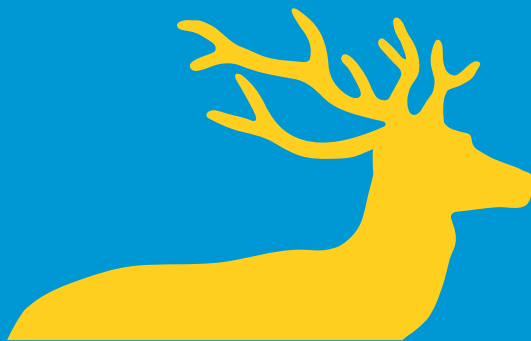


Watford Borough Council

Draft Statement of Accounts 2023/24

31 May 2024



WATFORD
BOROUGH
COUNCIL

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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 Finance 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 Finance 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 Finance 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 Finance 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 2024

Signed

Date:

Hannah Doney
Chief Finance Officer

Signed

Date:

Councillor Mark Hoffman
Chairman of Audit Committee

As the Chief Finance 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 2023/24.

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 latest amendment to the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment Regulations) 2022 was laid before parliament on 30 June 2022 and came into force on 22 July 2022. This requires local authorities to publish draft accounts for 2023/24 by 31 May 2024 and commence the public inspection period on or before the first working day of June 2024. The deadline for conclusion of the audit and publication of audited accounts is 30 September 2024.

This draft statement of accounts was authorised for issue by the Section 151 Officer on 31 May 2024. The statement of accounts may be subject to amendment following the conclusion of the audit.

Signed

Date: 31 May 2024

Hannah Doney, CPFA
Chief Finance Officer

1. Council Plan

The Council updated its Council Plan during 2022. The Council Plan, Watford Together – United by possibility, sets out the aspirations for both the council and the town we serve for the period 2022 to 2026. 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:

- Be bold
- A greener, brighter future
- An inspiring, thriving and creative town
- A diverse, happy and healthy town

The Council Plan 2022-2026 and Delivery Plan 2022-24 can be found at the following link:

[Council strategies and plans](#)

Overview of the 2023/24 budget

During the year, the Council progressed its vision in the delivery of a bold and progressive future for Watford. The revenue budget set to achieve this was agreed in January 2023. The Council is organised into service areas as set out in the following table with each area responsible for delivering elements of the Council Plan:

| Service Area | Original Budget £000 |
|--|-------------------------|
| Corporate, Housing and Wellbeing Place | 6,296 |
| Democracy & Governance | (373) |
| Corporate Strategy & Comms | 2,025 |
| Human Resources | 1,348 |
| Strategic Finance | 551 |
| | 5,114 |
| Net Cost of Services | 14,962 |
| Funding: | |
| Taxation and non-specific grant income | (14,260) |
| Use of reserves | (702) |
| Total Funding | (14,962) |

During the year, the budget was revised to reflect the impact of the 2023/24 pay award and other cost pressures which emerged in year driven by external factors such as inflation and demand for services. The latest budget is shown in the table on the following page. The increase in expenditure was funded in 2023/24 by one off use of reserves. Where pressures are ongoing, these have been addressed in the budget for 2024/25 onwards through approval of the updated MTFs in January 2024.

The Council also approved a Capital Programme for 2023/24 to 2026/27 of £69.021m million. Significant schemes and programmes in these three years included:

| | £m |
|---|------|
| Riverwell (Watford Health Campus Partnership) | 18.0 |
| Watford Business Park redevelopment | 8.6 |
| Town Hall and Colosseum | 14.9 |

2. Performance, including year end position for 2023/24

Revenue Year End Position 2023/24

The financial performance is reported to Members based on the organization's service structure. It reflects spend to be met by local taxpayers, grant funding from central government, and other income sources, including operational and commercial rents and fees and charges. 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 pension adjustments required under proper accounting practice but are not funded from taxation. The table below shows the year end position against the latest budget that will be reported to Council in July 2024:

| Service Area | Latest Budget £000 | Year End £000 | Variance £000 |
|--|-----------------------|------------------|------------------|
| Corporate, Housing and Wellbeing | 7,047 | 7,445 | 398 |
| Place | 4,490 | 6,513 | 2,023 |
| Democracy & Governance | 2,136 | 2,142 | 6 |
| Corporate Strategy & Comms | 1,401 | 1,124 | (277) |
| Human Resources | 593 | 560 | (34) |
| Strategic Finance | 4,934 | 2,443 | (2,492) |
| Net Cost of Services | 20,602 | 20,227 | (375) |
| Funding: | | | |
| Taxation and non-specific grant income | 14,260 | 14,264 | (4) |
| Use of reserves | 6,342 | 5,963 | 379 |
| Total Funding | 20,602 | 20,227 | 375 |

Capital Year End Position 2023/24

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 the Town Hall, Colosseum and the Cultural Quarter;

Capital expenditure for 2023/24 is shown below:-

| Service Area | Latest Budget £000 | Outturn £000 | Variance £000 |
|----------------------------------|-----------------------|-----------------|------------------|
| Corporate, Housing and Wellbeing | 11,991 | 9,208 | (2,783) |
| Place | 21,368 | 15,702 | (5,666) |
| Strategic Finance | 526 | 0 | (526) |
| Total | 33,885 | 24,910 | (8,975) |

The Council invested £24.910m in capital works in 2023/24 (£33.356m in 2022/23).

Borrowing Facilities and Capital Borrowing

The Council borrowed from external sources in 2023/24 and the expectation is for this to continue 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). There is also a regular Financial Monitoring Report to the Finance Scrutiny Committee for financial performance monitoring. The year end Performance and Progress Report will be presented to Cabinet in June 2024.

3. 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.

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 new homes, including family housing. Over the next few years further housing will be delivered along with a town square for the neighbourhood. Through close working with Watford Community Housing the Council has been able to deliver 16 affordable homes part funded by the Local Authority Housing Fund in 2023/24. A further five affordable homes will be delivered under this scheme in 2024/25.

In January 2024, the Council set a revenue and capital budget for 2024/25 and indicative budgets for 2025/26 and 2026/27. Further detail can be found in the report to [Council](#).

| Revenue Budget | Medium Term Financial Strategy | | |
|--|--------------------------------|-----------------|-----------------|
| | 2024/25 £m | 2025/26 £m | 2026/27 £m |
| Services | | | |
| Corporate, Housing & Wellbeing Place | 7.147 | 6.747 | 6.802 |
| Corporate Strategy & Comms | 0.235 | (0.214) | 0.112 |
| Democracy & Governance | 1.458 | 1.425 | 1.449 |
| Human Resources | 2.168 | 2.162 | 2.167 |
| Strategic Finance | 0.591 | 0.556 | 0.557 |
| | 3.027 | 4.029 | 4.122 |
| Net cost of services | 14.626 | 14.704 | 15.209 |
| Use of Corporate Reserves | | | |
| Contribution to General Fund | 0.285 | | |
| Sub-Total | 0.285 | 0.000 | 0.000 |
| Funding | | | |
| Council Tax | (10.644) | (11.127) | (11.632) |
| Collection Fund (surplus) / deficit | 0.099 | 0.000 | 0.000 |
| Business Rates | (3.002) | (3.002) | (3.002) |
| New Homes Bonus | (1.238) | (0.450) | (0.450) |
| Additional Government Funding | (0.125) | (0.125) | (0.125) |
| Sub-Total | (14.911) | (14.704) | (15.209) |
| Total Funding & Use of Reserves | (14.626) | (14.704) | (15.209) |
| Council Tax Rate Calculation | | | |
| Council tax base | 35,532.1 | 36,420.4 | 37,330.9 |
| Council tax charge for band D | £299.55 | £305.51 | £311.59 |
| Council Tax Requirement | 10,643,641 | 11,126,797 | 11,631,926 |

| Capital | 2024/25 £m | Budget | |
|---|---------------|---------------|---------------|
| | | 2025/26 £m | 2026/27 £m |
| Corporate, Housing & Wellbeing Place | 12.041 | 1.202 | 0.810 |
| Corporate Strategy & Comms | 17.068 | 8.631 | 2.977 |
| Strategic Finance | - | - | 0.065 |
| | 3.807 | 0.677 | 0.677 |
| Total Capital Investment Programme | 32.916 | 10.510 | 4.528 |

4. Future challenges

‘Uncertainty’ has been a recurring theme for local government and local government finance over the last few years as the sector has responded to emerging financial challenges as a result of COVID-19, high inflation and the impact they have had on the economic environment, our residents, and directly on our own budgets. The Local Government Association (LGA) estimates that there is £1.6 billion funding gap across English Councils over the next two years.

The 2024/25 budget addresses inflationary pressures on major contracts that have built up over the previous three financial years. It also includes provision for the rising demand for temporary accommodation. However, sustained demand for this service alongside rising costs due to lack of supply mean that there is a risk that there will be cost pressures arising from this service during 2024/25.

In addition to this uncertainty around cost pressures, there has also been uncertainty about the level of funding available from one year to the next as a result of one-year finance settlements.

Given that there will be a general election during 2024/25, it is highly likely that the 2025/26 settlement will also be a one-year settlement as there will not be time for the implementation of meaningful reform with appropriate transition arrangements. However, there is no certainty that the Services Grant, New Homes Bonus, or Funding Guarantee grant streams will remain for 2025/26 or beyond.

For the purposes of setting the MTFS, it is assumed that government grant funding will continue in 2025/26 and 2026/27 but at a reduced rate with New Homes Bonus forecast to reduce from £1.238m to £0.450m. This is a prudent position on the basis that:

- New Homes Bonus is a variable funding stream,
- there is no commitment to continuing the Funding Guarantee Grant which would otherwise offset reductions in New Homes Bonus,
- government has previously consulted on ending New Homes Bonus, and
- there is no clarity on the allocation methodology for a replacement grant stream.

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 2023/24

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 2023/24 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 2024 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled, and through which it accounts to, engages with, and leads the community.
6. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
8. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively, and economically.

THE GOVERNANCE FRAMEWORK

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

General

10. 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. 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 Chief Officer Appointment and Disciplinary Committee. 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 and an Independent Members Remuneration Panel.
11. Watford Borough Council has a directly elected Mayor, which means that the registered electorate of the Borough 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 the safeguarding of 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 Corporate Management Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement at the end of each year. This evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
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 to deliver its key objectives as outlined in the Council Plan. Our Council Plan 2022–26 sets out our ambitions and our overarching themes for Watford over those four years – a council working with and for our community and serving our residents, a greener, brighter future, an inspiring, thriving, and creative town, and a diverse, happy and healthy town.

| | | | |
|---|---------------------------|---|-----------------------------------|
| A Council working for our community and serving our residents | A greener brighter future | An Inspiring, thriving, and creative town | A diverse, happy and healthy town |
|---|---------------------------|---|-----------------------------------|

18. Both the themes and commitments are reflected in a detailed Delivery Plan (2022-24). This Delivery Plan set out how we focused our work to bring the Council Plan to life over the first two years of the council plan, making sure we deliver what we said we would achieve. The delivery plan for 2024-26 is currently in preparation and will clearly set out our priority actions, which we are committed to achieving by 2026. These actions cut across and support the delivery of our themes, linking together to shape a bright future for Watford.
19. The Council is also a partner in the Local Joint Strategic Plan which is made up of key stakeholders such as Hertfordshire County Council, Hertsmere Council, Three Rivers District Council, Dacorum Council and St Albans Council. The Joint Strategic Plan will provide a long-term blueprint for the South West Hertfordshire area to 2050. It will consider and address issues that cross council boundaries and will set out a strategic vision for the area.

Decision Making Structures

20. The Chief Executive is the most senior officer in the Council. During 2023/24, the Chief Executive had the following direct reports:
- Executive Director of Place
 - Director of Performance
 - Director of Partnerships
 - Group Head of Democracy and Governance (Monitoring Officer)
 - Executive Head of HR & OD (shared with Three Rivers District Council)
 - Chief Finance Officer/Section 151 Officer
21. The Chief Finance Officer is provided to Watford under an inter-authority agreement with Three Rivers District Council under Section 1 of the Localism Act 2011 and Section 113 of the Local Government Act 1972 which enables an authority to place staff at the disposal of another authority. The Chief Finance Officer is employed by Three Rivers District Council who act as the Lead Authority for the shared finance service. This arrangement came into effect from 1 April, replacing the previous arrangement for a shared Director of Finance across Watford and Three Rivers.
22. The Corporate Management Team incorporates the above officers plus a further tier of six senior officers:
- Associate Director of Property & Asset Management,
 - Associate Director of Environment & Communities,
 - Associate Director of Planning, Infrastructure & Economy
 - Associate Director of Customer & Corporate Services
 - Associate Director of ICT & Shared Services,
 - Associate Director of Housing & Wellbeing.
23. The Corporate Management Team meets as the Corporate Management Board fortnightly. Financial control is primarily the responsibility of a Chief Finance Officer/Section 151 Officer. The Council also has a Strategic Board chaired by the Chief Executive to consider the overall strategic direction of the

Council. In addition, there are a variety of officer/member boards that look at the council's commercial and property investments and council companies and joint ventures.

