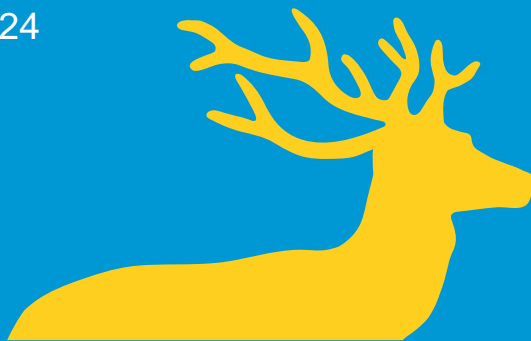


Watford Borough Council

Draft Statement of Accounts 2021/22

Reissued 15 October 2024



**WATFORD
BOROUGH
COUNCIL**

BE BOLD

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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, that officer is the Chief Financial Officer;
- ◆ manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets; and
- ◆ approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

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

In preparing the Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer 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 Watford Borough Council as at 31 March 2024 and its income and expenditure for the year ended 31 March 2022

Signed

Date:

Hannah Doney
Chief Financial Officer

Signed

Date:

Councillor Mark Hoffman
Chairman of Audit Committee

Authorisation of the Draft Statement of Accounts

As the Chief Financial Officer and Section 151 Officer it is my responsibility to ensure that the Council's financial affairs are properly administered. This is essential to ensure that the Council can continue to meet its statutory obligations and to provide high quality services to all the residents and businesses within Watford.

The following Statement of Accounts give an overview of the Council's finances for 2021/22.

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 Watford, Council Members, partners, stakeholders and other interested parties can have:

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

The draft statement of accounts for 2021/22 were originally authorised for issue in July 2022. However, this was prior to the conclusion of the audit of the accounts for 2019/20. The draft accounts have been updated to reflect changes arising from the audit.

This draft statement of accounts was authorised for reissue by the Section 151 Officer on 15 October 2024. The statement of accounts may be subject to amendment following the conclusion of the audit.

Signed

Date: 15 October 2024

Hannah Doney, CPFA
Chief Financial Officer

COUNCIL PLAN

1. An introduction to Watford Borough Council's organisational overview and external environment

During 2020 the Council updated its Council Plan. The new Council Plan sets out the aspirations for both the council and the town we serve. It is forward-looking, high level and outward facing, with an emphasis on outcome focused commitments. The plan demonstrates our role as leader of place and how we will continue to build on our strategic and operational excellence.

Our Council Plan themes are:

- A council that serves our residents
- A thriving, diverse and creative town
- A healthy and happy town

The latest Council Plan 2022-2026 can be found at the following link:

[wbc-council-plan-2022-2026 \(watford.gov.uk\)](https://www.watford.gov.uk/wbc-council-plan-2022-2026)

2 Overview of the financial underpinning of service delivery

During the year, the Council progressed its vision in the delivery of a bold and progressive future for Watford. The financial underpinning of this was through the approval of the revenue budget in January 2021 for the following activities:

Service Area	Approved budget 2021/22 £000
Community and Environmental	8,462
Corporate Strategy and Communications	1,250
Democracy and Governance	2,046
Human Resources	625
Place Shaping	(5,739)
Service Transformation	2,828
Strategic Finance	4,446
Total Net Expenditure	13,919


The Council also approved a Capital Programme for 2021/22 to 2023/24 of £109.020m million. The five largest schemes in these three years were:

	£m
Riverwell (Watford Health Campus Partnership)	11.7
Hart Homes	47.6
Watford Business Park redevelopment	12.1
Town Hall redeployment	8.7
Woodside Sports Village	8.1

3 Strategic Resource Allocation and Performance Monitoring

The Council monitors its budget during the year and any changes made are reflected in a revised budget. This was agreed in January 2022, as usual, as part of the MTFs (Medium Term Financial Strategy) for 2022/23. This is supported by regular budget monitoring during the year, monthly to officers and quarterly to Members. The MTFs approved for 2022/23, including a revised budget for 2021/22 and as amended for the decision of Council on 25 January 2022, is on the following page.

The 2021/22 revised budget shown includes approved carry forwards of £0.274m from 2020/21, which were approved by Cabinet in June 2021 and subsequently Council in July 2021. The gap shown in the MTFs can be funded from reserves and reflects the fact that long-term ongoing savings do not come through in a full year until the end of the MTFs period. The Council Tax base figures in the MTFs for future years include projected growth in the base but doesn't include any allowance for an increase in council tax level for inflation.

 WATFORD BOROUGH COUNCIL	2021/22 Original £000s	2021/22 Revised £000s At November	2022/23 Draft £000s	2023/24 Draft £000s	2024/25 Draft £000s
Total Net Expenditure	13,684	15,050	13,734	13,018	13,293
Planned Use of Reserves					
Contributions to reserves	628	342	1,288	621	621
Contributions from reserves- including Carry forward Reserve	(885)	(2,399)	(1,248)	(275)	(275)
Sub-Total	(257)	(2,057)	40	346	346
Funding					
Council Tax	(9,122)	(9,122)	(9,571)	(9,764)	(9,960)
Business Rates	(3,002)	(3,002)	(3,073)	(3,002)	(3,002)
New Homes Bonus	(480)	(480)	(718)	(450)	(450)
(Surplus)/Deficit on collection fund	(122)	(122)	0	0	0
Additional Government Funding	(188)	(188)	(323)		0
Sub-Total	(12,914)	(12,914)	(13,685)	(13,215)	(13,411)
Total Funding & Use of Reserves	(13,171)	(14,971)	(13,645)	(12,869)	(13,065)
Gap	513	78	89	149	228
Reserves - opening balances	(16,036)	0	0	49	(148)
Planned use of reserves	257	2,057	(40)	(346)	(346)
Gap funded from reserves	513	78	89	149	228
Reserves - closing balances	(15,266)	2,135	49	(148)	(266)
Council Tax Rate Calculation					
Council tax base	32,786.1	32,786.1	33,891.3	34,060.8	34,231.1
Council tax charge for band D	£ 278.24	£ 278.24	£ 282.41	£ 286.65	£ 290.95
£'000	9,122.40	9,122.40	9,571.36	9,763.51	9,959.51

4 Performance, including outturn for 2021/22

Revenue Outturn 2021/22

The financial performance is presented to Members in the same format as below during the financial year. It reflects spend to be met by district taxpayers and the balance held for working capital. These management account figures differ from the Net Cost of Services in the financial accounts, the Comprehensive Income and Expenditure Statement (CIES), because the CIES also includes costs relating to depreciation, revenue spend funded from capital under statute and certain pension adjustments. The table below shows the outturn reported to Council.

Service Area	Revised Budget £000	Outturn £000	Variance £000
Service Transformation	3,689	3,473	(216)
Community & Environmental	11,334	11,167	(166)
Parking Service	(271)	(19)	252
Democracy & Governance	1,994	1,831	(163)
Place Shaping	(6,155)	(6,844)	(688)
Corporate Strategy & Communications	(44)	(229)	(185)
Human Resources	618	572	(46)
Strategic Finance (this includes pension liability costs of £2.3m)	3,886	3,660	(226)
Net Direct Cost of Service	15,050	13,610	(1,439)
		Carry Forwards	1,393
		Total Variance	(46)

COVID-19

The COVID-19 Pandemic has had, and will continue to have, a notable impact on the public's and businesses' behaviour and consequently has had a considerable impact on the Council which is likely to continue well beyond the ending of lockdown and other restrictions. During the year, the Council's Community Protection Service has continued to lead the operational response to the pandemic within the Borough to minimise transmission, to maximise protection and to support the community. This work has been partially funded by additional income of £1.300 million received from the Hertfordshire Health Protection Board with officers also taking on additional responsibilities and sharing resources across teams to ensure that services are maintained.

The Council has continued to experience substantial losses across many of its largest income streams, most notably Car Parks and Leisure Centres which were closed for large parts of 2020/21 and have not recovered to budgeted levels of usage in 2021/22. There was also a significant risk to the Council's commercial rent income although this has largely not materialised to date.

Helping to offset the direct financial impact, the Council received a Local Authority Support COVID-19 Grant allocation of £0.471m emergency COVID-19 funding. The Council was also able to claim £0.338m from the Government's loss of Income Guarantee Scheme for the first quarter of 2021/22 to the end of June 2021, coinciding with the end of lockdown restrictions. The government also introduced the Lower Tier Support grant for 2021/22, recognising the particular impact on the financials sustainability of lower tier authorities. The Council's allocation was £0.121m in 2021/22.

The Council has a prudent General Fund balance and has a separate Economic Impact reserve which it has utilised during the pandemic to maintain financial resilience. During 2020/21 the Council established a Recovery/Renewal Fund to support Watford in recovering from the impacts of COVID-19 and £0.405m of this has been utilised during 2021/22. Therefore the Council is in a position to draw upon its reserve balance should it need to but clearly this could have longer term implications.

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

key services against the backdrop of considerably reduced available resources.

Capital Outturn 2021/22

Capital expenditure is incurred on assets that benefit the community over a number of years.

Key capital projects included:

- Substantial improvements to the Public Realm including Clarendon Road;
- Progressing various housing related schemes including Hart Homes with our partner Watford Community Housing
- Evolving development of Watford Business Park
- Investment in Oxhey Park including leisure and recreational facilities;

Capital expenditure for 2021/22 is shown below:-

Service Area	Latest Budget £000	Outturn £000	Variance £000
Service Transformation	6,971	1,664	(5,307)
Community & Environmental	18,557	5,189	(13,368)
Place Shaping	40,052	23,131	(16,921)
Corporate Strategy & Communications	542	433	(109)
Strategic Finance	185	115	(70)
Total	66,307	30,532	(37,775)

The Council completed and funded £30.532m of capital works and investment in 2020/21 (£21.973m in 2020/21).

Key variations in the Capital Programme include:

- £1.25m rephrasing relating to Watford Riverwell that continues to progress
- £7.86m Woodside Sports Village
- £4.86m Town Hall Quarter
- £14.65m financing for Hart Homes joint venture

Funding came from £0.613m from capital receipts, £3.880m from grants & contributions, £0.011m from Section 106 receipts and £26.028m from borrowing.

The Council is involved in three long term major schemes at Watford Riverwell, Hart Homes and Watford Business Park where spend during the year was £3.878m, £10.250m and £0.952m respectively. Other notable projects during the year include investment of £2.446 in the Town Hall Quarter and capital commitments in connection to Croxley Business Park for £1.640m.

Borrowing Facilities and Capital Borrowing

The Council borrowed from external sources in 2021/22 and the expectation is for this to continue in order to fund future capital investment requirements.

Performance Monitoring

The Council has a thorough performance monitoring system for Members fully in the public domain and on the Council's website. There are regular quarterly reports to the Overview and Scrutiny Committee for key performance indicators (KPI's). This is supported by the work of the Outsourced Services Scrutiny

Panel, which received quarterly reports and regular presentations with questions and answer sessions on services within its scope. There is also a regular Finance Digest to the Finance Scrutiny Committee for financial performance monitoring.

5 Outlook

The Council continues to take a transformational approach to its service and financial challenges, and is well placed to continue with this in the short and medium term with the conclusion of a senior management review in the first quarter of 2022/23.

Working effectively in partnership continues to bring both significant economic and community benefits. The joint venture at Riverwell, which will take over a decade to realise, has already brought gains through improved infrastructure and is scheduled to deliver significant housing for all ages and of all types. The Town Centre upgrade enables the borough to be well placed to retain retail usage and offers the wider package to encourage full town centre use in the day and evening. Having anticipated the change in use of town centres, and coupled with a diverse investment property portfolio, the council is as well placed as is possible given the uncertain wider picture nationally.

6 Future challenges

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

Basis of Preparation and Presentation

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

Watford Borough Council

Annual Governance Statement 2021/22

SCOPE OF RESPONSIBILITY

1. Watford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. 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. Watford Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. It is also in accordance with the requirements of the Accounts and Audit (England & Wales) Regulations 2015.
4. This Governance Statement explains how the Council has maintained sound governance during the 2021/22 financial year and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.
6. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
8. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

THE GOVERNANCE FRAMEWORK

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

General

10. Watford Borough Council operates an elected Mayor and Cabinet model of governance under the Local Government Act 2000 and this places total responsibility for those functions designated as Executive Functions into the hands of the directly elected Mayor. However full Council is responsible for setting the Council's budget and agreeing the key policy framework. The Council also has established an Overview and Scrutiny Committee, and Finance Scrutiny Committee to scrutinise the actions of the elected Mayor and Cabinet and assist with policy development. This is done either directly by those committees or by Overview and Scrutiny Committee establishing task and finish task groups to look at particular areas of interest. In addition, the Council has further committees that cover non-executive functions, these are; Licensing, Development Management, Audit, Functions, Standards, Chief Officer Pay Panel and Appointments. It also has a number of advisory member groups such as Major Projects Board, Planning Advisory Group, Housing Advisory Group, the Health and Wellbeing Forum, the Sustainability Forum, the Constitution Working Party, Member Development Group, Major Projects Board and Constitution Working Party.
11. Watford Borough Council has a directly elected Mayor, which means that the community elect that person to lead the council at four yearly intervals. The Mayor is supported by a Cabinet made up of elected councillors that plays a key role in determining the overall budget and policy framework of the Council. Each member of the Cabinet has a portfolio for which they are responsible and can make delegated decisions within their area of responsibility as set out in the Executive Scheme of Delegation, individual officers can also make decisions as set out in both the Executive Scheme of Delegation and the Councils Functions Scheme of Delegation in the Constitution.
12. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's website and intranet.
13. The Council has an approved Local Code of Governance, Code of Conduct for Councillors and a separate code for Officers, which 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.
14. 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.
15. The Leadership 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.
16. Elected Members as decision-makers have to fill in a register of disclosable pecuniary and other interest when they are elected and also declare any disclosable pecuniary or non-pecuniary interests as and when they occur.

