



**WATFORD
BOROUGH
COUNCIL**



AUDIT COMMITTEE

24 November 2022

7.00 pm

Town Hall, Watford

Contact

Laura MacMillan

democraticservices@watford.gov.uk

01923 278377

For information about attending meetings please visit the [council's website](#).

Publication date: 16 November 2022

Committee Membership

Councillor M Hofman (Chair)

Councillor M Devonish (Vice-Chair)

Councillors K Clarke-Taylor, L Nembhard and M Turmaine

Agenda

Part A - Open to the Public

1. Apologies for Absence/Committee Membership

2. Disclosure of Interests (if any)

3. Minutes

The [minutes](#) of the meeting held on 15 September 2022 to be submitted and signed.

4. Freedom of Information Act Requests April 2022 to September 2022 (Pages 4 - 22)

Report of the Group Head of Democracy and Governance

5. SIAS Update Report on Progress Against the 2022-23 Audit Plan (Pages 23 - 60)

Report of the Shared Internal Audit Service

6. External Auditor update

The committee to receive a presentation.

7. Treasury Management Mid Term Review 2022/23 (Pages 61 - 81)

Report of the Head of Finance

8. Statement of Accounts Update (Pages 82 - 204)

Report of the Head of Finance

9. Draft Treasury Management Strategy 2023/24 (Pages 205 - 224)

Report of the Head of Finance

Part A

Report to: Audit Committee

Date of meeting: Thursday, 24 November 2022

Report author: Group Head of Democracy and Governance

Title: Freedom of Information Act Requests April 2022 to September 2022

1.0 Summary

1.1 This is the half yearly report of Freedom of Information Act requests received between 1 April 2022 and 30 September 2022.

2.0 Risks

2.1

| Nature of risk | Consequence | Suggested Control Measures | Response (treat, tolerate, terminate or transfer) | Risk Rating (combination of severity and likelihood) |
|---|---|---|---|--|
| Requests are not regularly responded to | Complaints by requesters and investigation and potential sanction by the Information Commissioner | CLO's diarise and response times and chase responders | treat | 4 |

3.0 Recommendations

3.1 That the report be noted.

Further information:

Carol Chen

carol.chen@watford.gov.uk

Tel: 01923 278350

4.0 Detailed proposal

4.1 Since January 2005 when the Freedom of Information Act 2000 came fully into force the council has been obliged to respond to requests for information. These requests

should be responded to within 20 working days of receipt. The Act, and public bodies' compliance with it, is overseen by the Information Commissioner who can investigate complaints and can compel the disclosure of information as well as impose fines for failure to meet deadlines.

- 4.2 This committee receives half yearly reports on the council's performance in replying to such requests as well as Environmental Information Regulation (EIR) requests.
- 4.3 For the period 1 April 2022 to 30 September 2022 the council received 248 Freedom of Information Act requests and 0 Environmental Information Regulation request. This was 108 less than the previous half year when the council received 354 requests. Of those 248 requests 54 were not replied to within 20 working days. 2 have not been replied to at all. In the previous half year 73 were replied to outside the time and 4 were not replied to at all.
- 4.4 All requests are now registered on Firmstep and can be viewed on Qlik. The requests are attached at Appendix 1 and snapshots from the Qlik system are shown as appendix 2.

5.0 **Implications**

5.1 **Financial**

- 5.1.1 The Shared Director of Finance comments that there are no financial implications. Services deal with requests from existing resources.

5.2 **Legal Issues** (Monitoring Officer)

- 5.2.1 The Group Head of Democracy and Governance comments that there are no legal implications in this report.

5.3 **Equalities, Human Rights and Data Protection**

- 5.3.1 Information is redacted if it contains personal information.

5.4 **Staffing**

- 5.4.1 Replies are dealt with within services. The Customer Services Centre manages and responds to requests where it affects multiple services.

5.5 **Accommodation**

- 5.5.1 N/A

5.6 **Community Safety/Crime and Disorder**

5.6.1 N/A

5.7 **Sustainability**

5.7.1 N/A

Appendices

Appendix 1 Requests 1 April 2022 to 30 September 2022

Appendix 2 snapshots from the Qlik system

Background papers

No papers were used in the preparation of this report.

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|--------------------------|--------------------------|---|-------------------|--------------|--------------------|-------------------|----------------------|
| Benefits FOI | FOI-414918784 | Exempt Accommodation | 12/04/2022 | 10/05/2022 | 17/05/2022 | N | yes |
| Benefits FOI | FOI-429626931 | Exempt accommodation | 14/06/2022 | 12/07/2022 | 02/08/2022 | N | yes |
| Benefits FOI | FOI-432131263 | Discretionary Housing Payments 2021/22 | 24/06/2022 | 22/07/2022 | 02/08/2022 | N | yes |
| Benefits FOI | FOI-444657022 | Benefits information Armed Forces | 16/08/2022 | 09/09/2022 | 14/09/2022 | N | yes |
| Benefits FOI | FOI-417238840 | FOI Request - Exempt Accommodation | 22/04/2022 | 20/05/2022 | 20/05/2022 | Y | yes |
| Benefits FOI | FOI-427545264 | Exempt Accommodation information | 06/06/2022 | 04/07/2022 | 15/06/2022 | Y | yes |
| Benefits FOI | FOI-433181155 | Number of households presenting as homeless that claim Universal Credit | 29/06/2022 | 27/07/2022 | 27/07/2022 | Y | yes |
| Benefits FOI | FOI-441267311 | Discretionary Housing Payments | 01/08/2022 | 29/08/2022 | 26/08/2022 | Y | yes |
| Benefits FOI | FOI-454393737 | FOI CBS COMMUNTIY BENEFIT SOCIETY | 26/09/2022 | 25/10/2022 | 03/10/2022 | Y | yes |
| Community Protection FOI | FOI-413467023 | Taxi/Private Hire/Hackney Carriage vehicle information | 05/04/2022 | 03/05/2022 | 09/05/2022 | N | yes |
| Community Protection FOI | FOI-413481268 | Neighbour Complaints | 05/04/2022 | 03/05/2022 | 06/05/2022 | N | yes |
| Community Protection FOI | FOI-414792526 | FOI request on neighbour disputes | 11/04/2022 | 09/05/2022 | 10/05/2022 | N | yes |
| Community Protection FOI | FOI-425376036 | Food hygiene report | 27/05/2022 | 24/06/2022 | 13/07/2022 | N | yes |
| Community Protection FOI | FOI-428048867 | Seagull incidents and costs | 08/06/2022 | 04/07/2022 | 06/07/2022 | N | yes |
| Community Protection FOI | FOI-430933223 | ACM Cladding | 20/06/2022 | 18/07/2022 | 23/08/2022 | N | yes |
| Community Protection FOI | FOI-432498247 | Property Information | 27/06/2022 | 25/07/2022 | 02/08/2022 | N | yes |
| Community Protection FOI | FOI-432819375 | REQUEST FOR PRIVATE RENTAL SECTOR | 28/06/2022 | 26/07/2022 | 16/08/2022 | N | yes |
| Community Protection FOI | FOI-434804314 | Fly Tipping Jan 2017-Dec 2019 | 05/07/2022 | 03/08/2022 | 11/08/2022 | N | yes |
| Community Protection FOI | FOI-440863319 | Noise pollution strategy | 30/07/2022 | 29/08/2022 | 30/08/2022 | N | yes |
| Community Protection FOI | FOI-443031231 | Noise Complaints | 09/08/2022 | 06/09/2022 | 07/09/2022 | N | yes |
| Community Protection FOI | FOI-445386411 | Air Pollution | 18/08/2022 | 13/09/2022 | 14/09/2022 | N | yes |
| Community Protection FOI | FOI-447923015 | FOI Request | 30/08/2022 | 27/09/2022 | 28/09/2022 | N | yes |
| Community Protection FOI | FOI-414599719 | Number of licenses to exhibit animals under the Animal Welfare | 11/04/2022 | 06/05/2022 | 21/04/2022 | Y | yes |
| Community Protection FOI | FOI-414868511 | Taxi Licensing Management | 12/04/2022 | 10/05/2022 | 10/05/2022 | Y | yes |
| Community Protection FOI | FOI-414933175 | Noise Complaints | 12/04/2022 | 10/05/2022 | 09/05/2022 | Y | yes |
| Community Protection FOI | FOI-415575604 | Noise complaints for Premier League stadiums | 14/04/2022 | 13/05/2022 | 09/05/2022 | Y | yes |
| Community Protection FOI | FOI-417242315 | Food Safety Reports | 22/04/2022 | 23/05/2022 | 10/05/2022 | Y | yes |

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|--------------------------|--------------------------|---|-------------------|--------------|--------------------|-------------------|----------------------|
| Community Protection FOI | FOI-417831156 | Licensing | 26/04/2022 | 23/05/2022 | 28/04/2022 | Y | yes |
| Community Protection FOI | FOI-418657085 | FOI - Alcohol licensed premises | 28/04/2022 | 27/05/2022 | 27/05/2022 | Y | yes |
| Community Protection FOI | FOI-419352861 | Cladding | 03/05/2022 | 31/05/2022 | 18/05/2022 | Y | yes |
| Community Protection FOI | FOI-419492285 | Noise Complaints between August 2021 and April 2022 | 03/05/2022 | 31/05/2022 | 30/05/2022 | Y | yes |
| Community Protection FOI | FOI-420340425 | Carol Bussey divorce document | 06/05/2022 | 03/06/2022 | 11/05/2022 | Y | yes |
| Community Protection FOI | FOI-422770542 | Freedom of Information Request regarding Animal Services. | 17/05/2022 | 14/06/2022 | 31/05/2022 | Y | yes |
| Community Protection FOI | FOI-423735656 | Dogs Trust FOI | 20/05/2022 | 17/06/2022 | 17/06/2022 | Y | yes |
| Community Protection FOI | FOI-424314797 | Taxi Licensing Information | 23/05/2022 | 17/06/2022 | 16/06/2022 | Y | yes |
| Community Protection FOI | FOI-426029085 | Gypsy and Travellers | 30/05/2022 | 27/06/2022 | 01/06/2022 | Y | yes |
| Community Protection FOI | FOI-426398573 | Hate Crime Sector | 31/05/2022 | 28/06/2022 | 27/06/2022 | Y | yes |
| Community Protection FOI | FOI-426399689 | Qualified Animal Licensing Activity Inspectors | 31/05/2022 | 29/06/2022 | 29/06/2022 | Y | yes |
| Community Protection FOI | FOI-426400505 | Animal breeding licenses | 31/05/2022 | 29/06/2022 | 29/06/2022 | Y | yes |
| Community Protection FOI | FOI-427593723 | Food Hygiene Rating Enquiry | 06/06/2022 | 04/07/2022 | 06/06/2022 | Y | yes |
| Community Protection FOI | FOI-428794286 | Community Protection Notices | 10/06/2022 | 06/07/2022 | 27/06/2022 | Y | yes |
| Community Protection FOI | FOI-428794855 | Fines issued for Jubilee street parties | 10/06/2022 | 06/07/2022 | 15/06/2022 | Y | yes |
| Community Protection FOI | FOI-430337545 | Fly Tipping | 17/06/2022 | 15/07/2022 | 04/07/2022 | Y | yes |
| Community Protection FOI | FOI-430869229 | Statutory nuisance complaints and noise abatement orders | 20/06/2022 | 18/07/2022 | 13/07/2022 | Y | yes |
| Community Protection FOI | FOI-431004357 | Dog warden cases and dog noise complaints | 20/06/2022 | 18/07/2022 | 27/06/2022 | Y | yes |
| Community Protection FOI | FOI-432136380 | Dangerous Wild Animal licences in 2021 or 2020 | 24/06/2022 | 20/07/2022 | 06/07/2022 | Y | yes |
| Community Protection FOI | FOI-432923398 | Garden Complaints | 28/06/2022 | 26/07/2022 | 21/07/2022 | Y | yes |
| Community Protection FOI | FOI-433676836 | Trading Standards | 01/07/2022 | 29/07/2022 | 21/07/2022 | Y | yes |
| Community Protection FOI | FOI-433678588 | HMO | 01/07/2022 | 29/07/2022 | 26/07/2022 | Y | yes |
| Community Protection FOI | FOI-435972067 | Dog and Cat Boarding/Day Care | 11/07/2022 | 05/08/2022 | 20/07/2022 | Y | yes |
| Community Protection FOI | FOI-436325170 | FPN | 12/07/2022 | 09/08/2022 | 21/07/2022 | Y | yes |
| Community Protection FOI | FOI-436716376 | Dangerous wild animals | 13/07/2022 | 10/08/2022 | 14/07/2022 | Y | yes |
| Community Protection FOI | FOI-436741778 | Public Spaces Protection Orders (PSPO) | 13/07/2022 | 08/08/2022 | 14/07/2022 | Y | yes |
| Community Protection FOI | FOI-438739652 | Public Spaces Protection Orders | 21/07/2022 | 18/08/2022 | 16/08/2022 | Y | yes |

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|---|--------------------------|---|-------------------|--------------|--------------------|-------------------|----------------------|
| Community Protection FOI | FOI-439845726 | Motor Vehicles registered for public hire | 26/07/2022 | 02/08/2022 | 26/07/2022 | Y | yes |
| Community Protection FOI | FOI-440285045 | Performing animals register | 28/07/2022 | 23/08/2022 | 01/08/2022 | Y | yes |
| Community Protection FOI | FOI-440455628 | Dog Fouling | 28/07/2022 | 25/08/2022 | 25/08/2022 | Y | yes |
| Community Protection FOI | FOI-440574567 | Food Hygiene Report | 29/07/2022 | 24/08/2022 | 02/08/2022 | Y | yes |
| Community Protection FOI | FOI-441268893 | Responsible Person Contact Details for ECO4 Flex as part of ECO4 Order | 01/08/2022 | 29/08/2022 | 02/08/2022 | Y | yes |
| Community Protection FOI | FOI-441541618 | Scrap Metal Licences | 02/08/2022 | 30/08/2022 | 30/08/2022 | Y | yes |
| Community Protection FOI | FOI-442251655 | Complaints relating to Domestic Heat Pumps | 05/08/2022 | 02/09/2022 | 16/08/2022 | Y | yes |
| Community Protection FOI | FOI-446377492 | FPNs for dog fouling | 23/08/2022 | 20/09/2022 | 16/09/2022 | Y | yes |
| Community Protection FOI | FOI-446388630 | Women's Aid FOI Request | 23/08/2022 | 20/09/2022 | 16/09/2022 | Y | yes |
| Community Protection FOI | FOI-447817354 | Research into Smoking Establishments | 30/08/2022 | 23/09/2022 | 09/09/2022 | Y | yes |
| Community Protection FOI | FOI-447910567 | HMO investigative report | 30/08/2022 | 27/09/2022 | 31/08/2022 | Y | yes |
| Community Protection FOI | FOI-449744094 | Opening hours of Budgens whippendell road | 06/09/2022 | 04/10/2022 | 14/09/2022 | Y | yes |
| Community Protection FOI | FOI-450254777 | Licensed Equestrian Establishments | 08/09/2022 | 04/10/2022 | 30/09/2022 | Y | yes |
| Community Protection FOI | FOI-450294272 | Request for link to publicly available advertising policy | 08/09/2022 | 06/10/2022 | 15/09/2022 | Y | yes |
| Community Protection FOI | FOI-450513431 | Taxi Licensing Information | 09/09/2022 | 04/10/2022 | 03/10/2022 | Y | yes |
| Community Protection FOI | FOI-451289427 | FOI request regarding Natasha's Law | 13/09/2022 | 11/10/2022 | 16/09/2022 | Y | yes |
| Community Protection FOI | FOI-451600914 | Animal Activity Licences | 14/09/2022 | 12/10/2022 | 15/09/2022 | Y | yes |
| Community Protection FOI | FOI-451634598 | Property Information | 14/09/2022 | 12/10/2022 | 11/10/2022 | Y | yes |
| Community Protection FOI | FOI-451838027 | HMO/ Selective/ Additional Licensing | 15/09/2022 | 13/10/2022 | 12/10/2022 | Y | yes |
| Community Protection FOI | FOI-452222179 | Public Contaminated Land Register | 16/09/2022 | 18/10/2022 | 14/10/2022 | Y | yes |
| Community Protection FOI | FOI-453175932 | Street food vendor locations also known as burger vans, butty vans, food vans, catering | 21/09/2022 | 19/10/2022 | 07/10/2022 | Y | yes |
| Community Protection FOI | FOI-453395344 | FOI request regarding shisha bars | 22/09/2022 | 18/10/2022 | 12/10/2022 | Y | yes |
| Community Protection FOI | FOI-454333809 | Prosecutions of rogue landlords | 26/09/2022 | 24/10/2022 | 17/10/2022 | Y | yes |
| Community Protection FOI | FOI-454384524 | Contaminated Land Enquiry | 26/09/2022 | 25/10/2022 | 25/10/2022 | Y | yes |
| Corporate Strategy and Communications FOI | FOI-414566854 | Household borough information | 10/04/2022 | 09/05/2022 | 13/04/2022 | Y | yes |

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|---|--------------------------|---|-------------------|--------------|--------------------|-------------------|----------------------|
| Corporate Strategy and Communications FOI | FOI-419359269 | Council Branding | 03/05/2022 | 31/05/2022 | 31/05/2022 | Y | yes |
| Corporate Strategy and Communications FOI | FOI-422610713 | Street Furniture Outdoor Advertising Contract | 16/05/2022 | 16/06/2022 | 16/06/2022 | Y | yes |
| Corporate Strategy and Communications FOI | FOI-426401159 | Project Management | 31/05/2022 | 29/06/2022 | 07/06/2022 | Y | yes |
| Corporate Strategy and Communications FOI | FOI-444863674 | Staff working from Home/Staff working in the office | 16/08/2022 | 14/09/2022 | 16/08/2022 | Y | yes |
| Corporate Strategy and Communications FOI | FOI-451295076 | FOI - Expenditure on equality, diversity, and inclusivity | 13/09/2022 | 11/10/2022 | 15/09/2022 | Y | yes |
| Corporate Strategy and Communications FOI | FOI-453350740 | Annual spend on Christmas lights and decor | 22/09/2022 | 05/10/2022 | 22/09/2022 | Y | yes |
| Customer Service FOI | FOI-441806959 | Website | 03/08/2022 | 31/08/2022 | 02/09/2022 | N | yes |
| Customer Service FOI | FOI-419362459 | Young asylum seekers who have died by suicide | 03/05/2022 | 31/05/2022 | 03/05/2022 | Y | yes |
| Customer Service FOI | FOI-421425029 | Grass verges | 11/05/2022 | 06/06/2022 | 12/05/2022 | Y | yes |
| Customer Service FOI | FOI-422651920 | Elderly Care Fees 2022/23 | 16/05/2022 | 13/06/2022 | 17/05/2022 | Y | yes |
| Customer Service FOI | FOI-422774705 | Freedom of Information Act 2000 / Leadership Team | 17/05/2022 | 13/06/2022 | 18/05/2022 | Y | yes |
| Customer Service FOI | FOI-429644413 | Information relating to your Council | 14/06/2022 | 12/07/2022 | 15/06/2022 | Y | yes |
| Customer Service FOI | FOI-444654207 | Care workers | 16/08/2022 | 13/09/2022 | 16/08/2022 | Y | yes |
| Customer Service FOI | FOI-447816168 | Spending on Mayoral Cars | 30/08/2022 | 27/09/2022 | 02/09/2022 | Y | yes |
| Customer Service FOI | FOI-448322577 | PMLD within Support Living | 31/08/2022 | 28/09/2022 | 06/09/2022 | Y | yes |
| Democracy and Governance FOI | FOI-413656900 | Mayors salary | 06/04/2022 | 04/05/2022 | 12/04/2022 | Y | yes |
| Democracy and Governance FOI | FOI-414869795 | Council spend on food and drink for council meetings | 12/04/2022 | 10/05/2022 | 12/04/2022 | Y | yes |
| Democracy and Governance FOI | FOI-434932305 | Compulsory Purchase Order | 06/07/2022 | 03/08/2022 | 03/08/2022 | Y | yes |
| Democracy and Governance FOI | FOI-444551150 | LIVE Compulsory Purchase Order | 15/08/2022 | 13/09/2022 | 19/08/2022 | Y | yes |

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|---|--------------------------|---|-------------------|--------------|--------------------|-------------------|----------------------|
| Democracy and Governance FOI | FOI-453476183 | Watford Business Park - Compulsory Purchase Order | 22/09/2022 | 20/10/2022 | 14/10/2022 | Y | yes |
| Development Management and Building Control FOI | FOI-413308827 | Total cost of planning department | 05/04/2022 | 03/05/2022 | 25/08/2022 | N | yes |
| Development Management and Building Control FOI | FOI-420020128 | planning | 05/05/2022 | 02/06/2022 | 06/06/2022 | N | yes |
| Development Management and Building Control FOI | FOI-424603899 | Shipping containers | 24/05/2022 | 21/06/2022 | 22/06/2022 | N | yes |
| Development Management and Building Control FOI | FOI-426395980 | Planning Applications | 31/05/2022 | 28/06/2022 | 06/07/2022 | N | yes |
| Development Management and Building Control FOI | FOI-429242786 | Community Infrastructure Levy i) when started & ii) how much raised | 13/06/2022 | 11/07/2022 | 12/07/2022 | N | yes |
| Development Management and Building Control FOI | FOI-438143464 | Strategic Housing Land Availability Assessment data | 19/07/2022 | 16/08/2022 | 19/08/2022 | N | yes |
| Development Management and Building Control FOI | FOI-445387882 | Planning resources | 18/08/2022 | 13/09/2022 | 14/09/2022 | N | yes |
| Development Management and Building Control FOI | FOI-413197690 | Planning permission application statistics | 04/04/2022 | 03/05/2022 | 06/04/2022 | Y | yes |
| Development Management and Building Control FOI | FOI-413299721 | MIPIM conference | 05/04/2022 | 03/05/2022 | 05/04/2022 | Y | yes |

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|---|--------------------------|--|-------------------|--------------|--------------------|-------------------|----------------------|
| Development Management and Building Control FOI | FOI-414947516 | Planning permission rejections due to protected species in England | 12/04/2022 | 10/05/2022 | 28/04/2022 | Y | yes |
| Development Management and Building Control FOI | FOI-428041119 | Terraced Properties | 08/06/2022 | 30/06/2022 | 15/06/2022 | Y | yes |
| Development Management and Building Control FOI | FOI-442886214 | Croxley Park, Watford | 08/08/2022 | 05/09/2022 | 05/09/2022 | Y | yes |
| Development Management and Building Control FOI | FOI-451846104 | Local Plan | 15/09/2022 | 13/10/2022 | 22/09/2022 | Y | yes |
| Development Management and Building Control FOI | FOI-453354735 | FOI - Section 106 payments | 22/09/2022 | 18/10/2022 | 18/10/2022 | Y | yes |
| Finance FOI | FOI-413166872 | Financial Links with or Investment in Nuclear Weapons | 04/04/2022 | 02/05/2022 | 09/05/2022 | N | yes |
| Finance FOI | FOI-432938458 | Business Improvement District | 28/06/2022 | 26/07/2022 | 07/09/2022 | N | yes |
| Finance FOI | FOI-432944141 | Business Improvement District | 28/06/2022 | 26/07/2022 | 25/08/2022 | N | yes |
| Finance FOI | FOI-426393579 | Funding Shortfall | 31/05/2022 | 28/06/2022 | 07/06/2022 | Y | yes |
| Finance FOI | FOI-428807010 | Queen's Platinum Jubilee budget | 10/06/2022 | 08/07/2022 | 27/06/2022 | Y | yes |
| Finance FOI | FOI-431305051 | Council refurbishments | 21/06/2022 | 19/07/2022 | 18/07/2022 | Y | yes |
| Finance FOI | FOI-433264249 | Grant Making Practice | 29/06/2022 | 27/07/2022 | 27/07/2022 | Y | yes |
| Finance FOI | FOI-439889733 | Prompt payment data | 26/07/2022 | 08/08/2022 | 26/07/2022 | Y | yes |
| Finance FOI | FOI-450548897 | Investments in Qatar National Bank | 09/09/2022 | 05/10/2022 | 12/09/2022 | Y | yes |
| Finance FOI | FOI-451157497 | BACS payments and Direct Debit collection software | 12/09/2022 | 06/10/2022 | 15/09/2022 | Y | yes |
| Finance FOI | FOI-454133334 | Money Collected for Civil Defence | 26/09/2022 | 24/10/2022 | 29/09/2022 | Y | yes |
| Housing FOI | FOI-413282018 | Current housing list | 05/04/2022 | 03/05/2022 | 23/05/2022 | N | yes |

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|---------------------|--------------------------|--|-------------------|--------------|--------------------|-------------------|----------------------|
| Housing FOI | FOI-421424091 | Number of LGBT individuals making a homeless application between 2018-2022 | 11/05/2022 | 06/06/2022 | 09/06/2022 | N | yes |
| Housing FOI | FOI-428046016 | Housing Waiting List | 08/06/2022 | 04/07/2022 | 07/07/2022 | N | yes |
| Housing FOI | FOI-430334587 | Temporary Accommodation | 17/06/2022 | 15/07/2022 | 22/07/2022 | N | yes |
| Housing FOI | FOI-432829753 | housing waiting list who require accessible or wheelchair-accessible housing | 28/06/2022 | 26/07/2022 | 08/09/2022 | N | yes |
| Housing FOI | FOI-434363953 | Social housing and waiting times | 04/07/2022 | 01/08/2022 | 03/08/2022 | N | yes |
| Housing FOI | FOI-412606462 | Ukrainian Refugees | 01/04/2022 | 29/04/2022 | 22/04/2022 | Y | yes |
| Housing FOI | FOI-414784163 | FOI request: Right to Buy valuations | 11/04/2022 | 09/05/2022 | 13/04/2022 | Y | yes |
| Housing FOI | FOI-417232514 | FOI request regarding Social Enterprises | 22/04/2022 | 20/05/2022 | 27/04/2022 | Y | yes |
| Housing FOI | FOI-418654557 | FOI Request - Household Support Fund administration | 28/04/2022 | 27/05/2022 | 10/05/2022 | Y | yes |
| Housing FOI | FOI-424305649 | Refugee resettlement | 23/05/2022 | 16/06/2022 | 16/06/2022 | Y | yes |
| Housing FOI | FOI-428051039 | Homeless Ukrainian nationals | 08/06/2022 | 05/07/2022 | 10/06/2022 | Y | yes |
| Housing FOI | FOI-436136696 | Temporary Accommodation/ Housing | 11/07/2022 | 05/08/2022 | 02/08/2022 | Y | yes |
| Housing FOI | FOI-438232414 | Supported Living | 19/07/2022 | 17/08/2022 | 20/07/2022 | Y | yes |
| Housing FOI | FOI-439734993 | FOI Request Housing | 26/07/2022 | 23/08/2022 | 19/08/2022 | Y | yes |
| Housing FOI | FOI-440295987 | Freedom of Information request: homeless children | 28/07/2022 | 24/08/2022 | 03/08/2022 | Y | yes |
| Housing FOI | FOI-440458768 | Housing Waiting Lists | 28/07/2022 | 25/08/2022 | 03/08/2022 | Y | yes |
| Housing FOI | FOI-443506509 | Homes for Ukraine Scheme | 10/08/2022 | 07/09/2022 | 15/08/2022 | Y | yes |
| Housing FOI | FOI-443507415 | Guests and sponsors under the Homes for Ukraine Scheme | 10/08/2022 | 07/09/2022 | 26/08/2022 | Y | yes |
| Housing FOI | FOI-445006754 | Homes for Ukraine | 17/08/2022 | 12/09/2022 | 26/08/2022 | Y | yes |
| Housing FOI | FOI-447719469 | Homelessness Healthcare Access | 29/08/2022 | 27/09/2022 | 14/09/2022 | Y | yes |
| Housing FOI | FOI-448781438 | Homes for Ukraine | 02/09/2022 | 30/09/2022 | 29/09/2022 | Y | yes |
| Housing FOI | FOI-449984632 | Youth homelessness | 07/09/2022 | 05/10/2022 | 03/10/2022 | Y | yes |
| Human Resources FOI | FOI-446983177 | FOI request | 25/08/2022 | 22/09/2022 | 27/09/2022 | N | yes |
| Human Resources FOI | FOI-413646367 | Top 3 salaries at Watford Borough Council | 06/04/2022 | 10/05/2022 | 22/04/2022 | Y | yes |
| Human Resources FOI | FOI-415157246 | Recruitment | 13/04/2022 | 11/05/2022 | 10/05/2022 | Y | yes |

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|---------------------|--------------------------|---|-------------------|--------------|--------------------|-------------------|----------------------|
| Human Resources FOI | FOI-422773246 | Agency Recruitment | 17/05/2022 | 13/06/2022 | 07/06/2022 | Y | yes |
| Human Resources FOI | FOI-430329894 | Society of Occupational Medicine | 17/06/2022 | 15/07/2022 | 27/06/2022 | Y | yes |
| Human Resources FOI | FOI-436143155 | Freedom Of Information Act 2000 | 11/07/2022 | 08/08/2022 | 12/07/2022 | Y | yes |
| Human Resources FOI | FOI-438464876 | Recruitment Spend | 20/07/2022 | 17/08/2022 | 11/08/2022 | Y | yes |
| Human Resources FOI | FOI-455006976 | IDR's 2022 Standby and Call-out Pay survey | 28/09/2022 | 25/10/2022 | 30/09/2022 | Y | yes |
| ICT FOI | FOI-432692441 | File Management | 27/06/2022 | 26/07/2022 | 27/07/2022 | N | yes |
| ICT FOI | FOI-431683158 | Council Cyber Attacks | 23/06/2022 | 19/07/2022 | 27/06/2022 | Y | yes |
| ICT FOI | FOI-431990817 | Does the Security of Network & Information Systems Regulations (NIS Regulations) apply to the Council | 24/06/2022 | 22/07/2022 | 30/06/2022 | Y | yes |
| ICT FOI | FOI-434262397 | IT Service or Department | 04/07/2022 | 01/08/2022 | 01/08/2022 | Y | yes |
| ICT FOI | FOI-435177705 | I wish to submit a request to the organisation around their hosting contract(s) with 3rd party providers. | 07/07/2022 | 15/08/2022 | 05/08/2022 | Y | yes |
| ICT FOI | FOI-441531362 | Freedom of information request cyber attack | 02/08/2022 | 30/08/2022 | 22/08/2022 | Y | yes |
| ICT FOI | FOI-441730328 | ICT Documents | 03/08/2022 | 31/08/2022 | 25/08/2022 | Y | yes |
| ICT FOI | FOI-448592040 | Data Privacy Compliance Tools | 01/09/2022 | 29/09/2022 | 23/09/2022 | Y | yes |
| ICT FOI | FOI-449929498 | Microsoft perpetual licences | 07/09/2022 | 30/09/2022 | 16/09/2022 | Y | yes |
| ICT FOI | FOI-450119555 | Mobiles Laptops and ICT Information | 07/09/2022 | 04/10/2022 | 27/09/2022 | Y | yes |
| ICT FOI | FOI-451884763 | Meeting Software | 15/09/2022 | 13/10/2022 | 11/10/2022 | Y | yes |
| ICT FOI | FOI-453796259 | Lan Contract | 23/09/2022 | 21/10/2022 | 10/10/2022 | Y | yes |
| Leisure FOI | FOI-427274101 | FOI Request | 05/06/2022 | 04/07/2022 | 06/07/2022 | N | yes |
| Leisure FOI | FOI-414867164 | Swimming Pools | 12/04/2022 | 10/05/2022 | 13/04/2022 | Y | yes |
| Leisure FOI | FOI-422567202 | Sports & Leisure Facilities | 16/05/2022 | 01/06/2022 | 31/05/2022 | Y | yes |
| Leisure FOI | FOI-446184596 | FOI - Artwork | 22/08/2022 | 20/09/2022 | 20/09/2022 | Y | yes |
| Leisure FOI | FOI-451839564 | Money spent on Festivities | 15/09/2022 | 13/10/2022 | 22/09/2022 | Y | yes |
| Multiple FOI | FOI-413216573 | FOI Request: Service Management Software Contract(s) for IT, HR, Facilities, etc | 04/04/2022 | 03/05/2022 | 10/05/2022 | N | yes |
| Multiple FOI | FOI-426396749 | Communications | 31/05/2022 | 28/06/2022 | 06/07/2022 | N | yes |