24. Overall financial control is monitored regularly by the Corporate Management 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

25. 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, procedure rules, and also sets out the rights of citizens.
26. The Council's Constitution is available to all on the Council's website.
27. There are regular meetings of the Council, Cabinet and other committees. Council, Cabinet and committee / scrutiny meetings are open to the public and are live streamed, 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.
28. The Council's key strategic document, the Council Plan has a four-year focus, supported by a two year Delivery Plan. These set out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. 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.
29. The elected Mayor and councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant), 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.
30. The Council also has an Officers' Code of Conduct which includes; Disclosure of Information, Political Neutrality, Potential Conflict of Interest Situations, Bribery, Corruption and Fraud, Appointments and Other Employment Matters, Outside Commitments, Personal Interests, Equality Issues, Information Security, Criminal Offences, Whistleblowing and Breaches of the Code of Conduct.
31. 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.

32. 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.
33. 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 Whistleblowing 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.
34. 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. Following the retirement of the Group Head of Democracy and Governance in May 2024, these duties will be undertaken by the Associate Director of Customer and Corporate Services.
35. The Chief Finance Officer is also the Section 151 Officer. Duties include overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency, or illegal items of account, and giving advice to the council on financial planning.

Data Quality, Risk Management and Fraud

36. 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.
37. 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 the Audit Committee. This Strategy underpins the Corporate Risk Register which was updated and approved by the Audit Committee in March 2024. The Corporate Risk Register is reviewed quarterly at Corporate Management Board, in line with the Risk Management Strategy. Furthermore, following the Council's LGA Peer Challenge in November 2023 and a recommendation that the members, including Cabinet should have more frequent oversight of the risk register - the register will now be presented to Cabinet quarterly and twice yearly to Audit Committee. All services also retain Service Risk Registers which are also reviewed on a quarterly basis with any significant risks reflected in the Corporate Risk Register.

38. Business continuity and emergency planning are other key aspects within the corporate governance framework.
39. All committee reports contain a 'risk implications' section as an aid to decision taking. There is 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.
40. The Council is committed to promoting a strong anti-fraud and corruption culture. The Anti-Fraud and Corruption Strategy approved in 2022 is the mechanism for achieving this commitment and aims to reduce losses to fraud and corruption to a minimum. Beating fraud is everyone's business, and the Council's internal arrangements are communicated throughout the Council, and publicly, demonstrating a culture and commitment to preventing fraud. The Council has a number of robust procedures and policies in place, which combined with executive support ensure that anti-fraud, bribery and corruption measures are embedded throughout the Council. This acts as an effective deterrent to fraudulent and corrupt activity and provides the means for reporting, detecting and preventing fraud, bribery or corruption. Having a holistic approach to tackling fraud is part of good governance.

Shared Services

41. Watford Borough Council has an established shared service arrangement under the lead authority model for Revenues and Benefits, ICT, Finance, Human Resources and procurement with Three Rivers District Council.
42. Watford Borough Council are responsible for providing the services of ICT, Human Resources, and procurement whilst Three Rivers District Council are responsible for providing Finance, and Revenues and 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.
43. In 2022/23, Watford Borough Council entered into three shared services with St Albans City and District Council. From November 2022, Watford has been the lead authority for Planning Enforcement and Building Control and from February 2023 St Albans DC has the lead authority for Legal Services. These services are overseen by partnership boards made up of senior officers from both councils and the Head of the relevant shared service. These meet at least quarterly. They report up to a strategic board made up of the two chief executives of the respective councils, above this is a board comprising the Elected Mayor of Watford and Leader of St Albans who receive reports on the progress of all the shared services.
44. The Council also shares an internal audit service which is led by the County Council and includes a number of other districts and boroughs in Hertfordshire and is known as the Shared Internal Audit Service, this is governed by a partnership board which the Chief Finance Officer sits on.

Major Projects and Joint Ventures

45. The Council is committed to Watford's sustainable economic growth and the Council is committed to a number of major projects and joint ventures that will be delivered over the next 10 to 15 years:

- **Town Hall Quarter** - The 10-year Town Hall Quarter programme brings together seven interconnected projects that will all contribute to revitalising the spaces around the Town Hall.
- **Market Street** - Watford's popular shopping destination Market Street is to benefit from a range of streetscape improvements to improve the look and feel of the area.
- **Watford Riverwell** - Watford Borough Council and, Kier Property, have a Limited Liability Partnership called the Watford Health Campus LLP which has been in existence since 2013 to deliver a masterplan for regenerating land behind the Watford Football Club and Watford General Hospital to make sure it's a place that everyone can enjoy.
- **Watford Junction** - The station, which currently welcomes 8 million visitors every year, will be brought into the 21st century by Watford Borough Council alongside its partners: Halkin, Network Rail, London North Western Railways and Hertfordshire County Council.
- **Western Gateway** - The Western Gateway has been identified in the Local Plan as a Special Policy Area where significant new development is being directed.

Community Engagement

46. 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.
47. 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 ward councillors as part of their commitment to community leadership and engagement. It can also be used to support local projects.
48. 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'.
49. 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. During 2023/24 the Council approved a Communication and Conversations Strategy for 2023-2026 and a Community Engagement and Participation Strategy 2023-26. Local residents are also invited to attend a range of Forums (such as the Community Forum, Pensioners Forum, People's Panel and Sustainability Forum), which help build understanding across a range of areas including Council finances and the implications for future service delivery.

REVIEW OF EFFECTIVENESS

50. 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.
51. The review of effectiveness is informed by the work of the Corporate Management Team 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.

External Reviews and Inspections

52. During 2023/24 the Council was the subject of a Corporate Peer Challenge coordinated by the Local Government Association. The review identified a number of strengths in relation to governance including strong leadership, effective partnerships and a good record of financial stewardship.
53. The report made a number of recommendations to further strengthen the Council including regular reporting of the corporate risk register to Cabinet, consideration of the Financial Monitoring Report by Cabinet (in addition to Finance Scrutiny Committee) and, given the longevity of the arrangements, a review of the shared service arrangements with Three Rivers District Council to ensure that they meet current objectives.
54. The [final Peer Challenge Report and the Action Plan](#) are available on the Council's website.

The Council

55. 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, this gives councillors the ability to question the Mayor.
 - To receive questions from the public.
 - 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 Cabinet, Committees or Working Parties.
56. Council met five times during 2023/24 and agendas, reports and minutes are available on the Council's website.

Cabinet

57. Cabinet comprises the Mayor and seven councillors who have their own individual portfolio and makes decisions which are in line with the Council's overall policies and Budget. It is chaired by the Mayor.
58. 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 Corporate Management Team and develop an in-depth knowledge of their portfolio area.
59. The dates of all Cabinet meetings are pre-published and all decisions are taken in public apart from a small number of reports which are considered and determined after the press and public have been lawfully excluded. Agendas, reports, and minutes of the meetings are available on the Council's website.
60. Cabinet met nine times during 2023/24.

The Review Committees

61. The Council has two scrutiny 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.

62. 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 ten times in 2023/24.

63. Finance Scrutiny Committee comprises nine 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 the January budget meeting.

The Finance Scrutiny Committee met five times in 2023/24.

Member Panels

64. In 2023/24 there were two task groups in operation set up by the Overview and Scrutiny Committee – a Sustainability Strategy task group and Social Housing task group. The Sustainable Strategy task group has yet to finalise its recommendations which will be published later in 2024. The Social Housing task group was established by Overview and Scrutiny Committee in July 2023. The task group met on four occasions, with representatives of Watford Community Housing. Other providers submitted written evidence to the review. During the course of the review, the task group reviewed written evidence and discussed policies and procedures with witnesses. A report with recommendations was submitted to the Overview and Scrutiny Committee in February 2024.

Standards Committee

65. The Standards Committee is set up as and when required to consider matters of Member conduct. There were no meetings of this committee in 2023/24.

Members Remuneration.

66. Watford Borough Council's Independent Remuneration Panel has been in existence since 2000; originally meeting on an annual basis, which later moved to a quadrennial review from 2013. In 2021 it carried out the latest quadrennial review to take effect from the Municipal year 2022. 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 next quadrennial review will be in 2025 in time for the 2026 Mayoral election.

Senior Management

67. There are three Council Officers who have statutory appointments - the Chief Executive's role as the Head of Paid Service, the Chief Finance Officer role as the Section 151 Officer and the Group Head of Democracy and Governance as the Monitoring Officer. During 2023/24, Watford's Corporate Management Team comprised; the Chief Executive, Executive Director Place, Director of Performance, Director of Partnerships, Chief Finance Officer/Section 151 Officer, Executive Head of HR and OD, Group Head of Democracy and Governance/Monitoring Officer and six Associate Directors. The Corporate Management Team meets as the Corporate Management Board fortnightly. During 2024/25, the current Group Head of Democracy and Governance will retire. The Monitoring Officer duties will be fulfilled by the Associate Director of Customer and Corporate Services subject to confirmation of the appointment by Annual Council in May 2024. In exercising their duties, the Monitoring Officer will be supported by a legally qualified deputy monitoring officer.

Performance Management

68. 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 progress 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 Corporate Management Board.
69. 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, X and Instagram platforms which are becoming a significant channel for communicating and engaging with residents.

Procurement

70. The Council aims to use its resources efficiently, effectively and economically.
71. The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes The Procurement Strategy, Contract Procedure Rules and a Contract Management Toolkit. These documents are regularly reviewed to reflect changes in policy and legislation.

The Audit Committee

72. The Audit Committee comprises five members and met five times during 2023/24.
73. 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 Local Government and Social Care Ombudsman and considers regular reports on Freedom of Information requests, risk management and the Regulation of Investigatory Powers Act.
74. During 2023/24, and in line with guidance provided by CIPFA and Solace, the Council agreed to the addition of an independent member to the committee. Following a recruitment process, Council

approved the appointment of the Independent Member for a four-year term at its meeting on 21 May 2024.

Internal Audit

75. 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.
76. 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.
77. 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.
78. The SIAS Head of Assurance Annual Report May 2024 is a key source document for the Council's Annual Governance Statement. The report concluded the following:
- SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2023/24. A risk management audit was undertaken in 2023/24.
 - In respect of financial and non financial systems "Our overall opinion is Reasonable Assurance; meaning there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited."

The Council's External Auditors

79. External auditors 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 Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.
80. In 2022, Council agreed to opt into the national procurement for external audit services for the five year period beginning on 1 April 2023, led by Public Sector Audit Appointments Limited (PSAA). The external auditor confirmed in December 2022 by PSAA for Watford Borough Council from 2023/24 is Azets Audit Services. The financial year 2023/24 is the first year to be audited by Azets Audit Services. The current statutory deadline for these accounts to be audited is 30 September 2024. However, it is anticipated that this will be revised to 30 May 2025 following the introduction of backstop dates into legislation as set out in the paragraph below.

81. The external audit of the draft statement of accounts for the years ended 31 March 2022 and 2023 have not yet been completed by the Council's previous auditors Ernst & Young LLP. There are a variety of complex factors contributing to audit delays in previous years including specific local issues in relation to the 2019/20 draft accounts (an unqualified opinion was received in March 2023) and sector wide challenges. In February 2024 DLUHC consulted on draft legislation to create a 'backstop date' for the audit of all accounts up to the financial year 2022/23 and future backstop dates for the following five years from 2023/24 to allow a period to rebuild assurance across the sector. The legislation will require auditors to issue a modified or disclaimed opinion and audited accounts to be published by the relevant backstop, regardless of the progress of the audit. Given the progress to date and the short time before the proposed back stop dates, it is highly likely that a disclaimed audit opinion will be issued for both 2021/22 and 2022/23.
82. The Value for Money element of the annual audit cannot be disclaimed. Therefore, EY have commenced work in this area for both 2021/22 and 2022/23 the outcome is expected to be reported to Committee in the Autumn. No issues have been raised with management. The final Value for Money Commentary will be issued alongside the final audit opinion.

The Financial Management Code of Practice

83. 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.
84. Appendix 2 is a self-assessment against the FM Code and includes actions for improvement.

SIGNIFICANT GOVERNANCE ISSUES

85. The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. For 2023/24 there have been no significant governance issues identified from the Management Assurance Statements.
86. Although not considered to be a significant governance issue, Cyber Security remains a threat (as it does to all organisations). The Council has a number of mitigations and appropriate governance arrangements in place and the associated risks are managed via the ICT risk register and through reporting to the IT Steering Group forum as part of regular reporting.

Certification Statement from the Elected Mayor and the Chief Executive

87. Although there are no significant governance issues to address in the coming financial year, we will continue to keep arrangements under review and look for opportunities to further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.
88. It is our opinion that the Council’s governance arrangements in 2023/24 were sound and provide a robust platform for achieving the Council’s priorities and challenges in 2024/25.