Strategic Aims and Objectives

17. The governance framework enables the Council's key objectives as outlined in the Council Plan 2020-24. These can be summarised as follows:

Our corporate themes

1 A council that serves our residents

We are a different kind of council – pioneering and always searching for better answers; a bold council that gets things done, focuses on opportunity and challenges old-fashioned thinking. We work as 'one team' and everything we do is to make our town successful and improve the lives of our residents.

2 A thriving, diverse and creative town

We want Watford to be an outstanding place for everyone: residents, business owners and visitors alike. Our plans have created a thriving and attractive town, but we know we cannot stand still. We must always look to the future and be ambitious for Watford, to guarantee our continued success and prosperity. This has never been more important as we look to thrive post COVID-19.

3 A healthy and happy town

Our community are the strength and the heart of Watford. We know they have great civic pride and enjoy getting involved in the life of the town. We have seen them care for each other like never before and we want this great spirit to be the launchpad for something very special for Watford in the years to come. Our diverse town inspires us every day and we want its community to really feel a part of our joint future.

Our themes:

- A council that serves its residents
- A thriving, diverse and creative town
- A happy and healthy town

Our commitments

Under each theme are a series of commitments (see below). Both the themes and commitments are reflected in a detailed Delivery Plan (2020-22), which detail a series of series of measurable (SMART) activities that will make sure the Council delivers what it has set out to do. By establishing this 'golden thread' or strategic alignment, which also informs service plans and individual objectives, every member of staff and our community can feel fully engaged in the process.

18. The Council also plays a major role in the Local Strategic Partnership, One Watford, which is made up of key stakeholders such as Hertfordshire County Council, Herts Valleys Clinical Commissioning Group, the Watford BID, Watford and Three Rivers Trust, Watford Community Housing Trust, and Hertfordshire Constabulary.

Decision Making Structures

19. At an Officer level, the Council has a Leadership Board made up of the Managing Director and Group/Executive Heads of Service. The Council also has a Management Board which meets monthly and in addition to members of Leadership Board also comprises Heads of Service. Financial control is primarily the responsibility of a shared Director of Finance with neighbouring Three Rivers District Council. Leadership Board meets fortnightly to review and progress the key objectives of the Council. The Council also has a Strategic Board chaired by the Managing Director to consider the overall strategic direction of the Council. In addition, there are a variety of officer boards that look at the council's commercial and property investments.

20. Overall financial control is monitored regularly by Leadership Board and the Finance Scrutiny Committee, and quarterly by Cabinet. Budget preparation is influenced by the Council's Medium-Term Financial Strategy (MTFS) which forecasts budget pressures and available resources over a four-year period. This MTFS is reported quarterly to Cabinet and Finance Scrutiny Committee where

variations to the strategy 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 (but is also reported to Cabinet and Finance Scrutiny Committee).

Constitution

21. The Council has a written constitution which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct. This sets out how the council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens.
22. The Council's Constitution is available to all on the Council's website.
23. There are regular meetings of the Council, Cabinet and other committees. Council, Cabinet and committee / scrutiny 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.
24. The council's key strategic document, the Council Plan has a four year focus, supported by a two year Delivery Plan. These 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 Watford context based on information derived from sources such as Census 2011 and the Indices of Multiple Deprivation. Progress on the Delivery Plan is reported to the public through quarterly reports to Cabinet and Overview and Scrutiny Committee and the Council's magazine, About Watford, which is distributed to every household in the Borough and is also available online.
25. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant), risk and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
26. The Council also has an Officers' Code of Conduct, which includes: Disclosure of Information, Political Neutrality, Potential Conflict of Interest Situation, Bribery, Corruption and Fraud, Appointments and Other Employment Matters, Outside Commitments, Personal Interests, Equality Issues, Information Security, Criminal Offences, Whistle blowing and Breaches of the Code of Conduct.
27. The scrutiny function within a local authority provides a necessary check upon the role of Cabinet and is a key component of corporate governance. At Watford it is co-ordinated through the Overview and Scrutiny Committee, which can review Cabinet decisions and service performance, including those of the Council's outsourced services, it can also set up task and finish groups to look in depth at issues it wishes to scrutinise and it also scrutinises the Community Safety Partnership. In addition, the Standards Committee considers member conduct and the Finance Scrutiny Committee considers financial issues. Finally, the Audit Committee reviews the overall governance arrangements, including the service related control and risk management environment. The Audit Committee also considers the response to Freedom of Information requests, the Ombudsman's annual report, risk management, Regulation of Investigatory Powers Act as well as annual accounts and treasury management (investment) policies.
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, partners and the community have been developed and communicated. These include:

- Members Code of Conduct;
- Code of Conduct for staff;
- Anti-fraud and corruption policy (including whistle blowing and anti-bribery);
- Money Laundering detection guidance;
- Members and officer protocols;
- Regular performance appraisals, linked to service and corporate objectives;
- A Standards Committee which has a key role in promoting and maintaining high standards of conduct for members;
- Officers are subject to the standards of any professional bodies to which they belong.

30. The Group Head of Democracy and Governance 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 Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

31. The Shared Director of Finance is the statutory Chief Financial 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 need to develop policies and guidance on data quality and assurance is essential in order to promote consistency and awareness across the organisation. To that end, the Council has a senior member of staff who acts as the Senior Information Risk Officer. Guidance documents include a Data Quality Policy, an Information Security Policy, a Data Asset Register and management training modules, all of which are on the intranet.

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 and approved by Leadership Board and the Audit Committee. This Strategy underpins the Corporate Risk Register which was updated and approved by the Audit Committee in March 2021 and covers major issues that will affect the achievement of the council's key objectives. The Corporate Risk Register is at a strategic / high level and is complemented by detailed project and service area registers. The Corporate Risk Register is reviewed quarterly by Strategic Leadership Team and is reviewed annually by Audit Committee. It was last reviewed by Audit Committee in March 2021.

Business continuity and emergency planning are other key aspects within the corporate governance framework. This is the responsibility of the Group Head of Transformation.

34. All committee reports contain a 'risk implications' section as an aid to decision taking. There is however, a continued need to ensure an effective risk identification process occurs where the Council has outsourced the provision of services to a private sector partner.

Shared Services with Three Rivers District Council

35. Watford Borough Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, human resources, pest control and procurement with Three Rivers District Council. Both councils also share the statutory post of Chief Financial Officer (S151) - the Shared Director of Finance.
36. From April 2014, the Governance arrangements for shared services changed to a lead authority model. Watford Borough Council are responsible for providing the services of ICT, human resources, pest control and procurement whilst Three Rivers District Council are responsible for providing financial services and revenues & benefits. An Executive Board of senior management from both councils are 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. Corporate governance includes informing our community of the plans and aspirations of the council and is primarily communicated through its published Council Plans, quarterly reports to Cabinet and Overview and Scrutiny Committee and the regular editions of 'About Watford'. The directly elected Mayor, Peter Taylor, takes the lead in ensuring there is open and effective community leadership and provides a focal point for individuals, communities, business and voluntary organisations to engage with the Council. The Mayor is also the Chair of the Borough's Local Strategic Partnership, One Watford, which continues to lead on the successful delivery of the overall vision and objectives for the town and on effectively integrating partnership working and delivery.
38. The Council has established twelve neighbourhood forums, which mirror the Borough's ward boundaries and each has a devolved budget of £3,000. These are organised and managed by the relevant local councillors as part of their commitment to community leadership and engagement.
39. 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 through the Council magazine 'About Watford'.
40. A range of consultation and engagement projects are undertaken annually. This includes a regular 'Community Survey', which covers a range of areas relating to the Council's services and activities, including how it spends its money and prioritises areas for focus and improvement. Local residents are also invited to attend a range of Forum (such as the Community Forum, Pensioners Forum, Sustainability Forum), which help build understanding across a range of areas including Council finances and the implications for future service delivery. The Watford Compact provides an agreement between the statutory and voluntary sectors in Watford to clarify and strengthen their relationship and to achieve better outcomes for individuals and for the Watford community.

REVIEW OF EFFECTIVENESS

41. In accordance with recent external audit guidance, the review of the effectiveness of the governance framework will focus upon significant weaknesses and the 'big picture'. If issues have not been highlighted, it is because current governance arrangements have proved fit for purpose.

42. The review of effectiveness is informed by the work of the executive managers within the Council 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. The Mayor and Portfolio Holders maintain a continuous review of the Council's policies, activities and performance of Officers both through regular reviews and on a day to day basis.

The Council

43. Council comprises 36 Members and an Elected Mayor. The main roles are:

- To set Watford Borough Council's Budget and Policy Framework;
- To receive a report from the Mayor, which Councillors can then ask the questions related to the report;
- To receive questions from the public, which are then debated by the Councillors;
- To receive petitions from the public, which are debated by the Councillors;
- To receive questions from Councillors with their response, these are not debated;
- To receive motions from Councillors, which are then debated;
- To consider any recommendations from Committees or Working Parties.

44. Council met five times during 2021/22 and agendas, reports and minutes are available on the Council's website.

Cabinet

45. Cabinet comprises the Mayor and five members and makes decisions which are in line with the Council's overall policies and Budget. It is chaired by the Mayor and includes the Portfolio Holders.

46. Each Member of Cabinet has responsibility for a range of Council functions, known as a portfolio and each Portfolio Holder is required to work closely with Group/Executive Heads of Service and develop an in-depth knowledge of their portfolio area.

47. The dates of all Cabinet meetings are pre-published and all decisions have been taken in public apart from a small number of reports which were considered and determined after the press and public has been lawfully excluded. Agendas, reports and minutes of the meetings are available on the Council's website.

48. Cabinet met eight times during 2021/22.

The Review Committees

49. The Council has two review committees, Overview and Scrutiny Committee and Finance Scrutiny Committee. Their role is to scrutinise the decisions and performance of Cabinet and the Council as a whole.

50. Overview and Scrutiny Committee comprising nine members, is the over-arching scrutiny committee for Watford Borough Council. Its work includes:

- Reviewing called in Executive decisions made by Cabinet, Portfolio Holders and Officers;
- Reviewing the Council's performance measures;
- Monitoring the Executive decisions taken and the key decisions to be taken by Cabinet, Portfolio Holders and Officers;

- Monitoring the progress of recommendations from previous scrutiny reviews;
- Setting up Task Groups to review suggested topics for scrutiny;
- Monitoring the progress of Task Groups and agreeing the final reports;
- Setting a rolling scrutiny work programme.

The committee met nine times in 2021/22.

51. Finance Scrutiny Committee comprises eight members and its work includes:

- To examine the Medium-Term Financial Plan,
- To examine the budget strategy for the relevant financial year,
- To review the service spending priorities for the relevant financial year,
- To challenge, question and test those strategies and plans,
- To examine the draft proposals for the following financial year's budget,
- To challenge if the proposals match the strategy and priorities,
- To forward comments on the budget proposals to Cabinet in time for its January budget meeting;

The Financial Scrutiny Committee met five times in 2021/22.

Member Panels

52. There have been a number of cross-party member panels and scrutiny task groups to review and monitor various areas of Council activity. These included the Sustainable Transport Strategy Task Group (November/December 2021) which looked at the draft strategy and made recommendations to accompany the final report to Cabinet and the Electric Vehicles Task Group (January/February 2022) which made recommendations to further encourage and enable the use of electric vehicles in the borough. The recommendations of both of these task groups were fully accepted by Cabinet.

Standards Committee

53. The Standards Committee is set up as and when required to consider matters of Member conduct. There were no meetings of this committee in 2021/22.

Members Remuneration

54. Members remuneration was reviewed in 2018 by an Independent Remuneration Panel, which was made up of four independent members. The report and recommendations of the Independent Remuneration Panel was approved by the Full Council as part of the Budget Council meeting, details of which are available on the Council's website. The Panel recommend that with effect from April 2019 the Basic Allowance should be linked to local government pay settlements and increased accordingly.