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|---------------------------|--------------------------|---|-------------------|--------------|--------------------|-------------------|----------------------|
| Multiple FOI | FOI-446179612 | FOI - abuse of councillors and local government staff | 22/08/2022 | 19/09/2022 | 24/10/2022 | N | yes |
| Multiple FOI | FOI-447822011 | Mobile phone request | 30/08/2022 | 27/09/2022 | 28/09/2022 | N | yes |
| Multiple FOI | FOI-413438721 | Health & Safety Service | 05/04/2022 | 27/04/2022 | 05/04/2022 | Y | yes |
| Multiple FOI | FOI-421428427 | Overseas Travel | 11/05/2022 | 08/06/2022 | 25/05/2022 | Y | yes |
| Multiple FOI | FOI-422551913 | Overseas Travel | 16/05/2022 | 09/06/2022 | 17/05/2022 | Y | yes |
| Multiple FOI | FOI-424607152 | Pay And Procurement | 24/05/2022 | 21/06/2022 | 16/06/2022 | Y | yes |
| Multiple FOI | FOI-428047024 | Names and contact details | 08/06/2022 | 04/07/2022 | 09/06/2022 | Y | yes |
| Multiple FOI | FOI-438293485 | Money spent on damaged property | 20/07/2022 | 17/08/2022 | 17/08/2022 | Y | yes |
| Multiple FOI | FOI-440336457 | Private Rented Sector | 28/07/2022 | 24/08/2022 | 19/08/2022 | Y | yes |
| Other organisation FOI | FOI-414778242 | Household Support Fund expenditure | 11/04/2022 | 09/05/2022 | 10/05/2022 | N | yes |
| Other organisation FOI | FOI-444655450 | expenditure on children and young people's services | 16/08/2022 | 13/09/2022 | 19/08/2022 | Y | yes |
| Parking Service FOI | FOI-422666118 | Traffic wardens attending Cecil Street | 16/05/2022 | 16/06/2022 | 16/06/2022 | Y | yes |
| Parking Service FOI | FOI-422775969 | Freedom of Information Act Request Letter | 17/05/2022 | 13/06/2022 | 13/06/2022 | Y | yes |
| Parking Service FOI | FOI-432113882 | Parking PCNs Per Council Area | 24/06/2022 | 22/07/2022 | 14/07/2022 | Y | yes |
| Parking Service FOI | FOI-435966102 | Motoring Expenses | 11/07/2022 | 05/08/2022 | 28/07/2022 | Y | yes |
| Parking Service FOI | FOI-437845764 | FOI requests for Confused.com | 18/07/2022 | 15/08/2022 | 09/08/2022 | Y | yes |
| Parking Service FOI | FOI-446294810 | The future of parking - Market Research | 23/08/2022 | 20/09/2022 | 15/09/2022 | Y | yes |
| Parking Service FOI | FOI-451835495 | Car Parks | 15/09/2022 | 13/10/2022 | 12/10/2022 | Y | yes |
| Parks and Open spaces FOI | FOI-426394350 | Green Space | 31/05/2022 | 28/06/2022 | 29/06/2022 | N | yes |
| Parks and Open spaces FOI | FOI-414874573 | FOI Request - Trees | 12/04/2022 | 10/05/2022 | 10/05/2022 | Y | yes |
| Parks and Open spaces FOI | FOI-428040181 | Japanese Knotweed compensation | 08/06/2022 | 30/06/2022 | 16/06/2022 | Y | yes |
| Parks and Open spaces FOI | FOI-436902460 | Grounds Maintenance Services | 14/07/2022 | 11/08/2022 | 09/08/2022 | Y | yes |
| Parks and Open spaces FOI | FOI-440290317 | Data on reported accidents at children's playgrounds | 28/07/2022 | 23/08/2022 | 23/08/2022 | Y | yes |

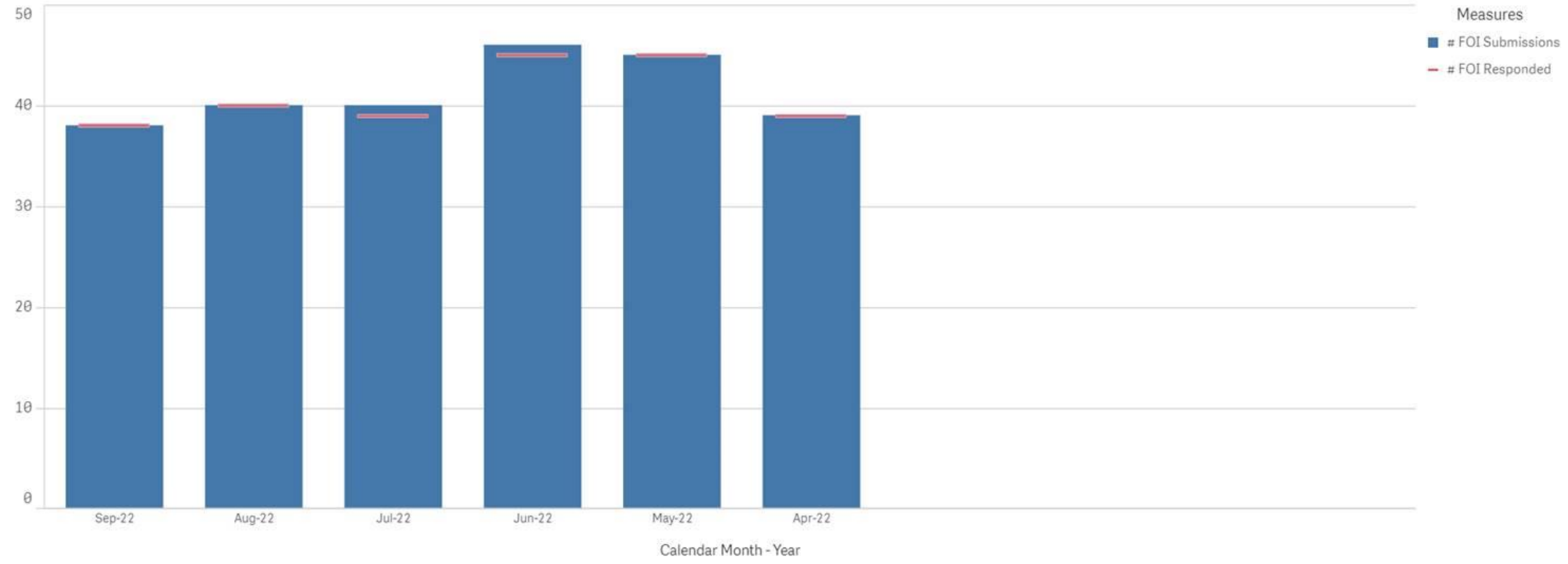
| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|---------------------------|--------------------------|---|-------------------|--------------|--------------------|-------------------|----------------------|
| Parks and Open spaces FOI | FOI-441099633 | Water Quality in Splash Pools | 01/08/2022 | 29/08/2022 | 04/08/2022 | Y | yes |
| Parks and Open spaces FOI | FOI-441238702 | FOI - Water quality laboratory sample results for the splash pool | 01/08/2022 | 29/08/2022 | 05/08/2022 | Y | yes |
| Parks and Open spaces FOI | FOI-443360539 | Risk assessment for cricket pitch at Callowland Recreation Ground | 10/08/2022 | 07/09/2022 | 25/08/2022 | Y | yes |
| Parks and Open spaces FOI | FOI-453798742 | Children's Playgrounds | 23/09/2022 | 21/10/2022 | 21/10/2022 | Y | yes |
| Parks and Open spaces FOI | FOI-455008744 | Tree Planting | 28/09/2022 | 25/10/2022 | 24/10/2022 | Y | yes |
| Revenues FOI | FOI-416486030 | FOI - ADDITIONAL RESTRICTIONS GRANTS | 20/04/2022 | 18/05/2022 | 25/08/2022 | N | yes |
| Revenues FOI | FOI-416963013 | FOI Request – Council Tax | 21/04/2022 | 19/05/2022 | 13/10/2022 | N | yes |
| Revenues FOI | FOI-422955563 | Council Tax Credits | 17/05/2022 | 17/06/2022 | 12/07/2022 | N | yes |
| Revenues FOI | FOI-422956814 | Council Tax Rebate | 17/05/2022 | 17/06/2022 | 31/10/2022 | N | yes |
| Revenues FOI | FOI-431302468 | Council Tax Arrears | 21/06/2022 | 19/07/2022 | 22/09/2022 | N | yes |
| Revenues FOI | FOI-433266384 | £150 Energy Rebate & Household Support Fund in England | 29/06/2022 | 27/07/2022 | 04/08/2022 | N | yes |
| Revenues FOI | FOI-435979790 | Council Tax | 11/07/2022 | 08/08/2022 | 11/08/2022 | N | yes |
| Revenues FOI | FOI-438440626 | FOI request - £150 Council Tax rebate | 20/07/2022 | 15/08/2022 | 22/09/2022 | N | yes |
| Revenues FOI | FOI-441537121 | SMI Council Tax Discount | 02/08/2022 | 30/08/2022 | 07/09/2022 | N | yes |
| Revenues FOI | FOI-421425827 | Non Payment of Council Tax | 11/05/2022 | 07/06/2022 | 31/05/2022 | Y | yes |
| Revenues FOI | FOI-424604873 | Council Tax debts via the use of Attachment of Earnings | 24/05/2022 | 21/06/2022 | 15/06/2022 | Y | yes |
| Revenues FOI | FOI-428043681 | Council Tax Credits for Businesses | 08/06/2022 | 06/07/2022 | 06/07/2022 | Y | - |
| Revenues FOI | FOI-428049875 | Council Tax Debts | 08/06/2022 | 04/07/2022 | 15/06/2022 | Y | yes |
| Revenues FOI | FOI-428871221 | Council Tax Statistics | 11/06/2022 | 11/07/2022 | 24/06/2022 | Y | yes |
| Revenues FOI | FOI-431738396 | Empty properties | 23/06/2022 | 21/07/2022 | 21/07/2022 | Y | yes |
| Revenues FOI | FOI-432691268 | Freedom of Information Request re CARF | 27/06/2022 | 19/07/2022 | 28/06/2022 | Y | yes |
| Revenues FOI | FOI-447175727 | Billing Authority | 26/08/2022 | 23/09/2022 | 06/09/2022 | Y | yes |
| Revenues FOI | FOI-451706845 | A copy of a list of all Completion Notices | 14/09/2022 | 12/10/2022 | 14/09/2022 | Y | yes |

| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|----------------------------------|--------------------------|--|-------------------|--------------|--------------------|-------------------|----------------------|
| Service Transformation FOI | FOI-424605649 | Measures taken to tackle digital poverty | 24/05/2022 | 21/06/2022 | 22/06/2022 | N | yes |
| Service Transformation FOI | FOI-416472559 | FOI Request - IT / Digital / Transformation | 20/04/2022 | 18/05/2022 | 17/05/2022 | Y | yes |
| Service Transformation FOI | FOI-417913379 | IT Systems / Customer Access | 26/04/2022 | 24/05/2022 | 17/05/2022 | Y | yes |
| Service Transformation FOI | FOI-419955381 | A list of your current Projects and Programmes (for example IT Projects) | 05/05/2022 | 01/06/2022 | 26/05/2022 | Y | yes |
| Service Transformation FOI | FOI-421427677 | Your Council Website (Content Management Process) | 11/05/2022 | 09/06/2022 | 09/06/2022 | Y | yes |
| Service Transformation FOI | FOI-422778691 | Lift Maintenance | 17/05/2022 | 13/06/2022 | 13/06/2022 | Y | yes |
| Service Transformation FOI | FOI-424310401 | Additional IT Staff | 23/05/2022 | 16/06/2022 | 16/06/2022 | Y | yes |
| Service Transformation FOI | FOI-424606349 | Team Structure | 24/05/2022 | 21/06/2022 | 31/05/2022 | Y | yes |
| Service Transformation FOI | FOI-454344897 | Air Freshener Expenditure | 26/09/2022 | 20/10/2022 | 18/10/2022 | Y | yes |
| Transport and Infrastructure FOI | FOI-413879148 | FOIA request into EV fleets and charging points | 07/04/2022 | 05/05/2022 | 20/05/2022 | N | yes |
| Transport and Infrastructure FOI | FOI-417835040 | Vehicular transport operated by the council | 26/04/2022 | 24/05/2022 | 20/05/2022 | Y | yes |
| Transport and Infrastructure FOI | FOI-428792992 | Electric Charging Points | 10/06/2022 | 06/07/2022 | 28/06/2022 | Y | yes |
| Transport and Infrastructure FOI | FOI-433704057 | CCTV Cameras | 01/07/2022 | 29/07/2022 | 12/07/2022 | Y | yes |
| Transport and Infrastructure FOI | FOI-443704312 | BTP76550 Highway Inspection records | 11/08/2022 | 08/09/2022 | 15/08/2022 | Y | yes |
| Transport and Infrastructure FOI | FOI-454997923 | Bus Shelter Contracts | 28/09/2022 | 18/10/2022 | 28/09/2022 | Y | yes |

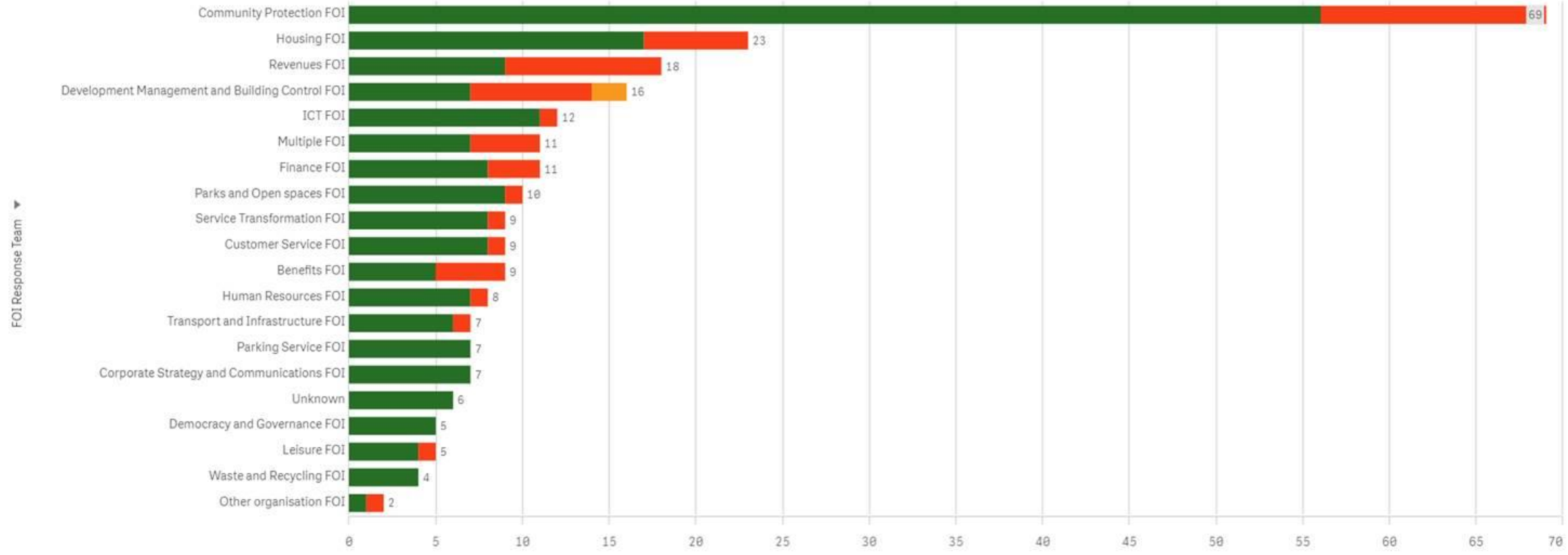
| FOI Response Team | Firmstep Forms Reference | FOI Reason For Request | FOI Date Received | FOI Due Date | FOI Date Responded | Completed On Time | FOI Information Sent |
|---|--------------------------|--|-------------------|--------------|--------------------|-------------------|----------------------|
| Transport and Infrastructure FOI | FOI-455543525 | EV Charging | 30/09/2022 | 26/10/2022 | 05/10/2022 | Y | yes |
| Unknown | FOI-418300422 | Property Information | 27/04/2022 | 25/05/2022 | 29/04/2022 | Y | - |
| Unknown | FOI-434296571 | Local Authority Missing and Ethnicity | 04/07/2022 | 01/08/2022 | 04/07/2022 | Y | yes |
| Unknown | FOI-438009582 | Return Home Interviews (RHI) and associated Child Exploitation (CE) risk | 19/07/2022 | 16/08/2022 | 19/07/2022 | Y | yes |
| Unknown | FOI-438012043 | FOI Request (Home/Domiciliary Care) | 19/07/2022 | 16/08/2022 | 19/07/2022 | Y | yes |
| Unknown | FOI-438143091 | Strategic Housing Land Availability Assessment data | 19/07/2022 | 16/08/2022 | 19/07/2022 | Y | yes |
| Unknown | FOI-447800961 | Child deaths | 30/08/2022 | 23/09/2022 | 30/08/2022 | Y | yes |
| Waste and Recycling FOI | FOI-421426935 | Municipal Waste and Software Applications | 11/05/2022 | 08/06/2022 | 17/05/2022 | Y | yes |
| Waste and Recycling FOI | FOI-422777281 | To make an open government request | 17/05/2022 | 14/06/2022 | 18/05/2022 | Y | yes |
| Waste and Recycling FOI | FOI-429199890 | Refuse collectors were physically assaulted by members of the public while carrying out council duties | 13/06/2022 | 11/07/2022 | 27/06/2022 | Y | yes |
| Waste and Recycling FOI | FOI-443505517 | Refuse Collection Vehicles | 10/08/2022 | 07/09/2022 | 16/08/2022 | Y | yes |
| Development Management and Building Control FOI | FOI-432678087 | Residential Property Development Projects | 27/06/2022 | 25/07/2022 | | Late | no |
| Development Management and Building Control FOI | FOI-437337638 | New Build Dwellings Data By Local Authority & Snagging Report Issues | 15/07/2022 | 12/08/2022 | | Late | no |

| |
|---|
| Total Received 248 |
| Total responded 246 |
| 2 outstanding for Development Management |
| 192 responded on time |
| 78% |

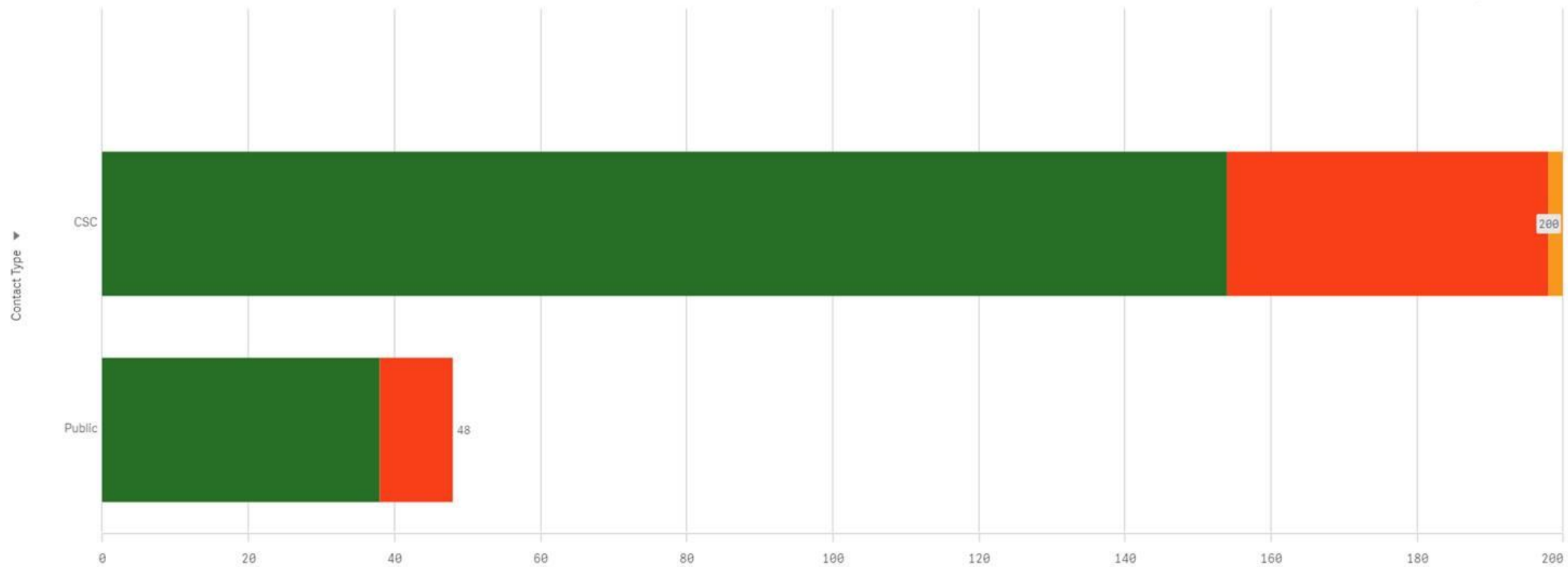
FOI Submissions and Responded by Year Month



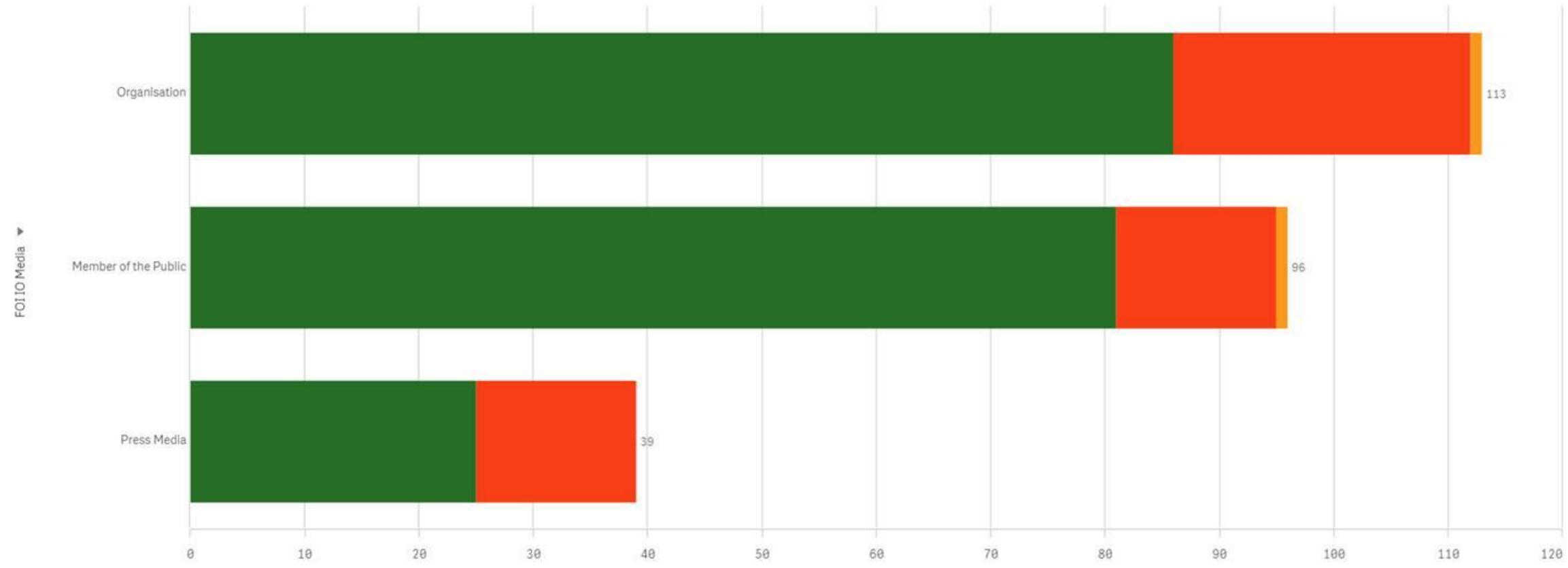
FOI Responded and Open



FOI Responded and Open



FOI Responded and Open





Watford Borough Council
Audit Committee Progress Report
24 November 2022

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 11 November 2022
- Agree the change to the implementation date for six recommendations (paragraph 2.6) for the reasons set out in Appendix C
- Agree removal of implemented audit recommendations set out in Appendix C
- Note the implementation status of high priority recommendations

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Internal Audit Plan and Key Audit Findings
 - 2.4 Status of Internal Audit Recommendations
 - 2.8 Proposed Internal Audit Plan Amendments
 - 2.9 Performance Management

Appendices

- A Progress against the 2022/23 Internal Audit Plan
- B 2022/23 Internal Audit Plan Projected Start Dates
- C Progress against Outstanding Internal Audit Recommendations
- D Assurance and Priority Levels

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2022/23 as at 11 November 2022.
 - b) Proposed amendments to the approved 2022/23 Internal Annual Audit Plan.
 - c) Implementation status of all outstanding previously agreed internal audit recommendations from 2018/19 onwards.
 - d) An update on performance management information at 11 November 2022.

Background

- 1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.
- 1.3 The 2022/23 Annual Audit Plan was approved by Audit Committee on 10 March 2022.
- 1.4 The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS, the most recent of which was brought to this Committee on 15 September 2022.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 11 November 2022, 35% of the 2022/23 Audit Plan days had been delivered for the combined WBC and Shared Services audit plans (excludes 'To Be Allocated' days). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 The following 2022/23 report has been finalised since September 2022 Audit Committee:

| Audit Title | Date of Issue | Assurance Level | Number and Priority of Recommendations |
|--------------------|----------------------|------------------------|---|
| Watford Museum | Oct '22 | Limited | Five medium One low |

- 2.3 In arriving at our overall Limited assurance opinion on the Watford Museum audit, we concluded that following the museums reopening, there has been re-engagement with community groups, and progress has been made in relation to

working with emerging audiences and providing stimulating learning and discovery activities for users. However, in terms of future re-accreditation, it was identified that material work is still required before April 2023 to be able to demonstrate compliance with some aspects of the accreditation criteria. This included the updating of key documentation or policies, additional clarity in relation to governance (specifically decision making) arrangements, consistency over the application of the agreed loans process and full migration of inventory records to the Modes database. Our limited assurance opinion reflects the risks related to the reducing timescale available to complete the above actions, and the control improvements required.

Status of Audit Recommendations

- 2.4 Audit Committee Members will be aware that a Final Audit Report is issued when it has been agreed by management and includes an agreement to implement the recommendations made. It is SIAS's responsibility to bring to Members' attention the implementation status of all audit recommendations. It is the responsibility of officers to implement recommendations by the agreed date.
- 2.5 The table below summarises progress in implementation of all outstanding internal audit recommendations as at 11 November 2022, with full details in Appendix C:

| Year | Recommendations made No. | Implemented | Not yet due | Outstanding & a request made for extended time, or no update received | Percentage implemented % |
|-------------|---------------------------------|--------------------|--------------------|--|---------------------------------|
| 2018/19 | 30 | 29 | 0 | 1 | 97% |
| 2020/21 | 28 | 26 | 1 | 1 | 93% |
| 2021/22 | 37 | 31 | 2 | 4 | 84% |
| 2022/23 | 6 | 0 | 6 | 0 | 0% |

- 2.6 Since 15 September 2022 Audit Committee, extension to implementation dates have been requested by action owners for six recommendations as follows:
- One from the 2018/19 Benefits audit, with a revised target date of 30 November 2022 (was 31 October 2022).
 - One from the 2020/21 Debtors audit, with a revised target date of 31 December 2022 (was 31 October 2022).
 - One from the 2021/22 Main Accounting audit, with a revised target date of 31 December 2022 (was 31 October 2022).
 - One from 2021/22 Cyber Security audit, with a revised target date of 31 March 2024 (was 31 March 2023).
 - One from the 2021/22 Creditors audit, with a revised target date of 31 December 2022 (was 31 October 2022).
 - One from the 2021/22 Operational Buildings Compliance audit, with a revised target date of 16 December 2022 (was 30 September 2022).

- 2.7 No new high priority recommendations have been made since September 2022 Audit Committee. Three of the four high priority recommendations previously reported (all from the Operational Buildings Compliance audit) have now been implemented. The target date for the final high priority recommendation has been extended from 30 September to 16 December 2022. Further details of these recommendations and their implementation status is provided within Appendix C of this update report.

Proposed Audit Plan Amendments

- 2.8 There are no changes to the 2022/23 Watford Borough Council or shared Services Audit Plans to bring to the attention of this meeting of the Audit Committee.

Performance Management

- 2.9 To help the Committee assess the current situation in terms of progress against the projects in the 2022/23 Audit Plan, we have provided an analysis of agreed start dates at Appendix B. These dates have been agreed with management and resources allocated.
- 2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2022. Actual performance for Watford Borough Council against the targets that can be monitored for 2022/23 is shown in the table below.

| Performance Indicator | Annual Target | Profiled Target to 11 November 2022 | Actual to 11 November 2022 |
|--|---------------|--|--|
| 1. Internal Audit Annual Plan Report – approved by March Audit Committee or the first meeting of the financial year should a March committee not meet | Yes | N/A | Yes |
| 2. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (excludes unused contingency days) | 95% | 42% (95 / 227.5 days) | 35% (79.5 / 227.5 days) |
| 3. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan | 95% | 26% (5 out of 19 projects to draft) | 21% (4 out of 19 projects to draft) |
| 4. Client Satisfaction* – percentage of client satisfaction questionnaires returned at | 95% | 100% | 100% |

| Performance Indicator | Annual Target | Profiled Target to 11 November 2022 | Actual to 11 November 2022 |
|---|---------------|-------------------------------------|----------------------------|
| 'satisfactory overall' level (minimum of 39/65 overall) | | | (based on two received) |
| 5. Chief Audit Executive's Annual Assurance Opinion and Report – presented at the first Audit Committee meeting of the financial year | Yes | N/A | Yes |

2.11 With regard to performance indicator 3 (project delivery) in the above table, the project not yet at draft report stage that was originally expected to be completed at this point in the year is Sundry Debtors. The audit was scoped in July and scheduled to commence in late September and be completed in October. At the time of writing this report, the audit is in the early stages of fieldwork and not now expected to be at draft report until mid-December.