Signed _____

Date _____

Peter Taylor - Mayor

Signed _____

Date _____

Donna Nolan - Chief Executive

2023/24 Action Plan

| No. | Issue | Action | Resolved | Updates |
|-----|------------------------|--------|----------|---------|
| 1 | None raised in 2023/24 | | | |

2022/23 Action Plan

| No. | Issue | Action | Resolved | Updates |
|-----|---|--|----------|--|
| 1 | The Service continues to pay out significant sums to householders for the Government's various energy schemes. Our systems are not designed to make payments but to receive taxation revenue. This put additional pressure on the service and brings in scope for additional fraud and error. | Additional capacity has been brought in via a third party provider to carry out initial screening checks. Payments are subject to normal fraud and error checks. | ✓ | All COVID-19 grant schemes have now ended. Reconciliations have been completed and, where relevant, surplus grant has been repaid to central government departments. |

Financial Management Code Compliance Self-Assessment 2023/24

| Ref | CIPFA Financial Management Standards | Current Status | Further Work | RAG Status |
|---|--|---|---|------------|
| 1. Responsibilities of the Chief Finance Officer (CFO) and Leadership Team | | | | |
| A | The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM) | Services use peer reviews incorporating benchmarking to inform opportunities to improve VFM. All tenders consider VFM by considering the quality of service and not just price. | | GREEN |
| B | The authority complies with the CIPFA "Statement of the Role of the CFO in Local Government" | The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of 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 Governance and Risk Group (formerly Statutory Officers 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 Corporate Management Team. | During 2023/24 a revised terms of reference was agreed to enhance the effectiveness of the group and formally incorporate representation from Internal Audit. | 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 Finance Officer. The Finance Business Partner team provides dedicated support to Associate Directors and budget managers with financial planning and monitoring. | The delegation of budget management responsibility to Service Delivery Leads creates an opportunity to further embed the finance business partnering model. | 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. | | 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). | | 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. The 2019/20 accounts were signed in January 2023 and received an unqualified audit opinion. Issues raised by external audit have been addressed by Officers, including accounting for infrastructure assets which was a national issue raised by the NAO. | The delay to the audit of the 2020/21, 2021/22 and 2022/23 accounts has impacted on the timeliness of financial reporting. Resolution of this is dependent on the outcome of the government consultation which proposes a backstop date of 30 September 2024 for audit opinions to be issued on all prior year accounts (up to 2022/23). The implementation of the backstop date is likely to result in a disclaimed audit opinion for 2021/22 and 2022/23. Officers will work with external audit to rebuild assurance through the 2023/24 audit onwards. | 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 |

**Watford Borough Council
Annual Governance Statement
2023/24
Local Code of Governance**

What do we mean by Governance?

1. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework') defines governance as follows:

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."
2. The International Framework also states that:

"To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders."
3. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
4. Governance comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
5. Good governance leads to:-
 - good management,
 - good performance,
 - good stewardship of public money,
 - good public engagement,
 - good outcomes for citizens and service users.
6. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.
7. The Council, along with each and every other local authority, aims to meet the standards of the best and its governance arrangements should not only be sound but also be seen to be sound.

Governance Framework

8. The Council operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.
9. The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) drew together a Working Group to compile a framework document entitled "Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) ('the Framework')".
10. This Framework document is intended to be followed as best practice for developing and maintaining a local code of governance and for discharging accountability for the proper conduct of public business, through the publication of an annual governance statement that will make the adopted practice open and explicit.
11. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.

12. It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

The Council's Commitment

13. The Council is committed to the principles of good governance and wishes to confirm its ongoing commitment and intentions through this Local Code of Governance.
14. This Code sets out and describes the Council's commitment to governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work.
15. Accordingly, the Council will test its arrangements by:-
- reviewing its existing governance arrangements against this revised Code,
 - maintaining an up-to-date Local Code of Governance including arrangements for ensuring its ongoing application and effectiveness,
 - on an annual basis, prepare a governance statement in order to report publicly on the extent to which the Council complies with this code, including how the effectiveness of its governance arrangements have been monitored in the year and on any planned changes in the coming period.

The Principles of Good Governance

16. The core principles and sub-principles of good governance set out below are taken from the International Framework. In turn they have been interpreted for a local government context.

The Seven Core Principles

17. Principles A and B permeate implementation of principles C to G.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

The core principle is supported by three supporting principles:

- a) Behaving with integrity,
- b) Demonstrating strong commitment to ethical values, and
- c) Respecting the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users,

as well as institutional stakeholders.

The core principle is supported by three supporting principles:

- a) Openness,
- b) Engaging comprehensively with institutional stakeholders, and
- c) Engaging with individual citizens and service users effectively.

18. In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for principles C to G.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

The core principle is supported by two supporting principles:

- a) Defining outcomes, and
- b) Sustainable economic, social and environmental benefits.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

The core principle is supported by three supporting principles:

- a) Determining interventions,
- b) Planning interventions, and
- c) Optimising achievement of intended outcomes.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills

and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

The core principle is supported by two supporting principles:

- a) Developing the entity's capacity
- b) Developing the capability of the entity's leadership and other individuals

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

The core principle is supported by five supporting principles:

- a) Managing risk,
- b) Managing performance,
- c) Robust internal control,
- d) Managing data, and
- e) Strong public financial management.

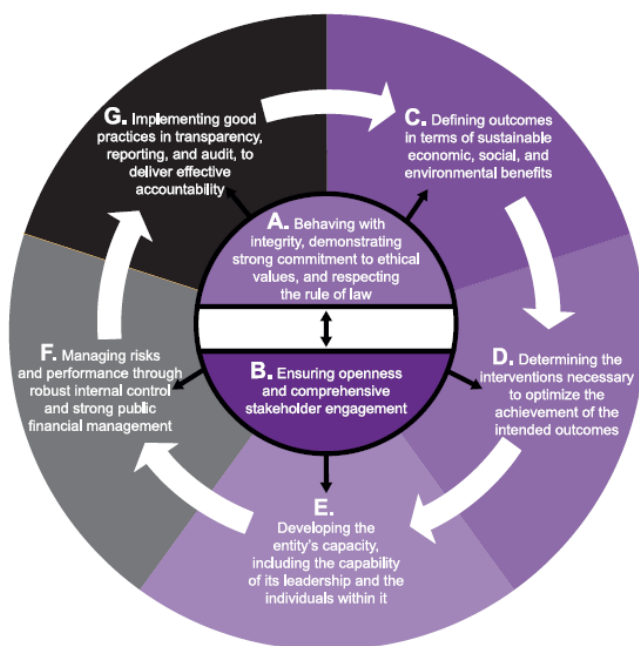
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

The core principle is supported by three supporting principles:

- a) Implementing good practice in transparency,
- b) Implementing good practices in reporting, and
- c) Assurance and effective accountability.

19. These principles are illustrated in the following diagram: (from CIPFA/SOLACE)



Monitoring and Review

20. The Council will carry out an ongoing review and monitoring of its governance arrangements (see Appendix A) and how these arrangements comply with the Framework document and this Local Code. This review and monitoring will include references to, amongst other things:

- Group Heads/ Executive Directors /Directors /Assistant Directors Management Assurance Statements,
- Constitution Review arrangements,
- Ethics arrangements,
- Shared Internal Audit Service's Annual Report,
- Performance management arrangements,
- Risk management arrangements,
- Council's decision making arrangements,
- Freedom of information and data protection arrangements, and
- Council's complaints procedures (3C's).

21. The results of this process will be incorporated into an Annual Governance Statement (AGS), the preparation and publication of which is necessary to meet the statutory requirement of the Accounts and Audit Regulations 2015.

22. The purpose of the AGS is to provide an assurance that:

- governance arrangements are adequate and operating effectively,
- where the review has revealed gaps, action is planned that will ensure effective governance in future.

23. The AGS will be presented to the Council's Audit Committee and then Cabinet.

24. Once approved, the AGS will be signed by the Elected Mayor and the Chief Executive and will be published with the Annual Statement of Accounts, prior to being reviewed by the Council's External Auditors.

May 2024

| Core Principles | A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | B - Ensuring openness and comprehensive stakeholder engagement | C - Defining outcomes in terms of sustainable economic, social, and environmental benefits | D - Determining the interventions necessary to optimise the achievement of the intended outcomes | E - Developing the entity's capacity, including the capability of its leadership and the individuals within it | F - Managing risks and performance through robust internal control and strong public financial management | G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability |
|-----------------------------|--|--|---|--|---|--|---|
| Evidence of Good Governance | <p>Constitution</p> <p>Financial Procedure Rules</p> <p>Contract Procedure Rules</p> <p>Responsibility for Executive functions (delegation)</p> <p>Responsibility for Council functions (delegation)</p> <p>Councillor and Officer Codes of Conduct</p> <p>Annual Governance Statement</p> <p>Members Remuneration Scheme</p> <p>Contract Management Toolkit</p> <p>Project Management Toolkit</p> | <p>Constitution</p> <p>Local Strategic Partnership – One Watford</p> <p>Service Level and Partnership Agreements</p> <p>Transparency and Open Data</p> <p>Freedom of Information Act 2000</p> <p>Freedom of Information Publication Scheme</p> <p>Watford Observer</p> <p>Community Survey</p> <p>Communications and Engagement Plan</p> <p>In Touch</p> <p>Ask the MD</p> | <p>Council Plan (2022-26)</p> <p>Delivery Plan (2022-24)</p> <p>Strategic Group</p> <p>Community Safety Plan</p> <p>Local Development Plan</p> <p>Watford Parking Strategy</p> <p>Gambling Policy</p> <p>Economic Growth Strategy</p> <p>Homelessness Review</p> <p>Housing Strategy</p> <p>Waste Management & Recycling Policy</p> | <p>Constitution</p> <p>Council Plan (2022-26)</p> <p>Delivery Plan (2020-24)</p> <p>Medium Term Financial Strategy</p> <p>Service Plans</p> <p>Committee Meetings, Agendas and Minutes</p> <p>Finance Scrutiny Committee</p> <p>Local Strategic Partnership – One Watford</p> <p>Communications and Engagement Plan</p> <p>Shared Services Board</p> | <p>Organisational Development Strategy and Delivery Plan</p> <p>HR Policies</p> <p>Performance Development Review (appraisals)</p> <p>Job / Person Specifications</p> <p>Employee Health and wellbeing Strategy</p> <p>Health and Safety Group</p> <p>Safeguarding Policy</p> <p>Members and Staff Induction Programme</p> <p>Sickness Absence Policy</p> | <p>Medium Term Financial Strategy</p> <p>Treasury Management Strategy</p> <p>Finance Scrutiny Committee</p> <p>Audited Annual Statement of Accounts</p> <p>Revenue and Capital Budgets</p> <p>Risk Management Strategy</p> <p>Corporate and Service Risk Registers</p> <p>Annual Management Assurance Statements</p> | <p>Facility for Council to receive petitions</p> <p>Residents / business owners submit relevant questions in writing for consideration and response at Council meetings</p> <p>Freedom of Information Publication Scheme</p> <p>Notice of Executive Decisions</p> <p>Committee Meetings, Agendas and Minutes</p> <p>Local Government Transparency Code – Transparency and Open Data</p> |

| | | | | | | | |
|-----------------------------|--|--|---------|----------------------------|--|--|--|
| Evidence of Good Governance | Whistleblowing Policy | Contracts Register | Cabinet | Corporate Management Board | | Annual Governance Statement | Shared Internal Audit Service (SIAS) |
| | Anti-Fraud and Anti-Corruption Policy | Customer Feedback / Complaints Process | | Cabinet | | Shared Internal Audit Service (SIAS) | Head of Assurance Opinion and SIAS Annual Report |
| | Bribery Policy | Citizens Panel | | Council | | Annual Audit Plan Report | Annual Fraud Report |
| | RIPA Policy | Website | | Annual Council | | SIAS Progress Reports | Treasury Management Reports |
| | Equality Impact Assessments | Intranet | | | | Head of Assurance Opinion and SIAS Annual Report | |
| | Bullying and Harassment Policy | Social Media Channels | | | | External Auditors | |
| | Register of Members' Interests | | | | | External Audit Annual Audit Letter | |
| | Notification of Gifts & Hospitality (members and officers) | | | | | Committee Meetings, Agendas and Minutes | |
| | Audit Committee | | | | | Data sharing protocols | |
| | Overview and Scrutiny Committee | | | | | | |
| | Finance Scrutiny Committee | | | | | | |
| | Task Groups and Member Panels | | | | | | |
| | Ombudsman Reports | | | | | | |

| Core Principles | A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | B - Ensuring openness and comprehensive stakeholder engagement | C - Defining outcomes in terms of sustainable economic, social, and environmental benefits | D - Determining the interventions necessary to optimise the achievement of the intended outcomes | E - Developing the entity's capacity, including the capability of its leadership and the individuals within it | F - Managing risks and performance through robust internal control and strong public financial management | G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability |
|-----------------------------|---|--|--|--|--|---|---|
| Evidence of Good Governance | <p>Protocol on Member / Officer Relations</p> <p>Standards Committee</p> <p>Fraud Service and Annual Report</p> <p>Corporate Management Board:</p> <ul style="list-style-type: none"> - Chief Executive Officer (Head of Paid Service) - Shared Director of Finance (Section 151 Officer) - Group Head of Democracy and Governance (Monitoring Officer) <p>Executive Director (Place), two Directors (Partnership / Performance), six Associate Directors, Executive Head of HR & OD</p> <p>Data Protection Policy</p> <p>Customer Feedback / Complaints Process</p> | | | | | <p>Budget Monitoring</p> <p>Finance Digest</p> <p>Overview and Scrutiny Committee</p> <p>Audit Committee</p> <p>Financial Procedure Rules</p> <p>Contract Procedure Rules</p> | |

