Loan -Young Mariners New Clubhouse	975	55
1,310	Loan - Puckeridge	1,770	460
<b>14,761</b>		<b>14,947</b>	<b>186</b>
	<b>Long Term Investments</b>		
510	Grapevine Equity	510	0
<b>510</b>		<b>510</b>	<b>0</b>
<b>15,271</b>	<b>Total</b>	<b>15,457</b>	<b>186</b>

## 28 Inventories

2018/19 - Restated		2019/20	Movement
£'000		£'000	
3	Watersmeet Bar Stock	7	4
35	Fuel Stock	39	4
0	South Oxhey Initiatives Land	0	0
<b>38</b>	<b>Total</b>	<b>46</b>	<b>8</b>

**29 Debtors - Short Term**

2018/19		2019/20
£'000		£'000
444	Central Government Bodies	565
0	Local Authorities	957
6,425	Other Entities and Individuals	5,551
1,297	Payments in Advance	1,284
<b>8,166</b>		<b>8,357</b>
(2,159)	Less: Provision for Bad Debts / Impairment	(2,193)
<b>6,007</b>	<b>Total</b>	<b>6,164</b>

**30 Cash and Cash Equivalents**

2018/19		2019/20
£'000		£'000
	<b>Current Assets</b>	
5	Cash held by the Authority	5
5,186	Bank Current Accounts	9,846
<b>5,191</b>		<b>9,851</b>
	<b>Current Liabilities</b>	
0	Bank overdrafts	0
<b>5,191</b>	<b>Total</b>	<b>9,851</b>

**31 Cash Flow Statement- Operating, Investing and Financing Activities**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements, and investing and financing activities:

2018/19 - Restated			2019/20	
£'000	£'000		£'000	£'000
		<b>Note 31a- Operation Activities</b>		
686		Interest received	546	
(72)		Interest paid	(341)	
		Dividend Received		
	<b>614</b>			<b>205</b>
2,350		Depreciation	2,060	
1,460		Impairment and downward valuations	310	
110		Amortisation	101	
0		Increase/(decrease) in impairment of bad debts	0	
(3,010)		(Decrease) in creditors	127	
(2,569)		(Increase)/decrease in debtors	799	
(38)		(Increase) in inventories	(8)	
2,406		Movement in pensions liability	2,417	
3,809		Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0	
867		Other non-cash items charged to the provision of services	1,943	
	<b>5,385</b>			<b>7,749</b>
0		Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	
(6,297)		Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,111)	
598		Any other items for which the cash effects are investing or financing cash flows	(1,509)	
	<b>(5,699)</b>			<b>(2,620)</b>
	<b>300</b>			<b>5,334</b>
		<b>Note 31b- Investing Activities</b>		
(25,076)		Purchase of property, plant, equipment, investment property and intangible assets	(10,921)	
(9,310)		Purchase of short-term and long-term investments	(17,500)	
(12,872)		Other payments from investing activities	(1,324)	
4,433		Proceeds from the sale of property, plant, equipment, investment property and intangible assets	2,999	
17,000		Proceeds from short-term and long-term investments	17,500	
0		Other receipts from investing activities	2,256	
	<b>(25,825)</b>			<b>(6,990)</b>
		<b>Note 31c- Financing Activities</b>		
16,000		Other receipts from financing activities	8,000	
0		Cash receipts of short and long term borrowing	0	
		Other payments for financing activities	1,023	
0		Repayments of short and long term borrowing	0	
	<b>16,000</b>			<b>9,023</b>

### 32 Creditors and Borrowings - Short Term

An analysis of creditors falling due within one year is shown below:

2018/19		2019/20
£'000		£'000
	<b>Short term creditors</b>	
(1,821)	Central Government Bodies	(3,120)
(1,430)	Local Authorities	(2,103)
0	NHS	0
0	Public Corporations	0
(3,205)	Other Entities and Individuals	(3,362)
(2,073)	Receipts in Advance	(2,051)
<b>(8,529)</b>		<b>(10,636)</b>
	<b>Short term borrowings</b>	
0	Loans payable within one year	(8,000)
0		<b>(8,000)</b>

### 33 Creditors and Borrowings - Long Term

An analysis of creditors falling due after one year is shown below:

2018/19 - Restated		2019/20	Movement
£'000		£'000	
0	Deferred Liabilities (obligations under finance leases)	0	0
(637)	Section 106 Contributions receipts in advance	(147)	490
(16,000)	Loans	(16,000)	0
<b>(16,637)</b>		<b>(16,147)</b>	<b>490</b>

### 34 Provisions

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

2018/19		Additional Provisions	Used	Unused Amount Reversed	Unwinding Discounting	2019/20
£'000		£'000	£'000	£'000	£'000	£'000
	(87) Land Charges					(87)
	(1,782) NDR Appeals	(444)	266			(866)
	<b>(1,869) Total</b>	<b>(444)</b>	<b>266</b>	<b>0</b>	<b>0</b>	<b>(953)</b>

#### Land Charges

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

#### NDR Appeals

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

### 35 Defined Benefit Pension Scheme

#### Participation in Pension Scheme

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

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



## NOTES TO THE FINANCIAL STATEMENTS

Regulations 2013. The investment managers of the fund are appointed by the Investment sub-committee of HCC and consist of the fifteen Investment Fund Managers.