APPENDIX A - PROGRESS AGAINST THE 2022/23 AUDIT PLAN AT 11 NOVEMBER 2022

2022/23 SIAS Audit Plan

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|--|--------------------|------|---|---|---|-----------------|-----------------------|-------------------------|--|
| | | C | H | M | L | | | | |
| Key Financial Systems | | | | | | | | | |
| Council Tax (shared services plan) | | | | | | 10 | SIAS | 2 | Terms of Reference Issued – Fieldwork due to start in December 2022 |
| Financial Reconciliations (shared services plan) | | | | | | 12 | BDO | 1 | In Planning – Fieldwork due to start in February 2023 |
| Fixed Asset Register (shared services plan) | | | | | | 10 | BDO | 0 | Due to start quarter 4 |
| NDR (shared services plan) | | | | | | 10 | SIAS | 2 | Terms of Reference Issued – Fieldwork was due to start in October 2022 |
| Payroll (shared services plan) | | | | | | 12 | SIAS | 0 | Due to start quarter 4 |
| Sundry Debtors (shared services plan) | | | | | | 10 | BDO | 3 | In Fieldwork |
| Treasury (shared services plan) | | | | | | 8 | SIAS | 0 | Due to start quarter 4 |
| Operational Audits | | | | | | | | | |
| Climate Emergency Follow Up | | | | | | 3 | SIAS | 1 | In Fieldwork |
| Asset Management System Data | | | | | | 10 | BDO | 0.5 | In Planning |
| Museum | Limited | 0 | 0 | 5 | 1 | 10 | SIAS | 10 | Final Report Issued |
| FOI | | | | | | 8 | SIAS | 0 | Due to start quarter 4 |

APPENDIX A - PROGRESS AGAINST THE 2022/23 AUDIT PLAN AT 11 NOVEMBER 2022

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|--|--------------------|------|---|---|---|-----------------|-----------------------|-------------------------|--|
| | | C | H | M | L | | | | |
| Trees | | | | | | 8 | SIAS | 0 | Due to start quarter 4 |
| Website Redesign | | | | | | 8 | BDO | 2 | Terms of Reference Issued – Fieldwork due to start in January 2023 |
| Green Homes Grant | Unqualified | - | - | - | - | 3 | SIAS | 3 | Final Report Issued |
| COMF Grant Certification | Unqualified | - | - | - | - | 0.5 | SIAS | 0.5 | Final Report Issued |
| Contract Management, Project Management & Procurement | | | | | | | | | |
| Project Management | | | | | | 12 | BDO | 3 | In Fieldwork |
| Contract Management | | | | | | 12 | BDO | 2 | Terms of Reference Issued – Fieldwork due to start in January 2023 |
| Governance | | | | | | | | | |
| Corporate Governance | | | | | | 12 | BDO | 11.5 | Draft Report Issued |
| IT Audits | | | | | | | | | |
| Cyber Security (shared services plan) | | | | | | 15 | BDO | 0 | Due to start quarter 4 |
| Shared Learning / Joint Reviews | | | | | | | | | |
| Shared Learning / Joint Reviews | | | | | | 4 | | 2 | Through Year |
| Follow Ups | | | | | | | | | |
| Follow up of Audit Recommendations | | | | | | 8 | | 6 | Through Year |

APPENDIX A - PROGRESS AGAINST THE 2022/23 AUDIT PLAN AT 11 NOVEMBER 2022

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|--|--------------------|------|---|---|---|-----------------|-----------------------|-------------------------|-----------------|
| | | C | H | M | L | | | | |
| To Be Allocated | | | | | | | | | |
| Unused Contingency (shared services plan) | | | | | | 4 | | 0 | To Be Allocated |
| Strategic Support | | | | | | | | | |
| 2023/24 Audit Planning | | | | | | 6 | | 0 | Due quarter 4 |
| Annual Governance Statement | | | | | | 3 | | 3 | Complete |
| Audit Committee | | | | | | 10 | | 7 | Through Year |
| Head of Internal Audit Opinion 2021/22 | | | | | | 3 | | 3 | Complete |
| Monitoring & Client Meetings | | | | | | 7 | | 4 | Through Year |
| SIAS Development | | | | | | 3 | | 3 | Complete |
| Completion of 2021/22 audits | | | | | | | | | |
| Time required to complete work commenced in 2021/22 (7 days shared plan; 3 days WBC) | | | | | | 10 | N/A | 10 | Complete |
| WBC TOTAL | | | | | | 133.5 | | 64.5 | |
| SHARED SERVICES TOTAL | | | | | | 98 | | 15 | |
| COMBINED TOTAL | | | | | | 231.5 | | 79.5 | |

Key to recommendation priority levels: C = Critical; H = High; M = Medium; L = Low / Advisory.

APPENDIX B – AUDIT START DATES 2022/23

| Apr | May | June | July | August | September |
|------------|--------------------------------------|--|---|---------------|---|
| | Museum Final Report Issued | Corporate Governance Draft Report Issued | Website Redesign* (See Footnote) | | Sundry Debtors (Shared services plan) In Fieldwork |
| | | Green Homes Grant Final Report Issued | COMF Grant Certification Final Report Issued | | Contract Management In Planning |

| October | November | December | January | February | March |
|---|---|--|------------------------------------|--|--------------|
| Project Management In Fieldwork | Asset Management System Data In Planning | FOI | Trees | Cyber Security (Shared services plan) | |
| Climate Emergency Follow Up In Fieldwork | Council Tax (Shared services plan) Terms of Reference Issued | Financial Reconciliations (Shared services plan) | Treasury (Shared services plan) | Payroll (Shared services plan) | |

APPENDIX B – AUDIT START DATES 2022/23

| | | | | | |
|--|--|--|---|--|--|
| <p>NDR (Shared services plan) Terms of Reference Issued</p> | | <p>Fixed Asset Register (Shared services plan)</p> | <p>Website Redesign* Terms of reference Issued</p> | | |
|--|--|--|---|--|--|

* Website Redesign audit moved from July 2022 to January 2023 at the request of the service due to staff absence.

Audit Plan 2018/19

| Benefits 2018/19 | | | | | | | |
|--------------------------------|--|----------|---|------------------|-------------|--------------------|--|
| Final report issued April 2019 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 02 | We recommend that testing of the module is carried out to reinstate the ability to delete obsolete data. | Medium | <p>Position – 21 August 2019 The system is designed to destroy all documents that are older than 6 years plus current. We discovered that the system was not working properly and has destroyed some documents that are still required to support live Benefit claims and therefore we need to retain. Clearly, we could not allow that to continue so the system has been suspended. We have sought advice on how to fix this issue from the system provider and are awaiting their response. I have chased this today and have also now asked if it's possible to use the system in part so that we can carry on destroying old documents that we no longer require for Council Tax and Business Rates and unsuspend the Benefits part of the system once we have fixed the problem. I will escalate this issue in a week if I have not had a response.</p> <p>Position – September 2019 Issue has now been escalated with Northgate.</p> <p>Position – February 2020 The Northgate system is currently being upgraded. The upgrade is now available in test and the live upgrade is due to take place 1st and 2nd May 2020. We will test this module of the system as part of the overall testing. If this module works, we will be able to run scripts which will 'back archive' documents that would have been due to be archived since it was</p> | Benefits Manager | 31 May 2019 | * | <p>31 October 2019</p> <p>30 June 2020</p> <p>30 Sept 2020</p> <p>31 March 2021</p> <p>30 Sept 2021</p> <p>30 November 2021</p> <p>31 January 2022</p> <p>15 March 2022</p> <p>31 August 2022</p> <p>31 October 2022</p> |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Benefits 2018/19 Final report issued April 2019 | | | | | | | |
|--|----------------|----------|---|----------------|----------|--------------------|---------------------------------|
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | | | <p>discovered the system was not working properly.</p> <p>Position – July 2020 The required Northgate system upgrade was due to be live now but has been delayed as a result of COVID-19. Northgate have currently rescheduled the upgrade for 8-9 September 2020 and when this takes place, we will test the module and if this is working as expected, run the necessary scripts to archive the data that should have been deleted.</p> <p>Position – November 2020 The required system upgrade was planned for the end of October but did not go live due to system performance issues. This is now expected in March 2021. Discussions are however, taking place with Northgate to see if an interim measure is available so that obsolete data can be removed from the system.</p> <p>Position – February 2021 We are on schedule to upgrade the information@work system 19/20 March 2021. Once it's upgraded, we can re-test the retention and destruction module.</p> <p>Position – July 2021 The system upgrade planned for March 2021 did not go-ahead as we had limited time to carry out testing and were not in a position to be able to sign off the product. A new go-live date has been set for 7/8 September 2021 and testing has commenced.</p> <p>Position – September 2021</p> | | | | 30 November 2022 |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Benefits 2018/19 Final report issued April 2019 | | | | | | | |
|--|----------------|----------|---|----------------|----------|--------------------|---------------------|
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | | | <p>We currently are unable to upgrade due to not having a fully operational Test system. All parties are in communication and are trying to identify the issue so that we can progress with testing.</p> <p>Position – November 2021 The upgrade to our Document Processing System is now scheduled to take place on 20 & 21 January 2022. Revs and Bens have been working with our IT department and our supplier to overcome the problems we had with the test system. Testing is scheduled to start this month (November 2021).</p> <p>Position – February 2022 The long-awaited upgrade took place on 04.02.22. We are now amending the scripts that will destroy the old documents. The scripts are being amended to do two things that they did not do before: 1. To look for claims that have an outstanding housing benefit overpayment but a non-live housing benefit claim, and 2. Live housing benefit claims. Where the script identifies claims under 1 & 2 no documents will be destroyed regardless of their age as they may be required for audit, for fraudulent investigations and for recovery of overpayments.</p> <p>Position – July 2022 Consultancy is being arranged to assist with a complete re-write of the scripts to destroy unwanted documents. Whilst the writing and testing of a new script is in progress which will automate the whole process, we will manually start identifying old documents and destroy them.</p> | | | | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Benefits 2018/19 Final report issued April 2019 | | | | | | | |
|--|----------------|----------|---|----------------|----------|--------------------|---------------------|
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | | | <p>Position – August 2022 No update received – deadline has been reached and no revised target dare requested.</p> <p>Update received September 2022 but after reporting deadline for September 2022 Audit Committee: Training on how to write the script required to make the retention & destruction module work took place on 12.09.22 (a re-write of the scripts was necessary as the original script could not be located and the officers who wrote and implemented the original scripts no longer work for the authority). We have a few matters to check in terms of the corporate retention polices and a few system parameters to check and then we can switch the module on. Once the script has run once we will know how many documents we have to destroy and how long it will take to destroy them all on the basis we can run the script for a couple of hours every evening and longer at the weekend.</p> <p>Position – November 2022 Some testing and prep work carried out, things were delayed a little due to delivery of the Energy Fuel Rebates and testing for a server migration. Going live week commencing 14.11.22 with a selection of document types which will be increased until all document types are included.</p> | | | | |

Audit Plan 2020/21

| Communications 2020/21 | | | | | | | |
|------------------------------|--|----------|---|------------------------------------|-----------------|--------------------|---|
| Final report issued May 2021 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 01 | <p>We recommend that the service updates all its policies to ensure that they reflect the current process followed.</p> <p>Going forward, the service should ensure that the policies are updated at regular intervals, and proper version control introduced.</p> | Low | <p>These policies were due to be updated in 2020 but due to the impact of Covid-19 this has been delayed.</p> <p>Position – July 2021 No update received.</p> <p>Position – September 2021 The service has had a very busy summer leading on the communications and engagement for a range of priority council initiatives and projects (e.g. mass vaccination clinics, Sustainable Transport Strategy). An additional resource provided by a Kickstart appointment will be supporting this work.</p> <p>Position – November 2021 Overall guidance on publicity and communications has been updated. The team is still working through additional policies.</p> <p>Position – February 2022 Main policies updated.</p> <p>Position – July 2022 Review of all policies underway for 2022/23.</p> <p>Position – August 2022 Main policies updated – additional ones under review.</p> <p>Position – November 2022 In progress.</p> | Communications and Engagement Lead | 31 October 2021 | * | <p>28 February 2022</p> <p>31 March 2023</p> |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Debtors 2020/21 | | | | | | | |
|--------------------------------------|---|----------|---|---|----------------|--------------------|--|
| Final report issued June 2021 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 03 | Consideration should be given to an annual review of debtor accounts to identify duplicate or dormant for deletion or deactivation. | Low | <p>Position – July 2021 We will speak to Finance about the best way of doing this.</p> <p>Position – September 2021 A complete review of the entire Sundry Debtor service has recently been commenced and this will be included as part of the review.</p> <p>Position – November 2021 No update received.</p> <p>Position – February 2022 No update received.</p> <p>Position – July 2022 To date we have not been able to resource this review as we have had to prioritise Grant work and more recently the Council Tax Energy Rebates. We will pick up this project towards the end of the calendar year once the Energy rebate work is completed.</p> <p>Position – August 2022 No update received – target date not yet reached.</p> <p>Update received September 2022 but after reporting deadline for September 2022 Audit Committee: Finance are going to run and extract this data from the Finance System which Revs & Bens will then check. It may be completed before 30 October 2022, it really depends on how many are on the list.</p> <p>Position – November 2022</p> | Recovery Team Leader, Revenues Manager and Finance. | 31 August 2021 | * | <p>31 October 2021</p> <p>31 October 2022</p> <p>31 December 2022</p> |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Debtors 2020/21 | | | | | | | |
|--------------------------------------|----------------|----------|---|----------------|----------|--------------------|---------------------|
| Final report issued June 2021 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | | | <p>The lists were provide by Finance mid-September but work has not yet commenced as the entire Revs and Bens Service was delivering the Energy Fuel Rebate payments. Work will commence on the lists week commencing 14.11.22.</p> | | | | |

Audit Plan 2021/22

| NDR 2021/22 | | | | | | | |
|---------------------------------------|--|----------|--|------------------|---------------|--------------------|---------------------|
| Final report issued March 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 01 | <p>We recommend that:</p> <ul style="list-style-type: none"> A review of existing NDR cases pending write-off is conducted and decisions taken regarding whether or not cases should proceed to write-off. <p>Write-offs are conducted at regular intervals going forward (e.g. quarterly).</p> | Medium | <p>In 2022/23 write-offs will be done on a monthly basis.</p> <p>Position – July 2022 No update received.</p> <p>Position – August 2022 No update received – target date has been reached.</p> <p>Update received September 2022 but after reporting deadline for September 2022 Audit Committee: Resolved</p> <p>Position – November 2022 Resolved</p> | Revenues Manager | 31 March 2022 | ✓ | |

| Safeguarding 2021/22 | | | | | | | |
|---------------------------------------|---|----------|--|--------------------|--|--------------------|---------------------|
| Final report issued April 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 01 | <p>When temporary staff members are being appointed, the Council should ensure that necessary safeguarding checks have been completed prior to the employee starting work, and that appropriate records are maintained.</p> <p>If there is an expected delay to such checks being performed, a decision</p> | High | <p>HR Management will remind Comensura of the pre-employment checks required by Watford prior to someone starting.</p> <p>HR will carry out spot checks of temporary staff and ask Comensura [or any other provider] to provide evidence of the checks undertaken at least annually.</p> | HR Operations Lead | <p>1 June 2022</p> <p>1 April 2023</p> | <p>✓</p> <p>*</p> | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Safeguarding 2021/22 Final report issued April 2022 | | | | | | | |
|--|--|----------|--|----------------|--|--------------------|---------------------|
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | should be recorded to delay the start date until completed | | <p>HR will ensure the specification for a future agency partner includes all requirements for pre-employment checks to be undertaken and the checking process to be in place to ensure compliance.</p> <p>Recruiting Managers across the council will be reminded of the need to ensure all compliance documentation is received prior to commencement of staff in post and the different requirements if agency staff come through Comensura or direct through agency to the council.</p> <p>Position – July 2022 Comensura have been reminded of the pre-employment checks required. Their booking system has the requirement for a DBS check as a pre-requisite. The tender specification for the current tender process for future agency partner has included the requirement for DBS checks to be carried out. HRBPs have reminded managers of the compliance documentation required and this will be raised as new bookings are made.</p> <p>Position – August 2022 All recommendations are complete except the one action in progress (spot checks) This has a due date of 1 April 2023.</p> <p>Position – November 2022 The position regarding spot checks will be taken up with Hays (the new contractor/agency partner who commence their contract with the Council on 05 December 2022).</p> | | <p>When required.</p> <p>1 June 2022</p> | <p>✓</p> <p>✓</p> | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Main Accounting 2021/22 | | | | | | | |
|--------------------------------|---|----------|---|--|-----------------|--------------------|-------------------------|
| Final report issued April 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 03 | <p>We recommend that procedure notes are produced for feeder system reconciliations to enable them to be carried out correctly and checked in a timely manner.</p> <p>We also recommend that Benefits system reconciliations are signed and dated by another person in Finance.</p> | Low | <p>Procedure documents will be reviewed and updated/created as required.</p> <p>Timeliness of reconciliation will be monitored and managed as part of the tracking processes referenced in the response recommendation 2, above.</p> <p>Position – July 2022 On target.</p> <p>Position – August 2022 In progress and on target - target date is 31 October 2022.</p> <p>Position – November 2022 In progress – we have a reconciliation tracker and have most of the procedures notes however this has provided an opportunity to rework and improve a small number of processes, which is currently being done as part of this work.</p> <p>Target date is now 31 December 2022.</p> | Finance Section Head / Finance Systems Manager | 31 October 2022 | * | 31 December 2022 |

| Procurement Cards 2021/22 | | | | | | | |
|--------------------------------|---|----------|---|---|-------------|--------------------|--------------------------|
| Final report issued April 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 01 | All transaction logs should be signed off by the card holder and a member of management to ensure that transactions are accurate and that there is a reviewer who can confirm | Medium | Existing guidance covers the requirement to retain receipts, and to document net/vat split on their transaction logs. Guidance will be re-circulated with a reminder of the importance of observing these requirements. | Finance Manager – Systems Shared Services | 20 May 2022 | ✓ | 4 August 2022 |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Procurement Cards 2021/22 Final report issued April 2022 | | | | | | | |
|---|--|----------|--|--|-------------|--------------------|--|
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | <p>that the transactions are appropriate and in line with Council needs.</p> <p>Receipts for all transactions should be retained to ensure VAT is being accounted for appropriately and there is evidence for the purchases made.</p> <p>VAT should be appropriately accounted for on transaction logs as this can affect the amount of recoverable VAT the Council can claim back, therefore creating unnecessary losses.</p> | | <p>In mitigation we can suspend the use of cards where holders do not comply with the requirements. Transaction logs and receipts are reviewed by Finance Officers do not post VAT element if a receipt is not provided.</p> <p>Position - July 2022 New guidance has been written and will be sent out by the end of July.</p> <p>Position – August 2022 Procedure adjusted to reflect all recommendations.</p> <p>TRDC email sent 30/08/22. WBC email written and to be sent 26/09/22.</p> <p>Position – November 2022 New process is now in place covering all recommendations. This is resolved.</p> | | | | 26 September 2022 |
| 02 | <p>Controls should be implemented to mitigate the risk of potential fraud and overspend on budget from multiple people using the same procurement card. This could be in the form of acquiring a finance system to support the use of procurement cards, by providing other card users with their own card or through creating a system with the banks to provide single use e-cards for one-off transactions.</p> | Medium | <p>A reminder of existing rules against the sharing of cards will be circulated.</p> <p>Position – July 2022 New guidance has been written and will be sent out by the end of July.</p> <p>Position – August 2022 Procedure adjusted to reflect all recommendations.</p> <p>TRDC email sent 30/08/22. WBC email written and to be sent 26/09/22.</p> <p>Position – November 2022 New process is now in place covering all recommendations. This is resolved.</p> | Finance Manager – Systems Shared Services | 20 May 2022 | ✓ | <p>1 August 2022</p> <p>26 September 2022</p> |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Procurement Cards 2021/22 | | | | | | | |
|--------------------------------|----------------|----------|--|----------------|-----------------|--------------------|---------------------|
| Final report issued April 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | | | <p>A review of card holders will be undertaken to ensure cards are held at the appropriate level. This will follow the evaluation of potential system solutions for the management of purchasing cards.</p> <p>If a system solution is pursued, it may result in the ability to use an e-card and/or single-use card technologies which will further mitigate the risk of cards being shared.</p> <p>Position – July 2022 We will be sending communications which will cover sharing of cards and the correct people to have cards by the original target date.</p> <p>Position – August 2022 Procedure adjusted to reflect all recommendations</p> <p>TRDC email sent 30/08/22. WBC email written and to be sent 26/09/22.</p> <p>Position – November 2022 New process is now in place covering all recommendations. This is resolved.</p> | | 31 October 2022 | | |

| Cyber Security 2021/22 | | | | | | | |
|--------------------------------|---|----------|---|---------------------------|---------------|--------------------|----------------------|
| Final report issued April 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 01 | 1.1 Management should ensure that appropriate monitoring controls are in place for the password | Medium | 01 Mar 2022 the Azure AD Password Protection was implemented. Users will not be able to change passwords to weak | Associate Director of ICT | 31 March 2023 | * | 31 March 2024 |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

Cyber Security 2021/22

Final report issued April 2022

| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
|---------|---|----------|---|---------------------|----------|--------------------|---------------------|
| | <p>monitoring and management activities. These should include but not be limited to the following:</p> <ul style="list-style-type: none"> • brute-forcing of account passwords including password spraying, • login attempts from unexpected geographic areas, • unexpected account lockouts • password database for the deny list hashes, • other unusual behaviour from users. <p>1.2 The above proposed controls, once in place, should be actively reported upon, through the periodic cyber security reports, to the senior management.</p> | | <p>passwords nor known passwords nor passwords from our Ban List of passwords.</p> <p>1.1 – requires a third-party tool and associated funding would be required. The implementation of the password protection for Azure AD lowers the risk.</p> <p>1.2 - this would be dependent on the ability to fund with a third-party tool – 1.1.</p> <p>Position – July 2022 Third party tools currently being reviewed and costed. Item not yet due.</p> <p>Position – August 2022 1.1 - Third party tools have been evaluated and Netwrix has been selected as the preferred tool.</p> <p>1.2 – Netwrix had demonstrated the tool in detail and a 30-day trial to test the system further is available.</p> <p>1.3 – Quotation for 1- and 3-year option has been provided.</p> <ul style="list-style-type: none"> • 1-year option - £7,806 • 3-year option - £16,483 <p>1.4 – Implementation of the tool will be dependent on the ability to fund the third-party tool, this will require an approval by ITSG for an additional spend. A paper to review this recommendation and request any growth in budget 2022.</p> <p>Position – November 2022 1.1 – Due to the audit which was performed by DLUHC, the scope of the</p> | and Shared Services | | | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Cyber Security 2021/22 Final report issued April 2022 | | | | | | | |
|---|---|----------|--|---|---------------|--------------------|---------------------|
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | | | <p>security posture has extended. The grant to address the sections of the new recommendations within the scope has been successfully secured.</p> <p>1.2 – The evaluation of the third-party tool has been extended, due to the new requirements within the scope presented post the DLUHC audit.</p> <p>1.3 The new proposed completion dates recommended by DLUHC is end of Q4 March 2024.</p> | | | | |
| 03 | Management should conduct regular monthly vulnerability scans across the entire IT estate including endpoint, to identify and mitigate vulnerabilities including software flaws, missing patches, misconfigurations and malwares. | Low | <p>This would require additional budget and would need a growth item approved, as there are licence implications for the Qualys scanner.</p> <p>Position – July 2022 Extension of current third-party tools currently being reviewed and costed. Item not yet due.</p> <p>Position – August 2022 1.1- Third party Qualys had introduced a new module which will enable the management of remote devices through the cloud.</p> <p>1.2 – Both options are currently being evaluated and costed. Decision made will be based on cost, functionality, and management.</p> <p>Position – November 2022 1.1 – Due to the allocation of a new Account Manager at Qualys and the changes within the licensing structure, Qualys are currently reviewing the proposed quotation to align the requirements with the new licensing structure.</p> | Associate Director of ICT and Shared Services | 31 March 2023 | * | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Cyber Security 2021/22 | | | | | | | |
|--------------------------------|----------------|----------|--|----------------|----------|--------------------|---------------------|
| Final report issued April 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | | | 1.2 – Workshop with Qualys has been scheduled to discuss the new proposed licensing structure and the modules which are required to enable the management of the devices remotely through the cloud and not relaying on the VPN. | | | | |

| Contract Waivers 2021/22 | | | | | | | |
|---------------------------------|---|----------|---|---|-------------------|--------------------|---------------------|
| Final report issued June 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 01 | We recommend Procurement and Legal advice is sought (and recorded on the corporate form) before waivers are raised and sent to management for approval. | Medium | This will need discussion with Leadership Board (WBC) / Corporate Management Team (TRDC) and if agreed amendment to the existing firmstep forms. Position – July 2022 Not yet due. Position – August 2022 Not yet due Position – November 2022 The amendment of the form has been investigated and does not seem practicable. Requested a comments box for completion from Legal and Procurement. This is in development. | End of September discussion with Leadership Board / Corporate Management Team | 30 September 2022 | ✓ | |
| 02 | A tracker should be established to record the waiver process and waivers should remain “open” until all relevant evidence is received from | Low | The shared service procurement manager should now receive copies of all exemptions. Agree to prepare an annual waivers report for both authorities. | Procurement Manager | 31 March 2023 | ✓ | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Contract Waivers 2021/22 | | | | | | | |
|--------------------------------------|---|----------|---|----------------|----------|--------------------|---------------------|
| Final report issued June 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | services to demonstrate compliance with the Contract Procedure Rules. An annual waivers report should be produced for senior management and members at both authorities to ensure there is accurate and transparent reporting of waiver activity. | | <p>Position – July 2022 Not yet due.</p> <p>Position – August 2022 Not yet due.</p> <p>Position – November 2022 This has been produced for both authorities in the Annual spend report.</p> | | | | |

| Creditors 2021/22 | | | | | | | |
|--------------------------------------|--|----------|--|---------------------------|----------------|---|--|
| Final report issued July 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 02 | <p>We recommend:</p> <p>1. The Council creates a policy/procedure covering the use of CHAPS and Faster Payments. This will include:</p> <ul style="list-style-type: none"> The criteria which must be met to use CHAPS and Faster payments, The process for requesting and approving these payments, Which officers can request and approve these payments and how delegated limits will be set. <p>2. The Council updates the Payment Voucher request procedure to outline the types of payments which are eligible and ineligible to be made using this method.</p> | Medium | <p>A process note for CHAPS and Faster Payments will be written along with a scheme of delegation, agreed by S151 Officer and published on the intranet.</p> <p>Agreed and will be published as per the above.</p> | Finance Manager (Systems) | 26 August 2022 | * - part 1 and 2 resolved. Revised deadline for part 3. | <p>31 October 2022</p> <p>31 December 2022</p> |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Creditors 2021/22 | | | | | | | |
|-------------------------------|--|----------|---|----------------|----------|--------------------|---------------------|
| Final report issued July 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | 3. The policy and procedures for CHAPS, Faster Payments and Payment Vouchers are communicated/re-communicated to all relevant staff across the Council (e.g., in a corporate communication) and placed on key staff systems such as the Intranet for reference | | <p>Agreed they will be published on the intranets and a communication to all staff.</p> <p>Position - July 2022 Not yet due.</p> <p>Position – August 2022 1 is resolved ✓ process note created. 2 is resolved ✓ process updated.</p> <p>3 We will publish revised note and new note on the intranet along with Delegated authority listings.</p> <p>New deadline: 31 October 2022</p> <p>Position – November 2022 Process notes have been written.</p> <p>There are issues with intranet, so these will be circulated by email,</p> <p>Delegated authority lists to be run and agreed.</p> <p>Again, there are issues with intranet so these will be published when intranet issues resolved.</p> | | | | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Benefits 2021/22 | | | | | | | |
|-------------------------------|--|----------|---|----------------------------|--------------|--------------------|---------------------|
| Final report issued July 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 01 | <p>We recommend that:</p> <ul style="list-style-type: none"> A review of existing housing benefit overpayment cases pending write-off is conducted and decisions taken regarding whether or not cases should proceed to write-off. Write-offs should be conducted at regular intervals going forward (e.g. quarterly). | Medium | <p>Agreed.</p> <p>Position - July 2022 Not yet due.</p> <p>Position – August 2022 No update received – deadline has been reached.</p> <p>Update received September 2022 but after reporting deadline for September 2022 Audit Committee: Resolved</p> <p>Position – November 2022 Resolved</p> | Recovery Team Leader | 31 July 2022 | ✓ | |
| 02 | <p>We recommend that the number of officers with administrator privileges on the Academy system should be restricted to a minimum number of individuals to preserve the integrity and security of the system.</p> | Low | <p>Agreed.</p> <p>Position - July 2022 Not yet due.</p> <p>Position – August 2022 No update received – deadline has been reached.</p> <p>Update received September 2022 but after reporting deadline for September 2022 Audit Committee: This is being done under a complete review of all users permissions not just those with admin rights. It is 80% complete.</p> <p>Position – November 2022 Completed</p> | Data & Performance Manager | 31 July 2022 | ✓ | 30 September 2022 |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Council Tax 2021/22 | | | | | | | |
|-------------------------------|--|----------|---|----------------------|--|--------------------|---------------------|
| Final report issued July 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 01 | <p>We recommend that:</p> <ul style="list-style-type: none"> A review of existing Council Tax cases pending write-off is conducted and decisions taken regarding whether or not cases should proceed to write-off. Write-offs are conducted at regular intervals going forward (e.g. monthly). | Medium | <p>Agreed.</p> <p>Position - July 2022 Not yet due.</p> <p>Position – August 2022 No update received – deadline has been reached.</p> <p>Update received September 2022 but after reporting deadline for September 2022 Audit Committee: Resolved</p> <p>Position – November 2022 Resolved</p> | Revenues Team Leader | <p>31 August 2022 for the review of write-off's pending.</p> <p>Ongoing write off's to be processed monthly starting from July 2022.</p> | ✓ | |

| Operational Buildings Compliance 2021/22 | | | | | | | |
|--|--|----------|---|---|--------------|--------------------|--|
| Final report issued July 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 03 | <p>The Compliance & Maintenance Officer should generate monthly reports for the Facilities Manager and the Leadership Board to review on the compliance rates in relation to the following health and safety areas:</p> <ul style="list-style-type: none"> Gas Safety Electrical Safety Fire Safety Legionella Safety Lift Safety | High | <p>FM to provide programme on a monthly basis to Leadership Board. This will include information on risk assessments and progress with remedial actions.</p> <p>Position – August 2022 Compliance report to be provided to senior management on a monthly basis. New asset management system (concerto) will be able to generate regular management reports. FM produce a spreadsheet on current status of compliance that can be provided in the meantime.</p> | Head of Corporate Asset Management / Facilities Manager | 31 July 2022 | * | <p>30 September 2022</p> <p>16 December 2022</p> |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Operational Buildings Compliance 2021/22 | | | | | | | |
|--|---|----------|---|--------------------|-------------------|--------------------|---------------------|
| Final report issued July 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | The reports should outline the risk assessments undertaken, progress, outcomes, remedial actions completed, due and those delayed for greater oversight. The remedial actions should have an assigned action owner and due date for completion. | | Position – November 2022 All compliance information has been uploaded on asset management system but testing and training still required for FM. Training to be undertaken in November with reports generated from December. | | | | |
| 04 | The Facilities Manager should assign a responsible officer as well as a suitable/achievable deadline for all outstanding recommended actions. The deadlines set should align with the HCC guidance, which is immediate, 1 week, 2 weeks, 1 month and three months for high and medium actions. | High | Monthly review and sign off by senior management on actions and recommendations to be reviewed and signed off by H & S. Position – August 2022 All actions now completed but requires sign off by H&S Adviser (meeting on 30/8/22). Target date not yet reached. Position – November 2022 All actions were completed and have now been signed off by the H & S Adviser. | Facilities Manager | 15 September 2022 | ✓ | 7 October 2022 |
| 06 | The Facilities Manager should merge all policies in relation to health and safety in buildings to create an overarching Monitoring Compliance section in the Council Buildings Policy. The Policy should provide detailed guidance on fire safety, electrical safety, water safety, legionella and general health and safety (including Gas, Asbestos and Lift safety). The policy should outline responsibilities and the frequency of the risk assessments (for gas safety, legionella, fire safety and lift safety) to ensure that the Inspectors are aware | Medium | To be updated for ratification at the next H & S Committee meeting. Position – August 2022 To update procedures for ratification at next H&S Committee (date to be confirmed by Head of HR). Target date reached. Position – November 2022 All policies have been updated and are now included in monitoring/compliance guidance for the responsible site manager. | Facilities Manager | 31 July 2022 | ✓ | 7 October 2022 |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Operational Buildings Compliance 2021/22 | | | | | | | |
|--|--|----------|--|----------------------------------|--------------|--------------------|---------------------|
| Final report issued July 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | of the expected frequency of the inspections. In addition, the author, approval, and the proposed review date should be clearly outlined within the policy to ensure that it is updated regularly to align with government guidance. | | | | | | |
| 07 | <p>An automated process should be implemented for the compliance checks completed by the tenants. This will ensure that all checks are recorded, reported, and escalated where necessary and decrease the risk of manual error.</p> <p>The CAM Team should arrange training sessions with Site Managers to provide guidance on how compliance checks should be completed and recorded.</p> | Medium | <p>A document for building managers / tenants has been produced and a programme of visits explaining responsibilities of building managers/tenants relating to compliance is already underway. We will also share logs of all compliance checks with building managers/tenants.</p> <p>Position – August 2022 FM have produced a document on responsibility of senior manager for buildings and started to roll out programme e.g. Museum already addressed.</p> <p>Position – November 2022 Training for buildings managers was completed in September to ensure they are aware of their responsibilities. FM have produced a document on building compliance that details roles and responsibilities.</p> | Compliance & Maintenance Officer | 31 July 2022 | ✓ | 30 September 2022 |