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 2022 | | 2,000 | 37,572 | 478 | 76,930 | 116,980 | 225,779 | 342,759 |
| Movement in reserves during 2022/23 | | | | | | | | |
| Total Comprehensive Income and Expenditure | | -14,863 | 0 | 0 | 0 | -14,863 | 117,010 | 102,147 |
| Adjustments between accounting basis and funding basis under statutory provisions | 6 | 7,825 | 0 | 0 | -397 | 7,428 | -7,428 | 0 |
| Transfers to / from earmarked reserves | 44 | 7,038 | -7,038 | 0 | 0 | 0 | 0 | 0 |
| Increase (+) or Decrease (-) In Year | | 0 | -7,038 | 0 | -397 | -7,434 | 109,582 | 102,147 |
| Balance at 31 March 2023 | | 2,000 | 30,534 | 478 | 76,533 | 109,545 | 335,361 | 444,906 |
| Movement in reserves during 2023/24 | | | | | | | | |
| Total Comprehensive Income and Expenditure | | -3,609 | 0 | 0 | 0 | -3,609 | 8,272 | 4,663 |
| Adjustments between accounting basis and funding basis under statutory provisions | 6 | 173 | 0 | 0 | -3 | 170 | -170 | 0 |
| Transfers to / from earmarked reserves | 44 | 3,436 | -3,436 | 0 | 0 | 0 | 0 | 0 |
| Increase (+) or Decrease (-) In Year | | 0 | -3,436 | 0 | -3 | -3,439 | 8,102 | 4,663 |
| Balance at 31 March 2024 | | 2,000 | 27,098 | 478 | 76,530 | 106,107 | 343,463 | 449,570 |

Comprehensive Income and Expenditure Statement

| 2022/23 | | | | 2023/24 | | | |
|-------------------|----------------|-----------------|---|-------------------|----------------|-----------------|--|
| Gross Expenditure | Income | Net Expenditure | Notes | Gross Expenditure | Income | Net Expenditure | |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | |
| 2,335 | -80 | 2,255 | Democracy & Governance | 2,279 | -111 | 2,168 | |
| 34,524 | -27,082 | 7,442 | Place | 37,825 | -28,196 | 9,629 | |
| 1,769 | -169 | 1,599 | Corporate Strategy & Comms | 1,443 | -87 | 1,356 | |
| 2,259 | -352 | 1,907 | Human Resources | 923 | -346 | 577 | |
| 13,953 | -5,650 | 8,303 | Corporate, Housing and Wellbeing | 14,630 | -4,977 | 9,653 | |
| 33,513 | -27,557 | 5,956 | Strategic Finance | 32,520 | -29,229 | 3,291 | |
| -2,665 | 0 | -2,665 | Other Costs | 4 | -154 | -150 | |
| 85,688 | -60,891 | 24,796 | Cost of Services | 91,515 | -63,100 | 26,523 | |
| | | 936 | Other Operating Expenditure | -3,728 | 0 | -3,728 | |
| | | 14,158 | Financing and Investment Income and Expenditure | 9,376 | -8,965 | 411 | |
| | | -25,027 | Taxation and Non-Specific Grant Income | 0 | -19,598 | -19,598 | |
| | | 14,863 | Surplus (-) or Deficit (+) on Provision of Services | 97,163 | -91,662 | 3,609 | |
| | | | Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services | | | | |
| | | -77,634 | Surplus or Deficit on revaluation of non-current assets | | | 0 | |
| | | | | | | 0 | |
| | | -39,376 | Impairment losses on non-current assets charges to the revaluation reserve | | | -8,272 | |
| | | -117,010 | Remeasurements of the net defined benefit liability (asset) | | | -8,272 | |
| | | | 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 | |
| | | -117,010 | Other Comprehensive Income and Expenditure | | | -8,272 | |
| | | -102,147 | Total Comprehensive Income and Expenditure | | | -4,663 | |

Balance Sheet

| As at 31 March 2023 £'000 | | Notes | As at 31 March 2024 £'000 | £'000 |
|------------------------------------|--|-------|------------------------------------|-----------------|
| Long Term Assets | | | | |
| 595,487 | Property, Plant and Equipment | 23 | 605,254 | |
| 38,255 | Investment Property | 25 | 38,255 | |
| 0 | Intangible Assets | 26 | 0 | |
| 2,574 | Heritage Assets | | 2,574 | |
| 2,420 | Long Term Investments | 29 | 2,420 | |
| 28,498 | Long Term Debtors | 29 | 23,219 | |
| 667,235 | Total Long Term Assets | | | 671,723 |
| Current Assets | | | | |
| 0 | Assets Held for Sale | | 0 | |
| 15,061 | Debtors | 30 | 15,344 | |
| 15 | Stock | | 15 | |
| 106,253 | Short Term Investments | 33 | 57,000 | |
| 4,118 | Cash and Cash Equivalents | 32 | 4,675 | |
| 125,447 | Total Current Assets | | | 77,034 |
| Current Liabilities | | | | |
| -65,000 | Short Term Borrowing | 31 | -32,000 | |
| -23,164 | Short Term Creditors and Revenue Receipts in Advance | 31 | -18,084 | |
| -3,883 | Short Term Finance Liability | | -3,807 | |
| 0 | Short Term Capital Grants Receipts in Advance | | | |
| -92,046 | Total Current Liabilities | | | -53,891 |
| Long Term Liabilities | | | | |
| -1,024 | Long Term Creditors and Revenue Receipts in Advance | | -1,088 | |
| -1,744 | Provisions | | -4,599 | |
| -16,250 | Long Term Borrowing | | -16,250 | |
| -16,507 | Pension Liability | 19 | -7,639 | |
| -219,009 | Long Term Finance Liability | | -215,155 | |
| -160 | Deferred Income | | -150 | |
| -1,035 | Long Term Capital Grants Receipts in Advance | | -415 | |
| -255,729 | Total Long Term Liabilities | | | -245,296 |
| 444,906 | Net Assets (+) / Net Liabilities (-) | | | 449,570 |
| Financed from: | | | | |
| 109,546 | Usable Reserves | 37-41 | | 106,107 |
| 335,361 | Unusable Reserves | 42-49 | | 343,463 |
| 444,906 | Total Reserves | | | 449,570 |

Hannah Doney, Chief Finance Officer

Date: 31 May 2024

Cash Flow Statement

1. Expenditure and Funding Analysis

| 2022/23 | | | | Notes | 2023/24 | | |
|---|---|--|---|-------|---|---|--|
| Expenditure chargeable to the General Fund £'000 | Adjustments between funding and accounting basis £'000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £'000 | | | Expenditure chargeable to the General Fund £'000 | Adjustments between funding and accounting basis £'000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £'000 |
| 2,063 | 192 | 2,255 | Democracy & Governance | | 2,142 | 26 | 2,168 |
| 3,352 | 4,090 | 7,442 | Place | | 3,531 | 6,098 | 9,629 |
| 1,601 | -2 | 1,599 | Corporate Strategy & Comms | | 1,307 | 48 | 1,356 |
| 598 | 1,309 | 1,907 | Human Resources | | 565 | 12 | 577 |
| 4,306 | 3,996 | 8,303 | Corporate, Housing and Wellbeing | | 6,965 | 2,688 | 9,653 |
| 3,441 | 2,516 | 5,956 | Strategic Finance | | 3,435 | -144 | 3,291 |
| 0 | -2,665 | -2,665 | Other Costs | | 0 | -150 | -150 |
| 15,361 | 9,436 | 24,796 | Service Costs | | 17,945 | 8,578 | 26,523 |
| -15,361 | 5,427 | -9,934 | Other Income and Expenditure not charged to services | | -17,945 | -4,969 | -22,914 |
| 0 | 14,863 | 14,863 | Surplus (-) or Deficit (+) on Provision of Services | 4 | 0 | 3,609 | 3,609 |
| 2,000 | | | Opening General Fund Balance at 1 April | | 2,000 | | |
| 0 | | | Add surplus (+) or deficit (-) on the General Fund for the year | | 0 | | |
| 2,000 | | | Closing General Fund Balance at 31 March | | 2,000 | | |

2. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. 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 2022/23 (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. 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.

7. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. The Council currently has no long-term external debt.

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.

8. Government Grants and Contributions

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

- the Council will comply with the conditions of the payment
- 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.

9. Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the 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.

10. Inventories and Long Term Contracts

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

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

11. Investment Property

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

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

12. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:-

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

13. Overheads and Support Services

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

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

14. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the 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.

15. Heritage Assets

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on

property, plant and equipment. However, some of the measurement rules have been simplified in relation to heritage assets as detailed below.

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

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

16. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the 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.

17. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the 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.

18. Revenue Expenditure Funded from Capital under Statute

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

19. Value Added Tax (VAT)

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

20. Jointly Controlled Operations and Jointly Controlled Assets

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

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

21. Single Entity Financial Statements

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

22. 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.

23. Fair Value

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

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

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

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

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

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

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

Paragraph 3.3.4.3 of the Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2024 for 2023/24).

The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- a) IFRS 16 Leases issued in January 2016
- b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
 - specify that an entity's right to defer settlement must exist at the end of the reporting period
 - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - clarify how lending conditions affect classification, and
 - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - targeted disclosure requirements for affected entities.
- f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
 - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
 - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

In compiling the 2023/24 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:

- a) Estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end.
- b) Bad debt provision - based on historic trends and adjusted for any material movements during 2022/23.
- c) Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.

5. Prior Period Adjustments

There are no prior period adjustments for 2023/24.

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 2024.

The draft Statement of Accounts was authorised for issue by the Section 151 Officer on 31 May 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 2024, 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 2023 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) | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. |
| Arrears | At 31 March 2023, the Council had a short term sundry debtor balance of £16,135k. A review of significant balances suggested a provision for bad debts of £5,494k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See Note 23. | 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. |

8. Adjustments in the Expenditure and Funding Analysis

| 2022/23 | | | | 2023/24 | | | | |
|----------------------------------|---|-------------------|-------------------|--|----------------------------------|---|-------------------|-------------------|
| Adjustments for Capital Purposes | Net Charge for the Pensions Adjustments | Other Differences | Total Adjustments | | Adjustments for Capital Purposes | Net Charge for the Pensions Adjustments | Other Differences | Total Adjustments |
| £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 |
| 0 | 0 | 0 | 0 | Democracy & Governance | 0 | 0 | 0 | 0 |
| 0 | 215 | -23 | 192 | Place | 0 | 13 | 13 | 26 |
| 9,427 | 115 | -5,452 | 4,090 | Corporate Strategy & Comms | 7,515 | 87 | -1,504 | 6,098 |
| 0 | 0 | -2 | -2 | Human Resources | 0 | 40 | 8 | 48 |
| 0 | 1,311 | -2 | 1,309 | Corpoate, Housing and Wellbeing | 0 | 12 | 0 | 12 |
| 3,064 | 867 | 65 | 3,996 | Strategic Finance | 2,601 | 65 | 22 | 2,688 |
| -4,694 | 191 | 7,019 | 2,516 | Other Costs | -1,602 | -1,570 | 3,028 | -144 |
| 0 | 0 | 0 | 0 | | | | | |
| 7,797 | 2,699 | -1,061 | 9,436 | Service Costs | 8,513 | -1,345 | 1,410 | 8,578 |
| | | | | | | | | |
| -3,300 | -1,197 | 9,924 | 5,427 | Other Income and expenditure not charged to services | -9,116 | 749 | 3,398 | -4,969 |
| 4,497 | 1,502 | 8,864 | 14,863 | Surplus (-) or Deficit (+) | -603 | -596 | 4,808 | 3,609 |