55. The Independent Remuneration Panel now sits on a quadrennial basis and is therefore next due to meet in 2021.

Senior Management

56. There are three Council Officers who have statutory appointments - the Managing Director's role as the Head of Paid Service, the Shared Director of Finance's role as the Section 151 Officer and the Group Head of Democracy & Governance as the Monitoring Officer. Leadership Board comprises the three statutory appointments above, plus the following officers: Group Head of Community and Environmental Services, Executive Head of Strategy & Communications, Group Head of

Transformation (post filled until February 2022), Executive Head of Human Resources, Group Head of Place, Executive Head of Commercial and Innovation. Leadership Board meets every 2 weeks.

Performance Management

57. Performance management follows a 'cascade' principle. The Council approves a Council Plan with a medium term – four year focus. The Council plan outlines the Council's high level commitments, linking to themes that have been identified as priority areas for the organisation and the town. The Council Plan is supported by a detailed two year Delivery Plan, which sets out the activities which will deliver the Council's commitments and by which it can be monitored and progressed assessed. The Council Plan and Delivery Plan then cascade down to individual service plans, which in turn translates into team and individual work plans. Performance is monitored regularly by Cabinet, Overview and Scrutiny Committee and Leadership Team.
58. The Council keeps residents and stakeholders informed of its progress through a publication called 'About Watford' which is delivered to every household and covers key issues, events and challenges. This publication is also made available online. It also has a large social media following across Facebook, Twitter and Instagram platforms which are becoming a significant channel for communicating and engaging with residents.

Procurement

59. The Council aims to use its resources efficiently, effectively and economically.
60. 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

61. The Audit Committee comprises five members and met four times during 2021/22.
62. The Audit Committee's terms of reference are consistent with best practice. The Committee approves the annual plan of internal audit and receives the quarterly and annual reports of the Head of Assurance for the Shared Internal Audit Service. It approves the Statement of Accounts, the annual governance statement and the review of the effectiveness of the internal audit system. It receives reports on risk management and reviews the operation of treasury management. It also received the annual letter from the Ombudsman and considers regular reports upon Freedom of Information requests, risk management and the Regulation of Investigatory Powers Act.

Internal Audit

63. 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.
64. 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 financial 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.

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

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

66. The SIAS Annual Assurance Statement and Internal Audit Annual Report is a key source document for the Council's Annual Governance Statement. For 2021/22 this Report includes the following statements:

- In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2021/22.
- A Reasonable assurance opinion is given on the adequacy and effectiveness of both financial and non-financial systems in the internal control environment, based on the internal audits completed in the year. There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

The Council's External Auditors

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

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

69. The Local Government contract for the Council was awarded to EY (Ernst & 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 Watford Borough Council for 2018/19 onwards.

The Financial Management Code of Practice

70. The CIPFA Financial Management Code of Practice (FM Code) was published in November 2019. It sets out the 'gold standard' for financial management arrangements in local government. The FM Code does not have statutory status but brings together best practice and statutory guidance including the Prudential Code for Capital Finance in Local Authorities. Local authorities were expected to comply with the FM Code from 2021/22.

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

SIGNIFICANT GOVERNANCE ISSUES

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

Certification Statement from the Elected Mayor and the Managing Director

73. 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.

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

Signed _____

Date _____

Peter Taylor - Mayor

Signed _____

Date _____

Donna Nolan - Managing Director

2021/22 Action Plan

No.	Issue	Action	Resolved	Updates
	No significant issues identified.			

Financial Management Code Compliance Self-Assessment 2021/22

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
1. Responsibilities of the Chief Financial Officer (CFO) and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM)	Services use peer reviews incorporating benchmarking to inform opportunities to improve VFM. All tenders consider VFM by considering the quality of service and not just price.	Developing a Continuous Improvement Plan which will take shape during 2022/23.	GREEN
B	The authority complies with the CIPFA "Statement of the Role of the CFO in Local Government"	The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of Corporate Management Team and has an influential role with members of the Cabinet, Audit Committee and lead opposition members. Role profiles within the finance team are kept up to date to ensure that the team is suitably resourced and fit for purpose.		GREEN
2. Governance and Financial Management Style				
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Statutory Officer Group exists to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Annual Assurance Statements by Leadership Board.	Expansion of the Statutory Officers Group to include the Chief Internal Auditor (role fulfilled by Client Audit Manager through SIAS Partnership)	GREEN
D	The authority applies the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)"	Annual Governance Statement (AGS) includes internal audit opinion on effectiveness of internal control environment and systems of internal control. The Council updates the Local Code of Governance annually.		GREEN
E	The Financial Management style of the authority supports financial sustainability	At the core of the Finance Shared Service is a technical accounting team that provides the accounting framework, treasury management function for the organisation. The budget setting process and support for strategic financial matters is delivered by the Chief Financial Officer. The Finance Business Partner team provides dedicated support to Associate Directors and budget managers with financial planning and monitoring.	Implementation of the Finance Business Partnering model will strengthen relationships between finance and services.	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
3. Long to Medium-Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment	An annual assessment is made for the prudent minimum level of General Balances and this forms the basis of the budget planning process. In addition, the authority holds earmarked reserves to manage specific risks such as the Croxley Business Park Reserve and the Business Rates Reserve. In making this assessment Officers use the CIPFA Financial Resilience index to benchmark against other local authorities.		GREEN
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	The budget papers and MTFs outline the financial challenges and opportunities facing the Council. Budget planning reports to Cabinet clearly set out the financial planning environment and any assumptions made.		GREEN
H	The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”	An annual Capital and Investment Strategy is set by Council alongside a three-year Capital Investment Programme, Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy. The Capital Programme is monitored monthly with reports produced quarterly for Corporate Management Board, Finance Scrutiny Committee and Cabinet. Mid-term and Year End Treasury Management reports are taken to Audit Committee and Cabinet, including monitoring of Prudential Indicators.		GREEN
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The Council has an integrated Business and Budget Planning Process with a three-year MTFs supported by Service Plans.		GREEN
4. The Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces an annual balanced budget and supporting documentation within the necessary timeframe.		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	The CFO's Section 25 report forms part of the budget report to Council and includes a commentary of the adequacy of proposed financial reserves.		GREEN
5. Stakeholder Engagement and Business Plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	The Council's budget priorities are closely linked to the Council's Corporate Plan and Mayoral manifesto pledges which are voted on every four years. The Finance Scrutiny Committee considers and provides comments to Cabinet on the budget proposals. Specific proposals for service changes are taken through a formal public consultation process as part of the decision making process.		GREEN
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented. Cost estimates for capital projects are subject to robust challenge. Projects are managed within the Council's project management framework and supported by the Council's well established Enterprise Programme Management Office (EPMO).		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
6. Monitoring Financial Performance				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The quarterly monitoring report to Cabinet enables the Corporate Management Team and Cabinet to respond to emerging risks. The reporting provides transparency through organising appendices by service area. The report is also considered by Finance Scrutiny Committee.	During 2022/23 the reporting framework will be enhanced to provide greater transparency.	GREEN
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	The quarterly monitoring report to Cabinet includes monitoring of key balance sheet items including balances, reserves, debtors, and cash (including the performance of Treasury Management).	Increase the visibility of relevant balance sheet items for service managers through improving service level reporting on earmarked reserves and aged debtors.	GREEN
7. External Financial Reporting				
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom" (The Code)	The annual accounts are produced in compliance with The Code. The accounts receive an unqualified audit opinion. Issues raised by the External auditors in relation to the 2019/20 accounts have been addressed by Officers.	The delay to the audit of the 2019/20 and 2020/21 accounts has impacted on the timeliness of financial reporting. The Council is working with external auditors to implement the statutory arrangements to resolve the audit backlog.	AMBER
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	The Corporate Management Team and Cabinet consider the year-end report and variances in a timely manner enabling strategic financial decisions to be made as necessary including transfers to reserves and agreed carry forwards for both revenue and capital budgets.		GREEN

Movement in Reserves Statement (MIRS)

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

Comprehensive Income and Expenditure Statement (CIES)

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

Balance Sheet

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

Cash Flow Statement

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

Movement in Reserves Statement

	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Unapplied	Capital Grants and Contbns Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020		2,292	44,626	28	75,651	122,595	227,983	350,459
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure		-8,071	0	0	0	-8,071	-19,220	-27,292
Adjustments between accounting basis and funding basis under statutory provisions	9	19,087	0	450	1,338	20,875	-20,875	0
Transfers to / from earmarked reserves	39	-11,308	11,308	0	0	0	0	0
Increase (+) or Decrease (-) In Year		-292	11,308	450	1,338	12,802	-40,087	-27,286
Balance at 31 March 2021		2,000	55,934	478	76,989	135,399	187,888	323,286
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure		-10,494	0	0	0	-10,494	30,173	19,679
Adjustments between accounting basis and funding basis under statutory provisions	9	-7,869	0	1	-59	-7,926	7,926	0
Transfers to / from earmarked reserves	39	18,362	-18,362	0	0	0	0	0
Increase (+) or Decrease (-) In Year		-1	-18,362	1	-59	-18,421	38,100	19,679
Balance at 31 March 2022		1,999	37,572	479	76,930	116,980	225,985	342,965

Balance Sheet

As at 31 March 2021	Restated As at 31 March 2021		Notes	As at 31 March 2022	
£'000	£'000			£'000	£'000
		Long Term Assets			
358,605	358,605	Property, Plant and Equipment	23	511,913	
161,660	161,660	Investment Property	25	39,300	
0	0	Intangible Assets	26	0	
2,574	2,574	Heritage Assets		2,574	
2,420	2,420	Long Term Investments	34	2,420	
22,766	22,878	Long Term Debtors	29	35,647	
548,025	548,137	Total Long Term Assets			591,853
		Current Assets			
0	0	Assets Held for Sale	31	1,500	
16,386	16,386	Debtors	30	23,503	
15	15	Stock		15	
92,848	92,848	Short Term Investments	34	102,957	
16,893	16,893	Cash and Cash Equivalents	33	7,148	
126,142	126,142	Total Current Assets			135,123
		Current Liabilities			
-20,011	-20,011	Short Term Borrowing	32	-39,023	
		Short Term Creditors and Revenue			
-25,747	-25,747	Receipts in Advance	32	-44,206	
-3,776	-3,776	Short Term Finance Liability		-3,866	
-49,535	-49,535	Total Current Liabilities			-87,095
		Long Term Liabilities			
		Long Term Creditors and Revenue			
-917	-917	Receipts in Advance		-922	
-3,737	-3,737	Provisions due over one year		-3,152	
-11,250	-11,250	Long Term Borrowing		-11,250	
-54,160	-54,160	Pension Liability	19	-54,381	
-226,935	-226,935	Long Term Finance Liability		-223,069	
-180	-180	Deferred Income		-170	
		Long Term Capital Grants Receipts			
-4,280	-4,280	in Advance		-3,974	
-301,459	-301,459	Total Long Term Liabilities			-296,917
323,173	323,285	Net Assets (+) / Net Liabilities (-)			342,965
		Financed from:			
135,400	135,400	Usable Reserves	38-42		116,980
187,775	187,885	Unusable Reserves	43-50		225,985
323,174	323,285	Total Reserves			342,965

Hannah Doney, Chief Financial Officer

Date: 15 October 2024

Cash Flow Statement

2020/21 £'000		Notes	2021/22 £'000
8,071	Net (surplus) or deficit on the provision of services		10,494
-13,200	Adjust net surplus or deficit on the provision of services for non-cash movements	51	-10,056
8,362	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	51	3,434
3,233	Net cash flows from Operating Activities		3,872
-4,032	Investing activities	51	26,401
-6,229	Financing activities	51	- 20,529
-7,028	Net increase (-) or decrease (+) in cash and cash equivalents		9,745
9,864	Cash and cash equivalents at the beginning of the reporting period		16,893
16,892	Cash and cash equivalents at the end of the reporting period		7,148

1. Expenditure and Funding Analysis

2020/21			2021/22			
Expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Notes	Expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,971	1,768	3,739		1,882	189	2,071
6,871	10,501	17,372		2,834	9,942	12,776
1,232	152	1,384		1,666	397	2,063
638	73	711		572	135	707
5,757	2,528	8,285		4,547	3,373	7,921
4,380	-436	3,944		3,705	2,082	5,787
0	0	0		0	-269	-269
20,849	14,586	35,435		15,207	15,848	31,055
			Service Costs			
			Other Income and Expenditure not charged to services			
-20,557	-6,806	-27,364		-15,206	-5,355	-20,560
292	7,779	8,071	Surplus (-) or Deficit (+) on Provision of Services 10	1	10,493	10,494
2,284			Opening General Fund Balance at 1 April	2,000		
-292			Add surplus (+) or deficit (-) on the General Fund for the year	-1		
2,000			Closing General Fund Balance at 31 March	1,999		

2. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2023/24 (the Code). The Code prescribes guidance on the preparation of the Statement of Accounts, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a going concern basis.