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

### Transactions relating to Retirement Benefits

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

2018/19		2019/20
£'000		£'000
	<b>Comprehensive Income and Expenditure Statement (CIES)</b>	
	<b>Costs of Service</b>	
	<i>Service cost comprising:</i>	
3,312	current service cost	3,516
297	past service cost	0
	<i>Financing and Investment Income and Expenditure</i>	
587	Net Interest Expense	664
<b>4,196</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,180</b>
	<b>Other Post Employment Benefit Charged to the CIES</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(3,768)	Return on plan assets	(2,198)
0	Actuarial (gains) and losses arising on changes in demographic assumptions	0
6,310	Actuarial (gains) and losses arising on changes in financial assumptions	16,489
0	Other	0
<b>2,542</b>	<b>Total Remeasurement recognised in Other CIES</b>	<b>14,291</b>
<b>6,738</b>	<b>Total Post Employment Benefit Charged to CIES</b>	<b>18,471</b>
	<b>Movement in Reserves Statement</b>	
(4,196)	Reversal of net charges made to the Provision of Services for post employment benefits in accordance with the CIPFA Code	(4,180)
1,790	Employers' contributions payable to the scheme	1,763
<b>1,790</b>	<b>Actual amount charged against the General Fund for pensions</b>	<b>1,763</b>

### Pensions Assets and Liabilities Recognised in the Balance Sheet

## NOTES TO THE FINANCIAL STATEMENTS

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

2018/19		2019/20
£'000		£'000
(117,077)	Present value of the defined benefit pension obligation	(103,949)
90,405	Fair value of plan assets	88,082
<b>(26,672)</b>	<b>Net liability arising from the defined benefit pension obligation</b>	<b>(15,867)</b>

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

2018/19		2019/20
£'000		£'000
85,419	Opening fair value of scheme assets at 1 April	90,405
2,207	Interest income	2,160
	Remeasurement gain/(loss):	
3,768	Return on plan assets	(3,267)
1,790	Contributions from employer	1,763
603	Contributions from employees into the scheme	611
(3,382)	Benefits paid	(3,590)
<b>90,405</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>88,082</b>

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

2018/19		2019/20
£'000		£'000
<b>(107,143)</b>	<b>Opening Balance at 1 April</b>	<b>(117,077)</b>
(3,312)	Current service costs	(3,516)
(297)	Past service costs	0
(2,794)	Interest cost	(2,824)
(603)	Contributions from scheme participants	(611)
	<i>Remeasurement (gains) and losses:</i>	
(6,310)	Actuarial gains / (losses) arising from changes in financial assumptions	16,489
3,382	Benefits paid	3,590
<b>(117,077)</b>	<b>Closing Balance at 31 March</b>	<b>(103,949)</b>

Local Government Pension Scheme assets comprised:

2018/19				2019/20		
Quoted active market	Quoted non-active market	Total		Quoted active market	Quoted non-active market	Total
£'000	£'000	£'000		£'000	£'000	£'000
2,926	0	2,926	Cash and cash equivalents	1,902	0	1,902
			Equity instruments: by industry type			
4,021	0	4,021	Consumer	1,682	0	1,682
3,506	0	3,506	Manufacturing	1,343	0	1,343
933	0	933	Energy and Utilities	0	0	0
3,728	0	3,728	Financial Institutions	1,291	0	1,291
735	0	735	Health and Care	793	0	793
2,828	0	2,828	Information Technology	3,018	0	3,018
242	0	242	Other	144	0	144
15,993	0	15,993	Sub-total equity	8,269	0	8,269
			Bonds: by sector			
0	0	0	Corporate Bonds (inv. grade)	0	0	0
0	0	0	UK Government	0	0	0
0	42	42	Other	0	2,283	2,283
0	42	42	Sub-total bonds	0	2,283	2,283
			Property: by type			
0	3,203	3,203	UK Property	0	2,663	2,663
0	3,429	3,429	Overseas Property	0	5,256	5,256
0	6,632	6,632	Sub-total property	0	7,920	7,920
			Private Equity:			
0	4,239	4,239	All	0	4,712	4,712
0	4,239	4,239	Sub-total private equity	0	4,712	4,712
			Other Investment Funds:			
22,812	0	22,812	Equities	27,401	0	27,401
31,453	0	31,453	Bonds	28,878	0	28,878
0	0	0	Commodities	0	0	0
0	876	876	Infrastructure	0	81	81
764	4,778	5,542	Other	743	5,986	6,729
55,028	5,654	60,682	Sub-total other investment funds	57,022	6,067	63,090
			Derivatives:			
0	(108)	(108)	Foreign exchange	0	(93)	(93)
0	(108)	(108)	Sub-total derivatives	0	(93)	(93)
73,947	16,458	90,405		67,193	20,889	88,082