9. Adjustments between accounting basis and funding basis under regulations

| 2022/23 | | | | | 2023/24 | | | |
|----------------------|----------------------------|------------------------------------|-------------------|--|----------------------|----------------------------|------------------------------------|-------------------|
| 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 | | | | |
| 1,502 | 0 | 0 | -1,502 | Pension Costs transferred to (or from) the Pensions Reserve | -596 | | | 596 |
| 0 | 0 | 0 | 0 | Financial instruments transferred to the Financial Instrument Adjustment Account | 0 | | | 0 |
| 6,903 | 0 | 0 | -6,903 | Gain or Loss on the valuation of pooled investment funds | 1,054 | | | -1,054 |
| -5,146 | 0 | 0 | 5,146 | Council Tax and Business Rates transferred to the Collection Fund Adjustment Account | 212 | | | -212 |
| -99 | 0 | 0 | 99 | Holiday pay transferred to the Accumulated Balances Account | 47 | | | -47 |
| 19,551 | 0 | 0 | -19,551 | Reversal of entries included in the Surplus of Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account | 14,711 | | | -14,711 |
| | | | | Adjustments between Revenue and Capital Resources | | | | |
| -1,794 | 1,794 | 0 | 0 | Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve | -3,728 | 3,728 | | |
| 0 | -2,487 | 0 | 2,487 | Useable Capital Receipts applied to finance capital expenditure | | -3,728 | | 3,728 |
| -5,192 | 0 | 0 | 5,192 | Statutory provision for the repayment of debt transferred to the Capital Adjustment Account | -6,017 | | | 6,017 |
| -8 | 0 | 0 | 8 | Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account | -182 | | | 182 |
| 169 | 0 | -8,457 | 8,288 | Capital grants and contributions applied | 59 | | -5,391 | 5,332 |
| -8,061 | 0 | 8,061 | 0 | Capital gains and contributions receivable not applied to finance capital expenditure | -5,388 | 0 | 5,388 | |
| | 693 | | -693 | Adjustments to Capital Resources | | | | |
| 0 | 0 | 0 | 0 | Adjustments relating to Deferred Capital Receipts | | 0 | | 0 |
| | | | | Repayment of loans | | 0 | | 0 |
| 7,825 | 0 | -396 | -7,429 | Total | 172 | 0 | -3 | -169 |

10. Analysis of Income and Expenditure by Nature

| 2022/23 £'000 | Income and Expenditure | 2023/24 £'000 |
|------------------|--|------------------|
| -32,403 | Fees, charges and other service income | -33,778 |
| -47,055 | Government grants and contributions | -41,457 |
| -4,347 | Interest and investment income | -6,650 |
| -8,672 | Income from council tax and non-domestic rates | -9,777 |
| 0 | Proceeds from the disposal of non-current assets | 0 |
| -92,477 | Total Income | -91,662 |
| 18,133 | Employee benefits expenses | 16,789 |
| 61,157 | Other service expenses | 61,618 |
| 10,279 | Depreciation, amortisation, impairments and revaluations | 11,356 |
| 15,367 | Interest payable and similar charges | 8,484 |
| 1,468 | Net interest expense on the pension defined liability | 752 |
| 936 | Costs from the disposal of non-current assets | -3,728 |
| 107,340 | Total Expenditure | 95,271 |
| 14,863 | Surplus (-) or Deficit (+) on the Provision of Services | 3,609 |

| £'000 | Fees and Charges by Service | £'000 |
|----------------|----------------------------------|----------------|
| -54 | Democracy & Governance | -52 |
| -28,108 | Place | -29,290 |
| -58 | Corporate Strategy & Comms | -39 |
| -352 | Human Resources | -316 |
| -2,624 | Corporate, Housing and Wellbeing | -2,757 |
| -1,206 | Strategic Finance | -1,324 |
| 0 | Other Costs | 0 |
| -32,403 | Total Fees and Charges | -33,778 |

11. Other Operating Expenditure

| | 2022/23 | 2023/24 |
|--|------------|---------------|
| Other Operating Expenditure | £'000 | £'000 |
| Capital Receipts | 936 | -3,728 |
| Disposal costs charged against capital receipts | 0 | 0 |
| Net Capital Receipts | 936 | -3,728 |
| Other Receipts | 0 | 0 |
| Total Receipts | 936 | -3,728 |
| 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 | 936 | -3,728 |
| Adjustments between accounting basis and funding basis | -936 | 3,728 |
| Net Charge to the General Fund | 0 | 0 |

12. Financing and Investment Income and Expenditure

| | 2022/23 | 2023/24 |
|--|---------------|--------------|
| Financing and Investment Income and Expenditure | £'000 | £'000 |
| Interest payable and similar charges | 6,914 | 8,484 |
| Gain or Loss on the valuation of pooled investment funds | 6,804 | -524 |
| Interest receivable and similar income | -2,199 | -3,038 |
| Income and Expenditure in relation to investment properties and change in their fair value | 1,670 | -2,174 |
| Net pensions interest expense | 1,468 | 752 |
| Dividends | -500 | -3,087 |
| Financing and Investment Income and Expenditure | 14,158 | 411 |
| Adjustments between accounting basis and funding basis | -9,942 | 1,947 |
| Net Charge to the General Fund | 4,216 | 2,358 |

13. Taxation and Non Specific Grant Income

| | 2022/23 | 2023/24 |
|--------------------------------------|---------------|---------------|
| Taxation & Non Specific Grant Income | £'000 | £'000 |
| Council Tax Income | 9,694 | 10,224 |
| Non Domestic Rates | -1,021 | -448 |
| Non Ringfenced Government Grants | 8,294 | 4,433 |
| Capital Grants and Contributions | 8,061 | 5,388 |
| Total | 25,027 | 19,598 |

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.

| | 2022/23 | 2023/24 |
|------------------------|------------|------------|
| Members' Allowances | £'000 | £'000 |
| Allowances | 502 | 502 |
| Travel and Subsistence | 1 | 1 |
| Total | 503 | 503 |

15. Audit Fee

| | 2022/23 | 2023/24 |
|---|-----------|-----------|
| Audit and Inspection Fees | £'000 | £'000 |
| Code of Practice Audit Work | 25 | 25 |
| Other Fees for Prior Years | 0 | |
| Certification of grant claims and Returns | 0 | |
| Total | 25 | 25 |

16. Senior Officer Remuneration

The Council is required to disclose the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £5,000, starting with £50,000.

| Band | 2022/23 | 2023/24 |
|-----------------|-----------|-----------|
| £ | | |
| 50,000-54,999 | 24 | 22 |
| 55,000-59,999 | 15 | 14 |
| 60,000-64,999 | 4 | 8 |
| 65,000-69,999 | 2 | 4 |
| 70,000-74,999 | 1 | 3 |
| 75,000-79,999 | 2 | 1 |
| 80,000-84,999 | 2 | 3 |
| 85,000-89,999 | 4 | 3 |
| 90,000-94,999 | 3 | 3 |
| 95,000-99,999 | 0 | 4 |
| 100,000-104,999 | 1 | 0 |
| 105,000-109,999 | 3 | 0 |
| 110,000-114,999 | 1 | 0 |
| 115,000-119,999 | 0 | 1 |
| 120,000-124,999 | 0 | 2 |
| 125,000-129,999 | 0 | 0 |
| 130,000-134,999 | 0 | 0 |
| 135,000-139,999 | 0 | 0 |
| 140,000-144,999 | 1 | 0 |
| 145,000-149,999 | 0 | 1 |
| Total | 63 | 69 |

Notes to the Financial Statements

2023/24

| Post Holder Information | Salary (Including Fees & Allowances) | Compensation for loss of Office | Employers Pension Contribution | Total Remuneration Including Pension Contributions | Contributions to (+) from (-) Three Rivers District Council | Cost to Watford Borough Council |
|--|---|---------------------------------------|--------------------------------------|--|--|--|
| | £ | £ | £ | £ | £ | £ |
| Chief Executive | 147,714 | 0 | 28,213 | 175,927 | 0 | 175,927 |
| Executive Director of Place | 118,155 | 0 | 22,568 | 140,723 | 0 | 140,723 |
| Director of Partnerships | 97,934 | 0 | 18,705 | 116,639 | 0 | 116,639 |
| Director of Performance | 97,934 | 0 | 18,705 | 116,639 | 0 | 116,639 |
| Group Head of Democracy & Governance | 96,815 | 0 | 18,492 | 115,307 | 0 | 115,307 |
| Executive Group Head of HR* ** | 93,386 | 0 | 0 | 93,386 | -29,884 | 63,502 |
| Head of Finance (S151 Officer, November 2023 - March 2024)* | 0 | 0 | 0 | 0 | 45,208 | 45,208 |
| Director of Finance (S151 Officer, April 2023 - October 2023)* | 0 | 0 | 0 | 0 | 41,426 | 41,426 |
| Total | - | - | - | 758,621 | - | 815,371 |

* Shared service staff ** Includes £12k of agency fees, became a permanent staff member in May 2023

2022/23

| Post Holder Information | Salary (Including Fees & Allowances) | Compensation for loss of Office | Employers Pension Contribution | Total Remuneration Including Pension Contributions | Contributions to (+) from (-) Three Rivers District Council | Cost to Watford Borough Council |
|---|---|---------------------------------------|--------------------------------------|--|--|--|
| | £ | £ | £ | £ | £ | £ |
| Chief Executive | 142,719 | 0 | 25,975 | 168,694 | 0 | 168,694 |
| Group Head of Place Shaping | 113,080 | 0 | 20,578 | 133,658 | 0 | 133,658 |
| Group Head of Democracy and Governance | 92,056 | 0 | 16,754 | 108,810 | 0 | 108,810 |
| Executive Head of HR and Organisational Development (April 2022 - July 2022)* | 20,316 | 0 | 3,198 | 23,514 | -7,525 | 15,989 |
| Director of Partnerships | 91,640 | 0 | 16,678 | 108,318 | 0 | 108,318 |
| Executive Head of Commercial Finance and Innovation** | 56,938 | 0 | 9,688 | 66,626 | 0 | 66,626 |
| Director of Performance | 89,995 | 0 | 16,379 | 106,374 | 0 | 106,374 |
| Director of Finance (S151 Officer)* | 0 | 0 | 0 | 0 | 61,164 | 61,164 |
| Executive Group Head of HR (August 2022 - March 2023)* | 107,565 | 0 | 0 | 107,565 | -34,421 | 73,144 |
| Total | 714,309 | 0 | 109,250 | 823,559 | 19,218 | 842,777 |

* Shared services staff ** Role not replaced as part of restructure

17. Exit Packages

| Exit packages Band (£) | 2022/23 Compulsory | | Other | | Total | | 2023/24 Compulsory | | Other | | Total | |
|--|-----------------------|------------|----------|-----------|----------|------------|-----------------------|----------|-----------|------------|-----------|------------|
| | No. | £'000 | No. | £'000 | No. | £'000 | No. | £'000 | No. | £'000 | No. | £'000 |
| 0 - 19,999 | 2 | 25 | 2 | 14 | 4 | 39 | 0 | 0 | 2 | 31 | 2 | 31 |
| 20,000 - 39,999 | 1 | 27 | 0 | 0 | 1 | 27 | 0 | 0 | 0 | 0 | 0 | 0 |
| 40,000 - 59,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 191 | 4 | 191 |
| 60,000 - 79,999 | 1 | 64 | 0 | 0 | 1 | 64 | 0 | 0 | 3 | 201 | 3 | 201 |
| 80,000 - 99,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 200 | 2 | 200 |
| 250,000 - 299,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 239 | 1 | 239 |
| Total | 4 | 116 | 2 | 14 | 6 | 130 | 0 | 0 | 12 | 862 | 12 | 862 |
| Add new provisions created | | | | | | 0 | | | | | | 80 |
| 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 | | | | | | 0 | | | | | | 0 |
| Total cost of exit packages in the Comprehensive Income and Expenditure Statement | | | | | | 130 | | | | | | |
| | | | | | | | | | | | | 942 |

18. Grants

| Grant issuing body | Credited to Taxation and Non Specific Grant Income | 2022/23 | 2023/24 | Credited to Services | 2022/23 | 2023/24 |
|---|--|---------------|--------------|--|---------------|---------------|
| | | £'000 | £'000 | | £'000 | £'000 |
| Department for Levelling Up, Housing and Communities | Business Rate - Section 31 Grant | 7,255 | 3,136 | Local Council Tax Scheme Admin Grant | 100 | - |
| | Lower Tier Support Grant | 130 | - | Council Tax Support Scheme | - | 154 |
| | New Homes Bonus | 718 | 1,006 | Homelessness | 1,329 | 1,511 |
| | Sales, Fess and Charges Income Guarantee Scheme | - 136 | | | | |
| | New Burdens | 100 | | | | |
| | Services Grant | 196 | 115 | | | |
| | Revenue Support Grant | | 100 | | | |
| | | | | | | |
| Department for Business, Energy & Industrial Strategy | | | | Additional Restrictions Grant | 12 | - |
| | | | | Council Tax Rebate - Discretionary Grant | 179 | |
| | | | | Welcome Back Grant | 40 | - |
| Department for Work and Pensions | | | | Housing Benefit Grant | 24,725 | 25,496 |
| | | | | Rent Rebate Subsidy | 2 | 590 |
| | | | | Non HRA Rebate | 446 | 747 |
| | | | | Benefit Admin Grant | 322 | 327 |
| Various | Other Revenue Grants | 24 | 76 | Other Revenue Grants | 1,041 | 754 |
| Various | Capital Grants | 5,265 | 2,269 | Capital Grants | - | |
| Various | Developer Contributions | 2,986 | 3,119 | | | |
| All Grants | Total | 16,355 | 9,821 | Total | 28,196 | 29,579 |