2. Turnover (for Group Accounts)

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

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

3. 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.

4. 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.

5. 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.

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
- 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.

6. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is

written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows

7. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the 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 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 Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such 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 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);
- 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 pensions liability is analysed into seven components:

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement
- 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 Comprehensive Income and Expenditure Statement
- 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 Comprehensive Income and Expenditure Statement 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;
- 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 Comprehensive Income and Expenditure Statement.

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 Movement in Reserves Statement, 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.

8. Financial Instruments

Financial Liabilities

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

Financial Assets - Loans and Receivables

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for 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 the 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
- other instruments with fixed and determinable payments –discounted cash flow analysis.

9. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. 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.

10. Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. 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 Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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 Movement in Reserves Statement 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.

11. Inventories and Long Term Contracts

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

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

12. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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 Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

13. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:-

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

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 Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property — applied to write down the lease debtor (together with any premiums received); and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The written-off value of disposals is not a charge against council tax, as the cost of 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 Movement in Reserves Statement.

Operating Leases

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

14. Overheads and Support Services

The costs of overheads and support services are not charged to those service segments that benefit from the supply or service in accordance with the costing principles of the SERCOP.

But the costs of overheads and support services are accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

15. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement 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)
- 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 Comprehensive Income and Expenditure Statement.

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)
- 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 Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, 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
- Finance leases — over the life on the underlying asset or over the life of the lease where there is no option to acquire the asset at the end of the lease.

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

Depreciation commences in the year following acquisition.

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

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

Disposals of Non-current Assets

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

16. Heritage Assets

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

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

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

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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 are 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.

18. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement 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.

19. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement 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.

20. Value Added Tax (VAT)

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

21. Jointly Controlled Operations and Jointly Controlled Assets

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

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

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.

22. Single Entity Financial Statements

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

23. Group Accounts - Recognition of Group Entities and Basis of Consolidation

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

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

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

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

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

Taxation (for Group Accounts)

Taxation on all profits is solely the personal liability of individual members. Consequently neither taxation nor related deferred taxation arising in respect of Watford Health Campus Partnership LLP are accounted for in these financial statements.

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

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

Allocation of Profits and Drawings (for Group Accounts)

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

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

Work in progress (for Group Accounts)

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

24. Fair Value

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

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

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

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

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

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

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

Paragraph 3.3.4.3 of the Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2023 for 2022/23).

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- a) Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

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

- b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

In compiling the 2021/22 accounts there are no material effects in relation to these standards.

4. Critical Judgements in Applying Accounting Policies

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

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

- Estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end.
- Bad debt provision - based on historic trends and adjusted for any material movements during 2021/22.
- Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.

5. Prior Period Adjustments

Prior Period Adjustments have been made in respect of Long Term Debtors and Soft Loans.

5a. Long Term Debtor Balance Written Out.

Review of the balance sheet revealed that a Long-Term Debtor and Deferred Capital Receipt balance was being carried in respect of an amount which had been repaid in a prior period. As these balances were not required the amount has been written out between Long Term Debtors (Charges Registered to Properties) and Deferred Capital Receipts.

The impacts on brought forward balances are as follows:

Closing Balances as at 31 March 2021	Original £	Adjustment £	Restated £
Long Term Debtors (Charges Registered to Properties)	6,890	-6,890	0
Deferred Capital Receipts (Charges Registered to Properties)	-6,890	6,890	0
Total	0	0	0

5b. YMCA Soft Loan Adjustment

Review of the FIAA and loan carrying amount identified historical mis-postings related to the recognition of principal repaid and the unwinding of the fair value adjustment to the soft loan. Also identified was a deferred capital receipt which had been recognised in error. A deferred receipt was not required, as the balance of the loan was not due at the time of recognition. Mis-postings also included incorrect attribution of loan repayments of £1000 per annum, which should have been recognised as capital receipts. The adjustments result in changes to Long Term Debtors, Capital Adjustment Account, Financial Instruments Adjustment Account and Deferred Capital Receipts.

The impacts on brought forward balances are as follows:

Closing Balances as at 31 March 2021	Original £	Adjustment £	Restated £
Long Term Debtors (YMCA)	8,298	6,152	14,449
Financial Instruments Adjustment Account	75,651	-8,850	66,801
Deferred Capital Receipts (YMCA)	-86,949	86,949	0
Capital Adjustment Account		-84,250	
Total	-3,000	0	81,250

5c. Charges to Registered Properties

Detailed review of Capital Additions revealed that some expenditure towards private residences which was previously assumed to be REFCUS capital grants to homeowners, was in fact recoverable expenditure secured by legal charges.

Calculations have been completed based on a schedule of outstanding legal charges to replicate the position as at 31 March 2022. Because the expenditure was originally written out the the Capital Adjustment Account as REFCUS, an adjustment has been made between the Capital Adjustment Account, Long-Term Debtors, and the Financial Instrument Adjustment Account.

Loans secured by legal charges are further analysed between those which attract interest at a market rate and those which are below market rate.

Closing Balances as at 31 March 2021	Original £	Adjustment £	Restated £
Long Term Debtor (Charges to Properties - Soft)	0	83,995	83,995
Long Term Debtor (Charges to Properties - Market Rate)	0	24,262	24,262
Financial Instruments Adjustment Account	0	60,075	60,075
Capital Adjustment Account		-168,333	
Total	0	0	168,333

The cumulative impact of these adjustments on Unusable Reserves is shown in the following table:

Closing Balances as at 31 March 2021	Capital Adjustment Account	Financial Instruments Adjustment Account	Deferred Capital Receipts
Original Closing Balance	-193,293,655	75,651	-102,171
Adjustments to b/f debtor (5a)			6,890
Adjustments to YMCA Loan (5b)	-84,250	-8,850	86,949
Adjustments to Soft Loans (5c)	-144,071	60,075	
Adjustments to Market Rate Loans (5c)	-24,262		
Restated Closing Balance	-193,546,238	126,876	-8,333

6. Events after the Balance Sheet date

There are no known events that would have a material impact on the Council's position as at 31 March 2022.

The draft Statement of Accounts was authorised for reissue by the Section 151 Officer on 15 October 2024.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information

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

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

The Items in the Council's Balance Sheet at 31 March 2022 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Impact
Property, Plant and Equipment (PPE)	Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance of those buildings. Reductions in the budget for repairs and maintenance spending brings into doubt the useful lives assigned to buildings.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Investment Properties	Investment properties are valued annually at fair value (market value). The Council engages Avison Young, a qualified RICS surveyor, to provide valuations of land and property assets at the year end. The values of assets are adjusted to their current values by reviewing the sales of similar assets in the region, applying indexation and considering impairment of individual assets. Avison Young's valuation experts work closely with finance officers on all valuation matters.	<p>Significant changes in the assumptions of future income streams/growth; occupancy levels; ongoing property maintenance and other factors could result in a significantly higher or lower fair value for these assets.</p> <p>In particular, the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>The impact of different valuations would have an impact on the value of non-current assets and unusable reserves on the Balance Sheet changing both by the same amount.</p>

Item	Uncertainties	Impact
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; the rate at which salaries are projected to increase; changes in the retirement ages; mortality rates; and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The value of pension assets is based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this is not generally considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the closing defined benefit obligation of £3.139m. A 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation by 4 %.
Arrears	At 31 March 2022, the Council had a short term sundry debtor balance of £30,687k. A review of significant balances suggested a provision for bad debts of £7,184k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See Note 30.	If collection rates were to deteriorate an increasing level of doubtful debts would require an additional amount to be put aside as a bad debt provision for additional bad debt write offs.
Non Domestic Rates Appeals Provision	The provision for NDR Appeals includes an assessment of the appeals lodged to 31 March 2022, plus an estimate of the appeals not yet lodged.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle the obligation. If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.

8. Adjustments in the Expenditure and Funding Analysis

2020/21				2021/22				
Adjustments for Capital Purposes (Note A)	Net Charge for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Adjustments		Adjustments for Capital Purposes (Note A)	Net Charge for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
1,646	102	20	1,768	Democracy & Governance	0	198	-9	189
10,096	358	47	10,501	Place	9,388	733	-179	9,942
0	124	28	152	Corporate Strategy & Comms	0	398	-1	397
0	62	11	73	Human Resources	0	142	-6	135
2,177	283	68	2,528	Corporate, Housing and Wellbeing	2,360	734	280	3,373
1,867	-2,339	36	-436	Strategic Finance	867	-1,987	3,202	2,082
0	0	0	0	Other Costs	0	0	-269	-269
15,786	-1,410	210	14,586	Service Costs	12,614	217	3,017	15,848
-14,576	938	18,140	4,502	Other Income and expenditure not charged to services	-7,358	1,031	972	-5,355
1,209	-472	18,350	19,087	Surplus (-) or Deficit (+)	5,256	1,248	3,989	10,493

9. Adjustments between accounting basis and funding basis under regulations

2020/21					2021/22			
General Fund Balance	Capital Receipts Unapplied	Capital Grants & Contbns Unapplied	Unusable Reserves		General Fund Balance	Capital Receipts Unapplied	Capital Grants & Contbns Unapplied	Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Adjustments to Revenue Resources				
-472	0	0	472	Pension Costs transferred to (or from) the Pensions Reserve	1,248	0	0	-1,248
				Financial instruments transferred to the Financial Instrument Adjustment Account	27	0	0	-27
-2,848	0	0	2,848	Gain or Loss on the valuation of pooled investment funds	-5,109	0	0	5,109
18,140	0	0	-18,140	Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	-9,246	0	0	9,246
210	0	0	-210	Holiday pay transferred to the Accumulated Balances Account	-45	0	0	45
16,770	0	0	-16,770	Reversal of entries included in the Surplus of Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	15,648	0	0	-15,648
				Adjustments between Revenue and Capital Resources				
-40	0	0	40	Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-1,306	613	0	693
0	-1,879	0	1,879	Useable Capital Receipts applied to finance capital expenditure	0	-613	0	613
-4,109	0	0	4,109	Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-4,778	0	0	4,778
-332	0	0	332	Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	0	0	0	0
0	0	-6,895	6,895	Capital grants and contributions applied	0	0	-4,367	4,367
-8,232		8,232	0	Capital grants and contributions receivable not applied to finance capital expenditure	-4,308	0	4,308	0
				Adjustments to Capital Resources				
0	0	0	0	Adjustments relating to Deferred Capital Receipts	0	0	0	0
0	2,329	0	-2,329	Repayment of loans	0	1	0	-1
19,087	450	1,337	-20,875	Total	-7,869	1	-59	7,927

10. Analysis of Income and Expenditure by Nature

2020/21 £'000	Income and Expenditure	2021/22 £'000
-5,658	Fees, charges and other service income	-29,012
-66,403	Government grants and contributions	-43,513
-9,751	Interest and investment income	-7,262
5,586	Income from council tax and non-domestic rates	-5,855
0	Proceeds from the disposal of non-current assets	0
134	Other Income	
-76,092	Total Income	-85,642
14,059	Employee benefits expenses	17,054
53,427	Other service expenses	57,852
9,998	Depreciation, amortisation, impairments and revaluations	11,494
5,782	Interest payable and similar charges	6,002
938	Net interest expense on the pension defined liability	1,090
-41	Costs from the disposal of non-current assets	2,644
84,163	Total Expenditure	96,136
8,071	Surplus (-) or Deficit (+) on the Provision of Services	10,494

11. Other Operating Expenditure

Other Operating Expenditure	2020/21 £'000	2021/22 £'000
Capital Receipts	41	2,644
Disposal costs charged against capital receipts	0	0
Net Capital Receipts	41	2,644
Other Receipts	-134	0
Total Receipts	-93	2,644
Carrying value of non-current assets derecognised	0	0
Disposal costs charged to the General Fund	0	0
Total Disposal costs	0	0
Other Operating Expenditure	93	2,644
Adjustments between accounting basis and funding basis	-93	-2,644
Net Charge to the General Fund	0	0

12. Financing and Investment Income and Expenditure

	2020/21	2021/22
Financing and Investment Income and Expenditure	£'000	£'000
Interest payable and similar charges	5,782	5,994
Gain or Loss on the valuation of pooled investment funds	0	-5,109
Interest receivable and similar income	-4,199	-1,346
Income and Expenditure in relation to investment properties and change in their fair value	-5,552	-7,565
Net pensions interest expense	938	1,090
Dividends	0	-800
Financing and Investment Income and Expenditure	-3,031	-7,735
Adjustments between accounting basis and funding basis	0	11,584
Net Charge to the General Fund	-3,031	3,848

13. Taxation and Non Specific Grant Income

	2020/21	2021/22
Taxation & Non Specific Grant Income	£'000	£'000
Council Tax Income	9,007	9,282
Non Domestic Rates	-14,593	-3,428
Non Ringfenced Government Grants	21,760	5,307
Capital Grants and Contributions	8,252	4,308
Total	24,426	15,469

14. Members Allowances

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

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

	2020/21	2021/22
Members' Allowances	£'000	£'000
Allowances	491	502
Travel and Subsistence	6	1
Total	497	503

15. Audit Fee

	2020/21	2021/22
Audit and Inspection Fees	£'000	£'000
Code of Practice Audit Work	40	25
Other Fees for Prior Years	13	0
Certification of Grant Claims and Returns	15	0
Total	68	25

16. Officers' Remunerations

Table 16a:

Band £	2020/21	2021/22
50,000-54,999	12	24
55,000-59,999	5	15
60,000-64,999	5	4
65,000-69,999	2	2
70,000-74,999	2	1
75,000-79,999	2	2
80,000-84,999	4	2
85,000-89,999	1	4
90,000-94,999	1	3
95,000-99,999	0	0
100,000-104,999	0	1
105,000-109,999	0	3
110,000-114,999	0	1
115,000-119,999	1	0
120,000-124,999	0	0
125,000-129,999	0	0
130,000-134,999	1	0
135,000-139,999	0	0
140,000-144,999	0	1
Total	36	63

The Council is required to disclose the number of employees in the accounting period whose remuneration was £50,000 or more, grouped in bands of £5,000.