**Basis for Estimating Assets and Liabilities**

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

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

**The significant assumptions used by the actuary have been:**

31 Mar 19		31 Mar 20
7.0%	<b>Total Returns from 1 April 2019 to 31 March 2020</b>	-1.3%
	<b>Mortality Assumptions</b>	
	<b>Longevity at 65 for current pensioners</b>	
22.5	Men	21.9
24.9	Women	24.1
	<b>Longevity at 65 for future pensioners</b>	
24.1	Men	22.8
26.7	Women	25.5
2.6%	Rate of increase in salaries	2.3%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%

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

**Impact on the Defined Benefit Obligation in the Scheme**

2018/19		2019/20
£'000		£'000
3-5%	Longevity (increase in 1 year)	3-5%
1,490	Rate of increase in salaries (increase by 0.5%)	837
9,791	Rate of increase in pensions (increase by 0.5%)	8,726
11,456	Rate for discounting scheme liabilities (decrease by 0.5%)	9,635
<b>22,737</b>	<b>Total</b>	<b>19,198</b>

**Information about the Defined benefit obligation**

Funding levels are monitored on an annual basis, and the next triennial review is based on 31 March 2019 data. The fund liability may go up or down based on this review, and a sensitivity analysis is set out within this note under “impact on the defined benefit obligation in the scheme”. The total value of contributions expected to be made by the Council in 2020/21 is £1.759m.

**36 Contingent Assets and Liabilities**

**Contingent Assets - VAT Shelter Agreement with Thrive Homes Ltd**

The Council used a VAT Shelter scheme when its housing stock was transferred to Thrive Homes Limited (THL) in 2007/08. The scheme involves the Council contracting with THL for them to deliver works on which they can recover VAT. Both THL and the Council gain by this arrangement.

The recovery of VAT on major works will amount to an estimated £12.3m, of which the first £2.3m has been paid to the Council. The Council will then receive 50% of the remaining £10m. The disbursement of this sum is dependent on the THL work programme. As at 31 March the Council had received £5.4m from this arrangement leaving a remainder contingent balance of £1.8m to be received at some point in the future.

**Contingent Liability – Transferred Housing Stock Asbestos Removal**

The Council transferred its housing stock to Thrive Homes Limited (THL) under a Transfer Agreement (TA) in 2008. Under the terms of the TA the Council indemnifies THL against the cost of removal of asbestos from the housing stock. It is not possible to quantify the extent to which asbestos exists in the housing stock and so the future cost to the Council under the terms of the indemnity cannot be estimated. The Council will fund its future liabilities from reserves.

37 Usable Reserves

(a) Movement in Usable Reserves

Details of the movements relating to individual usable reserves are shown below:

Balance at 31-Mar-19 - Restated		Net Movement in Year	Balance at 31-Mar-20	Note
£'000		£'000	£'000	
0	Capital Receipts Reserve	2	2	37(b)
(16,030)	Earmarked Reserves	(1,332)	(17,362)	37(c)
(4,815)	General Fund Balance	(228)	(5,043)	37(d)
(2,223)	Capital Grants Unapplied	1,363	(860)	37(e)
<b>(23,068)</b>	<b>Total Net Worth</b>	<b>(195)</b>	<b>(23,263)</b>	

(b) Capital Receipts Reserve

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

2018/19 - Restated		2019/20
£'000		£'000
<b>(5,252)</b>	<b>Balance brought forward at 1 April</b>	<b>0</b>
	<b>Received in year:</b>	
	Proceeds from sale of long-term assets	
(1,866)	Shares in preserved Right to Buy	(884)
(355)	VAT Shelter compensation (Unattached Capital Receipt)	(203)
0	Transfer from Deferred Capital Receipts upon receipts of cash	0
(204)	Unattached Capital Receipts	(23)
(1,984)	South Oxhey Initiative	(1,888)
<b>(4,409)</b>		<b>(2,998)</b>
	<b>Applied in year:</b>	
9,661	Applied to Capital Adjustment Account to finance new capital expenditure	2,997
0	Applied to Long Term Debtors to clear loans	3
0	Transferred to Capital Adjustment Account to finance new capital expenditure	
<b>9,661</b>		<b>3,000</b>
<b>0</b>	<b>Usable Reserves</b>	<b>2</b>



**(c) Earmarked Reserves**

This note sets out the amounts set aside from the General Funding earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20

For each reserve established the Council identifies:

- The reason/purpose of the reserve
- How and when the reserve can be used
- Procedures for the management and control of the reserve

A process and timescale for review to ensure continuing relevance and adequacy.