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

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

Transactions relating to Retirement Benefits

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

| Pension Fund Comprehensive Income and Expenditure Statement | Local Government Pension Scheme | |
|--|---------------------------------|---------------|
| | 2022/23 | 2023/24 |
| | £'000 | £'000 |
| Cost of Services | | |
| Current Service Cost | 4,432 | 2,132 |
| Past Service Costs | 0 | 7 |
| (Gain) / Loss from settlements | 0 | 0 |
| Administration Expenses | 0 | 0 |
| Financing and Investment Income & Expenditure | | |
| Net Interest Expense | 1,468 | 752 |
| Surplus / Deficit on the Provision of Services | 5,900 | 2,891 |
| Other Comprehensive Income and Expenditure | | |
| Return on plan assets | 14,473 | -6,196 |
| Actuarial gains (-) and losses (+) from demographic assumptions | -1,504 | -1,005 |
| Actuarial gains (-) and losses (+) from financial assumptions | -65,141 | -6,366 |
| Experience gains (-) and losses (+) | 0 | 0 |
| Other actuarial gains (-) and losses (+) | 12,796 | 5,295 |
| Total retirement benefits charged to the Comprehensive Income and Expenditure Statement | -33,476 | -5,381 |
| 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 | -10,298 | -6,378 |
| Actual amount charged against the General Fund Balance for pensions in the year | -4,398 | -3,487 |

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

| | 2022/23 | 2023/24 |
|---|----------------|---------------|
| Pension Liability | £'000 | £'000 |
| Present value of the defined benefit pension obligation | -160,002 | -159,125 |
| Fair value of the plan assets | 143,495 | 151,486 |
| Total Net Liabilities | -16,507 | -7,639 |

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

| Assets at Fair Value | Local Government Pension Scheme (funded) | |
|--------------------------------------|--|------------------|
| | 2022/23 £'000 | 2023/24 £'000 |
| Opening Balance at 1 April | 155,452 | 143,495 |
| Interest Income | 4,172 | 6,701 |
| Return on plan assets | -14,472 | 6,196 |
| Other actuarial gains and losses | 0 | 0 |
| Administration expenses | 0 | 0 |
| Employer Contributions | 4,398 | 3,487 |
| Contributions by scheme participants | 710 | 719 |
| Benefits Paid | -6,764 | -9,112 |
| Settlements received / (paid) | 0 | 0 |
| Closing balance at 31 March | 143,496 | 151,486 |

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

| Liabilities | Local Government Pension Scheme | |
|--|---------------------------------|------------------|
| | 2022/23 £'000 | 2023/24 £'000 |
| Opening Balance at 1 April | 209,833 | 160,002 |
| Current Service Cost | 4,432 | 2,132 |
| Interest Expense | 5,640 | 7,453 |
| Contributions by scheme participants | 710 | 719 |
| Actuarial gains and losses - demographic assumptions | -1,504 | -1,005 |
| Actuarial gains and losses - financial assumptions | -65,141 | -6,366 |
| Experience gains and losses | 12,796 | 0 |
| Other actuarial gains and losses | 12,796 | 5,295 |
| Benefits Paid | -6,764 | -9,112 |
| Past Service Costs | 0 | 7 |
| (Gain) / Loss from settlements | 0 | 0 |
| Closing balance at 31 March | 160,002 | 159,125 |

Local Government Pension Scheme assets comprised:

| Assets | As at 31 March 2023 | | | As at 31 March 2024 | | |
|---|---------------------|----------------|-------------|---------------------|----------------|-------------|
| | £'000 | £'000 | % | £'000 | £'000 | % |
| Equities | | | | | | |
| Consumer | 2,206 | | | 2,049 | | |
| Manufacturing | 1,210 | | | 2,377 | | |
| Energy and Utilities | 0 | | | 0 | | |
| Financial Institutions | 824 | | | 1,348 | | |
| Health and Care | 1,201 | | | 1,284 | | |
| Information and Technology | 2,662 | | | 2,101 | | |
| Other | 0 | | | | | |
| | | 8,103 | 6% | | 9,159 | 6% |
| Debt Securities | | | | | | |
| UK Government | 5,986 | | | 7,723 | | |
| Other | 3,853 | | | 3,852 | | |
| | | 9,839 | 7% | | 11,575 | 8% |
| Real Estate: | | | | | | |
| UK Property | 10,613 | | | 10,439 | | |
| Overseas Property | 8,200 | | | 7,586 | | |
| | | 18,813 | 13% | | 18,025 | 12% |
| Derivatives (quoted in an active market) | | | | | | |
| Foreign exchange | 211 | | | 441 | | |
| | | 211 | 0% | | 441 | 0% |
| Cash and cash equivalents | | | | | | |
| Cash | 9,644 | | | 9,517 | | |
| | | 9,644 | 7% | | 9,517 | 6% |
| Private Equity | | | | | | |
| All | 12,707 | | | 13,236 | | |
| | | 12,707 | 9% | | 13,236 | 9% |
| Investment Funds and Unit Trusts | | | | | | |
| Equities | 54,072 | | | 57,198 | | |
| Infrastructure | 165 | | | 229 | | |
| Bonds | 20,108 | | | 21,704 | | |
| Other | 9,833 | | | 10,402 | | |
| | | 84,178 | 59% | | 89,533 | 59% |
| Total | | 143,495 | 100% | | 151,486 | 100% |

Basis for Estimating Assets and Liabilities

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

| | Local Government Pension Scheme (funded) | |
|---|--|---------|
| | 2022/23 | 2023/24 |
| Longevity Assumptions: | | |
| Men: | | |
| Rate of improvement | 1.50% | 1.50% |
| Longevity from 65 (currently aged 65) (yrs) | 21.4 | 21.2 |
| Longevity from 65 (currently aged 45) (yrs) | 22.9 | 22.8 |
| Women: | | |
| Rate of improvement | 1.50% | 1.50% |
| Longevity from 65 (currently aged 65) (yrs) | 24.3 | 24.1 |
| Longevity from 65 (currently aged 45) (yrs) | 25.9 | 25.7 |
| Financial Assumptions: | | |
| Rate of increases in salaries | 3.50% | 3.30% |
| Rate of increases in pensions and deferred pensions | 3.00% | 2.80% |
| Rate for discounting scheme liabilities | 4.80% | 4.80% |

The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2012.

Significant assumptions used by the actuary

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

Impact on the Defined Benefit Obligation in the Scheme

| | Local Government Pension Scheme (funded) | |
|---|--|-------------------------------------|
| | Approximate % increase to Employer Liability | Approximate monetary amount (£'000) |
| 0.1% decrease in Real Discount Rate | 2% | 2,459 |
| 0.1% increase in Pension Increase Rate | 2% | 2,427 |
| 0.1% increase in Salary Increase Rate | 0% | 76 |
| 1 year increase in member life expectancy | 4% | 6365 |

Information about the Defined benefit obligation

Funding levels are monitored on an annual basis, and the latest triennial review is based on 31 March 2022 data. The fund liability may go up or down based on this review, and a sensitivity analysis is set out within this note under “impact on the defined benefit obligation in the scheme”. The total value of contributions expected to be made by the Council in 2024/25 is £3.531m.

20. Joint Operations

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

21. Partnership Working

The Council has the following shared service arrangements with Three Rivers District Council (TRDC):

- Finance Service (TRDC Lead Authority)
- Revenue and Benefits (TRDC Lead Authority)
- ICT (Watford Lead Authority)
- HR (Watford Lead Authority)
- Procurement (Watford Lead Authority)

The Council has the following shared service arrangements with St Albans District and City Council (SADC):

- Legal (SADC Lead Authority)
- Planning Enforcement (Watford Lead Authority)
- Building Control (Watford Lead Authority)

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 (eg council tax bills, housing benefits).

Senior Officers

The Chief Executive and Director of Performance are both 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 2023/24 the council paid £705k to Watford BID, £668k of which related to BID levy collected. The council received £19k.

Elected Members

One councillor is a Director for Watford Jazz Junction which received a £2k grant from the Watford Community Fund, administered by Watford and Three Rivers Trust.

Elected Mayor Peter Taylor is a board member 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 2023/24 the council paid £705k to Watford BID, £668k of which related to BID levy collected. The council received £19k.

Jenny Pattinson and one other councillor are Directors for Watford Citizens Advice Bureau which received £204k from Watford Borough Council in grant payments.

Jenny Pattinson is a Director for Watford Community Housing which received £2.53m in LAHF grants relating to various properties. Watford Borough Council received £396k in rent payments.

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

One councillor is also an elected member of Hertfordshire County Council.

Councillor Aga Dychton is a Director for Watford Palace Theatre. In 2023/24 Watford Palace Theatre received £278k from the council relating to a service-level agreement.

Entities Controlled or Significantly Influenced by the Authority

Watford Commercial Services Ltd (WCS) is a wholly owned subsidiary of Watford Borough Council. During 2023/24 Watford Borough Council received £79k in dividends.

WCS is a 50% joint venture partner in Hart Homes Watford Development Ltd (HHWDLLP). During 2023/24 the council received £1.28m in loan repayments and £1.18m in loan interest.

The Council owns 50% of Hart Homes Watford Ltd. During 2023/24 the council received £80k in social

housing stock loan repayment and £543k in interest on social housing stock loans.

Watford Health Campus LLP is a 50:50 joint venture between Watford Borough Council and Kier Property. In 2023/24 the council received a loan repayment of £3m and interest of £204k. Any dividends due to WBC are yet to be finalised.

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 2023/24, Watford received £1.53m. £1.48m of this was recharged costs relating to the construction of the new crematorium and project manager salary. Also included is an annual contribution of £50,000 (2022/23 £50,000).

Key Management – Agency Staff

The Head of Human Resources was paid £12k of agency fees during 2023/24 before becoming a permanent staff member.

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

| 2023/24 | 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 | 285,821 | 19,863 | 1,072 | 61,558 | 3,663 | 256,263 | 628,241 |
| Additions | 18,142 | 1,632 | 0 | 418 | 493 | 301 | 20,986 |
| Donation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases (decreases) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services | -196 | -187 | 0 | 0 | 0 | 0 | -383 |
| Derecognition - disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost or valuation as at 31 March | 303,767 | 21,308 | 1,072 | 61,976 | 4,157 | 256,564 | 392,280 |
| Depreciation and Impairment as at 1 April | -14,107 | -4,669 | -827 | 0 | 0 | -12,768 | -32,371 |
| Depreciation charge | -5,946 | -949 | -20 | -32 | 0 | -4,272 | -11,220 |
| Depreciation and impairment written out to the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation and impairment written out to the Surplus / Deficit on Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation and impairment as at 31 March | 283,714 | 15,690 | 225 | 61,944 | 4,157 | 239,525 | 605,254 |
| Net book Value at 31 March 2023 | 271,714 | 15,194 | 245 | 61,558 | 3,663 | 243,495 | 595,870 |
| Net book Value at 31 March 2024 | 283,714 | 15,690 | 225 | 61,944 | 4,157 | 239,525 | 605,254 |

Notes to the Financial Statements

| 2022/23 | 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 | 253,426 | 19,577 | 1,460 | 8,039 | 2,909 | 259,828 | 545,238 |
| Additions | 17,492 | 1,286 | 16 | 269 | 754 | 392 | 20,209 |
| Donation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases (decreases) recognised in the Revaluation Reserve | 17,742 | 0 | 0 | 53,168 | 0 | -3,956 | 66,954 |
| Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services | -1,813 | -395 | 0 | 81 | 0 | 0 | -2,126 |
| Impairments | -1,220 | -657 | -404 | 0 | 0 | 0 | -2,281 |
| Derecognition - disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in cost or valuation | 285,626 | 19,812 | 1,072 | 61,558 | 3,663 | 256,263 | 371,731 |
| Cost or valuation as at 31 March | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation and Impairment as at 1 April | -5,711 | -853 | -18 | 0 | 0 | -4,265 | -10,848 |
| Depreciation charge | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation and impairment written out to the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation and impairment written out to the Surplus / Deficit on Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified | 3,907 | 0 | 0 | 0 | 0 | 0 | 3,907 |
| Other movements in depreciation and impairment | 271,519 | 15,007 | 245 | 61,558 | 3,663 | 243,495 | 595,487 |
| Depreciation and impairment as at 31 March | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net book Value at 31 March 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net book Value at 31 March 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