For completeness, the Council has included the senior officers' remuneration (excluding pensions), disclosed in table 16b.

The Director of Finance is the statutory Chief Financial Officer (S151) and is a shared post with Three Rivers District Council who under the lead authority model pick up the costs of this post which is recharged to Watford Borough Council on a 50:50 basis. The full cost is shown in the Three Rivers District Council accounts.

Table16b:

2021/22				
Post Holder Information	Salary (Including Fees & Allowances)	Compensation for loss of Office	Employers Pension Contribution	Cost to Watford Borough Council
	£	£	£	£
Chief Executive	142,719	-	25,975	168,694
Group Head of Place Shaping	113,080	-	20,578	133,658
Group Head of Democracy and Governance	92,056	-	16,754	108,811
Executive Head of HR and Organisational Development *	20,316	-	3,198	23,514
Director of Partnerships	91,640	-	16,678	108,318
Executive Head of Commercial Finance and Innovation **	56,938	-	9,688	66,627
Director of Performance	89,995	-	16,379	106,374
Total	606,744	-	109,251	715,995

2020/21				
Post Holder Information	Salary (Including Fees & Allowances)	Compensation for loss of Office	Employers Pension Contribution	Cost to Watford Borough Council
	£	£	£	£
Group Head of Democracy & Governance	85,461	-	15,554	101,015
Group Head of Community & Environmental Services	82,768	-	15,064	97,832
Executive Head of Strategy and Communications	79,852	-	14,533	94,385
Group Head of Transformation	84,765	-	15,427	100,192
Executive Head of HR and Organisational Development	83,390	-	15,177	98,567
Managing Director	138,713	-	25,246	163,959
Group Head of Place Shaping	94,766	-	17,247	112,013
Group Head of Commercial	49,495	30,000	8,535	88,030
Total	699,210	30,000	126,783	855,993

17. Exit Packages

Exit packages Band (£)	2020/21			2021/22			2021/22			2021/22			
	Compulsory No.	£'000	Other No.	£'000	Total No.	£'000	Compulsory No.	£'000	Other No.	£'000	Total No.	£'000	
0 - 19,999	0	0	0	0	0	0	0	0	1	19	1	19	
20,000 - 39,999	0	0	0	0	0	0	0	0	0	0	0	0	
40,000 - 59,999	1	0	2	0	0	90	0	0	0	0	0	0	
Total	1	0	2	0	0	90	0	0	1	19	1	19	
Add new provisions created						0						0	
Less amounts provided for in previous year						0						0	
Add unused amount of previous year's provision						0						0	
Adjust for differences between payments and accruals						208						39	
Total cost of exit packages in the Comprehensive Income and Expenditure Statement												298	58

18. Grants

Grant issuing body	Credited to Taxation and Non Specific Grant Income	2020/21	2021/22	Credited to Services	2020/21	2021/22
		£'000	£'000		£'000	£'000
Department for Levelling Up, Housing and Communities	Business Rate - Section 31 Grant	16,115	3,259	Local Council Tax Scheme Admin Grant	-	103
	Lower Tier Support Grant	-	121	Council Tax Support Scheme Homelessness	-	188
	New Homes Bonus	772	480		1,696	1,395
	Sales, Fees and Charges Income	-	-			
	Guarantee Scheme	1,250	975			
	Council Tax Hardship Fund	802	-			
	Tax Income Guarantee	1,414	-			
	COVID-19 Emergency Funding	1,383	471			
Department for Business, Energy & Industrial Strategy				Additional Restrictions Grant	2,789	977
				COVID-19 Funding	855	272
				Welcome Back Grant	-	39
Department for Work and Pensions				Housing Benefit Grant	29,246	25,870
				Rent Rebate Subsidy		21
				Non HRA Rebate		407
				Benefit Admin Grant	100	266
Various	Other Revenue Grants	24	-	Other Revenue Grants	1,706	1,196
	Capital Grants	5,265	2,950	Capital Grants		
Various	Developer Contributions	2,986	1,358			
All Grants	Total	30,011	9,614	Total	36,392	30,734

19. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

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

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

Transactions relating to Retirement Benefits

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

Pension Fund Comprehensive Income and Expenditure Statement	Local Government Pension Scheme	
	2020/21	2021/22
	£'000	£'000
Cost of Services		
Current Service Cost	2,607	4,374
Past Service Costs	0	41
(Gain) / Loss from settlements	0	0
Administration Expenses	0	0
Financing and Investment Income & Expenditure		
Net Interest Expense	938	1,090
Surplus / Deficit on the Provision of Services	3,545	5,505
Other Comprehensive Income and Expenditure		
Return on plan assets	-24,981	-3,562
Actuarial gains (-) and losses (+) from demographic assumptions	36,990	-2,098
Actuarial gains (-) and losses (+) from financial assumptions	2,461	-11,104
Experience gains (-) and losses (+)		14,891
Other actuarial gains (-) and losses (+)	-2,029	846
Total retirement benefits charged to the Comprehensive Income and Expenditure Statement	15,986	4,478
Movement in Reserves Statement		
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits in accordance with the code	472	-1,248
Actual amount charged against the General Fund Balance for pensions in the year	4,017	4,257

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2020/21	2021/22
	£'000	£'000
Pension Liability		
Present value of the defined benefit pension obligation	-205,204	-209,833
Fair value of the plan assets	151,044	155,452
Total Net Liabilities	-54,106	-54,381

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

Assets at Fair Value	Local Government Pension Scheme	
	2020/21 £'000	2021/22 £'000
Opening Balance at 1 April	124,956	151,044
Interest Income	2,867	3,000
Return on plan assets	24,981	3,562
Other actuarial gains and losses	0	-846
Administration expenses	0	0
Employer Contributions	4,017	4,257
Contributions by scheme participants	582	663
Benefits Paid	-6,359	-6,228
Settlements received / (paid)	0	0
Closing balance at 31 March	151,044	155,452

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

Liabilities	Local Government Pension Scheme	
	2020/21 £'000	2021/22 £'000
Opening Balance at 1 April	167,147	205,204
Current Service Cost	2,607	4,374
Interest Expense	3,805	4,090
Contributions by scheme participants	582	663
Actuarial gains and losses - demographic assumptions	2,461	-2,098
Actuarial gains and losses - financial assumptions	36,990	-11,104
Experience gains and losses	-2,029	14,891
Other actuarial gains and losses	0	0
Benefits Paid	-6,359	-6,228
Past Service Costs	0	41
(Gain) / Loss from settlements	0	0
Closing balance at 31 March	205,204	209,833

Local Government Pension Scheme assets comprised

Assets	As at 31 March 2021			As at 31 March 2022		
	£'000	£'000	%	£'000	£'000	%
Equities						
Consumer	1,340			2,217		
Manufacturing	1,182			736		
Energy and Utilities	0			0		
Financial Institutions	966			854		
Health and Care	597			1,343		
Information and Technology	3,438			2,828		
Other	134					
		7,657	5%		7,977	5%
Debt Securities						
UK Government	7,725			11,406		
Other	3,440			4,073		
		11,165	7%		15,478	10%
Real Estate:						
UK Property	8,343			12,068		
Overseas Property	6,948			8,703		
		15,291	10%		20,771	13%
Derivatives (quoted in an active market)						
Foreign exchange	-60			-81		
		-60	0%		-81	0%
Cash and cash equivalents						
Cash	4,245			9,096		
		4,245	3%		9,096	6%
Private Equity						
All	9,063			11,360		
		9,063	6%		11,360	7%
Investment Funds and Unit Trusts						
Equities	69,361			57,139		
Infrastructure	63			95		
Bonds	24,382			23,061		
Other	9,606			10,557		
		103,412	69%		90,852	58%
Total		150,773	100%		155,452	100%

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	2021/22

Longevity Assumptions:

Men:

Rate of improvement	1.25%	1.50%
Longevity from 65 (currently aged 65) (yrs)	22.1	22.1
Longevity from 65 (currently aged 45) (yrs)	23.2	22.9

Women:

Rate of improvement	1.25%	1.50%
Longevity from 65 (currently aged 65) (yrs)	24.5	24.7
Longevity from 65 (currently aged 45) (yrs)	26.2	26.1

Financial Assumptions:

Consumer Price Index (CPI) increases	2.85%	3.20%
Rate of increases in salaries	3.25%	3.70%
Rate of increases in pensions and deferred pensions	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%

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

	Local Government Pension Scheme	
	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	2%	3,193
0.1% increase in Pension Increase Rate	1%	2,938
0.1% increase in Salary Increase Rate	0%	233
1 year increase in member life expectancy	4%	8,393

Information about the Defined benefit obligation

Funding levels are monitored on an annual basis, and the latest triennial review is based on 31 March 2019 data. The fund liability may go up or down based on this review, and a sensitivity analysis is set out within this note under "impact on the defined benefit obligation in the scheme". The total value of contributions expected to be made by the Council in 2022/23 is £4.040m.

20. Joint Operations

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

21. Partnership Working

2020/21		2021/22		Total Shared Services £'000
Total Cost £'000		Provided by TRDC £'000	Provided by WBC £'000	
	Services			
1,679	Local Tax Collection	1,841		1,841
1,632	Housing Benefits	1,732		1,732
1,375	Finance	1,532		1,532
888	Human Resources		784	784
1,280	ICT		1,395	1,395
6,854	Total Expenditure	5,105	2,179	7,284
2,701	Paid by Three Rivers District Council	2,103	809	2,912
4,153	Paid by Watford Borough Council	3,002	1,371	4,372

22. Related Parties

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Central Government

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

Senior Officers

The Chief Executive and Director of Performance are board members for Watford BID which is a business led initiative supported by government legislation which gives local businesses the power to raise and spend funds locally with the aim of improving their own business environment. It is an investment scheme where local businesses agree how their money should be invested to benefit themselves, their employees, customers, clients and their town. The money is raised via a levy which businesses in the BID area pay. This money is then reinvested back into the town on projects which have been identified as being important to the town.

In 2021/22 the council paid £712k to Watford BID, £528k of which related to BID levy collected. The council received £18k.

Elected Members

One Councillor is a Board Member for Groundwork East. They received £124k from the council in 2020/21.

One councillor is employed by Hertfordshire County Council as a Project Manager in Health and Social Care.

One councillor is a Board Member for Watford Citizens Advice Bureau (CAB). The Council paid Watford CAB four grants totalling £204k in 2021/22.

One councillor acts as a council representative for Watford Palace Theatre. In 2021/22 they received four grants relating to a service level agreement totalling £278k.

Entities Controlled or Significantly Influenced by the Authority

Watford Commercial Services Ltd (WCS) is a wholly owned subsidiary of Watford Borough Council. No transactions took place in 2021/22.

WCS is a 50% joint venture partner in Hart Homes Watford Development Ltd (HHWDLLP).

The Council owns 50% of Hart Homes Watford Developments Ltd.

The Council made loan advancements of £10.25 million to HHWDLLP during 2021/22.

Watford Health Campus Partnership LLP is a 50:50 joint venture between Watford Borough Council and Kier Property.

The Chief Executive is a clerk for West Herts Crematorium. There is an agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers & Watford) to constitute a Joint

Committee under the Local Government Act 2000. In 2021/22, Watford received a contribution of £50,000 (2020/21 £50,000)

Key Management – Agency Staff

The post of Head of Property was undertaken by an agency worker up until the end of June 2021. Fees of £28,500 were paid for their services.