Audit Plan 2022/23

| Watford Museum 2022/23 | | | | | | | |
|---|--|----------|--|-----------------------------------|---|--------------------|---------------------|
| Final report issued October 2022 | | | | | | | |
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| 01 | <p>We recommend that the statement of purpose for the Watford Museum provides a clear link and reference to the Council's cultural strategy.</p> <p>We also recommend that the existing delegated authority arrangements are reviewed to ensure that they are sufficiently clear, with a local scheme of delegation created where sub-delegations are in place (for example responsibilities assigned from the Group Head or Head of Service to the Museum Curator).</p> | Medium | <p>The statement of purpose will be developed as the forward plan is revised and to align with the ambitions for the Town Hall Quarter and to link to the cultural strategy.</p> <p>Position – November 2022 Being planned.</p> <p>Museum Governance will be reviewed as part of the process of developing the Arts Council Accreditation Forward Plan and Associated Policies (Action 2) and Town Hall Quarter redevelopment plans.</p> <p>Position – November 2022 Being planned.</p> <p>Interim interventions shall include a rapid review of the constitution to enable key delegations to officers in the following areas:</p> <ol style="list-style-type: none"> 1) Acquisitions/disposals 2) Loans 3) Approval of temporary exhibition programmes 4) Approval of ACE forward plan submission <p>Position – November 2022 This is complete.</p> | Associate Director of Environment | <p>30 April 2023 (subject to Arts Council Submission date)</p> <p>30 April 2023 (subject to Arts Council Submission date)</p> <p>30 November 2023 (subject to Arts Council Submission date)</p> | | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Watford Museum 2022/23 Final report issued October 2022 | | | | | | | |
|--|--|----------|---|-----------------------------------|--|--------------------|---------------------|
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | | | <p>Longer term a more substantive governance model will be developed in key areas such as exhibitions, audience development and collections management.</p> <p>Position – November 2022 Being planned.</p> | | 30 April 2023 (subject to Arts Council Submission date) | | |
| 02 | <p>We recommend that all documents or policies are fully completed or subject to review and update prior to the end of the financial year, with policies passed to the Executive for approval.</p> <p>We also recommend that a log is kept of all policies, including the last and the next review dates, to ensure that they are reviewed in a timely manner in future years.</p> | Medium | <p>Arts Council re accreditation is due for submission in April 2023 at the earliest. (The Arts Council will inform us when they require us to submit). A project will be created using EPMO protocols to oversee delivery and approval of the forward plan and policies, linked to the Museum Project and THQ programme boards and revised governance. Some policies are in development already.</p> <p>Monitoring of policies will be brought into service delivery and as a KPI or service plan output.</p> <p>Position – November 2022 Being planned.</p> | Associate Director of Environment | 30 April 2023 (subject to Arts Council Submission date) | | |
| 03 | <p>We recommend that the recording of collections onto Modes continues to progress and is completed prior to any planned relocation to both improve information for planning revised displays in the new setting, but also to assist with the control of the moving process.</p> <p>The current investigation of the one item identified as missing should be concluded at the earliest opportunity,</p> | Medium | <p>PID is drafted for the Museum Collection Project and resources allocated. Monitoring occurs at Museum Project Board. A vacant position is impacting progress.</p> <p>Position – November 2022 Complete.</p> <p>Complete investigation.</p> <p>Position – November 2022 On hold due to staff absence, deadline will be met.</p> | Associate Director of Environment | Mid 2024 31 December 2023 | | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Watford Museum 2022/23 Final report issued October 2022 | | | | | | | |
|--|--|----------|---|-----------------------------------|------------------|--------------------|---------------------|
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | with further advice on required actions being sought if the item cannot be located. | | | | | | |
| 04 | <p>We recommend that all staff are reminded of what paperwork needs to be completed for loans including the log which would summarise what items were currently on loan.</p> <p>We also recommend that policies are updated to reflect the approval delegation authorities included within the constitution.</p> <p>Finally, consideration should be given to clarifying within the constitution the value and time thresholds above which loans of objects are required to be authorised, and below this value the local delegation that has been agreed.</p> | Medium | <p>Staff training on loans process to be implemented. Develop log of loans and regularly monitor.</p> <p>Position – November 2022 On hold due to staff absence, deadline will be met.</p> <p>See action against recommendation 1.</p> <p>Position – November 2022 Being planned.</p> <p>See action against recommendation 1.</p> <p>Position – November 2022 Being planned.</p> | Curator | 31 December 2023 | | |
| 05 | <p>We recommend that an action plan is put in place to support the identification, control and monitoring of remaining key actions in respect of the accreditation preparation. This should include the actions required, target dates and action owners.</p> <p>The above action plan should also include the recommendations made in this report and progress should be</p> | Medium | <p>See actions against recommendations 2 and 3.</p> <p>Position – November 2022 Being planned.</p> | Associate Director of Environment | | | |

APPENDIX C – AUDIT RECOMMENDATIONS FOLLOW UPS – NOVEMBER 2022

| Watford Museum 2022/23 Final report issued October 2022 | | | | | | | |
|--|--|----------|--|----------------|----------|--------------------|---------------------|
| Ref No. | Recommendation | Priority | Action to Date | Responsibility | Deadline | Resolved * or ✓ | Revised Deadline |
| | monitored by Senior Managers on a monthly basis. | | | | | | |
| 06 | <p>We recommend that advice is sought from the Council's insurers as to the frequency of review of valuations. Upon completion of any future revaluations, this should also support a review of the existing levels of insurance.</p> <p>Upon the above clarity being obtained, the required frequencies (or process for determining review periods) should be incorporated into the relevant policies and procedures.</p> | Low | <p>Follow recommendation and link to action against recommendation 2.</p> <p>Response from Zurich Commercial Insurance: Our Fine Arts team in Zurich Commercial usually work to a valuation every 3 years, however we would be comfortable with valuations every 5 years. That said I would always apply a flexible common-sense approach to the 5-year average guide. If for instance you know some items are subject to rapid increases in value then obviously, I would look to revalue every 3 years, whereas you may have some other items that don't move much at all in value and these items you could push out to say 7 years and everything else falls in between.</p> <p>Naturally the onus is on the council to prove the value of an item in the event of a loss and this is always made harder after the event if the item is stolen or destroyed with no recent valuations to hand.</p> <p>Position – November 2022 Existing valuations being reviewed by staff and considering commissioning new valuations.</p> | Curator | | | |

APPENDIX D – ASSURANCE AND PRIORITY LEVELS

| Audit Opinions | | |
|--|---|--|
| Assurance Level | Definition | |
| Assurance Reviews | | |
| Substantial | A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. | |
| Reasonable | 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. | |
| Limited | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. | |
| No | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. | |
| Not Assessed | This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements. | |
| Grant / Funding Certification Reviews | | |
| Unqualified | No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met. | |
| Qualified | Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions. | |
| Disclaimer Opinion | Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions. | |
| Adverse Opinion | Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received. | |
| Recommendation Priority Levels | | |
| Priority Level | Definition | |
| Corporate | Critical | Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately. |
| | High | Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently. |
| Service | Medium | Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner. |

APPENDIX D – ASSURANCE AND PRIORITY LEVELS

| | | |
|--|------------|---|
| | Low | Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible. |
|--|------------|---|

Agenda Item 7

Part A

Report to: Audit Committee

Date of meeting: Thursday, 24 November 2022

Report author: Head of Finance

Title: Treasury Management Mid Term Review 2022/23

1.0 Summary

1.1 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers performance against the Council's Capital Investment Strategy, Treasury Management Policy and Annual Investment Strategy.

1.2 The report is presented to the Audit Committee as the body delegated by Council to undertake the role of scrutiny of treasury management strategy and policies.

2.0 Risks

2.1 The Code of Practice on Treasury Management identifies eight key risks that are inherent in Treasury Management activity. The Council's Treasury Management Policy sets out the risks that it is seeking to manage:

| | | | |
|----|---------------------------|---|--|
| 1. | Liquidity Risk | That the Council may not have the cash it needs on a day to day basis to pay its bills. | This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours. |
| 2. | Interest Rate Risk | That the costs and benefits expected do not materialise due to changes in interest rates. | This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors). |
| 3. | Exchange Rate Risk | That losses or gains are made due to fluctuations in the prices of currency. | The Council does not engage in any significant non-sterling transactions. |

| | | | |
|----|-------------------------------------|--|---|
| 4. | Credit and Counterparty Risk | That the entity holding Council funds is unable to repay them when due. | This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited. |
| 5. | Refinancing Risk | That the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher. | The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed. |
| 6. | Legal and Regulatory Risk | That the Council operates outside its legal powers. | This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors. |
| 7. | Fraud, Error and Corruption | The risk that losses will be caused by impropriety or incompetence. | This risk is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds |
| 8. | Market Risk | That the price of investments held fluctuates, principally in secondary markets. | The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure. The Council's investment in Royal London Asset Management, relating to the Croxley Park reserve, is held for the long term which enables the Council to reduce the risk of needing to divest when prices fall. |

- 2.2 In the current macro-economic environment, the two most high-profile risks are interest rate risk and refinancing risk. This is a shift in focus from credit and counterparty risk which has been the prevailing concern since the 2008 banking crisis.
- 2.3 The principles set out in the Treasury Management Policy and Annual Investment Strategy remain appropriate to manage these risks.

3.0 **Recommendations**

- 3.1 That the Committee notes the contents of the 2022/23 mid-year review of the Treasury Management function.

Further information:

Rob Thurlow
robert.thurlow@threerivers.gov.uk

Report approved by: Hannah Doney, Head of Finance

4.0 **Detailed proposal**

4.1 **Background**

- 4.1.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:
- i. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - ii. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - iii. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
 - iv. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - v. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

4.1.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2022/23 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's borrowing strategy for 2022/23;
- A review of compliance with Treasury and Prudential Limits for 2022/23;
- A review of the Council's investment portfolio for 2022/23.

4.2 Economics and interest rates

4.2.1 The second quarter of 2022/23 saw:

- Signs of economic activity losing momentum as production fell due to rising energy prices;
- CPI inflation rise to 9.9% year on year in August, having been 9.0% in April, with domestic price pressures showing little sign of abating in the near-term;
- The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
- Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
- Gilt yields surge and sterling fall following the fiscal event on 23 September.

4.2.2 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below have been provided by Link Group and are based on the Certainty Rate (the standard rate minus 20 bps). The Certainty Rate has been available to local authorities since 1 November 2012 subject to an annual application. Watford Borough Council is able to access the Certainty Rate for 2022/23.

4.2.3 The latest interest rate forecast, dated 27 September, sets out Link Group's view that both short and long-dated interest rates will remain elevated for some time:

"The Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the

economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.”

4.2.4 The bank rate is expected to peak in March 2023 and halve over the following 30 months while PWLB will peak earlier in December 2022 and fall back more gradually:

| Link Group Interest Rate View 27.09.22 | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
| BANK RATE | 4.00 | 5.00 | 5.00 | 5.00 | 4.50 | 4.00 | 3.75 | 3.25 | 3.00 | 2.75 | 2.75 | 2.50 |
| 3 month ave earnings | 4.50 | 5.00 | 5.00 | 5.00 | 4.50 | 4.00 | 3.80 | 3.30 | 3.00 | 2.80 | 2.80 | 2.50 |
| 6 month ave earnings | 4.70 | 5.20 | 5.10 | 5.00 | 4.60 | 4.10 | 3.90 | 3.40 | 3.10 | 3.00 | 2.90 | 2.60 |
| 12 month ave earnings | 5.30 | 5.30 | 5.20 | 5.00 | 4.70 | 4.20 | 4.00 | 3.50 | 3.20 | 3.10 | 3.00 | 2.70 |
| 5 yr PWLB | 5.00 | 4.90 | 4.70 | 4.50 | 4.20 | 3.90 | 3.70 | 3.50 | 3.40 | 3.30 | 3.20 | 3.20 |
| 10 yr PWLB | 4.90 | 4.70 | 4.60 | 4.30 | 4.10 | 3.80 | 3.60 | 3.50 | 3.40 | 3.30 | 3.20 | 3.20 |
| 25 yr PWLB | 5.10 | 4.90 | 4.80 | 4.50 | 4.30 | 4.10 | 3.90 | 3.70 | 3.60 | 3.60 | 3.50 | 3.40 |
| 50 yr PWLB | 4.80 | 4.60 | 4.50 | 4.20 | 4.00 | 3.80 | 3.60 | 3.40 | 3.30 | 3.30 | 3.20 | 3.10 |

4.2.5 Further information, provided by Link Group, about the economic context during the first six months of 2022/23 is provided in Appendix 1 – Economics Update.

4.3 Capital Investment Strategy Update

4.3.1 The Capital Investment Strategy, containing the Treasury Management Policy and Annual Investment Strategy for 2022/23, was approved by Council on 25 January 2022.

4.3.2 Although there has been a significant shift in the external operating environment, there are no policy changes to the Capital Investment Strategy, Treasury Management Policy or Annual Investment Strategy.

4.4 The Council’s Capital Position (Prudential Indicators)

4.4.1 This table shows the revised estimates for capital expenditure and expenditure to 30 September 2022 against the capital programme agreed at the Budget in January 2022. The total forecast capital investment for 2022/23 is £46.727m compared to an original budget of £79.210m. Variances to budget are set on in the Council’s Financial Monitoring Report.

Prudential indicator for Capital Expenditure:

| Budget Responsibility | Original Budget 2022/23 £'000 | Actual to 30 September 2022 £'000 | Forecast Year End Position £'000 |
|---|--|--|---|
| Executive Director of Corporate, Housing & Wellbeing Services | 14,373 | 6,372 | 15,260 |
| Executive Head of Strategy & Initiatives (Communications, Partnerships & Community) | 0 | 0 | 0 |
| Executive Director of Place | 41,425 | 2,808 | 18,070 |
| Director of Finance - Strategic Finance | 23,412 | 10,650 | 13,397 |
| TOTAL CURRENT CAPITAL PROGRAMME | 79,210 | 19,831 | 46,727 |

4.4.2 The table below sets out how the capital investment for 2022/23 will be financed:

| FUNDING TYPE | Original Budget 2022/23 £'000 | Forecast Year End Position 2022/23 £'000 |
|---------------------------------------|--|---|
| Grants & Contributions | 3,805 | 8,336 |
| Reserves | 0 | 24 |
| Capital Receipts (PIB, Non PIB & THQ) | 9,773 | 2,298 |
| Section 106 & CIL Contributions | 0 | 20 |
| Local Enterprise Partnership Loan | 1,250 | 1,250 |
| Borrowing (Internal & External) | 64,382 | 34,800 |
| TOTAL CAPITAL FUNDING APPLIED | 79,210 | 46,727 |

4.4.3 The borrowing element of the table increases the underlying indebtedness of the Council which is expressed as the Capital Financing Requirement (CFR). The net increase in CFR will be lower after taking into account revenue charges for the repayment of debt (the Minimum Revenue Provision).

4.4.4 The latest forecast for the CFR, which is the underlying need to borrow for a capital purpose, is set out in the table below. The reduced forecast for the CFR reflects the forecast reduced need to borrow for capital investment in 2022/23. It also shows the expected debt position over the period, which is termed the Operational Boundary.

| 2022/23 | Original Estimate £'000 | Current Position £'000 | Revised Estimate £'000 |
|---|----------------------------|---------------------------|---------------------------|
| Prudential indicator - Capital Financing Requirement: | | | |
| Capital Financing Requirement | 387,469 | | 354,986 |
| Net Movement in CFR | 59,505 | | 27,022 |
| Prudential indicator – the Operational Boundary for external debt: | | | |
| Borrowing | 165,000 | 59,000 | 100,000 |
| Liability - Croxley Park Finance Lease | 226,000 | 225,046 | 225,046 |
| Total debt (year end position) | 391,000 | 284,046 | 325,046 |

Note the CFR may be subject to restatement following the conclusion of the 2019/20 and 2020/21 external audit.

- 4.4.5 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. Where external borrowing is below the underlying need to borrow, this is financed in the short term through internal borrowing. This currently forecast to be £29.9m at year end.

| 2022/23 | Original Indicator £'000 | Revised Indicator £'000 |
|--|-----------------------------|----------------------------|
| Capital Financing Requirement | 387,469 | 354,986 |
| Gross External Borrowing (including finance lease liability) | 391,000 | 325,046 |
| Internal Borrowing | 3,531 | 29,940 |

- 4.4.6 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Prudential indicator – the Authorised Limit for external debt:

| 2022/23 | Original Indicator | Current Position | Revised Indicator |
|--|---------------------------|-------------------------|--------------------------|
| | £'000 | £'000 | £'000 |
| Borrowing | 170,000 | 59,000 | 135,000 |
| Liability - Croxley Park Finance Lease | 231,000 | 225,046 | 231,000 |
| Total | 401,000 | 284,046 | 366,000 |

4.5 Borrowing

- 4.5.1 The Council's forecast year end capital financing requirement (CFR) excluding the finance lease liability for 2022/23 is £129.940m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. At 30 September 2022 the Council has external borrowing of £59.000m. This is forecast to increase to £100.00m with the remaining balance of £29.940m financed in the short term by the utilisation of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.
- 4.5.2 Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR), new external borrowing of £45.000m has been undertaken in the first six months of the year. This includes a forward deal of £10.000m which was traded in August but will commence in December. This forward deal was undertaken in order to fix the interest rate and reduce the exposure to interest rate risk in the Autumn. During the same period, £25.000m of borrowing matured and was repaid.
- 4.5.3 The Council's external borrowing portfolio is detailed in Appendix 3. All external borrowing is currently from the local to local authority market. This enables the Council to take advantage of lower rates that are below the prevailing PWLB rates at the shorter end of the yield curve. The weighted average maturity profile of the Council's borrowing portfolio is 234 days.
- 4.5.4 The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, in order to achieve optimum value and risk exposure in the long-term.

4.6 Compliance with Treasury and Prudential Limits

- 4.6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Capital Investment Strategy and Treasury Management Policy for 2022/23. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.
- 4.6.2 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4.7 Annual investment strategy

- 4.7.1 In accordance with the CIPFA Treasury Management Code of Practice, the Council's Annual Investment Strategy sets out the Council's investment priorities as being:
- Security of capital
 - Liquidity
 - Yield
- 4.7.2 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions.
- 4.7.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2022.
- 4.7.4 **Creditworthiness**
Following the Government's fiscal event on 23 September, both S&P and Fitch have placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.
- 4.7.5 **Investment Counterparty criteria**
The current investment counterparty criteria selection approved in the Annual Investment Strategy is meeting the requirement of the treasury management function.
- 4.7.6 The Council has continued to limit exposure to banks and building societies with deposits limited to the Council's bank, Lloyds, and the UK government through investments with the Debt Management Office(DMO).

4.7.7 Investment balances

The average level of funds available for investment purposes during the first half of the financial year was £18.2m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The average interest rate earned on investments was 1.39% (low 0.52%, high 2.71%). This compares to average Bank of England Base Rate of 1.28% (low 0.75%, high 2.25%). The Sterling Overnight Index Average (SONIA) benchmark is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. Over the same period, the average SONIA rate was 1.22% (low 0.69%, high 2.19%). Performance against these benchmarks reflects effective short-term cash management, avoiding excessive exposure to the lower rates paid on overnight bank deposits.

4.7.8 Although interest receivable rates have increased during 2022/23, the cost of borrowing remains higher than the benefit of investing cash, known as the 'cost of carry.' Therefore the Council will continue to maximise the use of internal borrowing, utilising internal cash balances to offset the need to borrowing in the short term and reducing the net interest cost.

4.7.9 The Council's investment portfolio is set out in appendix 4.

4.8 Externally Managed Funds

4.8.1 During the first six months of 2022/23 the Council maintained its holding in external funds with Royal London Asset Management (RLAM) in relation to the Croxley Business Park Reserve. These funds are invested within a money market fund due to their long-term nature, aligning with the 35 year time horizon of the Croxley Park Lease. Having previously outperformed inflation since the investment in 2020/21, the performance of the fund has been impacted by rising inflation and the fiscal event on 23 September 2022. The value of the funds was £81.147m as at 30 September 2022. The performance of the fund is monitored by the Property Investment Board advised by the Council's treasury management advisers Link Asset Services. These investments are held with a long-term view and performance is assessed over medium term horizon of three to five years due to the short term volatility of such investments. The underlying nature of the investments remains sound over the longer term and it is expected that fund performance will recover before the end of the financial year as the market stabilises.

5.0 Implications

5.1 Financial

5.1.1 The Council has set an income budget of £0.075m for 2022/23. At 30 September the Council has received £0.070m, benefiting from the increase in interest rates and higher cash balances than expected.

5.1.2 Based on current external borrowing, the Council will incur interest payable costs of £0.639m. This will increase if further external borrowing is required before the end of the financial year. However, there is no exposure to interest rate risk for refinancing of borrowing as there are no further maturities during 2022/23. The interest expense budget for 2022/23 is £0.600m.

5.1.3 At this stage it is anticipated that increased interest payable on borrowing will be offset by additional interest received on short term lending.

5.2 Legal Issues (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that there are no legal implications directly arising from this report.

5.3 Equalities, Human Rights and Data Protection

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

5.3.2 Having had regard to the council's obligations under s149, it is considered there are no relevant issues arising directly from this report.

5.3.3 Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

5.4 Staffing

5.4.1 There are no staffing implications arising from this report.

5.5 **Accommodation**

5.5.1 There are no accommodation implications arising from this report.

5.6 **Community Safety/Crime and Disorder**

5.6.1 Section 17 of the Crime and Disorder Act 1998 requires the council to give due regard to the likely effect of the exercise of its functions on crime and disorder in its area and to do all it reasonably can to prevent these. There are no issues arising from this report.

5.7 **Sustainability**

5.7.1 There are no sustainability implications arising from this report.

Appendices

- Appendix 1 – Economics Update
- Appendix 2 – PWLB Rates
- Appendix 3 – External Borrowing Portfolio
- Appendix 4 – Investment Portfolio

Background papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

- Capital Strategy 2022/23 approved by Council 25 January 2022

Economics Update

This update has been provided by the Council's appointed Treasury Management Advisors, Link Group. The update was prepared in October 2022 and reflects the position at 30 September 2022.

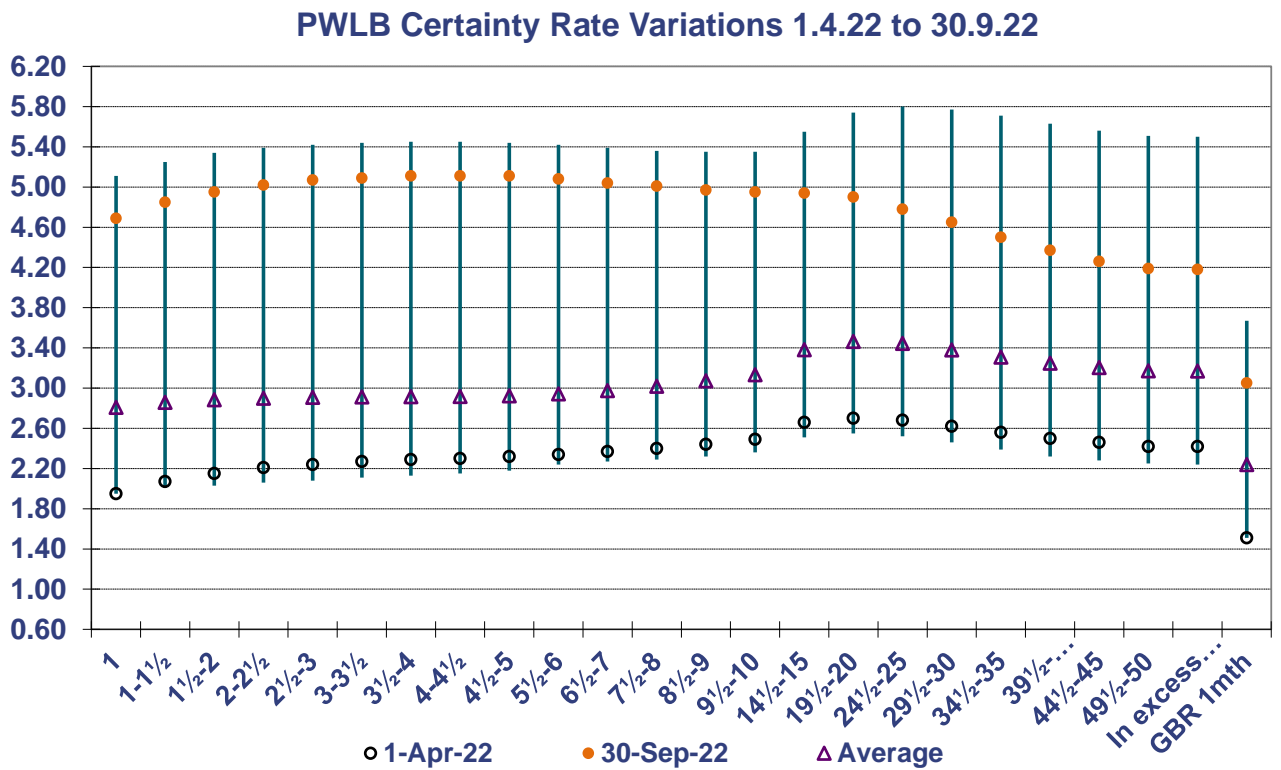
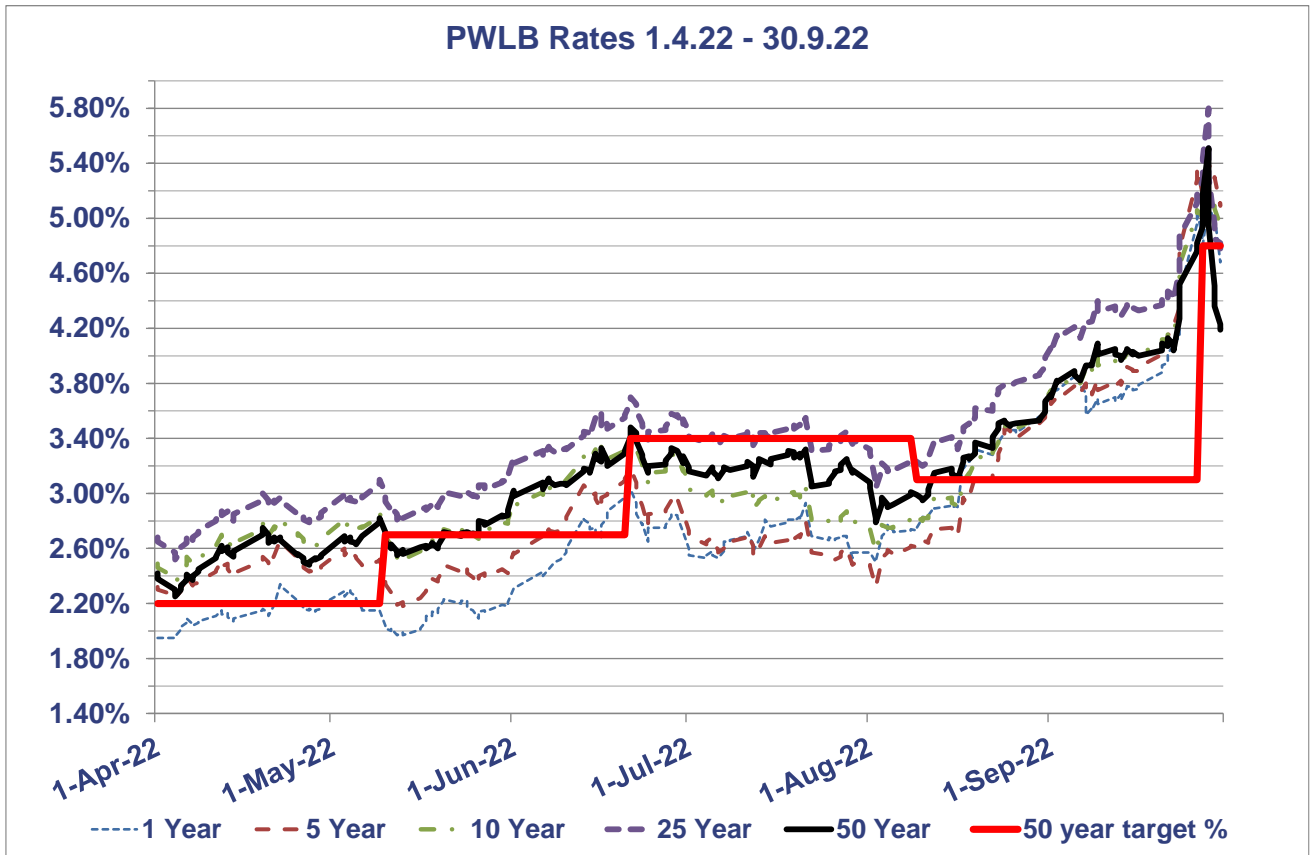
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to

the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.

- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.
- Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

Public Works Loan Board Rates – April to September 2022

PWLB RATES 01.04.22 - 30.09.22



HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.22 – 30.09.22

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|----------------|------------|------------|------------|------------|------------|
| Low | 1.95% | 2.18% | 2.36% | 2.52% | 2.25% |
| Date | 01/04/2022 | 13/05/2022 | 04/04/2022 | 04/04/2022 | 04/04/2022 |
| High | 5.11% | 5.44% | 5.35% | 5.80% | 5.51% |
| Date | 28/09/2022 | 28/09/2022 | 28/09/2022 | 28/09/2022 | 28/09/2022 |
| Average | 2.81% | 2.92% | 3.13% | 3.44% | 3.17% |
| Spread | 3.16% | 3.26% | 2.99% | 3.28% | 3.26% |

- The current PWLB rates are set as margins over gilt yields as follows: -.
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

External Borrowing 2022/23

Loans Repaid 1 April to 30 September

| Lender | Trade Date | Start Date | Maturity | Duration (Days) | Annual Interest Rate% | Amount £ | Total Interest | Interest Payable |
|------------------------------------|------------|------------|------------|--------------------|--------------------------|-------------------|----------------|------------------|
| | | | | | | | Payable £ | 2022/23 £ |
| RENFREWSHIRE COUNCIL | 11/08/2021 | 29/09/2021 | 29/09/2022 | 365 | 0.15 | 5,000,000 | 7,500 | 3,719 |
| RENFREWSHIRE COUNCIL | 11/08/2021 | 15/10/2021 | 15/07/2022 | 273 | 0.06 | 5,000,000 | 2,244 | 863 |
| MIDDLESBROUGH TEESIDE PENSION FUND | 11/08/2021 | 15/10/2021 | 15/07/2022 | 273 | 0.06 | 5,000,000 | 2,244 | 863 |
| NORTHERN IRELAND HOUSING EXECUTIVE | 25/08/2021 | 15/11/2021 | 15/07/2022 | 242 | 0.05 | 10,000,000 | 3,315 | 1,438 |
| Total | | | | | | 25,000,000 | 15,303 | 6,884 |

Loans Outstanding at 30 September 2022

| Lender | Trade Date | Start Date | Maturity | Duration (Days) | Annual Interest Rate% | Amount £ | Total Interest | Interest Payable |
|--|------------|------------|------------|--------------------|--------------------------|-------------------|----------------|------------------|
| | | | | | | | Payable £ | 2022/23 £ |
| GLOUCESTERSHIRE COUNTY COUNCIL | 22/02/2021 | 22/02/2021 | 22/02/2023 | 730 | 0.70 | 5,000,000 | 70,000 | 31,356 |
| LEICESTER CITY COUNCIL | 22/02/2021 | 22/02/2021 | 22/02/2023 | 730 | 0.70 | 5,000,000 | 70,000 | 31,356 |
| EAST SUFFOLK COUNCIL | 11/08/2021 | 29/09/2021 | 29/09/2023 | 730 | 0.20 | 5,000,000 | 20,000 | 10,000 |
| TORBAY BOROUGH COUNCIL | 18/03/2022 | 18/03/2022 | 19/12/2022 | 276 | 1.00 | 5,000,000 | 37,808 | 35,890 |
| TEWKESBURY BOROUGH COUNCIL | 09/03/2022 | 21/03/2022 | 21/12/2022 | 275 | 0.95 | 2,000,000 | 14,315 | 13,742 |
| MANSFIELD DISTRICT COUNCIL | 14/03/2022 | 21/03/2022 | 20/03/2023 | 364 | 1.00 | 2,000,000 | 19,945 | 19,342 |
| THE NOTTINGHAMSHIRE OFFICE OF THE POLICE | 23/06/2022 | 04/07/2022 | 03/07/2023 | 364 | 1.90 | 8,000,000 | 151,584 | 112,855 |
| WEST YORKSHIRE COMBINED AUTHORITY | 01/07/2022 | 06/07/2022 | 30/06/2023 | 359 | 1.90 | 5,000,000 | 93,438 | 70,014 |
| NORTHERN IRELAND HOUSING EXECUTIVE | 23/06/2022 | 15/07/2022 | 14/07/2023 | 364 | 2.00 | 10,000,000 | 199,452 | 142,466 |
| LOCAL GOVERNMENT ASSOCIATION | 23/06/2022 | 15/07/2022 | 14/07/2023 | 364 | 1.90 | 2,000,000 | 37,896 | 27,068 |
| RENFREWSHIRE COUNCIL | 16/08/2022 | 26/09/2022 | 26/06/2023 | 273 | 2.20 | 5,000,000 | 82,274 | 56,356 |
| RENFREWSHIRE COUNCIL | 11/08/2021 | 29/09/2022 | 29/09/2023 | 365 | 0.25 | 5,000,000 | 12,500 | 6,301 |
| Total | | | | | | 59,000,000 | 809,212 | 556,748 |

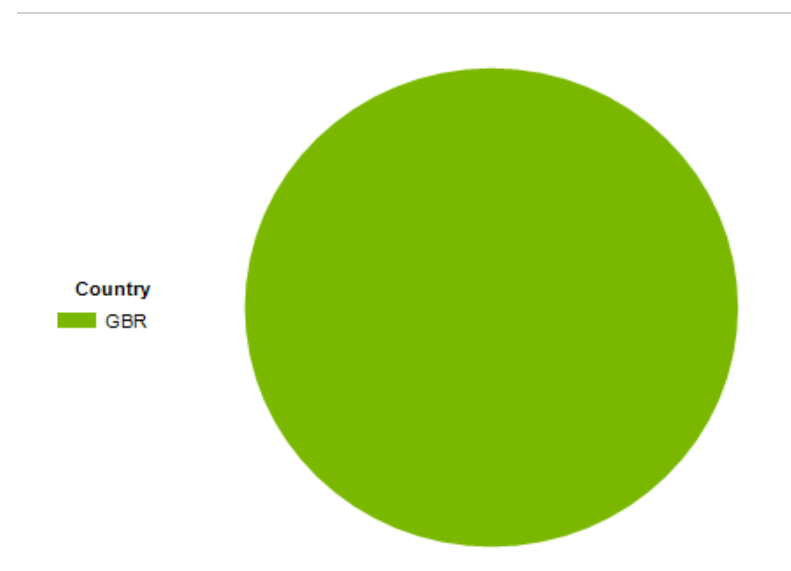
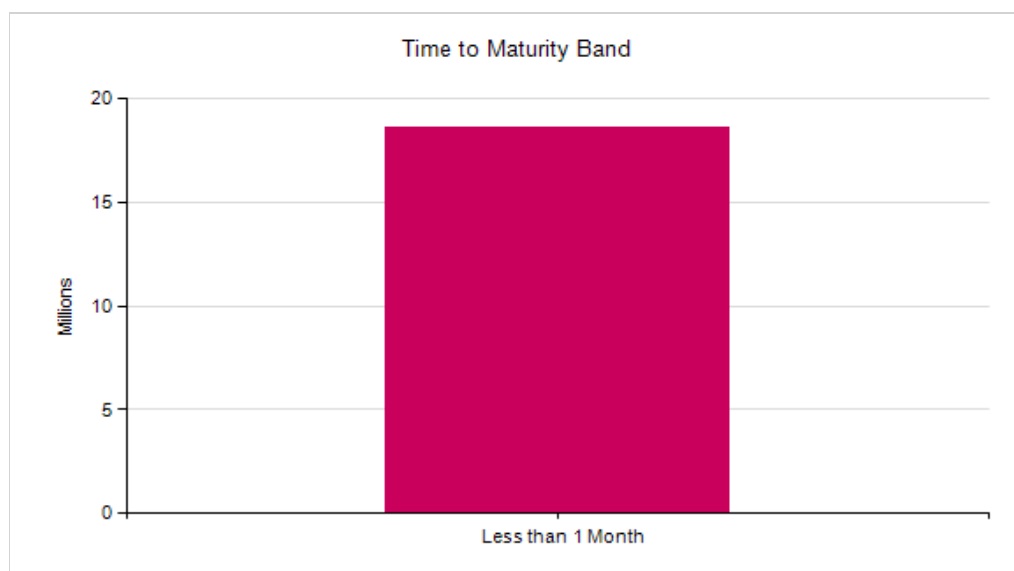
Forward Deals at 30 September 2022

| Lender | Trade Date | Start Date | Maturity | Duration (Days) | Annual Interest Rate% | Amount £ | Total Interest | Interest Payable |
|--------------|------------|------------|------------|--------------------|--------------------------|-------------------|----------------|------------------|
| | | | | | | | Payable £ | 2022/23 £ |
| BARNSLEY MBC | 17/08/2022 | 12/12/2022 | 11/12/2023 | 364 | 2.50 | 10,000,000 | 249,315 | 75,342 |
| Total | | | | | | 10,000,000 | 249,315 | 75,342 |

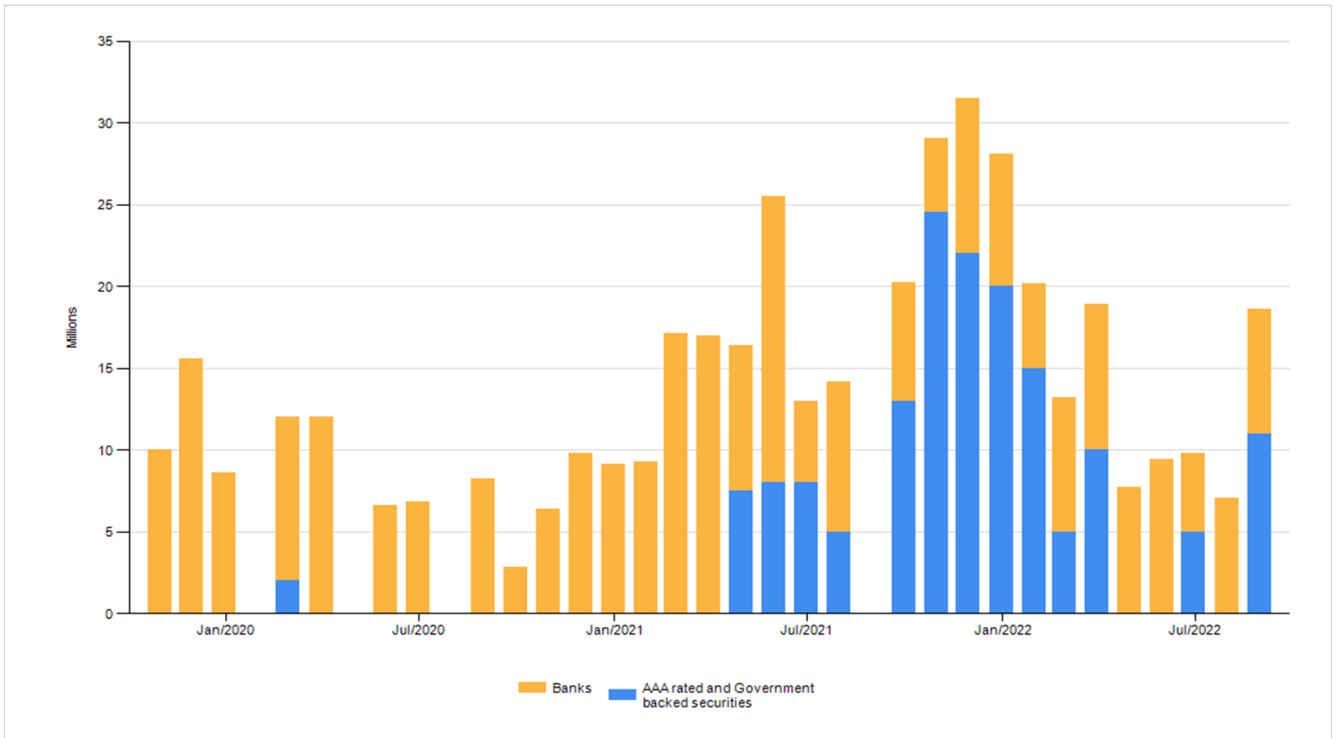
Investment Portfolio

Investment data as at: Sep/2022

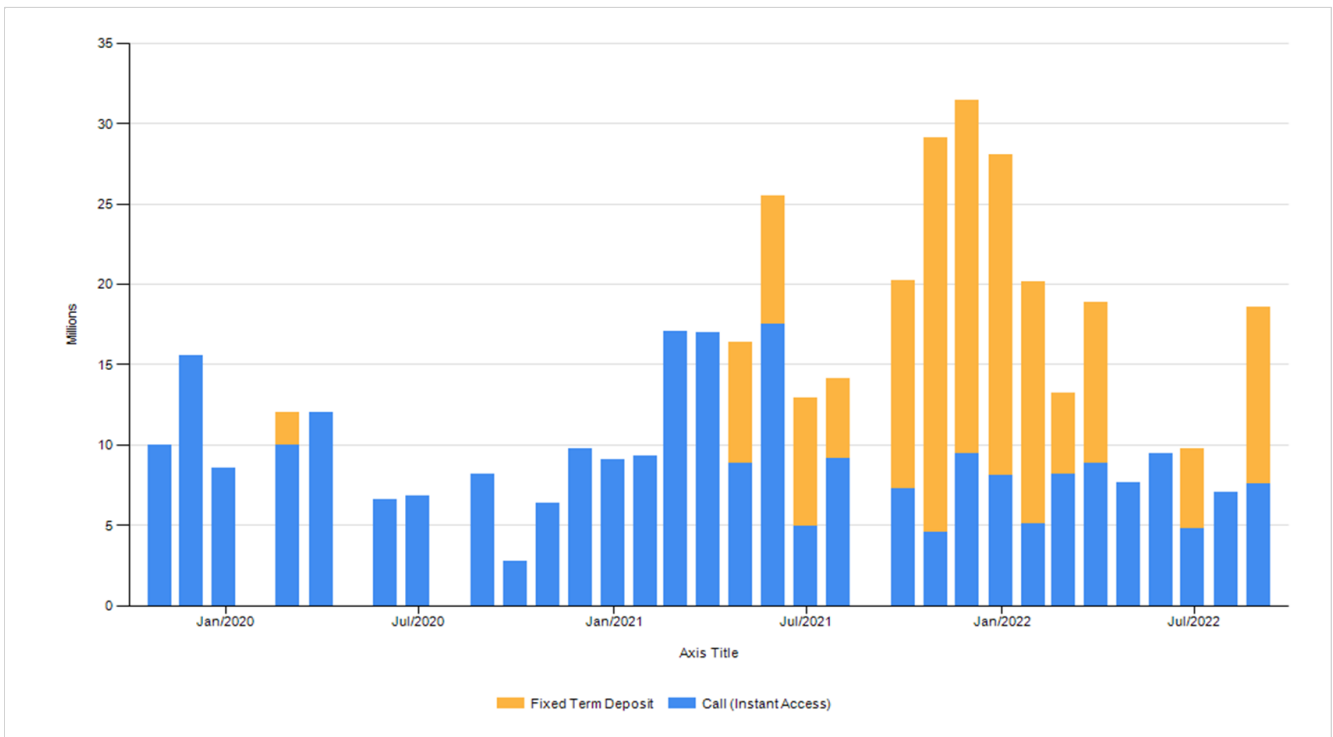
| | Country | Institution | Instrument Type | Start | Maturity | Yield | Principal |
|--|--------------|-------------|-----------------|-------|----------|-------|--------------------|
| | GBR | | | | | | £18,594,512 |
| | Total | | | | | | £18,594,512 |



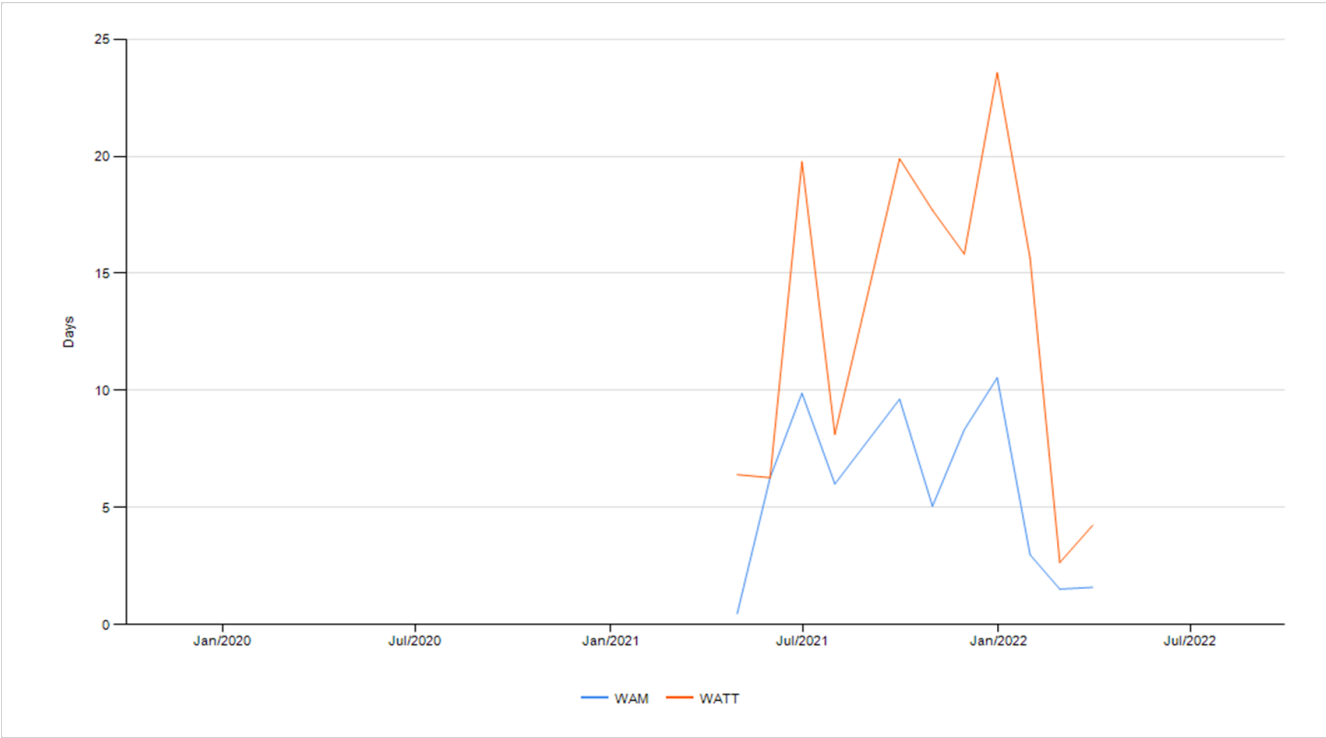
Counterparty Analysis



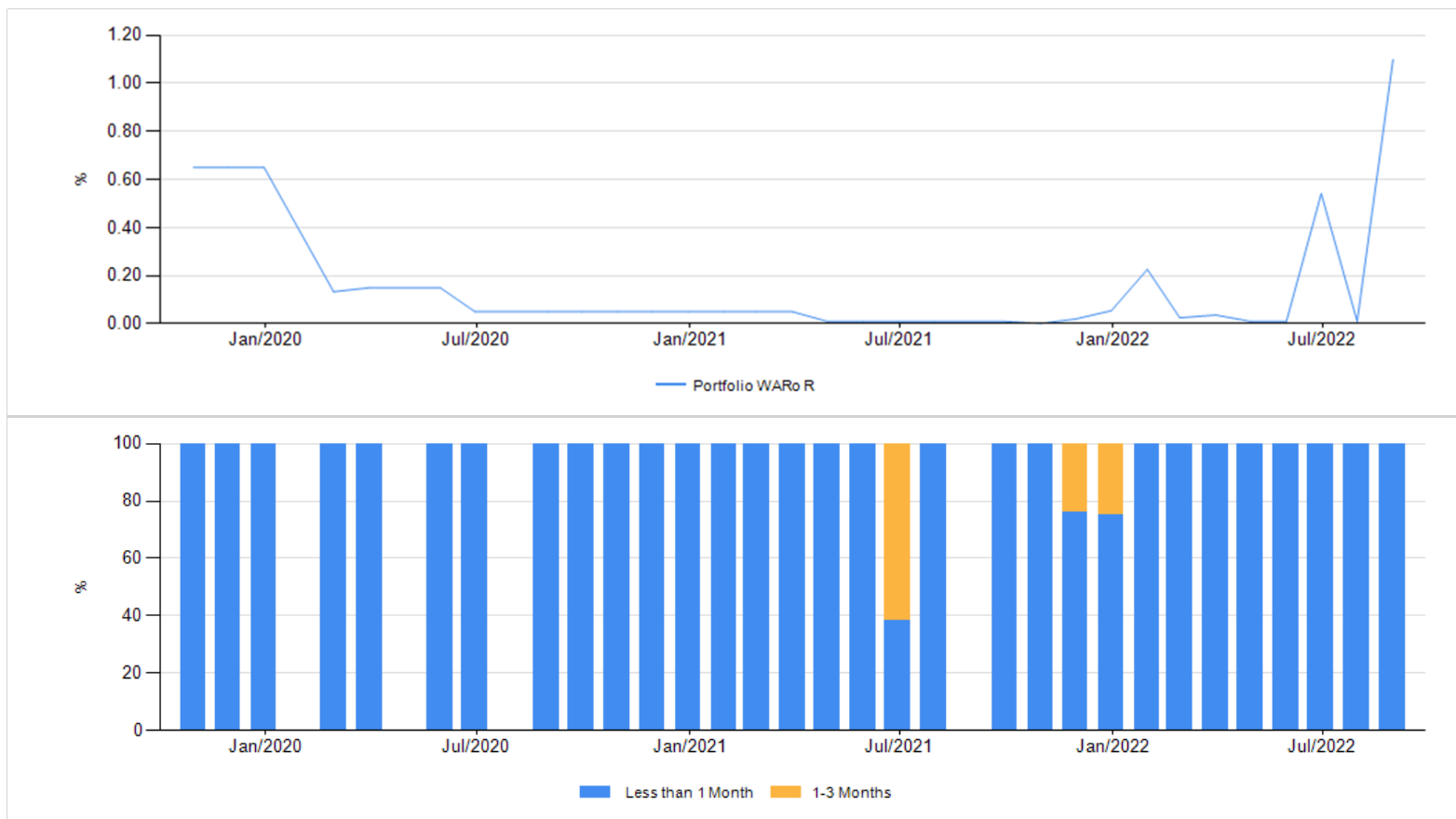
Instrument Analysis



Liquidity Analysis (days)



Portfolio Yield Analysis



Portfolio Analysis Matrix

| Organisation Type | Counterparty | Sep/2022 | Aug/2022 | Jul/2022 | Jun/2022 | May/2022 | Apr/2022 | Mar/2022 | Feb/2022 | Jan/2022 |
|--|------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| AAA rated and Government backed securities | Debt Management Office | £11,000,000 | | £5,000,000 | | | £10,000,000 | £5,000,000 | £15,000,000 | £20,000,000 |
| | Total | £11,000,000 | | £5,000,000 | | | £10,000,000 | £5,000,000 | £15,000,000 | £20,000,000 |
| Banks | Lloyds Bank Plc (RFB) | £7,594,512 | £7,083,556 | £4,787,649 | £9,453,176 | £7,688,311 | £8,875,063 | £8,200,307 | £5,132,626 | £8,088,382 |
| | Total | £7,594,512 | £7,083,556 | £4,787,649 | £9,453,176 | £7,688,311 | £8,875,063 | £8,200,307 | £5,132,626 | £8,088,382 |
| Total | | £18,594,512 | £7,083,556 | £9,787,649 | £9,453,176 | £7,688,311 | £18,875,063 | £13,200,307 | £20,132,626 | £28,088,382 |

Part A

Report to: **Audit Committee**

Date of meeting: **Thursday, 24 November 2022**

Report author: **Head of Finance**

Title: **Statement of Accounts Update**

1.0 Summary

1.1 This report sets out the latest position for the external audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22.

2.0 Risks

2.1

| Nature of risk | Consequence | Suggested Control Measures | Response (treat, tolerate, terminate or transfer) | Risk Rating (combination of severity and likelihood) |
|---|--|---|---|--|
| The Council's Statement of Accounts are not approved and audited within the statutory timeframe | Failure to comply with statutory timeline impacts on audit opinion | Proactive liaison with the external audit team | Tolerate | 4 |
| Changes to accounting policies are not properly reflected in the Statement of Accounts | Material mis-statement or qualification | Review accounting policies annually. Maintain awareness of future changes | Treat | 4 |

| | | | | |
|---|--|--------------------------------------|----------|---|
| Changes to accounting policies have an impact on the revenue budget or capital programme. | Impact on reserves, especially where not identified at budget setting. | Maintain awareness of future changes | Tolerate | 6 |
|---|--|--------------------------------------|----------|---|

3.0 Recommendations

3.1 To note the latest timetable for completion of the external audit of the statement of accounts for 2019/20, 2020/21 and 2021/22.

Further information:

Hannah Doney
hannah.doney@threerivers.gov.uk

Report approved by:

Alison Scott, Shared Director of Finance

4.0 Detailed proposal

4.1 Statement of Accounts 2019/20

4.1.1 The revised Draft Statement of Accounts 2019/20 is included at Appendix 1. Officers have now completed the review of infrastructure assets and agreed final changes to the accounts with the local audit team. The accounts are now subject to internal consultation processes within EY which will scrutinise the accounts and audit work undertaken in relation to:

- the Going Concern assessment
- the Prior period adjustments in relation to the Fixed Asset Register (summarised in Note 4 to the accounts)
- accounting for infrastructure assets

4.1.2 This process should be concluded in December which will enable the 2019/20 accounts to be signed before the end of 2022.

4.1.3 Delegations are already in place to the Chair of this committee and the Director of Finance to sign the Statement of Accounts and Letter of Representation as agreed at the Audit Committee in March 2022. There is no change to the draft Letter of Representation as a result of the further work undertaken on the audit.

4.2 Statement of Accounts 2020/21

- 4.2.1 The audit of the Statement of Accounts 2020/21 commenced on 4 July 2022. An update from EY on progress towards concluding the audit is elsewhere on the agenda.
- 4.2.2 A revised Draft Statement of Accounts 2020/21 will be provided to EY during the week beginning 28 November 2022, incorporating all agreed changes to the 2019/20 accounts and findings from the 2020/21 audit. To date there are no significant findings from the work undertaken on the 2020/21 audit. However, the adjustments to the accounts are significant reflecting the impact of the changed carry forward balances from 2019/20.
- 4.2.3 At the time of writing, there are a small number of outstanding queries in relation to the 2020/21 accounts, including information required from the external valuer. Officers are working with EY to conclude the audit as swiftly as possible. It may be possible to do this ahead of the next Audit Committee in March. This will be reviewed at the beginning of January and, if appropriate, an additional meeting of the Audit Committee will be arranged to sign the 2020/21 accounts.

4.3 Statement of Accounts 2021/22

- 4.3.1 The draft Statement of Accounts 2021/22 was authorised for issue by the Director of Finance and [published on the Council's website](#) on 31 July 2022 in line with the statutory timeframe. The period of public inspection ran from 1 August to 12 September 2022.
- 4.3.2 The brought forward balances and comparator figures for 2020/21 will be updated in the draft 2021/22 accounts following the conclusion of the 2020/21 audit. Officers are working with external audit to ensure that the 2021/22 audit takes place as quickly as possible after the conclusion of the 2020/21 audit.

4.4 Appointment of External Auditors for 2023/24 to 2027/28

- 4.4.1 As previously reported, the Council has opted 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 outcome of the procurement was announced by PSAA on 3 October 2022 with 99.5% of the tendered work provided for.
- 4.4.2 Contracts have been offered to six suppliers with the scale of the contract depending on the capacity each supplier is able to provide. Three existing suppliers have been reappointed. These are Grant Thornton with 36% of the work, Mazars with 22.5%, and Ernest & Young with 20%. KMPG have re-entered the market with

14% of the work. The remaining work has been offered to two new entrants to the market Bishop Fleming, 3.75% and Azets Audit Services, 3.25%.

4.4.3 On 17 October the PSAA commenced the consultation on the proposed auditor appointments for all opted in bodies and wrote to all Section 151 Officers, Chief Executives and Audit Committee Chairs. The consultation closed on 14 November 2022.

4.4.4 The proposed auditor for Watford Borough Council from 2023/24 is Azets Audit Services. The PSAA describe Azets as:

“ A UK top 10 audit, accounting and business advisory firm. The firm provides external audit, internal audit and other assurance services across the public sector and has extensive experience of auditing large Scottish councils on behalf of the Accounts Commission. While the firm operates from around 80 local offices spread across the UK, it delivers public sector audit using specialist teams in selected locations in the North, Midlands and London”

4.4.5 The PSAA have committed to write to all bodies to confirm the Board’s final decision on the auditor appointments on or before 31 December 2022. Once the appointment is confirmed, Officers will begin work with our current external auditors to ensure a smooth transition for 2023/24.

4.4.6 The PSAA have noted that the bid prices received in the procurement reflect a significant increase in the current audit fee. In Autumn 2023 the PSAA will consult on the scale fee for 2023/24. However, authorities are advised to anticipate a ‘major reset’ involving an increase of around 150% on 2022/23 fees. The PSAA have raised the impact of this cost pressure on local authorities with the Department of Levelling Up, Housing and Communities (DLUHC) whilst also recognising the importance of a well funded audit system which is exposed to significant recruitment, retention and regulatory risks.

5.0 **Implications**

5.1 **Financial**

5.1.1 The Shared Director of Finance comments that there are no direct financial implications arising from this report.

5.2 **Legal Issues (Monitoring Officer)**

5.2.1 The Group Head of Democracy and Governance comments that there are no direct legal implications arising from this report.

5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

Having had regard to the council's obligations under s149, it is considered that there are no equalities or human rights implications.

5.4 **Staffing**

5.4.1 There are no staffing implications arising from this report.

5.5 **Accommodation**

5.5.1 There are no accommodation implications arising from this report.

5.6 **Community Safety/Crime and Disorder**

5.6.1 There are no community safety/crime and disorder implications arising from this report.

5.7 **Sustainability**

5.7.1 There are no sustainability implications arising from this report.

Background Papers

Statement of Accounts and Annual Governance Statement 2021/22 report to Audit Committee 28 July 2022

Statement of Accounts Update report to Audit Committee 15 September 2022

Appendices

Appendix 1 – Revised Draft Statement of Accounts 2019/20



**WATFORD
BOROUGH
COUNCIL**

DRAFT

STATEMENT OF ACCOUNTS

2019/20

TABLE OF CONTENTS

TABLE OF CONTENTS

| | |
|--|-----------|
| STATEMENT OF RESPONSIBILITIES | 1 |
| NARRATIVE STATEMENT | 2 |
| ANNUAL GOVERNANCE STATEMENT | 9 |
| CORE FINANCIAL STATEMENTS | 20 |
| EXPLANATION OF CORE FINANCIAL STATEMENTS | 20 |
| MOVEMENT IN RESERVES STATEMENT | 21 |
| COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT | 22 |
| BALANCE SHEET | 23 |
| CASH FLOW STATEMENT | 24 |
| NOTES TO THE CORE FINANCIAL STATEMENTS | 25 |
| 1 Accounting Policies - Single Entity and Group Accounts | 25 |
| 2 Accounting Standards that have been issued but have not yet been adopted | 38 |
| 3 Critical Judgements in Applying Accounting Policies | 38 |
| 4 Prior Period Adjustments | 39 |
| 5 Events after the Balance Sheet date | 49 |
| 6 Assumptions Made About the Future and Other Major Sources of Uncertainty | 50 |
| 7 (a) Expenditure and Funding Analysis | 53 |
| (b) Note to Expenditure and Funding Analysis | 54 |
| 8 Adjustments between accounting basis and funding basis under regulations | 55 |
| 9 Other Operating Income and Expenditure | 57 |
| 10 Financing and Investment Income and Expenditure | 57 |
| 11 Taxation and Non Specific Grant Incomes | 57 |
| 12 Expenditure and Income analysed by Nature | 58 |
| 13 Grant Income | 59 |
| 14 Joint Operations | 60 |
| 15 External Audit Costs | 61 |
| 16 Members Allowances | 61 |
| 17 Officers' Remunerations | 62 |
| 18 Termination Benefits | 63 |
| 19 Related Party Transactions | 64 |
| 20 Partnership Working | 68 |
| 21 Property, Plant and Equipment | 68 |
| (a) Movement of Property, Plant and Equipment | 68 |
| (b) Revaluations | 69 |
| (c) Information About Depreciation Methodologies | 70 |
| 22 Heritage Assets | 70 |
| 23 Investment Properties and Surplus Assets | 71 |
| (a) Movement of Investment Properties and Surplus Assets | 71 |
| (b) Accounted for in Comprehensive Income and Expenditure Statement | 72 |
| 24 Capital Expenditure, Financing and Commitments | 73 |

TABLE OF CONTENTS

| | | |
|----|---|------------|
| 25 | Leases..... | 74 |
| 26 | Debtors & Investments - Long Term | 76 |
| 27 | Debtors - Short Term..... | 76 |
| 28 | Cash and Cash Equivalents | 77 |
| 29 | Cash Flow Statement - Operating, Investing and Financing Activities..... | 78 |
| 30 | Creditors - Short Term..... | 79 |
| 31 | Creditors - Long Term | 79 |
| 32 | Provisions..... | 80 |
| 33 | Defined Benefit Pension Scheme | 80 |
| 34 | Contingent Assets and Liabilities | 86 |
| 35 | Usable Reserves | 86 |
| | (a) Movement in Usable Reserves | 86 |
| | (b) Capital Receipts Reserve | 86 |
| | (c) Earmarked Reserves | 87 |
| | (d) General Fund Reserves..... | 89 |
| | (e) Capital Grant Unapplied | 89 |
| 36 | Unusable Reserves | 90 |
| | (a) Movement in Unusable Reserves | 90 |
| | (b) Capital Adjustment Account..... | 90 |
| | (c) Collection Fund Adjustment Account | 91 |
| | (d) Deferred Capital Payments..... | 92 |
| | (e) Deferred Capital Receipts..... | 92 |
| | (f) Pension Reserve | 92 |
| | (g) Revaluation Reserve | 93 |
| 37 | Financial Instruments | 94 |
| 38 | Going Concern | 100 |
| | COLLECTION FUND..... | 102 |
| | NOTES TO THE COLLECTION FUND..... | 103 |
| | CF1 Council Tax Payers..... | 103 |
| | CF2 Business Rate Payers..... | 104 |
| | GROUP ACCOUNTS | 105 |
| | GROUP MOVEMENT IN RESERVES STATEMENT..... | 106 |
| | GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT | 107 |
| | GROUP BALANCE SHEET..... | 108 |
| | GROUP CASH FLOW STATEMENT..... | 109 |
| | NOTES TO THE GROUP ACCOUNTS | 110 |
| | 1. The Group Accounting Policies..... | 110 |
| | 2. Watford Borough Council's Share of Joint Venture Company within the Group..... | 110 |
| | 3. Related Party Transactions..... | 111 |
| | 4. WHCP Members' Capital Contributions (Loan Notes)..... | 111 |
| | GLOSSARY OF TERMS AND ABBREVIATIONS..... | 112 |

TABLE OF CONTENTS

Statement of Responsibilities for the Statement of Accounts

STATEMENT OF RESPONSIBILITIES

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

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

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

Opinion

The draft Statement of Accounts presents a true and fair view of the financial position of Watford Borough Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Signed
Alison Scott, CPFA
Director of Finance

Date: 31 July 2022

Signed

Mark Hofman
Chairman of Audit Committee

Date: 31 July 2022

NARRATIVE STATEMENT

NARRATIVE STATEMENT

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

During 2019 the Council updated its Corporate Plan. The Corporate Plan 2019/20 incorporates the Council's vision and priorities, and reflects a number of considerations:

- The Elected Mayor's manifesto and ambitions,
- The councils' vision, priorities, values and supporting themes,
- The town and council's challenges and opportunities, and
- The council's budget and Medium Term Financial Strategy.