24. Movement in the value of Heritage Assets

| 2022/23 Total | | 2023/24 Musical Instrument | Statues, sculptures and war memorials | Works of Art | Civic Regalia | Total |
|------------------|--|----------------------------------|--|-----------------|------------------|--------------|
| £'000 | | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2,574 | Cost or Valuation at 1 April | 400 | 647 | 1,262 | 265 | 2,574 |
| 0 | Revaluation decreases recognised in the revaluation reserve | | | | | 0 |
| 2,574 | Cost or Valuation at 31 March | 400 | 647 | 1,262 | 265 | 2,574 |

25. Movement in the value of Investment Properties

| | 2022/23 Non-current | 2023/24 Non-current |
|---|------------------------|------------------------|
| Investment Properties | £'000 | £'000 |
| Opening Balance at 1 April | 42,928 | 38,255 |
| Additions | 0 | 0 |
| Derecognition | 0 | 0 |
| Net gain (+) / losses from fair value adjustments | -3,825 | 0 |
| Assets reclassified to / from Investment Properties | 0 | 0 |
| Other changes | -847 | 0 |
| Closing balance at 31 March | 38,255 | 38,255 |

26. Movement in the value of Intangible Assets

| | 2022/23 £'000 | 2023/24 £'000 |
|------------------------------------|------------------|------------------|
| Expenditure on Software Licences | 0 | 0 |
| Written out in year of acquisition | 0 | 0 |
| Net Book Value at 31 March | 0 | 0 |

27. Capital Expenditure, Financing and Commitments

| Capital Financing | 2022/23 £'000 | 2023/24 £'000 |
|---|------------------|------------------|
| Capital Financing Requirement as at 1 April | 311,353 | 310,261 |
| Capital Investment: | | |
| Property, Plant and Equipment | 19,170 | 20,075 |
| Assets under construction | 754 | 493 |
| Infrastructure Assets | 16 | 0 |
| Intangible Assets | 0 | 0 |
| Revenue Expenditure Funded from Capital Under Statute | 2,717 | 3,355 |
| Suplus Assets | 269 | 418 |
| Long Term Debtors | 10,132 | 250 |
| | <u>33,058</u> | <u>24,591</u> |
| Sources of Finance: | | |
| Capital receipts | -2,487 | -3,728 |
| Government Grants and Other Contributions (including S106) | -8,288 | -5,332 |
| Capital Expenditure funded from the Revenue Account | -8 | -182 |
| Repayment of loans treated as capital receipts | -18,175 | -4,579 |
| Minimum Revenue Provision | -5,192 | -6,017 |
| | <u>-34,150</u> | <u>-19,838</u> |
| Increase (+) / decrease (-) in Capital Financing Requirement | -1,092 | 4,753 |
| Capital Financing Requirement at 31 March | 310,261 | 315,014 |

28. Leases

| Council as Lessor | 2022/23 Land and buildings £'000 | 2023/24 Land and buildings £'000 |
|---|---|---|
| Future Minimum leases payments receivable: | | |
| Within 1 year | 20,045 | 18,951 |
| Within 2nd - 5th years | 68,364 | 66,137 |
| 6th year and beyond | 2,177,174 | 2,149,654 |
| Total: | 2,265,583 | 2,234,742 |

| Council as Lessee - Carrying Amounts of Asset | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Croxley Business Park - NBV | 243,495 | 239,525 |
| Total | 243,495 | 239,525 |

29. Long Term Debtors

| | As at 31 March 2023 | As at 31 March 2024 |
|----------------------------------|---------------------------|------------------------|
| | £'000 | £'000 |
| Watford Health Campus Loan | 12,255 | 9,406 |
| Hart Homes Loan - LTD | 12,448 | 11,382 |
| Hart Homes Loan - LLP | 1,276 | 0 |
| Watford Health Trust Loan | 2,000 | 2,000 |
| Watford Muslim Youth Loan | 150 | 150 |
| Everyone Active Loan | 212 | 173 |
| YMCA Loan | 8 | 8 |
| Watford BID Loan | 150 | 100 |
| Charges Registered to Properties | 0 | |
| Total | 28,498 | 23,219 |

30. Short-Term Debtors

| | As at 31 March 2023 | As at 31 March 2024 |
|-----------------------------------|---------------------------|------------------------|
| | £'000 | £'000 |
| Government Departments | 734 | 3,646 |
| Other Local Authorities | 1,560 | 2,424 |
| Health Authorities | 0 | 0 |
| Payments in Advance | 572 | 866 |
| Other Entities & Individuals | 19,443 | 17,802 |
| | 22,308 | 24,737 |
| Less Impairment Allowance Account | -7,246 | -9,393 |
| Total | 15,061 | 15,344 |

31. Creditors

| | As at 31 March 2023 £'000 | As at 31 March 2024 £'000 |
|--------------------------------------|---------------------------------|---------------------------------|
| Receipts in Advance | -4,781 | -2,541 |
| Creditors | | |
| Government Departments | -7,940 | -4,994 |
| Other Local Authorities | -211 | -700 |
| Health Authorities | 0 | 0 |
| Other Entities & Individuals | -9,229 | -9,849 |
| | -17,380 | -15,543 |
| Short Term Creditors and RIA | -23,163 | -18,084 |
| Long Term Receipts in Advance | 0 | 0 |
| Total | -23,163 | -18,084 |

32. Cash and Cash Equivalents

| | As at 31 March 2023 £'000 | As at 31 March 2024 £'000 |
|--------------------------|---------------------------------|------------------------------------|
| Cash at bank and in hand | 4,118 | 4,675 |
| Total | 4,118 | 4,675 |

33. Short Term Investments

| | As at 31 March 2023 £'000 | As at 31 March 2024 £'000 |
|--|---------------------------------|---------------------------------|
| Cash Plus Fund Royal London Asset Management | 7,612 | 0 |
| Sustainable Managed Growth Fund | 45,650 | 0 |
| Sustainable Diversified Fund | 30,490 | 0 |
| Short Term Deposits | 22,500 | 57,000 |
| | 106,253 | 57,000 |

34. Financial Instruments

| As at 31 March 2023 | | Financial Assets | As at 31 March 2024 | |
|---------------------|---------------|--|---------------------|---------------|
| Short Term | Long Term | | Short Term | Long Term |
| £000 | £000 | | £000 | £000 |
| | | Carried at Amortised Cost | | |
| 4,118 | 0 | Cash and Cash Equivalents | 4,675 | 0 |
| 15,601 | 18,366 | Debtors | 15,343 | 23,219 |
| 19,719 | 18,366 | Total at Amortised Cost | 20,018 | 23,219 |
| | | Carried at Fair Value through Profit & Loss | | |
| 106,253 | 0 | Investments | 57,000 | 0 |
| 0 | 2,420 | Equity | 0 | 2,420 |
| 106,253 | 2,420 | Total at Fair Value through Profit and Loss | 57,000 | 2,420 |
| 1 | | Non-Financial Assets* | 1 | 0 |
| 125,973 | 20,786 | Total | 77,020 | 25,639 |

| As at 31 March 2023 | | Financial Liabilities | As at 31 March 2024 | |
|---------------------|-----------------|--------------------------------|---------------------|-----------------|
| Short Term | Long Term | | Short Term | Long Term |
| £000 | £000 | | £000 | £000 |
| | | Carried at Amortised Cost | | |
| -60,000 | -21,250 | Borrowing | -32,000 | -16,250 |
| -17,709 | - | Creditors | -15,543 | 0 |
| -3,883 | -219,009 | Finance Lease Payables | -3,807 | -215,155 |
| -81,592 | -240,259 | Total at Amortised Cost | -51,350 | -231,405 |
| -4,781 | -2,219 | Non-Financial Liabilities* | -2,541 | -1,653 |
| -86,373 | -242,478 | Total | -53,891 | -233,059 |

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

35. 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.

| Amount at 31 March 2023 | Maturity Profile | Amount at 31 March 2024 |
|----------------------------|-----------------------|----------------------------|
| £000 | | £000 |
| -60,000 | Less than 1 year | -32,000 |
| -21,250 | Between 1 and 2 years | -16,250 |
| 0 | Between 2 and 5 years | 0 |
| 0 | More than 5 years | 0 |
| -81,250 | | -48,250 |

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 2023 | At 31 March 2024 |
|----------------------------|------------------|------------------|
| | £000 | £000 |
| Less than 3 months | 2,138 | 1,633 |
| Between 3 and 6 months | 14 | 1,964 |
| Between 6 month and 1 year | 44 | 40 |
| More than 1 year | 143 | 504 |
| Total | 2,339 | 4,141 |

36. Provisions

| | Balance at 31 March 2023 | Additional provisions made in 2023/24 | Amounts used in 2023/24 | Unused amounts reversed in 2023/24 | Balance at 31 March 2024 |
|----------------------|-----------------------------|---|-------------------------------|--|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| MMI Insurance | -48 | 0 | 0 | 0 | -48 |
| Land Charges | -77 | 0 | 0 | 77 | 0 |
| Contract Provision | -74 | 0 | 0 | 74 | 0 |
| Redundancy Provision | 0 | -80 | 0 | 0 | -80 |
| Business Rates | -1,545 | -4,471 | 0 | 1,545 | -4,471 |
| Total | -1,744 | -4,551 | 0 | 1,696 | -4,599 |

| | Balance at 31 March 2022 | Additional provisions made in 2022/23 | Amounts used in 2022/23 | Unused amounts reversed in 2022/23 | Balance at 31 March 2023 |
|--------------------|-----------------------------|---|-------------------------------|--|-----------------------------|
| | £'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 | -2,953 | -1,545 | 0 | 0 | -1,545 |
| Total | -3,152 | -1,545 | 0 | 2,953 | -1,744 |

37. Movement in Useable Reserves

| | 31 March 2023 | 31 March 2024 |
|--|------------------|----------------|
| Usable Reserves | £'000 | £'000 |
| General Fund | 2,000 | 2,000 |
| Earmarked Reserves | 30,534 | 27,098 |
| Useable Capital Receipts Reserve | 478 | 478 |
| Capital Grants and Contributions Reserve | 76,533 | 76,530 |
| | 109,546 | 106,107 |

38. General Fund

| | 2022/23 £'000 | 2023/24 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 2,000 | 2,000 |
| Net increase / decrease before transfers to Earmarked Reserves | -7,038 | -3,436 |
| Transfer to / from Earmarked Reserves | 7,038 | 3,436 |
| | 2,000 | 2,000 |

39. Earmarked Reserves

| | Balance at 31 March 2022 £'000 | In year Movement 2022/23 £'000 | Balance at 31 March 2023 £'000 | In year Movement 2023/24 £'000 | Balance at 31 March 2024 £'000 |
|-------------------------------------|--|---|--|---|---|
| Budget Carry Forward | -1,735 | 1,706 | -29 | 0 | -29 |
| Car Parking Zones | -661 | 152 | -509 | -22 | -531 |
| Collection Fund | -5,146 | 1,823 | -3,260 | -11 | -3,271 |
| Crematorium | -150 | 0 | -150 | 0 | -150 |
| Economic Impact Reserve | -479 | 479 | 0 | -701 | -701 |
| Housing Benefit Subsidy | -997 | 374 | -623 | 0 | -623 |
| Housing Planning Delivery Grant | -266 | 0 | -266 | 0 | -266 |
| Leisure Structured Maintenance | -57 | 0 | -57 | 0 | -57 |
| Local Development Framework | -178 | 0 | -178 | 0 | -178 |
| Multi-Storey Car Park Repair | -181 | 0 | -181 | 0 | -181 |
| Pension Funding | -2,248 | 0 | -2,248 | 600 | -1,648 |
| Redundancy Reserve | 0 | 0 | 0 | 942 | 942 |
| Grants and Contribution Reserve | -260 | -630 | -891 | 22 | -869 |
| Rent Deposit Guarantee Scheme | -100 | 0 | -100 | 100 | 0 |
| Commercial Risk Reserve | -6,615 | 0 | -6,615 | 450 | -6,165 |
| Sustainability Reserve | 0 | -500 | -500 | 64 | -436 |
| Croxley Park General Reserve | -16,945 | 3,232 | -13,712 | 473 | -12,302 |
| Renewal Recovery Fund | -632 | 64 | -568 | 500 | -68 |
| Vehicle Replacement Reserve | -323 | 0 | -323 | 182 | -141 |
| Weekly Collection Support Grant | 0 | 0 | 0 | 0 | 0 |
| Grounds Maintenance | -14 | 0 | -14 | 0 | -14 |
| Performance Reward Grant | 0 | 0 | 0 | 0 | 0 |
| Project and Programme Management | 0 | 0 | 0 | 0 | 0 |
| Le Marie Centre Repairs | 0 | 0 | 0 | 0 | 0 |
| Invest to save | 0 | 0 | 0 | 0 | 0 |
| Charter Place Tenants | 0 | 0 | 0 | 0 | 0 |
| HB Equalisation Reserve | -586 | 276 | -310 | -101 | -411 |
| Total Earmarked Reserves | -37,572 | 7,038 | -30,534 | 3,436 | -27,098 |