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

Balance at 31Mar18	Added to reserves	Taken from reserves	Balance at 31Mar19		Added to reserves	Taken from reserves	Balance at 31Mar20
£'000	£'000	£'000	£'000		£'000	£'000	£'000
(1,762)	(25)	131	(1,656)	Section 106 Commuted Sums	(10)	118	(1,548)
(2,090)	(1,271)	0	(3,361)	Community Infrastructure Levy	(812)	0	(4,173)
(3,067)	(10)	467	(2,610)	Future Capital Expenditure	0	0	(2,610)
(4,406)	(556)	368	(4,594)	New Homes Bonus	(357)	21	(4,930)
(135)	(15)	0	(150)	Building Control	(28)	0	(178)
(769)	0	0	(769)	Leavesden Hospital Open Space	0	0	(769)
(92)	0	0	(92)	Environmental Maintenance Plant	0	0	(92)
(673)	(1,427)	0	(2,100)	Economic Impact	0	0	(2,100)
0	(1,891)	1,427	(464)	NNDR Collection Fund	(325)	0	(789)
0	(234)	0	(234)	Benefits equalisation	0	61	(173)
<b>(12,994)</b>	<b>(5,429)</b>	<b>2,393</b>	<b>(16,030)</b>	<b>Total</b>	<b>(1,532)</b>	<b>200</b>	<b>(17,362)</b>



**(d) General Fund Reserves**

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

2018/19		2019/20
£'000		£'000
<b>(4,344)</b>	<b>Balance brought forward at 1 April</b>	<b>(4,815)</b>
(4,469)	Net increase/(decrease) before transfers to earmarked reserves	(1,700)
3,997	Transfer (to)/from earmarked reserves	1,472
<b>(4,815)</b>	<b>Balance carried forward at 31 March</b>	<b>(5,043)</b>

**(e) Capital Grant Unapplied**

The Capital Grant Unapplied Reserve is the resources available to meet future grant funded projects. The unallocated resources held are set out below:

2018/19		2019/20
£'000		£'000
<b>(2,168)</b>	<b>Balance brought forward at 1 April</b>	<b>(2,223)</b>
(18)	Section 106- grants held for future use (new in year)	(174)
(1,064)	Capital Grants received	(1,335)
<b>(1,082)</b>	<b>Total Grants Received</b>	<b>(1,509)</b>
18	Section 106- grants applied (to Capital Adjustment Account)	2,102
1,009	Capital Grants applied	770
<b>1,027</b>	<b>Total Grants Applied</b>	<b>2,872</b>
<b>(2,223)</b>	<b>Balance carried forward at 31 March</b>	<b>(860)</b>

### 38 Unusable Reserve

#### (a) Movement in Unusable Reserves

Details of the movements relating to individual unusable reserves are shown below:

Balance at 31-Mar-19 Restated		Balance at 31-Mar-20	Note	Net Movement in Year
£'000		£'000		£'000
(37,166)	Capital Adjustment Account	(37,772)	38(b)	(606)
(1,904)	Deferred Capital Receipts	(16)	38(c)	1,888
545	Collection Fund Account	(1,093)	38(d)	(1,638)
(33,255)	Revaluation Reserve	(33,724)	38(e)	(469)
86	Accumulated Absences Reserve	120	38(f)	34
26,672	Pensions Reserve	15,867	38(g)	(10,805)
<b>(45,021)</b>	<b>Total Net Worth</b>	<b>(56,619)</b>		<b>(11,597)</b>

#### (b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the CI&ES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains/losses on Investment Properties.

The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

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

## NOTES TO THE FINANCIAL STATEMENTS

2018/19 Restated		2019/20
£'000		£'000
(34,277)	<b>Balance brought forward at 1 April</b>	<b>(37,166)</b>
	<b>Reversal of items relating to capital expenditure debited/credited to the CIES</b>	
2,350	Charges for depreciation and impairment of non-current assets	2,060
110	Amortisation of Intangible Assets	100
1,460	Revaluation (Gain) \ losses on PPE	310
978	Revenue expenditure funded from capital under statute	677
3,809	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the CIES	0
<b>8,707</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>3,147</b>
(785)	Adjusting amounts written out of the Revaluation Reserve	(612)
<b>7,921</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>2,535</b>
	<b>Capital financing applied in the year:</b>	
(9,660)	Use of Capital Receipts Reserve to finance new capital expenditure	(2,997)
(1,099)	Capital Grants and contributions applied to capital financing	(2,872)
(920)	Earmarked Reserves:	(131)
0	Repayment of Long term loan	(3,025)
<b>(11,679)</b>		<b>(9,025)</b>
	<b>Other Movements:</b>	
0	Repayment of Long term loan	3,025
868	Movement in market value of Investment Properties debited/ (credited) to the CIES	2,859
<b>868</b>	Other Movements	<b>5,884</b>
<b>(37,166)</b>	<b>Balance carried forward at 31 March</b>	<b>(37,772)</b>

**(c) Deferred Capital Receipts**

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

Deferred Capital Receipts represent capital receipts from the sale of assets that will be repaid to the Council by instalments over an agreed number of years, shown as Long Term Debtors. The debtors have arisen from mortgage advances to Housing Associations and under Right To Buy, equity interest in the rent to mortgage scheme and Finance leases where the Council is the Lessor. See Notes 25 and 26 for details.