The Corporate Plan 2019/20 can be found at the following link:

https://www.watford.gov.uk/downloads/download/394/corporate_plan

This sets out the strategic direction for the Council, including how it will meet the challenges and opportunities of the Watford 2020 transformation programme and deliver its corporate priorities for the town and the Council.

2 Overview of the financial underpinning of service delivery

During the year, the Council progressed its vision in the delivery of a bold and progressive future for Watford. The financial underpinning of this was through the approval of the revenue budget in January 2019 for the following activities:

| Service Area | Approved budget 2019/20 £000 |
|---------------------------------------|---------------------------------|
| Community and Environmental | 8,925 |
| Corporate Strategy and Communications | 1,029 |
| Democracy and Governance | 3,468 |
| HR Shared Service | 656 |
| Place Shaping & Performance | (5,825) |
| Service Transformation | 2,538 |
| Strategic Finance | 1,905 |
| Total Net Expenditure | 12,696 |

The Council also approved a Capital Programme for 2019-22 of £198.3 million. The five largest schemes in these three years were:

| | £m |
|---|------|
| Riverwell (Watford Health Campus Partnership) | 56.6 |
| Hart Homes | 50.6 |
| Watford Business Park redevelopment | 16.1 |
| Town Hall redeployment | 9.1 |
| Woodside Sports Village | 9.1 |

In 2018, the Council was approached to see if it would be interested in an investment relating to Croxley Park. The existing owners were seeking to lower the risk profile relating to their investments, as they had an increasing number of mature pension schemes. There was therefore an opportunity for the Council to be both proactive and prudent in the management of a substantial, prestige development on the borough's boundary that is and has the potential to remain a key provider of well-paid employment from a diverse range of companies for residents in the borough.

This would occur through the acquisition of a 40 year head lease in Croxley Business Park, with an option to obtain the freehold of the Park at the end of the term.

Careful and thorough due diligence and negotiation occurred over many months. This led to reports to Members, culminating in unanimous approval by Council of the final £92m deal in January 2019, in the week before the budget was set for 2019/20.

NARRATIVE STATEMENT

The Council completed its acquisition of Croxley Park in July 2019. As a result the Council is committed to paying the head lease rental of £9.2m per annum, increasing by RPI annually capped at 5%. The Council will receive rent from tenants which is modelled to provide over the 40 year term an additional £1.5 million per annum income within the revenue budget. As part of the deal the Council received £24 million in respect of rental top ups and £68 million towards the planned maintenance programme.

3 Evolution of the Corporate Plan

The current Mayor was elected to office in May 2018. Over the last year real progress has been made in delivering many of the commitments set out in the corporate plan. There was greater focus on making the town more environmentally friendly and to tackle the climate change agenda. The emphasis on sustainable transport initiative is a fundamental part of our sustainability plans and a number of initiatives have been achieved;

- Travel/Watford transport app
- Bike Share Scheme
- Demand Responsive bus
- Electric vehicle charging points
- A new home for cycling in Watford

The 2020-24 plan can be found here.

https://www.watford.gov.uk/info/20016/the_council/108/council_plan_2020-24_and_delivery_plan_2020-22

4 Risks and Opportunities

The embedding of risk management continued in 2019/20. The Group Head of Legal and Democracy presents an annual risk report to the Audit Committee in December to cover the elements of risk management including the appetite and treatment of risk and the corporate risk register to ensure risks are being managed appropriately. Financial risks are reported to and monitored by the Audit Committee.

Appendix 1 Corporate Risk Register

<https://watford.moderngov.co.uk/documents/s24013/Appendix%201%20for%20Annual%20Risk%20Report.pdf>

and Appendix 2 Risk Management Strategy

<https://watford.moderngov.co.uk/documents/s24012/Appendix%202%20for%20Annual%20Risk%20Report.pdf>

Risks relating to the Watford 2020 programme were included as discrete elements in the regular update reports provided for consideration to the Overview and Scrutiny Committee (OSC). For example, in July 2019 the following report went to OSC:


<https://watford.moderngov.co.uk/documents/s22374/Appendix%201%20-%20Watford%202020%20Update.pdf>

5 Strategic Resource Allocation and Performance Monitoring

The Council monitors its budget during the year and any changes made are reflected in a revised budget. This was agreed in January 2020, as usual, as part of the MTFs (Medium Term Financial Strategy) for 2020/21. This is supported by regular budget monitoring during the year, monthly to officers and quarterly to Members. The MTFs approved for 2020/21, including a revised budget for 2019/20 and as amended for the decision of Council on 28 January 2020, is on the following page. The 2019/20 revised budget shown includes approved carry forwards of £1.302 million from 2018/19, which were approved by Cabinet in June 2019 and subsequently Council in July 2019.

The gap shown in the MTFs can be funded from reserves and reflects the fact that long-term ongoing savings do not come through in a full year until the end of the MTFs period. The Council Tax base figures in the MTFs for future years include projected growth in the base but doesn't include any allowance for an increase in council tax level for inflation.

NARRATIVE STATEMENT

|  WATFORD BOROUGH COUNCIL BE BOLD | 2019/20 Original | 2019/20 Revised | 2020/21 Draft | 2021/22 Draft | 2022/23 Draft |
|---|---------------------|----------------------|------------------|------------------|------------------|
| | £000s | £000s At Period 8 | £000s | £000s | £000s |
| Corporate Strategy & Communications | 1,029 | 1,087 | 1,042 | 1,057 | 1,057 |
| Place Shaping & Performance | (5,825) | (6,228) | (6,397) | (6,522) | (6,522) |
| Strategic Finance | 2,193 | 2,276 | 2,292 | 2,255 | 2,255 |
| Service Transformation | 2,538 | 4,776 | 2,773 | 2,820 | 2,820 |
| Community & Environmental | 8,925 | 9,411 | 8,970 | 9,060 | 9,060 |
| Democracy & Governance | 3,468 | 1,970 | 1,992 | 2,011 | 2,011 |
| HR Shared Service | 656 | 627 | 661 | 666 | 666 |
| Net cost of services | 12,984 | 13,919 | 11,333 | 11,346 | 11,346 |
| Corporate Budgets | | | | | |
| Dividends & Interest earned | (3,254) | (2,254) | (1,304) | (2,251) | (3,251) |
| Vacancy provision | (95) | (95) | (95) | (95) | (95) |
| Apprentice Levy | 30 | 30 | 30 | 30 | 30 |
| Internal support to capital programme | (677) | (677) | (677) | (677) | (677) |
| Contingency | 216 | 816 | 214 | 210 | 210 |
| Interest payable & borrowing costs | 1,042 | 292 | 1,730 | 2,230 | 2,230 |
| Pension Fund deficit payments | 2,449 | 2,449 | 2,449 | 2,449 | 2,449 |
| Sub-Total | (288) | 562 | 2,348 | 1,897 | 897 |
| Financial Planning | | | | | |
| Salary Changes (Including Employers Lump Sum) | 0 | 0 | 479 | 727 | 1,085 |
| Changes from Shared Services | 0 | 0 | (134) | (59) | 15 |
| Growth | 0 | 0 | 672 | 729 | 510 |
| Income & Efficiencies | 0 | 0 | (37) | (63) | (92) |
| Changes to Business Rates on Council Property | 0 | 0 | 42 | 38 | 48 |
| W2020 | 0 | 721 | (168) | (234) | (339) |
| Garden Waste charging | 0 | 0 | (295) | (445) | (445) |
| Environmental Health Contract | 0 | 0 | (154) | (164) | (164) |
| Demand Responsive Transport | 0 | (741) | 741 | 0 | 0 |
| Croxley Park | 0 | 500 | 0 | 0 | 0 |
| PIB income target reduction | 0 | 0 | 400 | 0 | (400) |
| Net effect of Fees & Charges | 0 | 0 | 25 | 25 | 25 |
| Impact of Capital Programme | 0 | 0 | 0 | 2 | 2 |
| Leisure Contract Management fee | 0 | 0 | 0 | 0 | (60) |
| Additional Borrowing costs | 0 | 0 | 500 | 120 | 710 |
| Sub-Total | 0 | 480 | 2,072 | 676 | 896 |
| Total Net Expenditure | 12,696 | 14,961 | 15,753 | 13,919 | 13,139 |
| Planned Use of Reserves | | | | | |
| Contributions to reserves | 2,782 | 1,782 | 157 | 157 | 1,000 |
| Contributions from reserves- Incl W2020 & Carry forward Reserve | (530) | (1,277) | (1,517) | (334) | (641) |
| Sub-Total | 2,252 | 505 | (1,360) | (177) | 359 |
| Funding | | | | | |
| Council Tax | (8,809) | (8,809) | (9,160) | (9,437) | (9,722) |
| Business Rates | (3,552) | (3,552) | (3,152) | (3,002) | (3,002) |
| New Homes Bonus | (753) | (753) | (772) | (577) | (577) |
| (Surplus)/Deficit on collection fund | (250) | (250) | (250) | (250) | (250) |
| Additional Government Funding | (400) | (400) | (400) | 0 | 0 |
| Sub-Total | (13,764) | (13,764) | (13,734) | (13,265) | (13,550) |
| Total Funding & Use of Reserves | (11,512) | (13,259) | (15,094) | (13,442) | (13,191) |
| Gap | 1,184 | 1,702 | 658 | 477 | (53) |
| Reserves - opening balances | | | | | |
| Reserves - opening balances | (12,683) | (18,501) | (19,006) | (17,646) | (17,469) |
| Planned use of reserves | (2,252) | (505) | 1,360 | 177 | (359) |
| Gap funded from reserves | 1,184 | 1,702 | 658 | 477 | (53) |
| Reserves - closing balances | (13,751) | (17,304) | (16,988) | (16,992) | (17,881) |
| Council Tax Rate Calculation | | | | | |
| Council tax base | 32,840.6 | 32,840.6 | 33,480.0 | 33,814.8 | 34,152.9 |
| Council tax charge for band D | £ 268.23 | £ 268.23 | £ 273.59 | £ 279.07 | £ 284.65 |
| £ | 8808.97 | 8808.97 | 9159.95 | 9436.58 | 9721.56 |

NARRATIVE STATEMENT

6 Performance, including outturn for 2019/20

Revenue Outturn 2019/20

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

| Service Area | Revised Budget £000 | Outturn £000 | Variance £000 |
|--|------------------------|-----------------------|------------------|
| Service Transformation | 5,497 | 4,946 | (551) |
| Community & Environmental | 9,420 | 9,255 | (165) |
| Democracy & Governance | 1,970 | 1,800 | (170) |
| Place Shaping & Performance | (6,478) | (5,303) | 1,175 |
| Corporate Strategy & Communications | 1,087 | 1,194 | 107 |
| Human Resources | 627 | 551 | (76) |
| Strategic Finance (this includes pension liability costs of £2.3m) | 2,838 | 1,601 | (1,237) |
| Net Direct Cost of Service | 14,961 | 14,044 | (917) |
| | | Carry Forwards | 725 |
| | | Total Variance | (192) |

The General Fund Working Balance of £2.0m (2018/19 £2.0m) reflected the revised target created with the 2019/20 MTFS budget.

The major service variances at outturn were:

- Underspend of £341k on service transformation projects, these will now be completed in 2020/21 and therefore £282k to be carried forward to 2020/21.
- Routine maintenance costs on buildings were lower by £200k.
- Sports centre budget development work of £185k is to be carried forward to be completed in 2020/21.
- Staffing costs were higher by £134k on Community Protection Team due to agency cover required for vacant posts and additional work load.
- Income from investment assets outsourced was lower by £662k.
- Interest received from Croxley Park was £413k
- Borrowing costs were £144k lower, due to timing differences in capital projects starting and funding requirements.

Capital Outturn 2019/20

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

Key capital projects included:

- the continuing developments at the Riverwell site, with the LABV (Local Asset Backed Vehicle) Watford Health Campus Partnership with Kier;
- Substantial improvements to the Public Realm including the High Street and Clarendon Road;
- Evolving development of the Watford Business Park;
- Investment in Oxhey Park including leisure and recreational facilities;
- Replacement of ageing vehicles notably street cleansing and refuse vehicles.

NARRATIVE STATEMENT

Capital expenditure for 2019/20 is shown below:-

| Service Area | Latest Budget £000 | Outturn £000 | Variance £000 |
|-----------------------------|-----------------------|-----------------|------------------|
| Service Transformation | 2,419 | 1,425 | (994) |
| Community & Environmental | 10,760 | 8,318 | (2,442) |
| Place Shaping & Performance | 27,887 | 11,672 | (16,215) |
| Strategic Finance | 979 | 666 | (313) |
| Total | 42,045 | 22,081 | (19,964) |

The Council completed and funded £22.081m of capital works in 2019/20 (£16.852m in 2018/19). Key variations in the Capital Programme include:

- £7.8M rephasing relating to Hart Homes due to delays in progressing schemes.
- £4.0M of rephasing for temporary housing accommodation due to increased activity in 2020/21.
- £2.1M rephasing relating to the ongoing investment at Watford Business Park.
- £1.2M rephasing towards the acceleration of suitable housing provision.
- £1.0M rephasing for completion of Oxhey Park.

Funding came from £5.81m from capital receipts, £4.42m from grants & contributions, £0.808m from reserves, £0.322m from Section 106 receipts and £10.72m from borrowing.

The Council is involved in two long term major schemes at Watford Riverwell and Watford Business Park where spend during the year was £2.5m and £2.9m respectively. Other notable projects during the year relate specifically to Public Realm schemes totaling £3.4m as well as Community & Environmental projects regarding Oxhey Park and vehicle replacement totaling £2.5m and £2.45m respectively.

Borrowing Facilities and Capital Borrowing

The Council borrowed from external sources in 2019/20 and the expectation is for this to continue in order to fund future capital investment requirements.

Pensions

The Council has disclosed its full liabilities to the Hertfordshire Pension Fund. The CIES includes the charges made for retirement benefits in accordance with ISA 19 (International Accounting Standard).

The MIRS (Movement in Reserves Statement) shows how this is adjusted for in the General Fund for the actual amount paid to the Fund in the year (i.e. the amount met from Council Tax). The Balance Sheet shows a net Liability to the Fund at 31 March 2020 of £48.680m. This has decreased from £63.053m at 31 March 2019 and reflects actuarial changes.

There are statutory arrangements for funding the deficit that protect the Council's financial position. Note 33 to the Core Statement of Accounts provides further information.

Following the results of the triennial valuation of the pension fund, on the advice of the pension fund actuaries the Council made a contribution of £3.692m in 2019/20 (£3.592m in 2018/19), of which £2.449m (£2.349m in 2018/19) was to reduce the deficit on the Pension Fund.

NARRATIVE STATEMENT

Performance Monitoring

The Council has a thorough performance monitoring system for Members fully in the public domain and on the Council's website. There are regular quarterly reports to the Overview and Scrutiny Committee for key performance indicators (KPI's). This is supported by the work of the Outsourced Services Scrutiny Panel, which received quarterly reports and regular presentations with questions and answer sessions on services within its scope. There is also a regular Finance Digest to the Budget Panel for financial performance monitoring.

7 Outlook

The Council has been successfully undertaking a transformational approach to its service and financial challenges, and is well placed to continue with this in the short and medium term.

The deal for Croxley Business Park provides a prudent and effective improvement to the Council's financial position, and protects a key asset for the residents' economic resilience and vibrancy going forward.

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

There may be a need to borrow in the medium term (2020 to 2023) for future developments or investments as these are identified. Where this is necessary it will always be preceded by appropriate, careful due diligence and business planning, and fully within the Prudential Borrowing regime.

8 Future challenges including COVID-19

General

The future for local government funding remains very uncertain. At the time of setting the 2019/20 budget there was no information available on funding from April 2020 onwards. The funding environment has remained uncertain as reform of local government funding has been repeatedly delayed. In setting out its medium term financial strategy (MTFS) the Council has continued to assume future reductions in government funding.

The budget strategy is intended to ensure that the Council has a balanced and sustainable budget that provides the financial resources needed to implement its key priorities. The items set out below are considered the main issues that will have an impact on the Council's budget strategy and financial planning in the medium term.

COVID-19

The World Health Organisation declared a global pandemic of the COVID-19 virus on 11 March 2020. Subsequently a lockdown was instigated on 23 March for the whole country with further restrictions later in 2020/21. This had an impact on the economy which has had periods of recession and subsequently rising inflation which has had and is still having a serious impact on individuals and businesses nationwide. The Council responded at pace by taking emergency action to ensure that the most vulnerable people were protected and to stem the spread of the virus. The Council has been working closely with central government, related agencies, the voluntary sector, town and parish councils and the health service to support businesses and residents.

NARRATIVE STATEMENT

There was little financial impact on the 2019/20 financial position as the pandemic was declared mid-March.

The Council was, fortunately, well setup to be able to work from home before and so the move to home-working has had a relatively minor impact overall. The workload for some services has increased significantly due to the emergency action that it has had to take e.g. the Community Partnerships team have been working many external partners and the voluntary sector to provide extra services to residents; the Revenues and Benefits and Payments teams have saw their workload increase significantly with applying business rates relief and paying grants to businesses and in giving additional council tax relief to recipients of council tax support during 2020/21 and 2021/22. The government has continued to use local authorities to distribute support into 2022/23 with the £150 energy support payment distributed through the Council Tax system.

The Council reviewed its budget for 2020/21 and the Council approved a revised budget on 14 July 2020. The report estimated that the shortfall for the year could be £1.03 million and the revised budget took preventative action to protect the Council's reserves position. Further detail on the 2020/21 year end position is provided in the 2020/21 draft Statement of Accounts. The Council's Medium Term Financial Strategy (MTFS) continues to be revised as the Council's funding position and calls on resources evolve. The Council has been able to maintain general balances at the minimum risk assessed level of £2.0m.

9 Basis of Preparation and Presentation

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

There have been a number of **prior period adjustments** following the conclusion of the audit. These adjustments will ensure that the figures presented are as up to date as possible. The majority of the changes have been made to the valuations and classifications of our assets. We use a rolling programme of valuations and where an asset has not been valued for some years we have used indexation factors to show what the asset would have been valued at, had it been due for revaluation. The audit has highlighted a number of issues with our Fixed Asset Register and we have worked hard to ensure that our updated figures give a "true and fair view" and that assets are correctly classified. The details of all the prior period adjustments can be found in Note 4.

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

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 financial year 2019/20 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

THE GOVERNANCE FRAMEWORK

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

General

10. 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

ANNUAL GOVERNANCE STATEMENT

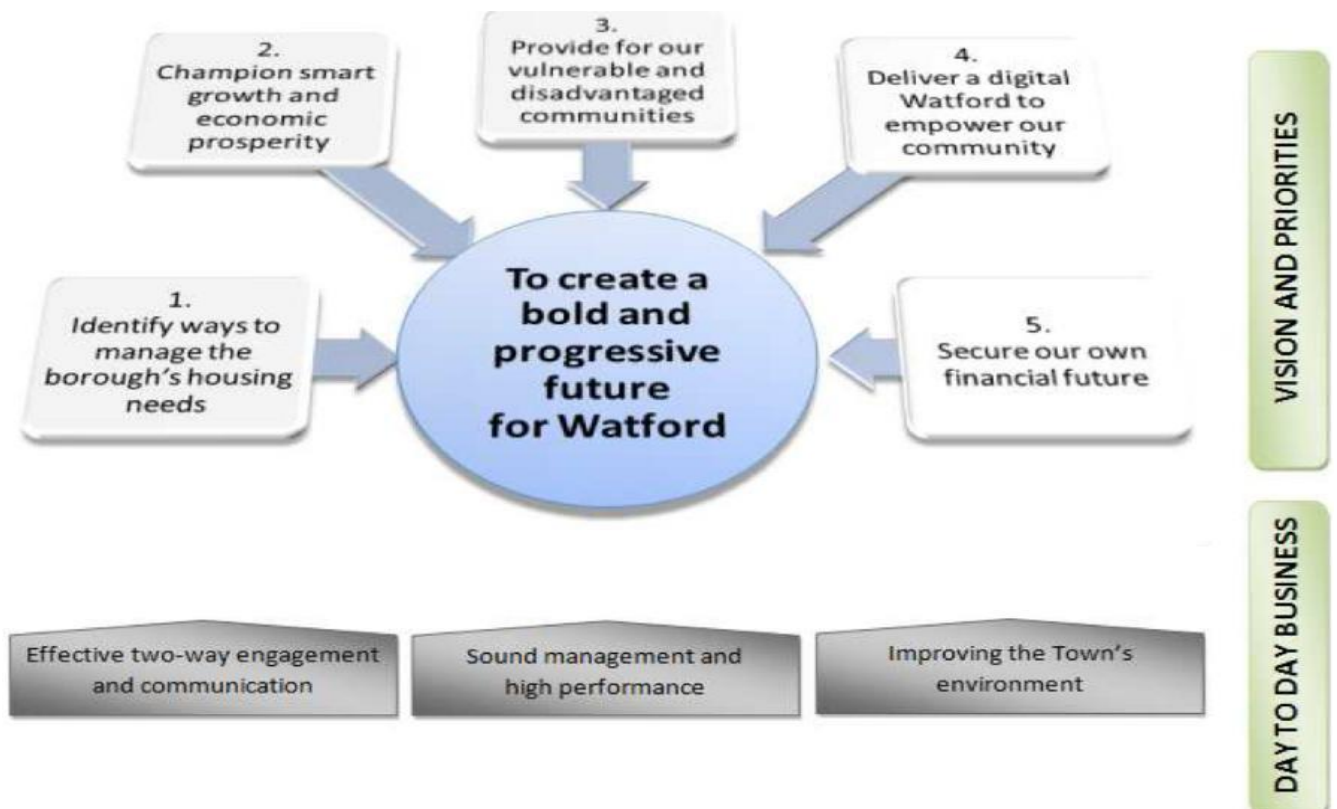
also has established an Overview and Scrutiny Committee, Financial Scrutiny Committee and task groups to scrutinise the actions of the Mayor and Cabinet and assist with policy development. In addition the Council has six further committees that cover non-executive functions, these are; Licensing, Development Management, Audit, Functions, Standards and Appointments. It also has a number of advisory member groups such as Major Projects Board, Planning Advisory Group, Housing Advisory Group, the Health and Wellbeing Forum, the Sustainability Forum, the Constitution Working Party and the Member Development Group.

11. Watford Borough Council has a directly elected Mayor, which means that the community elect the person to lead the council at four yearly intervals. The Mayor is supported by a Cabinet that plays a key role in determining the overall budget and policy framework of the Council. Each member of the Cabinet (with one exception) has a portfolio for which they are responsible and can make decisions within their area of responsibility.
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, which sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website and intranet.
14. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.
15. The Leadership Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement at the end of each year. This evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
16. Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as when they are elected.

Strategic Aims and Objectives

17. The governance framework enables the Council's key objectives as outlined in the 2019/20 Corporate Plan to be met and these can be summarised as follows:-

ANNUAL GOVERNANCE STATEMENT



Vision:

To create a bold and progressive future for Watford

Our Objectives:

- Identify ways to manage the borough's housing needs;
- Champion smart growth and economic prosperity;
- Provide for our vulnerable and disadvantaged communities;
- Deliver a digital Watford to empower our community;
- Secure our own financial future.

18. Underpinning these overarching priorities are a series of measurable (SMART) objectives so that every member of staff and our community can feel fully engaged in the process. The Council also plays a major role in the Local Strategic Partnership, One Watford, which is made up of key stakeholders such as Hertfordshire County Council, Herts Valleys Clinical Commissioning Group, the Watford BID, Watford and Three Rivers Trust, Watford Community Housing Trust, and Hertfordshire Constabulary.

19. The Council's major change and improvement programme (Watford 2020) is underway and is about transforming how the Council operates, providing a digital infrastructure for the town to provide local businesses with a competitive advantage and enhance the quality of life of residents.

Decision Making Structures

20. At an Officer level, the Council has a Strategic Leadership Team made up of the Managing Director and Group Heads of Service. The Council also has an Operational Leadership Team comprising some Heads of Service. Financial control is primarily the responsibility of a shared Director of Finance with neighbouring Three Rivers District Council. Both Strategic Leadership Team and Operational Leadership Team meet monthly to review and progress the key objectives of the Council. The Council also has a Programme Management Board made up of members of

ANNUAL GOVERNANCE STATEMENT

Strategic Leadership Team to review all key council projects. The Council also has a 2020 Steering Group, made up of members of Strategic Leadership Team and the 2020 Programme Manager, to track progress of the 2020 service transformation programme. Both of these also meet monthly.

21. Overall financial control is monitored on a monthly basis by Strategic Leadership Team and the Financial 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 Financial 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 Financial Scrutiny Committee).

Constitution

22. The Council has a written constitution which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct. This sets out how the council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens.
23. The Council's Constitution is available to all on the Council's website.
24. There are regular meetings of the Council, Cabinet and other committees. Council, Cabinet and committee / scrutiny meetings are open to the public and written reports are available to the public through the council's website. Information is only treated as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions of the Local Government Act 1972.
25. The Council publishes its Corporate Plan annually, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the Watford context based on information derived from sources such as Census 2011 and the Indices of Multiple Deprivation. Progress on the Plan is reported to the public through the Council's magazine, About Watford, which is distributed to every household in the Borough and is also available online.
26. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
27. The Constitution sets out an Officers' Code of Conduct, which includes: Disclosure of Information, Political Neutrality, Potential Conflict of Interest Situation, Bribery, Corruption and Fraud, Appointments and Other Employment Matters, Outside Commitments, Personal Interests, Equality Issues, Information Security, Criminal Offences, Whistle blowing and Breaches of the Code of Conduct.
28. 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 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 Financial

ANNUAL GOVERNANCE STATEMENT

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.

29. 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.
30. Codes of Conduct defining the standards of behaviour for members, staff, partners and the community have been developed and communicated and are available on the Council's website. These include:
- Members Code of Conduct;
 - Code of Conduct for staff;
 - Anti-fraud and corruption policy (including whistle blowing and anti-bribery);
 - Money Laundering detection guidance;
 - Members and officer protocols;
 - Regular performance appraisals, linked to service and corporate objectives;
 - Service standards that define the behaviour of officers;
 - 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.
31. 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.
32. The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account, and giving advice to the council on financial planning.

Data Quality and Risk Management

33. 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.
34. 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 Strategic Leadership Team and the Audit Committee. This Strategy underpins the Corporate Risk Register which was updated and approved by the Audit Committee in December 2019 and covers major issues that will affect the achievement of the council's key objectives. The Corporate Risk Register is at a strategic / high level and is complemented by detailed project and service area registers. The Corporate Risk Register is reviewed quarterly by Strategic Leadership Team and is reviewed annually by Audit Committee. It was last reviewed by Audit Committee in December 2019.

ANNUAL GOVERNANCE STATEMENT

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

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

Shared Services with Three Rivers District Council

36. Watford Borough Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, human resources, pest control and procurement with Three Rivers District Council. Both councils also share the statutory post of Chief Financial Officer (S151) - the Shared Director of Finance.

37. From April 2014, the Governance arrangements for shared services changed to a lead authority model. Watford Borough Council are responsible for providing the services of ICT, human resources, pest control and procurement whilst Three Rivers District Council are responsible for providing financial services and revenues & benefits. An executive board of senior management from both councils are responsible for these services. The role of the Board covers:

- Monitoring performance and dealing with complaints from either authority;
- Resolving conflicts between competing interests amongst the authorities;
- Reviewing the governance arrangements;
- Dealing with matters referred up to it by the Operations Board;
- Having overall supervision of the Shared Service;
- Receiving annual reports on each service within the shared service.

Community Engagement

38. Corporate governance includes informing our community of the plans and aspirations of the council and is primarily communicated through its published Corporate Plan 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.

39. The Council has established twelve neighbourhood forums, which mirror the Borough's ward boundaries and each has a devolved budget of £3,000. These are organised and managed by the relevant local councillors as part of their commitment to community leadership and engagement.

40. 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'.

41. A range of consultation and engagement projects are undertaken annually. This includes a regular 'Community Survey' with the Borough's Citizens' Panel and wider community, 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. The Citizens Panel is refreshed regularly to ensure it is representative of the Watford community. Local residents are also invited to attend the Mayor's regular information seminars or Forums, which help build understanding

ANNUAL GOVERNANCE STATEMENT

across a range of areas including Council finances and the implications for future service delivery. The Watford Compact provides an agreement between the statutory and voluntary sectors in Watford to clarify and strengthen their relationship and to achieve better outcomes for individuals and for the Watford community.

REVIEW OF EFFECTIVENESS

42. 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.
43. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Assurance for the Shared Internal Audit Service and also by comments made by the external auditors and other review agencies and inspectorates. The Mayor and Portfolio Holders maintain a continuous review of the Council's policies, activities and performance of Officers both through regular reviews and on a day to day basis.

The Council

44. Council comprises 36 Members and an Elected Mayor. The main roles are:
- To set Watford Borough Council's Budget and Policy Framework;
 - To receive a report from the Mayor, which Councillors can then ask the questions related to the report;
 - To receive questions from the public, which are then debated by the Councillors;
 - To receive petitions from the public, which are debated by the Councillors;
 - To receive questions from Councillors with their response, these are not debated;
 - To receive motions from Councillors, which are then debated;
 - To consider any recommendations from Committees or Working Parties.
45. Council met five times during 2019/20 and agendas, reports and minutes are available on the Council's website.

Cabinet

46. Cabinet comprises the Mayor and five members and makes decisions which are in line with the Council's overall policies and Budget. It is chaired by the Mayor and includes the Portfolio Holders.
47. Each Member of Cabinet (with one exception) has responsibility for a range of Council functions, known as a portfolio and each portfolio-holder is required to work closely with Directors and Group Heads of Service and develop an in-depth knowledge of their portfolio area.
48. The dates of all cabinet meetings are pre-published and all decisions have been taken in public apart from a small number of reports which were considered and determined after the press and public has been lawfully excluded. Agendas, reports and minutes of the meetings are available on the Council's website.
49. Cabinet met eight times during 2019/20.

ANNUAL GOVERNANCE STATEMENT

The Review Committees

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

51. 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 eight times in 2019/20.

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

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

The Finance Scrutiny Committee met five times in 2019/20.

Member Panels

53. There have been a number of cross-party Member Panels and Task Groups to review and monitor various areas of Council activity, e.g. Mental Health Task Group – to look at current mental health provision in the borough and consider what more Watford Borough Council could do to support those living with mental health difficulties; Watford Colosseum Task Group – to review responses from private sector theatre operators about the future use of the venue following refurbishment works (March to November 2021); Health Services for the Deaf Task Group – to consider and facilitate a response to issues relating to the accessibility of health services for those who are profoundly deaf or with severe hearing loss.

Standards Committee

54. The Standards Committee is set up as and when required to consider matters of Member conduct. There was one meeting of this committee in 2019/20.

Members' Remuneration

55. Members' remuneration was reviewed in 2018 by an Independent Remuneration Panel, which was made up of four independent members. The report and recommendations of the Independent Remuneration Panel was approved by the Full Council as part of the Budget Council meeting, details of which are available on the Council's website. The Panel recommend that with

ANNUAL GOVERNANCE STATEMENT

effect from April 2019 the Basic Allowance should be linked to local government pay settlements and increased accordingly.