40. Capital Receipts Reserve

| | 31 March 2023 £'000 | 31 March 2024 £'000 |
|---|---------------------------|---------------------------|
| Balance at 1 April | 478 | 478 |
| Net receipts from sale of assets | 1,794 | 3,728 |
| Net receipts from repayment of loans | 0 | |
| Transfer from deferred capital receipts reserve | 693 | |
| Receipts applied to finance capital expenditure | -2,487 | |
| Balance at 31 March | 478 | 478 |

41. Capital Grants Unapplied Reserve

| | 31 March 2023 £'000 | 31 March 2024 £'000 |
|--|---------------------------|---------------------------|
| Balance at 1 April | 76,930 | 76,533 |
| Applied during the year | -8,457 | -5,332 |
| Recognised as income but not applied during the year | 8,061 | 5,388 |
| Balance at 31 March | 76,533 | 76,589 |

42. Movement in Unusable Reserves

| | 31 March 2023 £'000 | 31 March 2024 £'000 |
|--|---------------------------|---------------------------|
| Unusable Reserves | | |
| Pooled Fund Adjustment Account | 1,054 | 0 |
| Pensions Reserve | -16,507 | -7,639 |
| Revaluation Reserve | 168,046 | 168,046 |
| Capital Adjustments Account | 185,891 | 186,438 |
| Financial Instruments Adjustment Account | -76 | -76 |
| Collection Fund Adjustment Account | -2,959 | -3,170 |
| Accumulated Absences Account | -191 | -238 |
| Deferred Capital Receipts | 102 | 102 |
| Total | 335,361 | 343,463 |

43. Capital Adjustment Account

| 2022/23 | | Capital Adjustment Account | 2023/24 | |
|---------|----------------|--|---------|----------------|
| £'000 | £'000 | | £'000 | £'000 |
| | 186,981 | Balance as at 1 April | | 185,891 |
| | | Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES): | | |
| -10,848 | | Charges for depreciation for non-current assets | -11,220 | |
| -214 | | Charges for impairment for non-current assets | -136 | |
| | | Revaluation losses / subsequent gains on Property, Plant and Equipment | 0 | |
| 793 | | Amortisation of Intangible Assets | 0 | |
| -11 | | Revenue Expenditure funded from capital under statute | -3,355 | |
| -2,717 | | Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on derecognition | 0 | |
| -2,730 | | Removal of finance liability on derecognition of assets held under finance leases | 0 | |
| 0 | | | 0 | |
| | -15,726 | | | -14,711 |
| | | Adjusting amounts written out of the Revaluation Reserve: | | |
| | | Difference between fair value depreciation and historical cost depreciation | 0 | |
| 1,803 | | Accumulated gains on assets sold or scrapped | 0 | |
| 684 | | | | |
| | 2,486 | | | 0 |
| | | Capital Financing applied in year: | | |
| 2,487 | | Use of the Capital Receipts Reserve to finance new capital expenditure | 3,728 | |
| 0 | | Capital grants and contributions credited to the CIES that have been applied to capital financing | 0 | |
| | | Application of grants to capital financing from the Capital Grants | | |
| 8,288 | | Unapplied account | 5,332 | |
| 0 | | Reversal of grants and contributions applied in previous years | 0 | |
| 18,175 | | Repayment of loans treated as capital receipts | 4,579 | |
| | | Statutory provision for the financing of capital investment charged against the General Fund balance | | |
| 5,192 | | | 6,017 | |
| 8 | | Capital expenditure charged against the General Fund balance | 182 | |
| 0 | | Reversal of revenue applied to capital financing in previous years | 0 | |
| | 34,149 | | | 19,838 |
| | | Movements in the market value of Investment Properties debited or credited to the CIES | | |
| | -3,825 | | | 0 |
| | | Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition | | 0 |
| 0 | | 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 |
| | | Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition | | 0 |
| 0 | | | | 0 |
| | -18,175 | Repayment of loans treated as capital receipts | | -4,579 |
| | 185,891 | Total Balance at 31 March | | 186,438 |

44. Revaluation Reserve

| 2022/23 | | Revaluation Reserve | 2023/24 | |
|---------|----------------|--|---------|----------------|
| £'000 | £'000 | | £'000 | £'000 |
| | 92,898 | Balance as at 1 April | | 168,046 |
| 77,634 | | Revaluation of assets | 0 | |
| 0 | | 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 | | 0 |
| | 77,634 | | | |
| -1,803 | | Difference between fair value depreciation and historical cost depreciation | 0 | |
| 0 | | Accumulated gains on assets sold or scrapped | 0 | |
| | | Amounts written off to the Capital Adjustment Account | | 0 |
| | -1,803 | | | |
| | 168,730 | Total Balance at 31 March | | 168,046 |

45. Collection Fund Adjustment Account

| | 2022/23 | 2023/24 |
|--|---------------|---------------|
| Collection Fund Adjustment Account | £'000 | £'000 |
| Balance as at 1 April | -8,105 | -2,959 |
| Decrease in Council Tax and Business Rate surpluses/increases in deficits | -14 | -95 |
| Increases in Council Tax and Business Rate surpluses/reductions in deficits | 5,161 | -117 |
| 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 | 5,146 | -212 |
| Balance as at 31 March | -2,959 | -3,170 |

46. Accumulated Absences Account

| | 2022/23 £'000 | 2023/24 £'000 |
|---|------------------|------------------|
| Accumulated Absences Account | | |
| Balance as at 1 April | -290 | -191 |
| Settlement or cancellation of previous year's accrual | 290 | 191 |
| Amount accrued at the end of the current year | -191 | -238 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute | 99 | -47 |
| Balance as at 31 March | -191 | -238 |

47. Pensions Reserve

| | 2022/23 £'000 | 2023/24 £'000 |
|--|------------------|------------------|
| Pension Reserve | | |
| Balance as at 1 April | -54,381 | -16,507 |
| Net charge made for retirement benefits in accordance with IAS19 | -1,502 | 596 |
| Remeasurements of the new defined liability | 39,376 | 8,272 |
| Balance as at 31 March | -16,507 | -7,639 |

48. Pooled Fund Adjustment Account

| | 2022/23 £'000 | 2023/24 £'000 |
|--|------------------|------------------|
| 7,957 Balance at 1 April | | 1,054 |
| Increase in value of assets held at Fair Value through Profit and Loss | -8,452 | 0 |
| Decrease in value of assets held at Fair Value through Profit and Loss | 1,648 | 524 |
| 0 Amounts transferred to the General Fund on disposal | | 0 |
| 1,054 Balance at 31 March | | 0 |

49. Notes to the Cashflow Statement

50. Contingent Assets

There are no contingent assets to disclose at 31 March 2024.

51. Contingent Liabilities

At 31 March 2024, the Council had one material contingent liability:

Cherry Tree Road Allotment Reinstatement

The Council owns land which was formerly part of the Cherry Tree Road allotments. The land has been let for use as a car park. The use of the land as a car park is subject to a covenant that requires that it to be returned to use as allotments should the lease not be renewed. In the event that this covenant comes into effect, the council will incur costs for reinstatement of the land for allotment use.

At present there are no indications of when the lease will come to an end, and the reinstatement costs are unknown. Consequently, no provision has been made for this contingent liability.

52. Going Concern

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

Collection Fund

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

| 2022/23 | | | | 2023/24 | | |
|--|---------------------|-----------------|--|-------------------------------------|---------------------|-----------------|
| National Non-Domestic Rates £000 | Council Tax £000 | Total £000 | | National Non-Domestic Rates £000 | Council Tax £000 | Total £000 |
| Income Receivable: | | | | | | |
| 0 | -70,465 | -70,465 | Council Tax receivable | | -75,392 | -75,392 |
| -55,657 | 0 | -55,657 | Business Rates receivable | -50,320 | | -50,320 |
| 0 | 0 | 0 | Transitional Protection Receivable | -10,115 | | -10,115 |
| 0 | 0 | 0 | Business rates - contribution towards previous year's deficit: | | | |
| -6,849 | 0 | -6,849 | Watford Borough Council | -4,048 | -15 | -4,063 |
| -1,712 | 0 | -1,712 | Hertfordshire County Council | -1,012 | -80 | -1,092 |
| | | 0 | Herts Police and Crime Commissioner | | -11 | -11 |
| -8,561 | 0 | -8,561 | Central Government | -5,060 | | -5,060 |
| -72,779 | -70,465 | -143,244 | Total Income | -70,555 | -75,498 | -146,053 |
| Expenditure: | | | | | | |
| Repayment of previous years surpluses: | | | | | | |
| 0 | 137 | 137 | Watford Borough Council | | | 0 |
| 0 | 723 | 723 | Hertfordshire County Council | | | 0 |
| 0 | 105 | 105 | Herts Police and Crime Commissioner | | | 0 |
| 0 | 0 | 0 | Central Government | | | 0 |
| Precepts and demands: | | | | | | |
| 24,475 | 9,571 | 34,046 | Watford Borough Council | 25,660 | 10,335 | 35,995 |
| 6,119 | 51,830 | 57,949 | Hertfordshire County Council | 32,074 | 57,051 | 89,125 |
| 0 | 7,558 | 7,558 | Herts Police and Crime Commissioner | | 8,457 | 8,457 |
| 30,593 | 0 | 30,593 | Central Government | 6,415 | | 6,415 |
| Charges to the Collection Fund: | | | | | | |
| 386 | 622 | 1,008 | Bad Debts Provision increase/(decrease) | -719 | 356 | -363 |
| -3,519 | 0 | -3,519 | Appeals Provision increase / (decrease) | 7,315 | | 7,315 |
| 145 | 0 | 145 | Cost of Collection | 143 | | 143 |
| 1,636 | 0 | 1,636 | Transitional Protection Payable | | | 0 |
| 59,835 | 70,546 | 130,381 | Total Expenditure | 70,888 | 76,199 | 147,087 |
| -12,944 | 81 | -12,863 | (Surplus)/Deficit for the year | 333 | 701 | 1,034 |
| 20,300 | -90 | 20,210 | Fund Balance brought forward | 7,356 | -9 | 7,347 |
| 7,356 | -9 | 7,347 | (Surplus)/Deficit carried forward | 7,689 | 692 | 8,381 |
| Fund Balance Allocation (indicative): | | | | | | |
| 2,942 | -1 | 2,941 | Watford Borough Council | 3,076 | 94 | 3,170 |
| 736 | -7 | 729 | Hertfordshire County Council | 769 | 521 | 1,290 |
| 0 | -1 | -1 | Herts Police and Crime Commissioner | | 77 | 77 |
| 3,678 | 0 | 3,678 | Central Government | 3,844 | | 3,844 |

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 2023/24:

| 2022/23 | | 2023/24 | | | | |
|---------------------------------------|--|-----------------------------------|---|----------------------------|----------------------------------|---------------------------------------|
| 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 |
| 220 | A | 702 | -143 | 559 | 6/9 | 373 |
| 2,676 | B | 5,411 | -1,535 | 3,876 | 7/9 | 3,015 |
| 10,952 | C | 15,924 | -3,111 | 12,812 | 8/9 | 11,389 |
| 11,065 | D | 13,346 | -1,922 | 11,424 | 9/9 | 11,424 |
| 3,953 | E | 3,761 | -375 | 3,386 | 11/9 | 4,138 |
| 2,935 | F | 2,293 | -143 | 2,150 | 13/9 | 3,106 |
| 2,999 | G | 1,897 | -82 | 1,815 | 15/9 | 3,026 |
| 140 | H | 85 | -5 | 80 | 18/9 | 160 |
| 34,939 | | 43,421 | -7,316 | 36,105 | | 36,631 |
| -1,048 | Less Allowance for losses on collection | | | | | -1099 |
| 33,891 | Tax Base for Calculation of Council Tax | | | | | 35,532 |
| 0 | Add: Adjustment for changes during the year for successful appeals against valuations bandings, new properties, demolitions, disabled persons' relief and empty properties | | | | | 0 |
| 33,891 | Council Tax Base for the year | | | | | 35,532 |

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

The Council set an average council tax charge for Band D dwellings of £2,134.48 (£2,034.72 for 2022/23).

CF 2 Business Rate Payers

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

Group Movement in Reserves Statement

At 31 May 2024 group accounts are not available as the accounts for the Council's joint ventures are not yet finalised

Group Comprehensive Income and Expenditure Statement

Group Balance Sheet

Group Cashflow

- 1. The Group Accounting Policies**
- 2. Watford Borough Council's share of Joint Venture Companies within the Group**
- 3. Related Party Transactions**
- 4. Capital Contributions (Loans)**

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.