The post of Head of Legal Services was undertaken by an agency worker during 2021/22. Fees of £104,083 were paid for their services.

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

2021/22	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Croxley Park Finance Lease Asset	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April	98,949	17,607	1,435	2,826	1,517	254,117	376,452
Additions	6,890	3,061	25	148	1,392	1,755	13,271
Donation	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in the Revaluation Reserve	21,802	0	0	3,545	0	0	25,347
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	-3,677	0	0	-508	0	0	-4,185
Impairments	0	-181	0	0	0	0	-181
Derecognition - disposals	-5,156	0	0	0	0	0	-5,156
Derecognition - other	0	-1,265	0	0	0	0	-1,265
Assets reclassified	125,540	0	0	2,000	0	0	127,540
Other movements in cost or valuation	0	0	0	0	0	0	0
Cost or valuation as at 31 March	244,348	19,223	1,460	8,010	2,909	255,871	531,822
Depreciation and Impairment as at 1 April	-7,505	-4,912	-1,161	0	0	-4,268	-17,846
Depreciation charge	-2,049	-792	-52	0	0	-4,235	-7,128
Depreciation and impairment written out to the Revaluation Reserve	3,799	0	0	0	0	0	3,799
Depreciation and impairment written out to the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Derecognition – disposals	0	0	0	0	0	0	0
Derecognition – other	0	1,265	0	0	0	0	1,265
Assets reclassified	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
Depreciation and impairment as at 31 March	-5,755	-4,439	-1,213	0	0	-8,503	-19,910
Net book Value at 31 March 2021	91,445	12,695	275	2,826	1,517	249,848	358,605
Net book Value at 31 March 2022	238,594	14,784	247	8,010	2,909	247,368	511,913

Notes to the Financial Statements

2020/21	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Croxley Park Finance Lease Asset £'000	Total Property Plant & Equipment £'000
Cost or valuation as at 1 April	103,353	33,505	3,196	2,600	1,331	256,100	400,085
Additions	5,527	2,635	207	139	187	1,973	10,668
Donation	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in the Revaluation Reserve	-4,121	0	0	98	0	-3,956	-7,979
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	-1,563	0	0	-11	0	0	-1,574
Impairments	-756	-215	0	0	0	0	-971
Derecognition - disposals	-1,543	0	0	0	0	0	-1,543
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified	668	0	0	0	0	0	668
Other movements in cost or valuation	-2,617	-18,320	-1,968	0	0	0	-22,905
Cost or valuation as at 31 March	98,949	17,605	1,434	2,826	1,518	254,117	376,449
Depreciation and Impairment as at 1 April	-9,786	-21,831	-3,071	0	0	0	-34,688
Depreciation charge	-1,867	-1,401	-58	0	0	-4,268	-7,594
Depreciation and impairment written out to the Revaluation Reserve	1,236	0	0	0	0	0	1,236
Depreciation and impairment written out to the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit of Provision of Services	0	0	0	0	0	0	0
Derecognition - disposals	280	0	0	0	0	0	280
Derecognition - other	2,617	18,320	1,968	0	0	0	22,905
Assets reclassified	0	0	0	0	0	0	0
Other movements in depreciation and impairment	15	0	0	0	0	0	15
Depreciation and impairment as at 31 March	-7,505	-4,912	-1,161	0	0	-4,268	-17,846
Net book Value at 31 March 2020	93,567	11,674	125	2,600	1,331	256,100	365,397
Net book Value at 31 March 2021	91,444	12,693	274	2,826	1,518	249,849	358,603

24. Movement in the value of Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated as part of the rolling five year plan. 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.

2020/21 Total		2021/22 Musical Instrument	Statues, sculptures and war memorials	Works of Art	Civic Regalia	Total
£'000		£'000	£'000	£'000	£'000	£'000
2,609	Cost or Valuation at 1 April	400	647	1,262	265	2,574
-35	Revaluation decreases recognised in the revaluation reserve	0	0	0	0	0
2,574	Cost or Valuation at 31 March	400	647	1,262	265	2,574

25. Movement in the value of Investment Properties

Investment Properties	2020/21 Non- current £'000	2021/22 Non-current £'000
Opening Balance at 1 April	161,448	161,660
Additions	1,727	986
Derecognition	0	0
Net gain (+) / losses from fair value adjustments	-847	5,694
Assets reclassified to / from Investment Properties	-668	-129,040
Other changes	0	0
Closing balance at 31 March	161,660	39,300

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes.

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

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

Valuers

The investment property portfolio has been valued at 31 March 2022 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Avison Young, the Council's valuing agents.

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.

26. Movement in the value of Intangible Assets

	2020/21	2021/22
	£'000	£'000
Expenditure on Software Licences	137	0
Written out in year of acquisition	-137	0
Net Book Value at 31 March	0	0

27. Leases

Authority as lessee

Finance leases

The Council has acquired Croxley Business Park under a Finance Lease. This asset is carried as property, plant and equipment in the Balance Sheet at the following net amounts:

Council as Lessee - Carrying Amounts of Asset	2020/21	2021/22
	£'000	£'000
Croxley Business Park - NBV	249,848	247,368
Total	249,848	247,368

The authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the authority and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

Council as Lessee - Finance Lease Liabilities	2020/21	2021/22
	£'000	£'000
Current	3,777	3,867
Non-Current	226,935	223,069
Future Years Finance Costs	121,786	116,363
Total commitments	352,498	343,299

The minimum lease payments will be payable over the following periods:

Council as Lessee - Minimum Lease Payments	2020/21		2021/22	
	Finance Lease Liability	Minimum Lease Payments	Finance Lease Liability	Minimum Lease Payments
	£'000	£'000	£'000	£'000
Within 1 year	3,777	9,200	3,866	9,200
Within 2nd - 5th years	16,018	36,800	16,394	36,800
6th year and beyond	210,917	306,498	206,675	297,299
Total commitments	230,712	352,498	226,935	343,299

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The authority as lessor

The Council leases out property under operational leases.

The future minimum lease payments below are to be received over the following periods:

Council as Lessor	2020/21	2021/22
	Land and buildings £'000	Land and buildings £'000
Future Minimum leases payments receivable:		
Within 1 year	18,251	17,745
Within 2nd - 5th years	65,320	59,712
6th year and beyond	182,203	2,498,668
Total:	265,774	2,576,125

28. Capital Financing Requirement

Capital Financing	2020/21 Restated £'000	2021/22 £'000
Capital Financing Requirement as at 1 April	281,834	289,382
Capital Investment:		
Property, Plant and Equipment	10,529	11,706
Assets under construction		1,392
Infrastructure Assets		25
Intangible Assets	137	0
Investment Property	1,727	986
Revenue Expenditure Funded from Capital Under Statute	5,922	5,898
Surplus Assets	139	148
Long Term Debtors	3,760	10,377
	22,214	30,532
Sources of Finance:		
Capital receipts	-3,329	-613
Government Grants and Other Contributions (including S106)	-6,895	-4,367
Capital Expenditure funded from the Revenue Account	-333	0
Repayment of loans treated as capital receipts		0
Minimum Revenue Provision	-4,109	-4,778
	-14,666	-9,758
Increase (+) / decrease (-) in Capital Financing Requirement	7,548	20,774
Capital Financing Requirement at 31 March	289,382	310,156

29. Long Term Debtors

	As at 31 March 2021 £'000	As at 31 March 2022 £'000
Watford Health Campus Loan	9,748	11,568
Hart Homes Loan - LTD	6,119	6,059
Hart Homes Loan - LLP	4,509	15,223
Watford Health Trust Loan	2,000	2,000
Watford Muslim Youth Loan	150	150
Everyone Active Loan	225	225
YMCA Loan	14	14
Watford BID Loan	0	200
Charges Registered to Properties	108	207
Total	22,873	35,647

30. Short-Term Debtors

	As at 31 March 2021	As at 31 March 2022
	£'000	£'000
Government Departments	2,139	13,967
Other Local Authorities	4,810	2,638
Health Authorities	0	0
Payments in Advance	456	504
Other Entities & Individuals	15,252	13,578
	22,657	30,687
Less Impairment Allowance Account	-6,264	-7,184
Total	16,393	23,503

31. Assets Held for Sale

	As at 31 March 2021	As at 31 March 2022
	£'000	£'000
Balance at 1 April	0	0
Transfers from PPE	0	1,500
Balance at 31 March	0	1,500

32. Creditors

	As at 31 March 2021	As at 31 March 2022
	£'000	£'000
Receipts in Advance	-5,628	-4,224
Creditors		
Government Departments	-11,107	-28,881
Other Local Authorities	-932	-1,857
Health Authorities	0	0
Other Entities & Individuals	-8,080	-9,243
	-20,119	-39,982
Short Term Creditors and RIA	-25,747	-44,206
Long Term Receipts in Advance	0	0
Total	-25,747	-44,206

33. Cash and Cash Equivalents

	As at 31 March 2021	As at 31 March 2022
	£'000	£'000
Cash at bank and in hand	16,893	7,148
Call Accounts	0	0
Money Market Funds	0	0
Total	16,893	7,148

34. Short Term Investments

	As at 31 March 2021	As at 31 March 2022
	£'000	£'000
Cash Plus Fund Royal London Asset Management	3,003	2,996
Sustainable Managed Growth Fund	5,088	5,114
Sustainable Diversified Fund	84,757	89,847
Short Term Deposits	0	5,000
	92,848	102,957

35. Financial Instruments

Financial Instrument Carrying Value

As at 31 March 2021		Financial Assets	As at 31 March 2022	
Short Term	Long Term		Short Term	Long Term
£000	£000		£000	£000
		Carried at Amortised Cost		
16,893	0	Cash and Cash Equivalents	7,148	0
16,258	22,766	Debtors	22,998	35,647
33,151	22,766	Total at Amortised Cost	30,146	35,647
		Carried at Fair Value through Profit & Loss		
92,848	0	Investments	102,957	0
0	2,420	Equity	0	2,420
92,848	2,420	Total at Fair Value through Profit and Loss	102,957	2,420
458	0	Non-Financial Assets*	504	0
126,457	25,186	Total	133,608	38,067

As at 31 March 2021		Financial Liabilities	As at 31 March 2022	
Short Term	Long Term		Short Term	Long Term
£000	£000		£000	£000
		Carried at Amortised Cost		
-20,011	-11,250	Borrowing	-39,023	-11,250
-19,581	-1,197	Creditors	-39,982	0
-39,592	-12,447	Total at Amortised Cost	-79,004	-11,250
-4,451	-5,466	Non-Financial Liabilities*	-4,224	-5,065
-44,043	-17,913	Total	-83,229	-16,315

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

Material Soft Loans made by the Authority

Loan to YMCA

The Council made an interest free loan of £124,000 to YMCA in 1977. This is deemed to be a material soft loan.

Charges Registered to Properties

The Council has incurred expenditure to improve the quality of private sector housing stock. These include assistance to individual homeowners and the cost of delivering improvements under enforcement actions against private landlords. These amounts are deemed to be loans and are recoverable by way of a financial charge against the individual properties. These loans are generally interest free, or otherwise below markets, and whilst individual amounts are of a low value they are considered to be material soft loans in their totality.

Material Soft Loans	At 31 March 2021	At 31 March 2022
	£000	£000
Opening Balance	0	98
Notional value of new loans granted in the year	0	127
Fair Value Adjustment on initial recognition	0	-30
Loans Repaid	0	-1
Impairment Losses	0	0
Increase in discounted amount	0	3
Other changes	0	0
Closing Balance	0	197
Nominal Value at 31 March	0	351

Valuation Assumptions

The interest rate at which the fair value of the YMCA soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing (6.89%) and adding an allowance for the risk that the loan might not be repaid by YMCA, in this case a zero rate.

For the soft loans in respect of Charges Registered to Properties the prevailing cost of borrowing is based on the average PWLB in the year of advance, for a loan of equal duration to the period for which the charge can be enforced (for time-limited charges) and 25 years for charges without expiration dates.

Notes to the Financial Statements

Financial Instruments – Income, Expenses, Gains or Losses

2020/21 Financial Liabilities		2020/21 Financial Assets			2021/22 Financial Liabilities		2021/22 Financial Assets			Total
Liabilities at amortised cost £'000	Assets at amortised cost £'000	Assets at fair value through Other Comprehensive Income £'000	Assets at fair value through profit and loss £'000	Liabilities at amortised cost £'000	Assets at amortised cost £'000	Assets at fair value through Other Comprehensive Income £'000	Assets at fair value through profit and loss £'000	£'000		
	125									
				125	Interest Expense	5,959		0	5,959	
				0	Decreases in fair value			7	7	
				0	Impairment Losses		0	0	0	
	32			32	Fee expense	39		0	39	
					Total expense in Surplus or Deficit on the Provision of Services					
0	157	0	0	157		5,998	0	0	7	6,005
-950				-950	Interest Income		-1,346		0	-1,346
-401				-401	Dividend Income		-800			-800
			-2,848	-2,848	Increases in fair value			0	-5,116	-5,116
					Total income in Surplus or Deficit on the Provision of Services					
-1,351	0	0	-2,848	-4,199		0	-2,146	0	-5,116	-7,262
				-4,042	Net gain (-) / loss (+) for the year					-1,257

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

Financial Instruments – Carrying Values

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

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

The Balance Sheet includes the following financial instruments:

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

Disclosure of Nature and Extent of Risks arising from Financial Instruments

Long term debtors comprise loans and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value.