56. The Independent Remuneration Panel now sits on a quadrennial basis and is therefore next due to meet in in 2022.

Senior Management

57. There are three Council Officers who have statutory appointments - the Managing Director's role as the Head of Paid Service, the Shared Director of Finance's role as the Section 151 Officer and the Group Head of Democracy & Governance as the Monitoring Officer.

58. Strategic Leadership Team comprises the three statutory appointments above, plus the following officers: Group Head of Community and Environmental Services, Group Head of Corporate Strategy & Communications, Group Head of Transformation, Group Head of Human Resources, Group Head of Place, Head of Finance and Head of Revenues and Benefits. Strategic Leadership Team meet every month. Operational Leadership Team comprises the Head of IT, Head of Customer Services, Head of Legal Services, Finance Manager, Head of Transportation, Head of Housing, Head of Parks and Culture, and HR Manager, it also meets monthly.

Performance Management

59. Performance management follows a 'cascade' principle. The Council approves its Corporate Plan annually and highlights key aspirations and targets including a series of objectives to be achieved in the year ahead. This Corporate Plan then cascades down to individual service plans, which in turn translates into team and individual work plans. Performance is monitored regularly by Leadership Team and through Heads of Service, Cabinet Members, Overview and Scrutiny Committee and Outsourced Services Scrutiny Panel. Performance reviews also include consideration of complaints and progress against the Council's equalities agenda.

60. 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. It also has a large social media following across Facebook, Twitter and Instagram platforms which are becoming a significant channel for communicating and engaging with residents.

Procurement

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

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

The Audit Committee

63. The Audit Committee comprises five members and met four times during 2019/20.

64. The Audit Committee's terms of reference are consistent with best practice. The Committee approves the annual plan of internal audit and receives the quarterly and annual reports of the Head of Assurance for the Shared Internal Audit Service. It approves the Statement of Accounts, the annual governance statement and the review of the effectiveness of the internal audit system. It receives reports on risk management and reviews the operation of treasury management. It also received the annual letter from the Ombudsman and considers regular reports upon

ANNUAL GOVERNANCE STATEMENT

Freedom of Information requests, risk management and the Regulation of Investigatory Powers Act.

Internal Audit

65. 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.
66. The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceding year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee and to Leadership Team.
67. 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.
68. The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2019/20 this Report includes the following statements:
- In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2019/20.
 - A satisfactory assurance opinion is given on the adequacy and effectiveness of both financial systems and non-financial systems in the internal control environment, based on the internal audits completed in the year. The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements. There are no qualifications to this assurance.

The Council's External Auditors

69. External auditors, Ernst & Young LLP, provide an external review function through the audit of the annual accounts, assessment of value for money, certification of grant claims and the periodic inspection of services such as revenues and benefits. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.
70. The Annual Audit and Inspection Letter 2018/19 was presented to the Audit Committee in July 2019 and the main conclusions for the year were:
- The 2018/19 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council; and

ANNUAL GOVERNANCE STATEMENT

- The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

71. The Local Government contract for the Council was awarded to EY (Ernst & Young LLP) following re-tendering by the Audit Commission ahead of its abolition in March 2015. In December 2017 EY were appointed by PSAA as auditor for Watford Borough Council for 2018/19 onwards.

SIGNIFICANT GOVERNANCE ISSUES

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

73. Coronavirus (COVID-19) – whilst the coronavirus is not a specific governance issue, the impact of this national crisis does need to be noted. There has been some financial impact in 2019/20 on the management accounts for the year, with reduced income and additional expenditure, however, the full financial impact of Coronavirus is not likely to be clear for some time yet and is currently being closely monitored, including via regular returns to Government. In the short-term there will be additional reporting to members and ongoing review of the budget position for 2020/21. To date Watford Borough Council has received a total of £1.159m of emergency Government funding.

Certification Statement from the Elected Mayor and the Managing Director

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

Signed _____

Date _____

Peter Taylor - Mayor

Signed _____

Date _____

Donna Nolan - Managing Director

CORE FINANCIAL STATEMENTS

EXPLANATION OF CORE FINANCIAL STATEMENTS

Statement of Movement in Reserves (Page 21)

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 (Page 22)

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 (Page 23)

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 (Page 24)

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.

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

| 2019/20 | Note | General Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Reserves |
|---|------|----------------------|--------------------|--------------------------|--------------------------|-----------------------|-------------------|------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 April 2019 | | (1,999) | (19,492) | (1) | (4,228) | (25,720) | (199,305) | (225,025) |
| Total Comprehensive income and expenditure | | (85,051) | | | | (85,051) | (40,382) | (125,433) |
| Adjustments between accounting basis, and funding basis under regulations | 8 | 58,950 | | (27) | (71,423) | (12,500) | 12,500 | 0 |
| Transfer to/from Earmarked Reserves | | 25,809 | (25,134) | | | 675 | (675) | 0 |
| Total Increase\decrease during the year | | (292) | (25,134) | (27) | (71,423) | (96,876) | (28,557) | (125,433) |
| Balance as at 31 March 2020 | | (2,292) | (44,626) | (28) | (75,651) | (122,597) | (227,861) | (350,457) |

| 2018/19 Restated | Note | General Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Reserves |
|---|------|----------------------|--------------------|--------------------------|--------------------------|-----------------------|-------------------|------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 April 2018 | | (1,415) | (16,351) | (987) | (2,159) | (20,912) | (206,515) | (227,427) |
| Total Comprehensive income and expenditure | | 926 | | | | 926 | 1,476 | 2,402 |
| Adjustments between accounting basis, and funding basis under regulations | 8 | (5,430) | | 986 | (2,069) | (6,513) | 6,513 | 0 |
| Transfer to/from Earmarked Reserves | | 3,920 | (3,141) | | | 779 | (779) | 0 |
| Total Increase\decrease during the year | | (584) | (3,141) | 986 | (2,069) | (4,808) | 7,210 | 2,402 |
| Balance as at 31 March 2019 | | (1,999) | (19,492) | (1) | (4,228) | (25,720) | (199,305) | (225,025) |

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2018/19 Restated | | | | | 2019/20 | | |
|------------------|-----------------|---------------|---|-------|---------------|-----------------|------------------|
| Gross Spend | Gross Income | Net Spend | | | Gross Spend | Gross Income | Net Spend |
| £'000 | £'000 | £'000 | | Note | £'000 | £'000 | £'000 |
| | | | Services | | | | |
| 1,198 | (9) | 1,189 | Corp Strategy & Client Services | | 1,315 | (81) | 1,234 |
| 14,445 | (3,146) | 11,299 | Community Services | | 15,877 | (3,642) | 12,235 |
| 4,673 | (1,001) | 3,672 | Democracy & Governance | | 2,513 | (567) | 1,946 |
| 753 | (75) | 678 | Human Resources | | 673 | (46) | 627 |
| 16,567 | (5,537) | 11,030 | Place Shaping & Performance | | 14,756 | (4,569) | 10,187 |
| 3,856 | (46) | 3,810 | Service Transformation | | 6,458 | (292) | 6,166 |
| 39,627 | (35,233) | 4,394 | Strategic Finance | | 35,328 | (31,282) | 4,046 |
| 81,119 | (45,047) | 36,072 | Cost of Services | | 76,920 | (40,479) | 36,441 |
| | | (7,635) | Other Operating (Income)* | 9 | | | (10,735) |
| | | (11,610) | Financing and Investment (Income) | 10 | | | (1,924) |
| | | (15,901) | Taxation and Non-Specific Grant Income | 11 | | | (108,833) |
| | | 926 | Surplus(-)/Deficit on Provision of Services | | | | (85,051) |
| | | (2,353) | (Surplus)/Deficit on Revaluation of PPE | 21(a) | | | (18,676) |
| | | 3,829 | Re-measurement of the net defined benefit liability | 33 | | | (21,706) |
| | | 1,476 | Other Comprehensive (Income) | | | | (40,382) |
| | | 2,402 | Total Comprehensive (Income)/Expenditure | | | | (125,433) |

*Please note that the substantial increase in Other Operating Income relates to the Croxley Park receipt which has been applied to the Capital Grants and Contributions reserve (£68m) and also the Croxley Park Reserve (£23.1m).

CORE FINANCIAL STATEMENTS

BALANCE SHEET

| 17/18 (Restated) £'000 | 2018/19 (Restated) £'000 | | | 2019/20 £'000 |
|------------------------------|--------------------------------|------------------------------------|----|------------------|
| 100,152 | 101,670 | Property, Plant and Equipment | 21 | 361,464 |
| 3,055 | 2,238 | Assets Under Construction | 21 | 1,331 |
| 1,945 | 1,978 | Heritage Assets | 22 | 2,609 |
| 830 | 2,146 | Surplus Assets | 23 | 2,600 |
| 169,339 | 171,711 | Investment Properties | 23 | 161,448 |
| 2,419 | 2,570 | Long Term Investments | 26 | 2,870 |
| 20,854 | 20,899 | Long-Term Debtors | 26 | 18,441 |
| 298,594 | 303,212 | Total Long term Assets | | 550,763 |
| | | | | |
| 0 | 0 | Assets Held For Sale | | 0 |
| 16 | 17 | Inventories | | 20 |
| 10,707 | 6,734 | Short-Term Debtors | 27 | 11,684 |
| 0 | 2,004 | Short-Term Investments | 28 | 94,413 |
| 15,992 | 4,932 | Cash and Cash Equivalents | 28 | 9,865 |
| 26,715 | 13,687 | Total Current Assets | | 115,981 |
| | | | | |
| (25,354) | (15,462) | Short-Term Creditors | 30 | (24,200) |
| 0 | (7,500) | Short-Term Borrowing | 30 | (15,000) |
| (25,354) | (22,962) | Total Current Liabilities | | (39,200) |
| | | | | |
| (7,418) | 86 | Long-Term Creditors | 31 | (231,912) |
| (7,030) | (5,946) | Provisions | 32 | (2,987) |
| (58,049) | (63,053) | Defined Benefit Pension Scheme | 33 | (42,191) |
| (72,497) | (68,913) | Total Long Term Liabilities | | (277,090) |
| | | | | |
| 227,458 | 225,024 | Net Assets | | 350,454 |
| | | | | |
| | | Reserves | | |
| (20,912) | (25,720) | Usable Reserves | 35 | (122,596) |
| (206,546) | (199,303) | Unusable Reserves | 36 | (227,859) |
| (227,458) | (225,023) | Total Reserves | | (350,455) |

Signed:
Alison Scott, CIPFA
Director of Finance

Date:

Signed:
Mark Hofman
Chairman of Audit Committee

Date:

CORE FINANCIAL STATEMENTS

CASH FLOW STATEMENT

| 2019 (Restated) | | | | 2020 | |
|-----------------|----------------|--|------|-----------|----------------|
| £'000 | £'000 | | Note | £'000 | £'000 |
| (959) | | Net surplus on the provision of services | CIES | 85,051 | |
| 4,203 | | Adjustments to net surplus or deficit on the provision of services for non cash movements | 29a | 19,872 | |
| 3,086 | | Adjustments for items that are outflows in provision of services from investing and financing activities | 29a | 298,509 | |
| | 6,330 | Net cash outflows from Operating Activities | | | 403,432 |
| (6,873) | | Investing Activities inflows | 29b | (403,013) | |
| (4,518) | | Financing Activities inflows | 29c | 4,514 | |
| | (5,061) | Net increase in cash and cash equivalents | | | 4,933 |
| | 9,991 | Cash and Cash equivalents at the beginning of the reporting period | | | 4,930 |
| | 4,930 | Cash and Cash equivalents at the end of the reporting period | 28 | | 9,864 |

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies - Single Entity and Group Accounts

1.01 General Principles

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

1.02 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.

1.03 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.

1.04 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.05 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

1.06 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.

1.07 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2.3% (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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.08 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.09 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.

1.10 Intangible Assets

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.11 Inventories and Long Term Contracts

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

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

1.12 Investment Property

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

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

1.13 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:-

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.14 Overheads and Support Services

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

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

1.15 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.16 Heritage Assets

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

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

The level of provisions are reviewed annually by the Council.

Contingent Liabilities

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

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

Contingent Assets

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

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

1.18 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.19 Revenue Expenditure Funded from Capital under Statute

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

1.20 Value Added Tax (VAT)

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

1.21 Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

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

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

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

1.22 Single Entity Financial Statements

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

1.23 Group Accounts - Recognition of Group Entities and Basis of Consolidation

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

- its subsidiary undertakings,
- its investments in associates, and

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

1.24 Fair Value

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

2 Accounting Standards that have been issued but have not yet been adopted

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

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

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

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

4 Prior Period Adjustments

As referenced in our Narrative Statement, we have made some material changes to figures from previous years' accounts, these are highlighted in this section. Readers of the accounts will see the rationale for the change and how this is affected the comparative figures in the notes to the accounts and the primary statements.

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

Fixed Assets, held as Property Plant and Equipment (PPE), Investment Property (IP), Assets Let Out under Finance Leases and Rent to Mortgage Properties have been adjusted for incorrect classifications and valuations, as shown in the following disclosures:

- a) PPE Classifications and Valuations
- b) IP and Surplus Asset Classifications and Valuations
- c) Finance Lease Asset Classification.
- d) Rent to mortgage properties – See 4d below.

The following items have also been adjusted

- e) Operating lease disclosure – leases that have been disposed pre-Prior Year 18/19 have been incorrectly included in the PY operating leases disclosure; Prior Year operating lease comparatives to be restated;
- f) Financial instruments disclosure – See 4f below.

The following tables provide the detail behind the changes to the numbers.

Fixed Asset Adjustments – Commentary

This year, the auditors have looked in great depth at our reporting arrangements for Property, Plant and Equipment. This has highlighted a number of classification issues and some additions which have not been linked to a particular asset. We also work on a five-year rolling basis for revaluations and to ensure that values are appropriate in years when they have not been valued, an indexation factor has been applied. Hence, the revaluations have increased. These indexed adjustments will crystallise when the assets are revalued as part of the rolling programme.

We have therefore made a number of changes to ensure that the closing balances in the Balance Sheet are correct. Each of the following tables summarises the impact on each class of fixed asset but does not itemise the movements between the fixed asset classes.

NOTES TO THE CORE FINANCIAL STATEMENTS

4a) PPE Classification and Valuation Adjustments

Opening Balances have been corrected for misclassification of assets prior to 1st April 2017

| PPE 2017/18 Opening Balance Adjustments | Assets Under Constr'n | Land & Building | Plant & Equipment | Infra-Structure | Total |
|--|------------------------------|----------------------------|------------------------------|------------------------|-----------------|
| <u>Cost or Valuation as at 01/04/2017</u> | | | | | |
| 2017/18 | 4,447 | 79,644 | 28,453 | 3,088 | 115,632 |
| As Restated | 4,656 | 80,732 | 28,654 | 3,170 | 117,212 |
| Change | 209 | 1,088 | 201 | 82 | 1,580 |
| | | | | | |
| <u>Accumulated Depreciation and Impairment as at 01/04/2017</u> | | | | | |
| 2017/18 | 0 | (3,827) | (16,676) | (2,032) | (22,535) |
| As Restated | 0 | (3,771) | (16,779) | (1,898) | (22,448) |
| Change | 0 | 56 | (103) | 134 | 87 |
| | | | | | |
| <u>Balance Sheet Value as at 01/04/2017</u> | | | | | |
| 2017/18 | 4,447 | 75,817 | 11,777 | 1,056 | 93,097 |
| As Restated | 4,656 | 76,961 | 11,875 | 1,272 | 94,764 |
| Change | 209 | 1,144 | 98 | 216 | 1,667 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| PPE 2017/18 In-Year Adjustment | Assets Under Constr'n | Land & Building | Plant & Equipment | Infra-Structure | Total |
|---|-----------------------|-----------------|-------------------|-----------------|----------------|
| Additions | | | | | |
| 2017/18 | 0 | 3,357 | 3,319 | 35 | 6,711 |
| As Restated | 522 | 2,800 | 2,663 | 40 | 6,025 |
| Change | 522 | (557) | (656) | 5 | (686) |
| Revaluation Increases / (Decreases) | | | | | |
| Recognised In the Revaluation Reserve | | | | | |
| 2017/18 | 0 | 474 | 0 | 0 | 474 |
| As Restated | 0 | 13,960 | (49) | 0 | 13,911 |
| Change | 0 | 13,486 | (49) | 0 | 13,437 |
| Recognised in the Surplus/Deficit on Provision of Services | | | | | |
| 2017/18 | (1,154) | (3,073) | 0 | 0 | (4,227) |
| As Restated | (1,154) | (3,658) | (203) | 0 | (5,015) |
| Change | 0 | (585) | (203) | 0 | (788) |
| Assets Reclassified and Disposal | | | | | |
| 2017/18 | (1,898) | 5,920 | (5,010) | 0 | (988) |
| As Restated | (998) | 4,805 | (5,300) | (62) | (1,555) |
| Change | 900 | (1,115) | (290) | (62) | (567) |
| Cost/Valuation 31/3/2018 | | | | | |
| 2017/18 (A) | 1,395 | 86,322 | 26,762 | 3,123 | 117,602 |
| As Restated (B) | 3,026 | 98,639 | 25,765 | 3,148 | 130,578 |
| Change | 1,631 | 12,317 | (997) | 25 | 12,976 |
| Depreciation Charge | | | | | |
| 2017/18 | 0 | (2,651) | (2,769) | (404) | (5,824) |
| As Restated | 0 | (2,598) | (2,641) | (439) | (5,678) |
| Change | 0 | 53 | 128 | (35) | 146 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | | | | | |
|--|----------|------------|------------|-------------|-----------------|
| <u>Depreciation Charge</u> | | | | | |
| 2017/18 | 0 | (2,651) | (2,769) | (404) | (5,824) |
| As Restated | 0 | (2,598) | (2,641) | (439) | (5,678) |
| Change | 0 | 53 | 128 | (35) | 146 |
| | | | | | |
| <u>Derecognition of Deminimis Additions</u> | | | | | |
| 2017/18 | 0 | 0 | 0 | 0 | 0 |
| As Restated | 0 | 0 | 0 | 0 | 0 |
| Change | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| <u>Other Depreciation Movements</u> | | | | | |
| 2017/18 | 0 | 509 | 0 | 0 | 509 |
| As Restated | 0 | 670 | 258 | 97 | 1,025 |
| Change | 0 | 161 | 258 | 97 | 516 |
| | | | | | |
| <u>Accumulated Depreciation and Impairment as at 01/04/2017</u> | | | | | |
| 2017/18 (C) | 0 | (5,969) | (19,445) | (2,436) | (27,850) |
| As Restated (D) | 0 | (5,699) | (19,162) | (2,240) | (27,101) |
| Change | 0 | 270 | 283 | 196 | 749 |

The cumulative effect on the balance sheet of PPE Adjustments for 2017/18 are as follows:

| <u>Balance Sheet Value 31/3/18</u> | Assets Under Constr'n | Land & Building | Plant & Equipment | Infra-Structure | Total |
|---|------------------------------|----------------------------|------------------------------|------------------------|----------------|
| 2017/18 (A+C) | 1,424 | 80,023 | 7,317 | 687 | 89,451 |
| As Restated (B+D) | 3,055 | 92,610 | 6,603 | 908 | 103,176 |
| Change | 1,631 | 12,587 | (714) | 221 | 13,725 |

NOTES TO THE CORE FINANCIAL STATEMENTS

The restatement of PPE entries for 2018/19 is as follows:

| PPE 2018/19 Opening Balance Adjustments (B/f From 2017/18) | Assets Under Constr'n | Land & Building | Plant & Equipme nt | Infra- Structur e | Total |
|--|--------------------------------------|--------------------------------|---------------------------------------|----------------------------------|-----------------|
| <u>Cost or Valuation as at 01/04/2018</u> | | | | | |
| Originally Stated | 1,424 | 85,992 | 26,762 | 3,123 | 117,301 |
| Restated | 3,055 | 98,309 | 25,765 | 3,148 | 130,277 |
| Amount of Restatement | 1,631 | 12,317 | (997) | 25 | 12,976 |
| | | | | | |
| <u>Accumulated Depreciation and Impairment as at 01/04/2018</u> | | | | | |
| Originally Stated | 0 | (5,969) | (19,445) | (2,436) | (27,850) |
| Restated | 0 | (5,699) | (19,162) | (2,240) | (27,101) |
| Amount of Restatement | 0 | 270 | 283 | 196 | 749 |
| | | | | | |
| <u>Balance Sheet Value as at 01/04/2018</u> | | | | | |
| Originally Stated | 1,424 | 80,023 | 7,317 | 687 | 89,451 |
| Restated | 3,055 | 92,610 | 6,603 | 908 | 103,176 |
| Amount of Restatement | 1,631 | 12,587 | (714) | 221 | 13,725 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| PPE 2018/19 In-Year Adjustment | Assets Under Constr'n | Land & Building | Plant & Equipment | Infra-Structure | Total |
|---|-----------------------|-----------------|-------------------|-----------------|----------------|
| Additions | | | | | |
| Originally Stated | 0 | 2,679 | 5,291 | 16 | 7,986 |
| Restated | 607 | 2,332 | 1,017 | 111 | 4,067 |
| Amount of Restatement | 607 | (347) | (4,274) | 95 | (3,919) |
| Revaluation Increases / (Decreases) | | | | | |
| Recognised In the Revaluation Reserve | | | | | |
| Originally Stated | 0 | 1,119 | 0 | 0 | 1,119 |
| Restated | 0 | 2,030 | 0 | 0 | 2,030 |
| Amount of Restatement | 0 | 911 | 0 | 0 | 911 |
| Recognised in the Surplus/Deficit on Provision of Services | | | | | |
| Originally Stated | (1,424) | (75) | 0 | 0 | (1,499) |
| Restated | (1,424) | (332) | 0 | 0 | (1,756) |
| Amount of Restatement | 0 | (257) | 0 | 0 | (257) |
| Derecognition (Disposals) | | | | | |
| Originally Stated | 0 | (345) | 0 | 0 | (345) |
| Restated | 0 | (172) | (490) | (9) | (671) |
| Amount of Restatement | 0 | 173 | (490) | (9) | (326) |
| Assets Reclassified | | | | | |
| Originally Stated | 0 | 176 | 0 | 0 | 176 |
| Restated | 0 | 1,365 | 0 | 0 | 1,365 |
| Amount of Restatement | 0 | 1,189 | 0 | 0 | 1,189 |
| Cost/Valuation 31/3/2018 | | | | | |
| Originally Stated (A1) | 0 | 89,546 | 32,053 | 3,139 | 124,738 |
| Restated (B1) | 2,238 | 103,532 | 26,292 | 3,249 | 135,312 |
| Amount of Restatement | 2,238 | 13,986 | (5,761) | 110 | 10,574 |
| Cost/Valuation 31/3/2018 | | | | | |
| Originally Stated (A1) | 0 | 89,546 | 32,053 | 3,139 | 124,738 |
| Restated (B1) | 2,238 | 103,532 | 26,292 | 3,249 | 135,312 |
| Amount of Restatement | 2,238 | 13,986 | (5,761) | 110 | 10,574 |
| Depreciation Charge | | | | | |
| Originally Stated | 0 | (3,019) | (2,752) | (349) | (6,120) |
| Restated | 0 | (2,487) | (2,076) | (460) | (5,023) |
| Amount of Restatement | 0 | 532 | 676 | (111) | 1,097 |
| Other Depreciation Movements | | | | | |
| Originally Stated | 0 | 0 | 0 | 0 | 0 |
| Restated | 0 | 223 | 490 | 9 | 722 |
| Amount of Restatement | 0 | 223 | 490 | 9 | 722 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| Accumulated Depreciation and Impairment as at 01/04/2017 | | | | | |
|---|--------------|---------------|----------------|------------|-----------------|
| Originally Stated (C1) | 0 | (8,988) | (22,197) | (2,785) | (33,970) |
| Restated (D1) | 0 | (7,963) | (20,748) | (2,691) | (31,402) |
| Amount of Restatement | 0 | 1,025 | 1,449 | 94 | 2,568 |
| | | | | | |
| Balance Sheet Value 31/3/18 | | | | | |
| Originally Stated (A1+C1) | 0 | 80,558 | 9,856 | 354 | 90,768 |
| Restated (B1+D1) | 2,238 | 95,569 | 5,544 | 559 | 103,910 |
| Amount of Restatement | 2,238 | 15,011 | (4,312) | 205 | 13,142 |

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

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

The following extracts show how the CIES was affected:

| | 2018/19 £000 | As Restated £000 | Change £000 |
|---|-------------------------|-----------------------------|------------------------|
| (Surplus)/Deficit on Revaluation of PPE | (1,212) | (2,353) | (1,141) increase |
| | 2017/18 | As Restated | Change |
| (Surplus)/Deficit on Revaluation of PPE | (1,243) | (15,225) | (13,982) increase* |
| | | | |

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

The changes in valuation and the reclassifications affect the Movement in Reserves (MIRS) analysis. The following is an extract of the MIRS showing the line in which this change is shown.

| | 2018/19 £000 | As Restated £000 | Change £000 |
|---|-------------------------|-----------------------------|----------------------------------|
| Total Comprehensive income and expenditure charged to Unusable Reserves in relation to Revaluations | 2,617 | 1,476 | 1,141 decreased charge |
| | 2017/18 | As Restated | Change |
| Total Comprehensive income and expenditure charged to Unusable Reserves in relation to Revaluations | (7,160) | (21,142) | (13,982) increased income* |

Note 8: Adjustments between accounting basis and funding basis under regulations reflect the way that in local government accounts these revaluations are mitigated. This note has therefore been updated to show this movement. The comparative year has been restated in the note on page 56.

NOTES TO THE CORE FINANCIAL STATEMENTS

The **Cashflow Statement** tracks the movement in cash movements and no-cash movements through the accounts. Revaluations are a non-cash movement, as are re-classifications, so these have changed the following in the cashflow analysis. The closing cash and cash equivalents balances are unchanged in 17/18 but in 18/19 the cash and cash equivalents were increased by a short term investment of £6.001m.

| 2019 Previously | | | | 2019 (Restated) | |
|-----------------|----------------|--|------|-----------------|----------------|
| £'000 | £'000 | | Note | £'000 | £'000 |
| 3,765 | | Net surplus on the provision of services | CIES | (959) | |
| 3,398 | | Adjustments to net surplus or deficit on the provision of services for non cash movements | 29a | 4,203 | |
| 3,085 | | Adjustments for items that are outflows in provision of services from investing and financing activities | 29a | 3,086 | |
| | 10,248 | Net cash inflows from Operating Activities | | | 6,330 |
| (10,797) | | Investing Activities outflows | 29b | (6,873) | |
| (4,510) | | Financing Activities outflows | 29c | (4,518) | |
| | (5,059) | Net increase in cash and cash equivalents | | | (5,061) |
| | 9,991 | Cash and Cash equivalents at the beginning of the reporting period | | | 9,991 |
| | 4,932 | Cash and Cash equivalents at the end of the reporting period | 28 | | 4,930 |

The **Group Accounts** reflect the Council's accounts and include the interests the Council has in other relevant organisations. The Group Accounts statements have therefore been updated to reflect the prior year changes.

NOTES TO THE CORE FINANCIAL STATEMENTS

4b) Investment properties and Surplus Assets

During 2018/19 we had wrongly classified some properties (leisure centres) as Investment Properties, these have now been moved. This amendment changes the Investment Property note 23, along with other changes related to classification movements within PPE and Surplus Assets. The changes are summarised in the tables on the following pages

| 2017/18 | Investment Properties | Surplus Assets | Total |
|--|-----------------------|----------------|----------------|
| | £'000 | £'000 | £'000 |
| Valuation at 01/04/2017 | | | |
| 2017/18 | 142,355 | 300 | 142,655 |
| As Restated | 142,072 | 370 | 142,442 |
| Change | (283) | 70 | (213) |
| Revaluation Increases / (Decreases) | | | |
| 2017/18 | 2,109 | 1,642 | 3,751 |
| As Restated | 2,613 | 152 | 2,765 |
| Change | 504 | (1,490) | (986) |
| Derecognition | | | |
| 2017/18 | (4,837) | (1,642) | (6,479) |
| As Restated | (4,839) | 0 | (4,839) |
| Change | (2) | 1,642 | 1,640 |
| Assets Reclassified | | | |
| 2017/18 | 948 | 305 | 1,253 |
| As Restated | 1,118 | 308 | 1,426 |
| Change | 170 | 3 | 173 |
| Valuation at 31/03/2018 | | | |
| 2017/18 | 168,950 | 605 | 169,555 |
| As Restated | 169,339 | 830 | 170,169 |
| Change | 389 | 225 | 614 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 | Investment Properties | Surplus Assets | Total |
|--|-----------------------|----------------|----------------|
| | £'000 | £'000 | £'000 |
| Valuation at 01/04/2018 | | | |
| 2017/18 | 168,950 | 605 | 169,555 |
| As Restated | 169,339 | 830 | 170,169 |
| Change | 389 | 225 | 614 |
| Revaluation Increases / (Decreases) | | | |
| 2017/18 | 3,878 | 60 | 3,938 |
| As Restated | 2,028 | 171 | 2,199 |
| Change | (1,850) | 111 | (1,739) |
| Derecognition | | | |
| 2017/18 | (285) | (305) | (590) |
| As Restated | (285) | (347) | (632) |
| Change | 0 | (42) | (42) |
| Assets Reclassified | | | |
| 2017/18 | (1,896) | 1,660 | (236) |
| As Restated | (2,857) | 1,492 | (1,365) |
| Change | (961) | (168) | (1,129) |
| Valuation at 31/03/2018 | | | |
| 2017/18 | 174,133 | 2,021 | 176,154 |
| As Restated | 171,711 | 2,146 | 173,857 |
| Change | (2,422) | 125 | (2,297) |

4c) Finance Lease Assets

Two Assets which were classified as being let under finance lease and therefore recognised in Long Term Debtors were found to be misclassified. The amendment has changed our Long Term Debtor note and the Balance Sheet. One asset was found to be an Investment Property, and one was found to be an operational asset, thus the amendment has changed Note 21 Property Plant and Equipment and Note 23 Investment Property. The assets were subsequently revalued. The impact of these changes are captured in tables 4a) and 4b) respectively.

4d) Rent to Mortgage Properties

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

NOTES TO THE CORE FINANCIAL STATEMENTS

The Long Term Debtor relating to these mortgages has now been removed and reclassified as Property. They have also been subsequently revalued. The impact of this change is included in table 4a).

4e) Operating leases

We had some leases which we had previously disposed of but were still inadvertently included in our figures. These extinguished leases have been removed from the operating lease note.

| 2018/19 | | 2018/19 |
|----------------|---|----------------|
| | | RESTATED |
| £'000 | | £'000 |
| 677 | Leases rolling over regularly | 677 |
| 6,163 | Not later than one year | 5,933 |
| 23,425 | Later than one year and not later than five years | 22,500 |
| 169,624 | Later than five years | 144,800 |
| | | |
| 199,889 | Balance as at 31 March carried forward | 173,910 |

4f) Financial Instruments – Note 37

We have revised our Financial Instrument note from that reported in the draft accounts as it did not comply fully with the CIPFA Code of Practice requirements. We also had a £6.734m investment in Watford Health Campus LABV which needed to be added to the prior year financial assets disclosure. The details within Note 37 have therefore been fully updated and we have separated out the financial instruments into current and non-current and classified them under Fair Value through Profit and Loss; Fair Value through Operating CI and amortised cost. An additional note has been added to disclose the Fair Value gain or loss on these Financial Instruments.