2018/19 - Restated		2019/20
£'000		£'000
(40)	<b>Balance brought forward at 1 April</b>	(1,904)
24	Finance Lease Mitigation	0
(1,888)	South Oxhey Initiative Receipt	1,888
(1,904)	<b>Balance carried forward at 31 March</b>	(16)

**(d) 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 CIES as it falls due from council tax payers and business rates payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details see the Collection Fund Notes

## NOTES TO THE FINANCIAL STATEMENTS

2018/19		2019/20
£'000		£'000
<b>(1,046)</b>	<b>Balance brought forward at 1 April</b>	<b>545</b>
1,591	Amount by which council tax and non-domestic rates income credited to CIES differs from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,638)
<b>545</b>	<b>Balance carried forward at 31 March</b>	<b>(1,093)</b>

### (e) Revaluation Reserve

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

revalued downwards or impaired and the gains are lost

- used in the provision of services and the gains are consumed through depreciation
- disposed of and the gains are realized

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

2018/19		2019/20
Restated		£'000
£'000		£'000
<b>(33,246)</b>	<b>Balance brought forward at 1 April</b>	<b>(33,255)</b>
(6,326)	Upward Revaluation of assets	(5,682)
5,531	Downward Revaluation of assets and impairment losses not charged to the provision of service	4,600
<b>(794)</b>	<b>Net (surplus) on revaluation of non-current assets not posted to the provision of services</b>	<b>(1,082)</b>
619	Difference between fair value depreciation and historical cost depreciation	612
167	Other movements	0
<b>785</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>612</b>
<b>(33,255)</b>	<b>Balance carried forward at 31 March</b>	<b>(33,724)</b>

**(f) Accumulated Absences Reserve**

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

2018/19		2019/20
£'000		£'000
<b>62</b>	<b>Balance brought forward at 1 April</b>	<b>86</b>
(63)	Settlement of accrual made at the end of preceding year	(86)
87	Amounts accrued at the end of the current year	120
<b>86</b>	<b>Balance carried forward at 31 March</b>	<b>120</b>

**(g) Pension Reserve**

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

The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liability recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pension for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19		2019/20
£'000		£'000
<b>21,724</b>	<b>Balance brought forward at 1 April</b>	<b>26,672</b>
2,542	Remeasurements of the net defined benefit liability/(asset)	(13,222)
4,196	Reversal of items relating to retirement benefits charged to the provision of services in the CIES	4,180
(1,790)	Employer's pension contributions and direct payments to pensioners payable in year	(1,763)
<b>26,672</b>	<b>Balance carried forward at 31 March</b>	<b>15,867</b>

### 39 Financial Instruments

#### Financial Instruments – Balances

The Balance Sheet includes the following financial instruments:

Non-Current - Restated	Current - Restated		Non-Current	Current
31 Mar 19	31 Mar 19		31 Mar 20	31 Mar 20
£'000	£'000	FINANCIAL ASSETS	£'000	£'000
		<b>Carried at Amortised Cost</b>		
0	5,191	Cash and Equivalents	0	9,851
14,760	6,007	Debtors	14,947	6,164
<b>14,760</b>	<b>11,198</b>	<b>Total at Amortised Cost</b>	<b>14,947</b>	<b>16,014</b>
		<b>Carried at Fair Value through Profit and Loss</b>		
510	0	Equity Instruments	510	0
<b>510</b>	<b>0</b>	<b>Total at Fair Value through Profit and Loss</b>	<b>510</b>	<b>0</b>
<b>15,270</b>	<b>11,198</b>	<b>Total Financial Assets</b>	<b>15,457</b>	<b>16,014</b>
		<b>FINANCIAL LIABILITIES</b>		
		<b>Carried at Amortised Cost</b>		
(16,000)	0	Borrowing	(16,000)	(8,000)
(637)	(8,525)	Creditors	(147)	(10,637)
<b>(16,637)</b>	<b>(8,525)</b>	<b>Total at Amortised Cost</b>	<b>(16,147)</b>	<b>(18,637)</b>
<b>(16,637)</b>	<b>(8,525)</b>	<b>Total Financial Liabilities</b>	<b>(16,147)</b>	<b>(18,637)</b>
<b>(1,367)</b>	<b>2,674</b>	<b>TOTAL</b>	<b>(690)</b>	<b>(2,623)</b>
<b>1,307</b>			<b>(3,313)</b>	