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

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

Liquidity Risk

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

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

Market Risk

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

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

Credit Risk

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

Aged Debtors	At 31 March 2021	At 31 March 2022
	£000	£000
Less than 3 months	633	1,303
Between 3 and 6 months	15	59
Between 6 month and 1 year	146	- 44
More than 1 year	89	136
Total	883	1,454

Interest rate risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall

Following the sensitivity analysis showing a 1% increase in interest rates:

Amount at 31 March 2021	Sensitivity Analysis	Amount at 31 March 2022
£000		£000
2	Investments - 1% Increase	1,030
0	Borrowings - 1% Increase	-503
2	Net impact on CIES	527

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

37. Provisions

Provisions are accumulated funds held where the Council has an obligation which is likely to lead to a payment as a result of a past event, but the exact amount and/or timing of the payment is unknown.

	Balance at 31 March 2021	Additional provisions made in 2021/22	Amounts used in 2021/22	Unused amounts reversed in 2021/22	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
MMI Insurance	-48	0	0	0	-48
Land Charges	-77	0	0	0	-77
Contract Provision	-74	0	0	0	-74
Business Rates	-3,538	-2,953	0	3,538	-2,953
Total	-3,737	-2,953	0	3,538	-3,152

	Balance at 31 March 2020	Additional provisions made in 2020/21	Amounts used in 2020/21	Unused amounts reversed in 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000
MMI Insurance	-48	0	0	0	-48
Land Charges	-77	0	0	0	-77
Contract Provision	-74	0	0	0	-74
Business Rates	-2,788	-2,889	2,139	0	-3,538
Total	-2,987	-2,889	2,139	0	-3,737

Property Searches

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.

Municipal Mutual Insurance

Under Watford Borough Council's agreement with its previous insurer Municipal Mutual Insurance (MMI), the Council is exposed to the possibility of having to repay all or part of its claims already settled, or to be settled, by MMI. The Council believes the provision is prudent.

Contractual Provision

This provision reflects a potential liability for the Council on one of its contracted services.

NDR Appeals

The NNDR Appeals provision has arisen because of the change to the NNDR regime. 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.

38. Movement in Useable Reserves

	31 March 2021	31 March 2022
Usable Reserves	£'000	£'000
General Fund	2,000	1,999
Earmarked Reserves	55,934	37,572
Useable Capital Receipts Reserve	478	479
Capital Grants and Contributions Reserve	76,988	76,930
Total	135,400	116,980

39. General Fund

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

	2020/21	2021/22
	£'000	£'000
Balance at 1 April	2,292	2,000
Net increase / decrease before transfers to Earmarked Reserves	11,016	-18,362
Transfer to / from Earmarked Reserves	-11,308	18,362
Balance at 31 March	2,000	1,999

40. 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 2021/22.

For each Reserve established the Council identifies:

- the reason/purpose of the reserve
- how and when the reserve can be used
- procedures for the management and control of the reserve
- a process and timescale for review to ensure continuing relevance and adequacy

	Balance at 31 March 2020	In year Movement 2020/21	Balance at 31 March 2021	In year Movement 2021/22	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Budget Carry Forward	-1,933	1,107	-826	-909	-1,735
Car Parking Zones	-697	465	-232	-429	-661
Collection Fund	-297	-16,963	-17,260	12,114	-5,146
Climate Change	-48	48	0		
Crematorium	-150	0	-150	0	-150
Economic Impact Reserve	-2,980	1,712	-1,268	790	-479
Housing Benefit Subsidy	-997	529	-468	-529	-997
Housing Planning Delivery Grant	-266		-266	0	-266
Leisure Structured Maintenance	-423	366	-57	0	-57
Local Development Framework	-178		-178	0	-178
Multi-Storey Car Park Repair	-181		-181	0	-181
Parks, Waste and Street	-60	60	0		
Pension Funding	-2,248		-2,248	0	-2,248
Redundancy Reserve	0	0	0	0	0
Grants and Contribution Reserve	-86	-3,206	-3,292	3,032	-260
Rent Deposit Guarantee Scheme	-100		-100	0	-100
Commercial Risk Reserve	-7,334	812	-6,522	-92	-6,615
Sustainability Reserve			0	0	0
Croxley Park General Reserve	-24,255	3,547	-20,708	3,764	-16,945
Renewal Recovery Fund	0	-1,036	-1,036	405	-632
Vehicle Replacement Reserve	-182		-182	0	-182
Weekly Collection Support Grant	-83	53	-30	30	0
Grounds Maintenance	-32	17	-15	0	-14
Performance Reward Grant	-169	28	-141	0	-141
Project and Programme Management	-299	223	-76	76	0
Le Marie Centre Repairs	-11	11	0	0	0
Invest to save	-689	689	0	0	0
Charter Place Tenants	-93	93	0	0	0
HB Equalisation Reserve	-835	139	-696	110	-586
Total Earmarked Reserves	-44,626	-11,306	-55,932	18,362	-37,572

41. 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 restricted by statute from being used other than to fund future years' expenditure in the approved capital budget or set aside to finance historical capital expenditure.

	2020/21 £'000	2021/22 £'000
Balance at 1 April	28	478
Net receipts from sale of assets	0	613
Net receipts from repayment of loans	450	1
Transfer from deferred capital receipts reserve	0	0
Receipts applied to finance capital expenditure	0	-613
Balance at 31 March	478	479

42. Capital Grants Unapplied Reserve

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

	2020/21 £'000	2021/22 £'000
Balance at 1 April	75,651	76,988
Applied during the year	-6,895	-4,367
Recognised as income but not applied during the year	8,232	4,308
Balance at 31 March	76,988	76,930

43. Movement in Unusable Reserves

Unusable Reserves	31 March 2021 £'000	31 March 2022 £'000
Pooled Fund Adjustment Account	2,848	7,957
Pensions Reserve	-54,160	-54,381
Revaluation Reserve	68,278	92,898
Capital Adjustments Account	188,724	187,359
Financial Instruments Adjustment Account	-127	-154
Collection Fund Adjustment Account	-17,351	-8,105
Accumulated Absences Account	-336	-290
Deferred Capital Receipts	8	701
Total	187,884	225,985

44. 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.

2020/21		Capital Adjustment Account	2021/22	
£'000	£'000		£'000	£'000
	191,746	Balance as at 1 April		188,723
		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-7,594		Charges for depreciation for non-current assets	-7,128	
-695		Charges for impairment for non-current assets	-181	
-1,574		Revaluation losses / subsequent gains on Property, Plant and Equipment	-4,185	
-137		Amortisation of Intangible Assets	0	
-5,922		Revenue Expenditure funded from capital under statute	-5,898	
-90		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-3,950	
0		Removal of finance liability on derecognition of assets held under finance leases	0	
	-16,012			-21,342
		Adjusting amounts written out of the Revaluation Reserve:		
0		Difference between fair value depreciation and historical cost depreciation	1,321	
2,815		Accumulated gains on assets sold or scrapped	3,207	
	2,815			4,527
		Capital Financing applied in year:		
-1,879		Use of the Capital Receipts Reserve to finance new capital expenditure	613	
-6,895		Capital grants and contributions credited to the CIES that have been applied to capital financing	0	
-331		Application of grants to capital financing from the Capital Grants Unapplied account	4,367	
0		Reversal of grants and contributions applied in previous years	0	
0		Repayment of loans treated as capital receipts	0	
-4,109		Statutory provision for the financing of capital investment charged against the General Fund balance	4,778	
0		Capital expenditure charged against the General Fund balance	0	
0		Reversal of revenue applied to capital financing in previous years	0	
	13,213			9,758
	-847	Movements in the market value of Investment Properties debited or credited to the CIES		5,694
	8	Revaluation losses / subsequent gains on Assets held for Sale		0
	0	Impairment Losses on Assets held for Sale		0
	0	Accumulated gains on Assets held for Sale or scrapped		0
	0	Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		0
	-2,199	Repayment of loans treated as capital receipts		-1
188,724		Total Balance at 31 March		187,359

45. 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 realised

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

2020/21		Revaluation Reserve		2021/22	
£'000	£'000			£'000	£'000
	77,872	Balance as at 1 April			68,279
2,874		Revaluation of assets		29,146	
-9,653		Impairment of assets		0	
		Write back of accumulated depreciation on revaluations		0	
0		Write back of accumulated impairment on revaluations		0	
		Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services			29,146
	-6,778				
		Difference between fair value depreciation and historical cost depreciation		-1,321	
-1,326		Accumulated gains on assets sold or scrapped		-3,207	
-1,490		Amounts written off to the Capital Adjustment Account			-4,527
	-2,815				
	68,279	Total Balance at 31 March			92,898

46. Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2020/21 £'000	2021/22 £'000
Balance as at 1 April	788	-17,351
Decrease in Council Tax and Business Rate surpluses/increases in deficits	0	132
Increases in Council Tax and Business Rate surpluses/reductions in deficits	0	9,114
Amount by which Council Tax and Business Rate income credited to the CIES is different from the income for the year calculated in accordance with statutory requirements	-18,139	9,246
Balance as at 31 March	-17,351	-8,105

47. Accumulated Absences Account

Accumulated Absences Account	2020/21 £'000	2021/22 £'000
Balance as at 1 April	-221	-335
Settlement or cancellation of previous year's accrual	221	335
Amount accrued at the end of the current year	-335	-290
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute	-114	45
Balance as at 31 March	-335	-290

48. Pensions Reserve

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

	2020/21 £'000	2021/22 £'000
Pension Reserve		
Balance as at 1 April	-42,191	-54,160
Net charge made for retirement benefits in accordance with IAS19	472	-1,248
Remeasurements of the new defined liability	-12,441	1,027
Balance as at 31 March	-54,160	-54,381

49. Pooled Fund Adjustment Account

	2020/21 £'000	2021/22 £'000
Balance at 1 April	0	2,848
Increase in value of assets held at Fair Value through Profit and Loss	2,848	-7
Decrease in value of assets held at Fair Value through Profit and Loss	0	5,116
Amounts transferred to the General Fund on disposal	0	0
Balance at 31 March	2,848	7,957

50. Financial Instruments Adjustment Account

	2020/21 Restated £'000	2021/22 £'000
Balance at 1 April	129	127
FV Adjustment - New Soft Loans Advanced	0	30
Amortisation of Soft Loan FV Adjustment	-2	-3
Balance at 31 March	127	154

51. Deferred Capital Receipts

	2020/21 Restated £'000	2021/22 £'000
Balance at 1 April	8	8
New Deferred Receipts Recognised in Year	0	693
Realised Receipts Transferred to Capital Receipts Reserve	0	0

Balance at 31 March 8 **701**

52. Notes to the Cashflow Statement

Non-cash Movements	2020/21 £'000	2021/22 £'000
Depreciation/amortisation of fixed assets	-7,731	-7,128
Impairment charges/revaluation losses (-) Gains (+)	-2,269	-4,366
Retirement benefit adjustments	472	-1,248
Debt write-offs and Impairment allowances	0	0
Other financial instrument adjustments	0	-27
Provisions set aside in the year	0	586
Deferred Capital Receipts	0	693
Movement in value of Pooled Funds	0	5,109
Movement in value of investment properties	0	5,694
Carrying amount of non-current asset sold	-90	-3,950
Transfers from Capital Grants Receipts in Advance	0	1,487
Previous years' capitalised spend written-off	0	0
Donated assets	0	0
Other non cash adjustment	1,251	45
Increase/decrease(-) in inventories	-5	0
Increase/decrease(-) in debtors	2,525	-5,949
Increase(-)/decrease in creditors	-7,353	-1,001
Total adjustments for non-cash movements	-13,200	-10,056
Investing Activities	2020/21 £'000	2021/22 £'000
Purchase of property, plant and equipment, investment property and intangible assets	12,642	14,257
Purchase of short-term and long-term investments	810,064	329,000
Other payments for investing activities	3,760	10,579
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-130	-613
Capital grants	0	-2,821
Proceeds from short-term and long-term investments	-814,477	-324,000
Other receipts from investing activities	-15,891	-1
Total adjustments for investing activities	-4,032	26,401

Financing Activities	2020/21 £'000	2021/22 £'000
Cash receipts of short- and long-term borrowing	-46,250	-49,000
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	3,690	3,776
Repayments of short- and long-term borrowing	30,000	30,000
Other payments for financing activities	6,331	-5,305
Total adjustments for financing activities	-6,229	-20,529

53. Contingent Assets

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

54. Contingent Liabilities

In October 2024 the Council became aware of a potential liability in relation to water charges at Cassiobury Park Hub dating back to 2018 which, if liability is established, could amount to £400,000.

55. Going Concern

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

Collection Fund

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

2020/21			2021/22		
National Non- Domestic Rates £000	Council Tax £000	Total £000	National Non- Domestic Rates £000	Council Tax £000	Total £000
Income Receivable:					
	-62,741	-62,741		-66,556	-66,556
-27,162		-27,162	-51,030		-51,030
0	-308	-308			0
0		0	-13,456		-13,456
0		0	-3,654		-3,654
0		0	-16,646		-16,646
-27,162	-63,049	-90,211	-84,786	-66,556	-151,342
Expenditure:					
Repayment of previous years surpluses:					
923	154	1,077		28	28
137	783	920		143	143
	108	108		20	20
1,210		1,210			0
Precepts and demands:					
25,340	9,160	34,500	24,739	9,122	33,861
6,335	47,349	53,684	6,185	48,216	54,401
	6,629	6,629		6,983	6,983
31,675		31,675	30,924		30,924
Charges to the Collection Fund:					
Bad Debts Provision					
1,716	988	2,704	-296	1,123	827
879		879	-1,464		-1,464
161		161	151		151
3,328		3,328	1,648		1,648
71,704	65,171	136,875	61,887	65,635	127,522
44,542	2,122	46,664	-22,899	-921	-23,820
-1,343	-1,291	-2,634	43,199	831	44,030
43,199	831	44,030	20,300	-90	20,210
Fund Balance Allocation (indicative):					
17,233	118	17,351	8,120	-15	8,105
4,598	623	5,221	2,030	-65	1,965
	90	90		-10	-10
21,368		21,368	10,150		10,150

CF 1 Council Tax Payers

The charge for Council Tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an "equivalent number of Band D dwellings" where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2021/22.

2020/21		2021/22				2020/21	
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Fraction (Proportion)	Equivalent Number of Band D Dwellings	
0	A (Disabled Relief)	3	0	3	5/9	2	
253	A	521	-143	378	6/9	252	
2,428	B	4,388	-1,516	2,872	7/9	2,234	
10,631	C	14,788	-3,041	11,747	8/9	10,441	
11,014	D	12,744	-1,874	10,869	9/9	10,869	
3,994	E	3,601	-372	3,229	11/9	3,946	
2,963	F	2,141	-137	2,003	13/9	2,894	
3,066	G	1,883	-79	1,804	15/9	3,007	
167	H	83	-6	78	18/9	155	
34,516		40,151	-7,168	32,983		33,800	
-1,036	Less Allowance for losses on collection					-1,014	
33,481	Tax Base for Calculation of Council Tax					32,786	
0	Add: Adjustment for changes during the year for successful appeals against valuations bandings, new properties, demolitions, disabled persons' relief and empty properties					0	
33,481	Council Tax Base for the year					32,786	

CF 2 Business Rate Payers

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 £1,961.87 (£1,885.79 for 2020/21).

Group Movement in Reserves Statement

	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Unapplied	Capital Grants and Contbns Unapplied	Share of Joint Venture Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020		2,292	44,626	28	75,651	337	122,934	227,862	350,796
Movement in reserves during 2020/21									
Total Comprehensive Income and Expenditure		-8,071	0	0	0		-8,071	-19,220	-27,292
Adjustments between accounting basis and funding basis under statutory provisions	6	19,087	0	450	1,338		20,875	-20,875	0
Adjustments primarily involving the share of Joint Venture Reserve						370	370	0	370
Transfers to / from earmarked reserves	44	-11,308	11,308	0	0	0	0	0	0
Increase (+) or Decrease (-) In Year		-292	11,308	450	1,338	370	13,172	-40,087	-26,916
Balance at 31 March 2021		2,000	55,933	478	76,989	707	136,106	187,775	323,880
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure		-10,494	0	0	0		-10,494	30,173	19,679
Adjustments between accounting basis and funding basis under statutory provisions	6	-7,869	0	1	-59		-7,926	7,926	0
Adjustments primarily involving the share of Joint Venture Reserve						699	699	0	699
Transfers to / from earmarked reserves	44	18,362	-18,362	0	0		0	0	0
Increase (+) or Decrease (-) In Year		-1	-18,362	1	-59	699	-17,722	38,100	20,378
Balance at 31 March 2022		1,999	37,572	479	76,930	1,406	118,386	225,985	344,371

Group Comprehensive Income and Expenditure Statement

2020/21				2021/22			
Gross Expenditure	Income	Net Expenditure	Notes	Gross Expenditure	Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
3,882	-143	3,739	Democracy & Governance	2,299	-228	2,071	
33,121	-15,749	17,372	Place	37,931	-25,156	12,776	
1,422	-38	1,384	Corporate Strategy & Comms	2,141	-78	2,063	
773	-62	711	Human Resources	1,026	-320	707	
11,400	-3,115	8,285	Corporate, Housing and Wellbeing	12,801	-4,880	7,921	
37,596	-33,652	3,944	Strategic Finance	35,917	-30,130	5,787	
0	0	0	Other Costs	-59	-210	-269	
88,194	-52,759	35,435	Cost of Services	92,056	-61,002	31,055	
		93	Other Operating Expenditure	2,644	0	2,644	11
		-3,031	Financing and Investment Income and Expenditure	1,435	-9,171	-7,735	12
		-24,426	Taxation and Non-Specific Grant Income	0	-15,469	-15,469	13
		8,071	Surplus (-) or Deficit (+) on Provision of Services	96,136	-85,642	10,494	
		370	Share of Surplus (-)/ Deficit (+) in relation to Joint Ventures			-699	
		8,441	Group Surplus (-) or Deficit (+) on Provision of Services			9,795	
			Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		6,779	Surplus or Deficit on revaluation of non-current assets			-29,146	44
		0	Impairment losses on non-current assets charges to the revaluation reserve			0	44
		12,441	Remeasurements of the net defined benefit liability (asset)			-1,027	19
		19,220				-30,173	
			Items that may be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		0	Surplus or deficit on revaluation of available for sale financial assets			0	
		0	Other gains or losses			0	
		0				0	
		19,220	Other Comprehensive Income and Expenditure			-30,173	
		27,662	Total Comprehensive Income and Expenditure			-20,378	

Group Balance Sheet

As at 31 March 2021 £'000		Notes	As at 31 March 2022 £'000	£'000
Long Term Assets				
358,605	Property, Plant and Equipment	23	511,913	
161,660	Investment Property	25	39,300	
0	Intangible Assets	26	0	
2,574	Heritage Assets		2,574	
1,713	Long Term Investments	29	1,014	
22,766	Long Term Debtors	29	35,647	
547,318	Total Long Term Assets			590,447
Current Assets				
0	Assets Held for Sale		1,500	
16,386	Debtors	30	23,503	
15	Stock		15	
92,848	Short Term Investments	33	102,957	
16,893	Cash and Cash Equivalents	32	7,148	
126,142	Total Current Assets			135,123
Current Liabilities				
-20,011	Short Term Borrowing	31	-39,023	
	Short Term Creditors and Revenue Receipts in Advance			
-29,524	Advance	31	-44,206	
0	Provisions	36	0	
	Short Term Finance Liability		-3,866	
0	Short Term Capital Grants Receipts in Advance			
-49,535	Total Current Liabilities			-87,095
Long Term Liabilities				
-232,312	Long Term Creditors and Revenue Receipts in Advance		-922	
-3,737	Provisions due over one year		-3,152	
-11,250	Long Term Borrowing		-11,250	
-54,160	Pension Liability	19	-54,381	
0	Long Term Finance Liability		-223,069	
0	Deferred Income		-170	
0	Long Term Capital Grants Receipts in Advance		-3,974	
-301,459	Total Long Term Liabilities			-296,917
322,466	Net Assets (+) / Net Liabilities (-)			341,559
Financed from:				
134,692	Usable Reserves	37-41		115,574
187,775	Unusable Reserves	42-49		225,985
322,466	Total Reserves			341,559

Hannah Doney, Chief Financial Officer

Date: 15 October 2024

Group Cashflow

2020/21 £'000		Notes	2021/22 £'000
-8,071	Net (surplus) or deficit on the provision of services		10,494
13,200	Adjust net surplus or deficit on the provision of services for non-cash movements	51	-10,056
-8,362	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	51	3,434
-3,233	Net cash flows from Operating Activities		3,872
4,032	Investing activities	51	26,401
6,229	Financing activities	51	-20,529
7,028	Net increase (-) or decrease (+) in cash and cash equivalents		9,745
9,864	Cash and cash equivalents at the beginning of the reporting period		16,893
16,892	Cash and cash equivalents at the end of the reporting period		7,148

1. The Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22 using the equity method for Joint Ventures under International Accounting Standard 28, Interests in Joint Ventures, and using the line-by-line consolidation method for subsidiaries under International Accounting Standard 27, Consolidated and Separate Financial Statements. There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts.

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

2. Watford Borough Council's share of Joint Venture Companies within the Group

2020/21		2021/22	
Watford Health Campus Partnership LLP	Hart Homes (Watford) Limited	Watford Health Campus Partnership LLP	Hart Homes (Watford) Limited
£'000	£'000	£'000	£'000
-8,659	-373	-11,148	-274
7,711	0	9,427	0
168	304	212	150
0	128	0	128
0	0	0	7
-781	59	-1,509	10
0	5,440	0	5,361
5,743	0	6,162	0
5,102	0	9,733	0
134	27	717	19
2,569	86	1,714	239
-3,062	-153	-2,107	-257
-9,749	-3,030	-14,773	-3,000
738	2,371	1,447	2,361

3. Related Party Transactions

Related Party Transactions between Watford Borough Council and its subsidiaries and joint ventures are disclosed in the single entity accounts.

WHCP is a Joint Venture between Watford Borough Council and Keir Project Investment Limited. During the year there were related party transactions between the JV partners and WHCP. There were also transactions with Keir Property Developments Limited and subsidiaries of WHCP, Watford

Riverwell (Family Housing) and Watford Woodlands LLP.

During the year loans were advanced to Watford Riverwell (Family Housing) of £7,819k and interest accrued of £369k resulting in a year end balance of £8,188k. Loans of £28k were advanced to Watford Woodlands LLP resulting in a year end balance of £28k.

Project management fees and accountancy fees were provided to WHCP by Keir Property Developments Limited, £891k, and Kier Project Investment Limited, £56k.

There were no members loan repayments made to Kier Project Investment Limited or Watford Borough Council during the year.

WHCP's outstanding balances with related parties as at 31/03/2022 were:

Related Party	Balance £000
Loans to related parties:	
Watford Riverwell (Family Housing)	8,188
Watford Woodlands LLP	28
Other related party creditors:	
Kier Property Developments Limited	189
Loans from parent entities:	
Kier Project Investment Limited	10,317
Watford Borough Council	11,568

4. Capital Contributions (Loans)

2020/21 Amounts outstanding at 31 March 2021 £'000		2021/22			Amounts outstanding at 31 March 2022 £'000
		New Loans £'000	Capitalised Interest £'000	Repayments £'000	
9,748	Watford Health Campus Partnership - Loan Note A		569		10,317
0	Watford Health Campus Partnership - Loan Note B	1,206	45		1,251
6,119	Hart Homes (Watford) Ltd			-59	6,060
15,867		1,206	614	-59	17,628

Accounting Period

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

Accruals

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

Accumulated Compensated Absences Adjustment Account

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

Actuary

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

Actuarial Gains and Losses

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

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

Amortisation

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

Billing Authority

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Capital Charges

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

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

Capital Financing Costs

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

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

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

Collection Fund

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

Contingent Assets/Liabilities

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

Creditor

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

Current Assets

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

Current Liabilities

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

Current Service Cost

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

Curtailment

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

Debtor

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

Defined Benefit Scheme

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

Depreciation

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

Earmarked Reserves

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

Finance Lease

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

Group Accounts

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

Heritage Assets

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

International Financial reporting Standard (IFRS)

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

Impairment

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

Investment Property

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

Investments

Deposits for with approved institutions.

Infrastructure Assets

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

Long Term Assets – Tangible

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

Long Term Assets – Intangible

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

Long Term Debtors

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

National Non-Domestic Rates (NNDR or NDR)

NNDR or NDR is the levy on business property, based upon a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year, which is applicable to all Local Authorities.

Operational Assets

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

Operating Lease

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

Pension Fund

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

Precept

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

Provision

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

Revenue Expenditure Funded From Capital Under Statute

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

Surplus Assets

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