**Financial Instruments – Gains and Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instrument are made up as follows:

Total - Restated	Financial Liabilities at Amortised Cost	Financial Assets		Total
		Amortised Cost	Fair Value through Profit and Loss	
31 Mar 19	31 Mar 20	31 Mar 20	31 Mar 20	31 Mar 20
£'000	£'000	£'000	£'000	£'000
69 Interest Expense	341	0	0	341
3 Fees Paid	-	0	0	0
<b>72 Interest Payable and Similar Charges</b>	<b>341</b>	<b>0</b>	<b>0</b>	<b>341</b>
(375) Interest Income	0	(545)	0	(545)
<b>(375) Interest and Investment Income</b>	<b>0</b>	<b>(545)</b>	<b>0</b>	<b>(545)</b>
<b>(303) Net Impact on Surplus/Deficit on Provision of Services</b>	<b>341</b>	<b>(545)</b>	<b>0</b>	<b>(204)</b>

**Fair Value of Financial Assets and Liabilities**

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

Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate the Fair Value. The Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Long term debtors are made up of loans to other organisations and some charges registered to properties. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short-term investments are those made in cash for less than twelve months, although at the end of the year council had no short-term investments. These instruments are carried on the balance sheet at amortised cost, which represents their fair value.

The fair value amount, the current level of fair value hierarchy, as a measurement of fair value of the financial instruments held by the authority for its liabilities is shown in the table below.

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

There have been no changes to the fair value hierarchy in the table below and no changes to the fair value valuation techniques applied during the year.

31/03/2019 - Restated				31/03/2020		
Carrying Amount	Fair Value	Fair Level Hierarchy	Financial Liabilities - Fair Value	Carrying Amount	Fair Value	Fair Level Hierarchy
£000				£000		
(16,000)	(16,043)	2	<b>PWLB Loans</b>	(16,000)	(16,092)	2
(637)	0	2	<b>Creditors</b>	(147)	0	2
<b>(16,637)</b>	<b>(16,043)</b>		<b>Total Financial Liabilities</b>	<b>(16,147)</b>	<b>(16,092)</b>	

## Nature and Extent of Risk Arising from Financial Instruments

### Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk: the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk: the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk: the possibility that the Council might be requiring to renew a financial instrument at disadvantageous interest rates or term; and
- Market risk: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing;
  - maximum and minimum exposures to fixed and variable rates;
  - maximum and minimum exposures to the maturity structure of its debt; and
  - maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

These are required to be reported and approved at or before the annual meeting where the Council agrees its budget and sets the council tax, or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing

risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 26 February 2019 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2019/20 was set at £17m (£17m 2018/19). This is the maximum limit of external borrowings or other long-term liabilities
- the Operational Boundary 2019/20 was expected to be £15m (£15m 2018/19). This is the expected level of debt and other long-term liabilities during the year

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy for 2019/20, which was approved by the Council on 26 February 2020, can be found on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparties in relation to deposits.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, and individual credit limits are set where appropriate.

The Council does not generally allow credit for its trade debtors, such that £658k of the £5,556k million balance is past its due date for payment. The past due amount can be analysed by age as follows:

## NOTES TO THE FINANCIAL STATEMENTS

31 Mar 19		31 Mar 20
£'000		£'000
464	Less than 3 months	445
19	More than 3 months, less than 6 months	97
10	More than 6 months, less than 1 year	31
47	More than 1 year	85
<b>540</b>		<b>658</b>

### Liquidity risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 70% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

2018/19			2019/20	
£'000	%	Time to Maturity	£'000	%
-		Less Than One Year	8,000	33%
-		Between One and Two Years	8,000	33%
8,000	50%	Between Two and Five Years	0	
8,000	50%	More than Five Years	8,000	33%
<b>16,000</b>		<b>Total</b>	<b>24,000</b>	

### Refinancing and Maturity risk

The approved treasury limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council maintains a significant investment portfolio and currently has no long-term debt outstanding. The longer-term risk to the Council relates to managing the exposure to replacing its investments as they mature.

## NOTES TO THE FINANCIAL STATEMENTS

The maturity analysis of the Council's investments at 31 March 2020 is as follows:-

31 Mar 19		31 Mar 20
£'000		£'000
1	Less than 1 year	1
1		1

### Market Risk

#### Interest Rate Risk

The Council has no cash investments and therefore has no exposure to interest rate movements.

#### Price Risk

The Council has no shareholdings that might expose it to this kind of risk.

#### Foreign Exchange Risk

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

### 41 Going Concern

**Underlying principle:** These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

**Current & historical financial position:** The Council reported a £517k surplus for the financial period ending 31st March 2020. However its financial position has been adversely affected in the early months of 2020/21 due to the impact of COVID-19.

**Impact of Covid:** The 2020/21 budget was set in February 2020 and set a budget deficit of £269k. However, since the budget was set, the emergence of COVID-19 has fundamentally altered the financial management of the Council's budgets for 2020/21. The Council has both incurred additional expenditure and a reduction in income throughout the year. Service areas significantly affected include leisure centres, Watersmeet and parking due to closure and there have also been reductions in income from commercial property and investments. Whilst it is anticipated that there will be a gradual return of most income streams, they are not all expected to return to the pre-COVID levels that have been budgeted for.

The forecast overspend in 2020/21 is expected to be at least £1m. This is after taking into account the grant funding that the Council has received from the Government to cover the cost of COVID-19. To date the Council has received £1.18m to support services. The Council is already reviewing how services have been delivered during lockdown and what the impact of changes in service delivery has been on service users so that when they are reinstated services can be delivered in a more sustainable way in the future.

All service areas are reviewing their budgets during 2020 to identify options for identifying and delivering efficiency savings and/or generating income, with the aim of reducing the overspend in 2020/21 and then setting a balanced budget in 2021/22. Whilst it is planned to use the Economic Impact Reserve to fund any overspend resulting from COVID-19 it is hoped to that by identifying savings during the year the use of the reserve can be kept to a minimum. There is no planned use of the General Fund reserve to fund the budget gap resulting from COVID-19.

**Cash position:** The Council had a cash balance of £14.5m at the end of October 2020, which is higher than the 31 March 2020 year-end figure of £11.0m. The Council remains confident in its ability to maintain sufficient cash for its services throughout the medium term, even there is some uncertainty round income levels. This is based on our review of the cashflow forecast which covers a period twelve months beyond the signing of the accounts. For this, we have used the statutory accounts deadline of 30 November. The Council is of course also able to borrow short term for revenue purposes if ever needed. Even as the impact of COVID-19 continues and the Country finds itself in the midst of a second wave and a second lockdown, and with income levels recovering slowly, the Council has sufficient levels of reserves and investments that it would not run out of cash.

Furthermore, the Council has experienced delays in the delivery of its 2020/21 capital programme as a result of the impact of COVID-19 and some capital projects are being rephased into 2021/22. This will further protect the levels of cash and useable reserves. The latest forecast programme has reduced to £9.375m, which is a slight reduction on the original.

**Conclusion:** The Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will continue as a going concern, based on the review of the forecast reserve and cash position 12 months from the signing of the accounts.



## COLLECTION FUND

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

2018/19				2019/20		
£'000	£'000	£'000		£'000	£'000	£'000
NNDR	Ctax	Total		NNDR	Ctax	Total
			<b>Income receivable:</b>			
	(65,644)	(65,644)	Council Tax receivable		(68,851)	(68,851)
(28,854)		(28,854)	Business Rates receivable	(28,574)		(28,574)
(30)		(30)	Transitional Protection Receivable	(131)		(131)
			Business rates - contribution towards previous year's deficit			
			Three Rivers District Council	(1,159)		(1,159)
			Hertfordshire County Council	(290)		(290)
			Central Government	(1,448)		(1,448)
<b>(28,884)</b>	<b>(65,644)</b>	<b>(94,528)</b>	<b>Total Income</b>	<b>(31,602)</b>	<b>(68,851)</b>	<b>(100,453)</b>
			<b>Expenditure:</b>			
			<b>Repayment of previous years surpluses</b>			
1,482	204	1,686	Three Rivers District Council		58	58
371	1,196	1,567	Hertfordshire County Council		347	347
	146	146	Herts Police and Crime Commissioner		43	43
1,853		1,853	Central Government			0
			<b>Precepts and demands</b>			
11,342	8,381	19,723	Three Rivers District Council	9,933	8,761	18,694
2,835	50,499	53,334	Hertfordshire County Council	11,351	53,163	64,514
	6,272	6,272	Herts Police and Crime Commissioner		7,349	7,349
14,177		14,177	Central Government	7,095		7,095
			<b>Charges to the Collection Fund</b>			
(106)	96	(10)	Bad Debts Provision increase/(decrease)	492	103	595
(407)		(407)	Appeals Provision increase / (decrease)	(1,982)		(1,982)
92		92	Cost of Collection	91		91
0		0	Transitional Protection Payable	0		0
<b>31,639</b>	<b>66,794</b>	<b>98,433</b>		<b>26,980</b>	<b>69,824</b>	<b>96,804</b>
<b>3,606</b>	<b>1,149</b>	<b>4,755</b>	<b>(Surplus)/Deficit for the year</b>	<b>(4,622)</b>	<b>973</b>	<b>(3,649)</b>
(2,028)	(1,827)	(3,855)	<b>Fund Balance brought forward</b>	1,578	(678)	900
<b>1,578</b>	<b>(678)</b>	<b>900</b>	<b>(Surplus)/Deficit carried forward</b>	<b>(3,044)</b>	<b>295</b>	<b>(2,749)</b>
			<b>Fund Balance Allocation (indicative)</b>			
631	(87)	544	Three Rivers District Council	(1,131)	37	(1,094)
158	(526)	(368)	Hertfordshire County Council	(822)	226	(596)
	(65)	(65)	Herts Police and Crime Commissioner		31	31
789		789	Central Government	(1,091)		(1,091)



## CF 1 Council Tax Payers

The charge for council tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an "equivalent number of Band D dwellings" where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2019/20.

2018/19		2019/20				
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Fraction (Proportion)	Equivalent Number of Band D Dwellings
1	A (Disabled Relief)	0	1	1	5/9	0
347	A	858	(305)	553	6/9	369
846	B	2,114	(676)	1,438	7/9	1,118
4,303	C	6,488	(1,303)	5,185	8/9	4,609
8,207	D	9,909	(1,534)	8,375	9/9	8,375
8,187	E	7,440	(708)	6,732	11/9	8,227
5,713	F	4,307	(336)	3,971	13/9	5,735
7,990	G	5,086	(289)	4,797	15/9	7,994
2,893	H	1,538	(82)	1,456	18/9	2,913
<b>38,485</b>		<b>37,740</b>	<b>(5,233)</b>	<b>32,507</b>		<b>39,341</b>
(385)	Less Allowance for losses on collection					(393)
144	Add: Contribution in lieu of tax					144
<b>38,244</b>	<b>Tax Base for Calculation of Council Tax</b>					<b>39,092</b>
0	Add: Adjustment for changes during the year for successful appeals against					0
<b>38,244</b>	<b>Council Tax Base for the year</b>					<b>39,092</b>

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

The Council set an average council tax charge for Band D dwellings of £1,772.04 (£1,687.63 for 2018/19).

2018/19		2019/20
£'000		£'000
(65,644)	Gross Council Tax Charge	(68,851)

## CF 2 Business Rate Payers

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

The relevant rateable value and multiplier data is shown below:

2018/19		2019/20
£		£
71,692,628	Total Non-Domestic Rateable Value at 31 March	71,089,535
49.3	National Non-Domestic Rate Multiplier - Standard	50.4
48.0	National Non-Domestic Rate Multiplier - Small Business	49.1

Small Business Rate Relief came into effect on 1 April 2005. It is generally available to ratepayers who have only one business property with a rateable value of less than £18,000.

Until 31 March 2013, the Council was responsible for collecting the total amount of NNDR payable, less certain reliefs and other deductions, and paying this into a national pool managed by central government who then re-distributed the pool back to local authorities based on a standard amount per head of the local adult population.

Since 1 April 2013, the Hertfordshire County Council share, the District share and the Central Government share (after allowable deductions) have been paid direct from the Collection

### **Accounting Period**

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

### **Accruals**

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

### **Amortisation**

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

### **Billing Authority**

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

### **Capital Expenditure**

Spending which produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

### **Capital Receipts**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

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

### **Collection Fund**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging/billing Authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

### **Contingent Assets/Liabilities**

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

### **Depreciation**

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

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Earmarked Reserves**

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

### **Finance Lease**

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

### **Financial Reporting Standard (FRS)**

A statement of accounting practice issued by the Accounting Standards Board.

### **Group Accounts**

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

Three Rivers District Council has not used acquisitions or mergers accounting methodologies following consideration of the level of involvement with companies, voluntary organisations and other public bodies to determine if there is a requirement to undertake group accounts. There are no subsidiaries, associates or joint ventures.

### **Heritage Assets**

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

### **IFRS**

International Financial Reporting Standards.

### **Investment Property**

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

### **Investments**

Deposits with approved institutions.

### **Infrastructure Assets**

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

### **Long Term Assets – Tangible**

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

### **Long Term Assets – Intangible**

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

### **Long Term Debtors**

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

### **National Non-Domestic Rates (NNDR)**

Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collected Non-Domestic Rates for its area based on local rateable values (set by DCLG), multiplied by nationally set rates. The total amount, less certain reliefs and deductions, was paid to a central pool managed by the Government, which in turn, paid back to Authorities their share of the pool based on a standard amount per head of the local adult population.

New arrangements for the distribution of NNDR came into force on 1 April 2013.

### **Operational Assets**

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

### **Operating Lease**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

### **Pension Fund**

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

### **Precept**

The amount by which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. a District Council) to meet its expenditure requirements.

### **Profit on the Sale of Long Term Assets**

The book value of an asset sold is compared to the net proceeds to calculate the profit or loss on the transaction.

### **Provisions**

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

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

Capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the Code of Practice definition of Long Term Assets. Examples include grants and similar advances made to other parties to finance capital investment.

### **Revenue Support Grant**

This funding is a Government Grant provided by the Department for Communities and Local Government (DCLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

### **Surplus Assets**

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