5 Events after the Balance Sheet date

There are no known events that would have material impact on the Council's position as at 31 March 2020. The draft Statement of Accounts was authorised for issue by the Section 151 Officer on 30 November 2020.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

6 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 2020 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Impact |
|-------------------------------|---|---|
| Property, Plant and Equipment | <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.</p> <p>Due to the effects of Covid-19 on the property market the Council's valuer Avison Young have provided valuations reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they advise that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.</p> | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>The impact of different valuations would have an impact on the value of non-current assets and reserves on the Balance Sheet changing both by the same amount.</p> |
| Investment Properties | <p>Due to the effects of Covid-19 on the property market the Council's valuer Avison Yung have provided valuations reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they advise that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.</p> | <p>The impact of different valuations would have an impact on the value of non-current assets and reserves on the Balance Sheet changing both by the same amount.</p> |
| Pensions Liability | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; the rate at which salaries are projected to increase; changes in the retirement ages; mortality rates; and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied</p> <p>The ongoing impact of the Covid19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and</p> | <p>The effects of these individual assumptions can have a major impact on the pension liability calculation. During 2019/20, The Council's actuaries advised that the net pension's liability had decreased by £21.3m as a result of estimates and assumptions being updated.</p> |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | | |
|---|---|--|
| | <p>infrastructure allocations as at 31 March 2020 are difficult to value according to preferred accounting policy.</p> | |
| Arrears | <p>At 31 March 2020, 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 27.</p> <p>The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p> | <p>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.</p> |
| Domestic Rates Appeals Provision 140 | <p>The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2020, plus an estimate of the appeals not yet lodged.</p> | <p>If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.</p> |

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Estimations

When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques: For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; For level 3 inputs, valuations based on: - Most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of The Council's assets and liabilities. Where Level 1 inputs are not available, the authority employs RICS (Royal Institution of Chartered Surveyors) qualified valuers to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the RICS professional standards. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

The Council uses combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13, depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others.

NOTES TO THE CORE FINANCIAL STATEMENTS

7 (a) Expenditure and Funding Analysis

| 2018/19 Restated | | | 2019/20 | | | |
|--|---------------|-----------------------------|---|--|-----------------|-----------------------------|
| Net Expenditure chargeable to General Fund | Adjustments | Net Expenditure in the CIES | | Net Expenditure chargeable to General Fund | Adjustments | Net Expenditure in the CIES |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 1,166 | 23 | 1,189 | Corp Strategy & Client Services | 1,233 | 1 | 1,234 |
| 9,387 | 1,912 | 11,299 | Community Services | 9,561 | 2,674 | 12,235 |
| 3,244 | 428 | 3,672 | Democracy & Governance | 1,943 | 3 | 1,946 |
| 679 | (1) | 678 | Human Resources | 625 | 2 | 627 |
| (6,279) | 17,309 | 11,030 | Place Shaping & Performance | (10,519) | 20,706 | 10,187 |
| 3,628 | 182 | 3,810 | Service Transformation | 5,255 | 911 | 6,166 |
| 9,499 | (5,105) | 4,394 | Strategic Finance | 14,694 | (10,648) | 4,046 |
| 21,323 | 14,748 | 36,072 | Net Cost of Services | 22,792 | 13,649 | 36,441 |
| (25,828) | (9,318) | (35,146) | Other Income and Expenditure | (48,894) | (72,599) | (121,492) |
| (4,504) | 5,430 | 926 | (Surplus) on Provision of Services | (26,101) | (58,950) | (85,051) |
| 3,920 | | | Transfer (from)\to Reserves | 25,809 | | |
| (584) | | | (Surplus) as per Outturn | (292) | | |
| | | | | | | |
| (1,415) | | | Opening General Fund Balance | (1,999) | | |
| (4,504) | | | (Surplus) on Provision of Services | (26,101) | | |
| 3,920 | | | Transfer to Earmarked Reserves | 25,809 | | |
| (1,999) | | | Closing General Fund Balance | (2,292) | | |

NOTES TO THE CORE FINANCIAL STATEMENTS

(b) Note to Expenditure and Funding Analysis

| 2018/19 Restated | | | | 2019/20 | | | | |
|----------------------------------|--|------------------|-------------------|---|----------------------------------|--|------------------|-------------------|
| Adjustments for capital purposes | Net change for the pension adjustments | Other Difference | Total Adjustments | | Adjustments for capital purposes | Net change for the pension adjustments | Other Difference | Total Adjustments |
| £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 |
| 0 | 0 | 23 | 23 | Corp Strategy & Client Services | 0 | 0 | 1 | 1 |
| 2,079 | 0 | (167) | 1,912 | Community Services | 2,876 | 0 | (202) | 2,674 |
| 430 | 0 | (2) | 428 | Democracy & Governance | 0 | 0 | 3 | 3 |
| 0 | 0 | (1) | (1) | Human Resources | 0 | 0 | 2 | 2 |
| 8,351 | 0 | 8,958 | 17,309 | Place Shaping & Performance | 6,350 | 0 | 14,356 | 20,706 |
| 632 | 0 | (450) | 182 | Service Transformation | 1,097 | 0 | (186) | 911 |
| 14 | (329) | (4,790) | (5,105) | Strategic Finance | 552 | (665) | (10,535) | (10,648) |
| 11,506 | (329) | 3,571 | 14,748 | Net Cost of Services | 10,875 | (665) | 3,439 | 13,649 |
| (10,765) | 1,504 | (57) | (9,318) | Other Income and Expenditure | (67,785) | 1,509 | (6,323) | (72,599) |
| 741 | 1,175 | 3,514 | 5,430 | Difference between General Fund (surplus) and Comprehensive Income and Expenditure Statement (surplus) | (56,910) | 844 | (2,884) | (58,950) |

NOTES TO THE CORE FINANCIAL STATEMENTS

8 Adjustments between accounting basis and funding basis under regulations

| 2019/20 | General Fund | Capital Receipts | Capital Grants | Unusable Reserves |
|---|---------------|------------------|-----------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | |
| Reversal of items debited or credited to the CIES: | | | | |
| Charges for depreciation, impairment and revaluation losses | (6,123) | | | 6,123 |
| Movements in the market value of Investment Properties | (12,464) | | | 12,464 |
| Revenue Expenditure Funded from Capital Under Statute | (4,532) | | | 4,532 |
| Amortisation of intangible assets | (221) | | | 221 |
| Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals | (1,288) | | | 1,288 |
| MRP transfer to CAA | 83 | | | (83) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the CIES | 75,615 | | (75,615) | |
| Application of grants to capital financing transferred to the CAA | | | 4,192 | (4,192) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES | 5,839 | (5,839) | | |
| Capital Receipts applied | | 5,812 | | (5,812) |
| Transfer (from)/to the Deferred Capital Receipts upon receipt of cash | | | | 0 |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (4,536) | | | 4,536 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 3,692 | | | (3,692) |
| Adjustments primarily involving the Collection Fund Adjustments Accounts: | | | | |
| Amount by which council tax & business rates income credited to the CIES is different from statutory requirements | 2,898 | | | (2,898) |
| Adjustments primarily involving the Accumulated Absences Accounts: | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements. | (14) | | | 14 |
| | 58,950 | (27) | (71,423) | 12,500 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 Restated | General Fund | Capital Receipts | Capital Grants | Unusable Reserves |
|---|----------------|------------------|----------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | |
| Reversal of items debited or credited to the CIES: | | | | |
| Charges for depreciation, impairment and revaluation losses | (6,847) | | | 6,847 |
| Movements in the market value of Investment Properties | 2,028 | | | (2,028) |
| Revenue Expenditure Funded from Capital Under Statute | (4,128) | | | 4,128 |
| Amortisation of intangible assets | (45) | | | 45 |
| Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals | (632) | | | 632 |
| Other adjustments | | | | |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the CIES | 4,475 | | (4,475) | |
| Application of grants to capital financing transferred to the CAA | | | 2,405 | (2,405) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES | 4,441 | (4,441) | | |
| Capital Receipts applied | | 5,427 | | (5,427) |
| Transfer (from)/to the Deferred Capital Receipts upon receipt of cash | | | | |
| Adjustments primarily involving the Pensions | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (4,767) | | | 4,767 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 3,592 | | | (3,592) |
| Adjustments primarily involving the Collection Fund Adjustments Accounts: | | | | |
| Amount by which council tax & business rates income credited to the CIES is different from statutory requirements | (3,511) | | | 3,511 |
| Adjustments primarily involving the Accumulated Absences Accounts: | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements. | (36) | | 1 | 35 |
| | (5,430) | 986 | (2,069) | 6,513 |

NOTES TO THE CORE FINANCIAL STATEMENTS

9 Other Operating Income and Expenditure

| 2018/19 Restated | | 2019/20 |
|---------------------|---|-----------------|
| £'000 | | £'000 |
| (572) | (Gains) on Disposal of Non-Current Assets | (634) |
| (3,236) | Unattached Capital Receipts | (3,917) |
| (3,827) | Other Operating (Income) | (6,184) |
| (7,635) | | (10,735) |

10 Financing and Investment Income and Expenditure

| 2018/19 Restated | | 2019/20 |
|---------------------|---|----------------|
| £'000 | | £'000 |
| 0 | Interest Payable and Similar Charges | 3,962 |
| 1,504 | Net Interest on the Net Defined Benefit Liability/(Asset) | 1,509 |
| (2,762) | Interest Receivable and Similar Income | (5,891) |
| (8,325) | (Income) in Relation to Investment Properties | (13,968) |
| (2,028) | Investment Properties - Changes in their Fair Value | 12,464 |
| (11,611) | | (1,924) |

11 Taxation and Non Specific Grant Incomes

| 2018/19 | | 2019/20 |
|-----------------|--|------------------|
| £'000 | | £'000 |
| (8,694) | Council Tax Income | (8,975) |
| (2,884) | Non-domestic Rates Income and Expenditure | (4,709) |
| (1,179) | Non-ringfenced Government Grants | (721) |
| (3,144) | Capital Grants & Contributions | (3,679) |
| 0 | Contribution in respect of Croxley Business Park | (90,749) |
| (15,901) | | (108,833) |

NOTES TO THE CORE FINANCIAL STATEMENTS

12 Expenditure and Income analysed by Nature

| 2018/19 Restated £'000 | | 2019/20 £'000 |
|------------------------------|---|------------------|
| (7,169) | Fees and Charges | (7,223) |
| (13,115) | Net Interest and Investment Income | (7,395) |
| (11,578) | Income From Council Tax and Business Rates | (13,684) |
| (7,063) | Other Income | (100,850) |
| (41,792) | Government Grants and Contributions | (37,065) |
| (701) | Support Services Recharge | (587) |
| (81,418) | Total Income | (166,804) |
| | | |
| 15,796 | Employee Expenses | 17,355 |
| 58,794 | Other Service Expenditure | 54,391 |
| 6,822 | Depreciation, Amortisation and Impairment | 5,171 |
| (572) | (Gains) on disposal of non-current assets | (634) |
| 0 | Interest Payable and Similar Charges | 3,962 |
| 1,504 | Net interest expense on Defined Benefit Pension Liability | 1,509 |
| 82,344 | Total Expenditure | 81,754 |
| | | |
| 926 | (Surplus)/Deficit on Provision of Services (I&E) | (85,050) |

NOTES TO THE CORE FINANCIAL STATEMENTS

13 Grant Income

| 2018/19 | | 2019/20 |
|-----------------|---|-----------------|
| £'000 | | £'000 |
| | Credited to Taxation and Non-Specific Grant Income | |
| 0 | Council Tax Transition Grant | 0 |
| (1,015) | New Homes Bonus | (721) |
| (475) | Non Specific Grant | 0 |
| (114) | Revenue Support Grant | 0 |
| (2,670) | Section 106 Contributions | (3,664) |
| (49) | Other | (15) |
| (4,323) | Subtotal Grant Income Credited to Taxation and Non-Specific Grant Income | (4,400) |
| | Credited To Services | |
| 0 | Arts Council - Lottery | (55) |
| (30) | Building Safer Communities | (17) |
| (13) | CCTV | (15) |
| (25) | Cemeteries | 0 |
| (109) | Housing & Council Tax Benefit Administration Grant | (112) |
| 0 | Highways | (97) |
| (34,613) | DWP Housing Benefit Grant | (29,838) |
| 0 | Partnerships and Performance | (67) |
| (849) | Elections | (512) |
| (17) | Environmental Health | (62) |
| (454) | Housing - Homelessness | (271) |
| (71) | Housing Refugees | (52) |
| 0 | Land Charges | 0 |
| 2 | Museum | 0 |
| (13) | New Burdens | (194) |
| (194) | NNDR - Cost of Collection Grant | (176) |
| (30) | Public Health & Nuisance | (27) |
| (60) | Planning | (298) |
| (91) | Little Cassiobury | (54) |
| (55) | Sports Development | (42) |
| (43) | Taxi Marshall Scheme | (32) |
| (66) | Town Centre Special Events | (45) |
| (738) | Waste Management | (699) |
| (37,469) | Subtotal Grant Income Credited to Services | (32,665) |
| (41,792) | Total Grant Income | (37,065) |

| | | |
|------------|--|------------|
| | Grants Receipts in Advance (Capital) | |
| (1) | Tree Donation Grant | (1) |
| (5) | S106 Grants | (5) |
| (6) | Subtotal Grants Receipts in Advance (Capital) | (6) |

14 Joint Operations

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

NOTES TO THE CORE FINANCIAL STATEMENTS

15 External Audit Costs

The council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections for 2018/19 and 2019/20 by Ernst & Young.

| 2018/19 | | 2019/20 |
|---------|---|---------|
| £'000 | | £'000 |
| 40 | Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year. | 40 |
| 11 | Fees payable for other services provided by external auditors during the year. | 11 |
| 51 | | 51 |

16 Members Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to members and the maximum amounts payable in respect of certain allowances. The total of Members' Allowances paid in the year was £476k (2018/19: £485k).

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

Listed below is a table showing the amounts of allowances, expense and salaries paid out to elected members during the year.

| 2018/19 | | 2019/20 |
|---------|-------------------------|------------|
| £000 | Amounts Paid to Members | £000 |
| 10 | Salaries | 10 |
| 485 | Allowances | 476 |
| 0 | Expenses | 0 |
| 495 | Total | 486 |

NOTES TO THE CORE FINANCIAL STATEMENTS

17 Officers' Remunerations

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

| 2018/19 | | 2019/20 |
|-----------------|---------------------|-----------------|
| No of Employees | Remuneration Band | No of Employees |
| 13 | £50,000 - £54,999 | 11 |
| 6 | £55,000 - £59,999 | 6 |
| 1 | £60,000 - £64,999 | 3 |
| 2 | £70,000 - £74,999 | 1 |
| 2 | £75,000 - £79,999 | 2 |
| 1 | £80,000 - £84,999 | 3 |
| 1 | £100,000 - £104,999 | 1 |
| 0 | £110,000 - £114,999 | 1 |
| 1 | £140,000 - £144,999 | 1 |
| 27 | | 29 |

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

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

| 2019/20 | Salary Including Fees and Allowances | Expenses Allowances | Compensation for Loss of Office | Pension Contribution | Total Remuneration |
|---|--------------------------------------|---------------------|---------------------------------|----------------------|--------------------|
| Post | £ | £ | £ | £ | £ |
| Managing Director | 144,823 | 0 | 0 | 26,358 | 171,181 |
| Group Head of Place Shaping (Apr 19 - Aug 19) | 74,731 | 0 | 26,010 | 7,902 | 108,643 |
| Interim Group Head of Place Shaping | 98,700 | 0 | 0 | 0 | 98,700 |
| Group Head of Community & Environmental Services | 78,671 | 0 | 0 | 14,318 | 92,989 |
| Group Head of Transformation | 77,275 | 0 | 0 | 14,064 | 91,339 |
| Group Head of Democracy & Governance (Monitoring Officer) | 81,382 | 0 | 0 | 14,812 | 96,194 |
| Group Head of Commercial (Mar 20) | 8,805 | 0 | 0 | 1,603 | 10,408 |
| Executive Head of Strategy and Communications | 74,829 | 0 | 0 | 13,607 | 88,436 |
| Executive Head of HR and Organisational Development | 81,523 | 0 | 0 | 14,387 | 95,910 |
| Total | 720,739 | 0 | 26,010 | 107,050 | 853,799 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 | Salary Including Fees and Allowances | Expenses Allowances | Compensation for Loss of Office | Pension Contribution | Total Remuneration |
|---|--------------------------------------|---------------------|---------------------------------|----------------------|--------------------|
| Post | £ | £ | £ | £ | £ |
| Managing Director | 141,983 | 0 | 0 | 25,841 | 167,824 |
| Deputy Managing Director: Place Shaping and Corp. Performance | 102,000 | 0 | 0 | 18,564 | 120,564 |
| Head of Community & Environmental Services | 74,820 | 0 | 0 | 13,617 | 88,437 |
| Head of Corporate Strategy & Communications | 55,861 | 0 | 0 | 10,167 | 66,028 |
| Head of Democracy & Governance (Monitoring Officer) | 77,451 | 0 | 0 | 14,096 | 91,547 |
| Head of Service Transformation | 71,662 | 0 | 0 | 13,043 | 84,705 |
| Total | 523,777 | 0 | 0 | 95,328 | 619,105 |

During the financial year, there was a restructure in senior management team. No bonuses were given during either period.

18 Termination Benefits

The Council terminated the contracts of 10 employees in 2019/20, incurring liabilities of £309,197 (2018/19: £101,155). Of this total, £196,687 (2018/19: £90,091) was payable in the form of compensation for loss of office and £112,510 (2018/19: nil payment) in enhanced pension benefits as part of the Council's rationalisation of Services.

| 2018/19 | | | Remuneration Band | 2019/20 | | |
|-----------------------|------------------|----------------|---------------------|-----------------------|------------------|----------------|
| Compulsory Redundancy | Other Departures | Total Cost | | Compulsory Redundancy | Other Departures | Total Cost |
| | | | £0 - £20,000 | | | |
| 6 | 0 | 55,655 | £20,001 - £40,000 | 6 | 0 | 69,416 |
| 0 | 0 | 0 | £40,001 - £60,000 | 1 | 0 | 32,652 |
| 1 | 0 | 45,500 | £150,001 - £200,000 | 2 | 0 | 94,762 |
| 0 | 0 | 0 | | 1 | 0 | 156,485 |
| 7 | 0 | 101,155 | | 10 | 0 | 353,315 |

NOTES TO THE CORE FINANCIAL STATEMENTS

19 Related Party Transactions

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

Disclosure of these transactions allows readers to assess the extent to which the council might have 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 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). Grant receipts outstanding as at 31 March 2020 are shown in Note 13.

Details of grant funding transactions with government departments and agencies are set out in Note 9 to the Core Financial Statements. The Council also paid precepts to Hertfordshire County Council, Hertfordshire Police Authority and Parish Council's with which details can be found in the Collection Fund Accounts.

Members and Senior Officers Information gathered through declarations provided by both members and officers alike has been tabulated below:

| Name | Role | Position | Name of Entity | Details |
|----------------|---------------------------------------|-------------------------|---|---|
| Derek Scudder | Councillor | Representative | Bedford Morison & Cordery Almshouse Charity | Occasional transactions in the normal course of business |
| Tim Williams | Councillor | Representative | Board of Watford Workshop | Occasional transactions in the normal course of business |
| Mark Watkin | Councillor | Governor | Chessbrook ESC | Occasional transactions in the normal course of business |
| Peter Taylor | Mayor | Declaration of Interest | East of England LGA | Routine business transactions with regard invoicing Watford Borough Council for services supplied |
| Stephen Bolton | Councillor | Representative | Groundwork East | Occasional transactions in the normal course of business |
| Alan Gough | Head of Community & Customer Services | Director | Hart Homes LLP | Council has a 50% stake |
| Alison Scott | Head of Finance/Director of Finance | Director | | |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | | | | |
|-----------------|---|-------------------------|--|---|
| Jo Wagstaffe | Director of Finance | Board Member | | |
| Matt Turmaine | Councillor | Declaration of Interest | Hertfordshire Sustainability Forum | Employed as a Project Manager for Health and Social Care related projects |
| Rabi Martins | Councillor | Representative | Hertfordshire Police & Crime Panel | No transactions identified between Council & Entity |
| Tim Williams | Councillor | Representative | Hertfordshire Sustainability Forum | Occasional transactions in the normal course of business |
| | | | Hertfordshire Waste Management Group | Occasional transactions in the normal course of business |
| Peter Taylor | Mayor | Declaration of Interest | Herts Leaders Group | Routine transactions with regard invoicing |
| | | | LGA Eastern Region Local Government Conference | No transactions identified between Council & Entity |
| | | | LGA General Assembly | No transactions identified between Council & Entity |
| | | | LGIU | No transactions identified between Council & Entity |
| Kareen Hastrick | Councillor | Board Member | Shopmobility Watford | Occasional transactions in the normal course of business |
| Mark Watkin | Councillor | Representative | Val Mirugan Hindu Temple Trust | Occasional transactions in the normal course of business |
| Rabi Martins | | | | |
| Kathryn Robson | Group Head of Corporate Strategy and Communications | Declaration of Interest | Veolia | Husband undertakes consultancy work for Watford Borough Council to the amount of roughly £6,500 |
| Manny Lewis | Managing Director | Board Member | Watford BID | Occasional transactions in the normal course of business |
| Stephen Bolton | Councillor | Board Member | Watford Citizens Advice Bureau | Occasional transactions in the normal course of business |
| Alan Gough | Head of Community & Customer Services | Director | Watford Commercial Services Ltd | Wholly owned subsidiary of Council |
| Alison Scott | Head of Finance/Director of Finance | Director | | |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | | | | |
|----------------|-------------------------------------|--------------------|---|---|
| Peter Jeffree | Councillor | Board Member | Watford Community Housing | Occasional transactions in the normal course of business |
| Jo Wagstaffe | Director of Finance | Board Member | Watford Health Campus Partnership LLP | Set up in 2013, the Council is in partnership with Kier Property Investment Ltd in a LABV (Local Asset Backed Vehicle). This is developing a large site next to Watford hospital which has many complex issues to resolve and will take well over a decade to complete all aspects. The Council's financial input relates to providing land and equity (Loan Notes A). The equity required varies between years in line with the needs of the developments within the overall scheme. In 2019/20 the net equity at the year-end was £10.051m (£7.078m is 18/19) including accrued interest. |
| Alison Scott | Head of Finance/Director of Finance | | | |
| Manny Lewis | Managing Director | | | |
| Karen Collett | Councillor | Director | Watford Palace Theatre | Occasional transactions in the normal course of business |
| Tim Williams | Councillor | Representative | | |
| Stephen Bolton | Councillor | Representative | Wellspring Church | Occasional transactions in the normal course of business |
| Derek Scudder | Councillor | Representative | West Herts Crematorium Joint Committee | 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 2019/20, Watford received a contribution of £50,000 (2018/19 £50,000) |
| Jo Wagstaffe | Director of Finance | Honorary Treasurer | | |
| Karen Collett | Councillor | Board Member | | |
| Manny Lewis | Managing Director | Clerk | | |
| Derek Scudder | Councillor | Representative | West Herts Golf Club Consultative Committee | Rent Received from West Herts Golf Club of £70,000 per annum (2018/19 £70,000) as well as occasional transactions in the normal course of business |
| Jagtar Dhindsa | | | | |
| Darren Walford | | | | |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | | | | |
|----------------|------------|----------|-------------------------------------|-----------------|
| Darren Walford | Councillor | Director | Walford Painting and Decorating Ltd | No Transactions |
| Peter Kloss | Councillor | Director | Kloss Consulting Ltd | No Transactions |

NOTES TO THE CORE FINANCIAL STATEMENTS

20 Partnership Working

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

21 Property, Plant and Equipment

(a) Movement of Property, Plant and Equipment

| 2019/20 | Assets Under Constr'n | Land & Building | Plant & Equipment | Infra-Structure | Total |
|--|-----------------------|-----------------|-------------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | |
| At 1 April 2019 | 2,238 | 103,532 | 26,292 | 3,249 | 135,312 |
| Additions - Capital Programme | 336 | 2,656 | 7,752 | 148 | 10,892 |
| Additions - Finance Leases | 0 | 236,890 | 0 | 0 | 236,890 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 0 | 17,214 | 0 | 0 | 17,214 |
| Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the provisions of services | (343) | (467) | (539) | (202) | (1,551) |
| Derecognition - Disposals | 0 | (28) | 0 | 0 | (28) |
| Assets reclassified | (900) | (344) | 0 | 0 | (1,244) |
| At 31 March 2020 | 1,331 | 359,453 | 33,505 | 3,196 | 397,485 |
| | | | | | |
| Accumulated Depreciation & Impairment | | | | | |
| At 1 April 2019 | 0 | (7,963) | (20,748) | (2,691) | (31,402) |
| Depreciation Charge | 0 | (2,678) | (1,083) | (380) | (4,141) |
| Depreciation written out to the Revaluation Reserve | 0 | 855 | 0 | 0 | 855 |
| At 31 March 2020 | 0 | (9,786) | (21,831) | (3,071) | (34,688) |
| | | | | | |
| Balance Sheet Value at 31 March 2020 | 1,331 | 349,667 | 11,674 | 125 | 362,797 |
| Balance Sheet Value at 1 April 2019 | 2,238 | 95,569 | 5,544 | 559 | 103,910 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 Restated | Assets Under Construction | Land & Building | Plant & Equipment | Infra-Structure | Total |
|--|---------------------------|-----------------|-------------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | |
| At 1 April 2018 | 3,055 | 98,309 | 25,765 | 3,148 | 130,277 |
| Additions - Capital Programme | 607 | 2,332 | 1,017 | 111 | 4,067 |
| Additions - Finance Leases | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 0 | 2,030 | 0 | 0 | 2,030 |
| Revaluation increases / (decreases) recognised in the Surplus /Deficit on the provisions of services | (1,424) | (332) | 0 | 0 | (1,756) |
| Derecognition - Disposals | 0 | (172) | (490) | (9) | (671) |
| Assets reclassified | 0 | 1,365 | 0 | 0 | 1,365 |
| At 31 March 2019 | 2,238 | 103,532 | 26,292 | 3,249 | 135,312 |
| Accumulated Depreciation & Impairment | | | | | |
| At 1 April 2018 | 0 | (5,699) | (19,162) | (2,240) | (27,101) |
| Depreciation Charge | 0 | (2,487) | (2,076) | (460) | (5,023) |
| Depreciation written out to the Revaluation Reserve | 0 | 51 | 0 | 0 | 51 |
| Other Movements | 0 | 172 | 490 | 9 | 671 |
| At 31 March 2019 | 0 | (7,963) | (20,748) | (2,691) | (31,402) |
| Balance Sheet Value at 31 March 2019 | 2,238 | 95,569 | 5,544 | 559 | 103,910 |
| Balance Sheet Value at 1 April 2018 | 3,055 | 92,610 | 6,603 | 908 | 103,176 |

(b) Revaluations

The Council carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out internally and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final statements of account reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in Note 1 to the Core Financial Statements.

The following table illustrates the scope of the revaluation work undertaken and demonstrates the Council's rolling revaluation programme. Prior year valuations have been indexed using property market indices to ensure that any impact of varying market conditions is considered and valuations remain reliable.

NOTES TO THE CORE FINANCIAL STATEMENTS

| Revaluations | Land & Building | Plant & Equipment | Infra-Structure | Total |
|--|-----------------|-------------------|-----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Carried at historical cost | 0 | 33,418 | 3,283 | 36,701 |
| Valued at current value as at: | | | | |
| 31/03/2020 | 256,293 | 0 | 0 | 256,293 |
| 31/03/2019 | 4,030 | 0 | 0 | 4,030 |
| 31/03/2018 | 13,102 | 0 | 0 | 13,102 |
| 31/03/2017 | 6,348 | 0 | 0 | 6,348 |
| 31/03/2016 | 79,681 | 0 | 0 | 79,681 |
| Total cost at 31 March 2020 carried forward | 359,454 | 33,418 | 3,283 | 396,154 |

(c) Information About Depreciation Methodologies

Depreciation has been provided for all assets with a finite useful life. The basis for depreciating assets is detailed in the Statement of Accounting Policies (Note 1.15). Depreciation commences in the year following acquisition. Freehold land, Investment Properties, Assets under construction, Surplus Assets and Heritage Assets are not depreciated.

22 Heritage Assets

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

| 2019/20 | Musical Instrument | Statues, Sculptures & War Memorials | Works of Art | Civic Regalia | Total |
|---|--------------------|-------------------------------------|--------------|---------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | |
| At 1 April 2019 | 400 | 645 | 700 | 233 | 1,978 |
| Revaluation increases recognised in the Revaluation | 0 | 2 | 597 | 32 | 631 |
| At 31 March 2020 | 400 | 647 | 1,297 | 265 | 2,609 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 | Musical Instrument | Statues, Sculptures & War Memorials | Works of Art | Civic Regalia | Total |
|---|--------------------|-------------------------------------|--------------|---------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | |
| At 1 April 2018 | 400 | 645 | 700 | 200 | 1,945 |
| Revaluation increases ! (decreases) recognised in the Revaluation | 0 | 0 | 0 | 33 | 33 |
| At 31 March 2019 | 400 | 645 | 700 | 233 | 1,978 |

23 Investment Properties and Surplus Assets

(a) Movement of Investment Properties and Surplus Assets

| 2019/20 | Investment Properties | Surplus Assets | Total |
|--|-----------------------|----------------|----------------|
| | £'000 | £'000 | £'000 |
| At 1 April 2019 | 171,711 | 2,146 | 173,857 |
| Additions | 3,129 | | 3,129 |
| Revaluation increases recognised in the surplus/deficit on the provision of services | (12,464) | (458) | (12,922) |
| Derecognition - disposals | (875) | (385) | (1,260) |
| Derecognition - Other | (1) | 1 | 0 |
| Assets reclassified | (52) | 1,296 | 1,244 |
| At 31 March 2020 | 161,448 | 2,600 | 164,048 |
| Balance Sheet Value at 31 March 2020 | 161,448 | 2,600 | 164,048 |
| Balance Sheet Value at 1 April 2019 | 171,711 | 2,146 | 173,857 |

| 2018/19 Restated | Investment Properties | Surplus Assets | Total |
|--|-----------------------|----------------|----------------|
| | £'000 | £'000 | £'000 |
| At 1 April 2018 | 169,339 | 830 | 170,169 |
| Additions | 3,486 | | 3,486 |
| Revaluation increases recognised in the surplus/deficit on the provision of services | 2,028 | 171 | 2,199 |
| Derecognition - disposals | (285) | (347) | (632) |
| Derecognition - Other | 0 | 0 | 0 |
| Assets reclassified | (2,857) | 1,492 | (1,365) |
| At 31 March 2019 | 171,711 | 2,146 | 173,857 |
| Balance Sheet Value at 31 March 2019 | 171,711 | 2,146 | 173,857 |
| Balance Sheet Value at 1 April 2018 | 169,283 | 830 | 170,113 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Hierarchy

All the Council's investment property and surplus asset portfolio have been assessed as Level 2 for valuation purposes (see Note 1 for explanation of fair value levels). There has been no change in valuation technique during the year for the council's investment property and surplus asset portfolio.

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

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

Valuers

The investment property and surplus asset portfolio has been valued at 31 March 2020 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Avison Young, the Council's valuing agents.

(b) Accounted for in Comprehensive Income and Expenditure Statement

| 2018/19 | | 2019/20 |
|----------------|--|-----------------|
| £'000 | | £'000 |
| (8,204) | Rental income from investment property | (16,399) |
| 335 | Direct operating expenses arising from investment properties | 2,431 |
| (7,869) | Net (Gain) /Loss | (13,968) |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

NOTES TO THE CORE FINANCIAL STATEMENTS

24 Capital Expenditure, Financing and Commitments

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

| 2018/19 Restated | | 2019/20 |
|---------------------|--|-----------------|
| £'000 | | £'000 |
| 29,127 | Opening Capital Financing Requirement | 31,117 |
| | Capital Investment | |
| 4,067 | Property, Plant and Equipment | 247,782 |
| 3,486 | Investment Properties | 3,129 |
| 45 | Intangible Assets | 221 |
| 4,128 | Revenue Expenditure Funded from Capital Under Statute | 4,532 |
| 0 | Long Term Debtors | 225 |
| 6,000 | Long Term Investments | 3,617 |
| 17,726 | | 259,506 |
| | Sources of Finance | |
| (5,428) | Capital receipts | (5,811) |
| (2,405) | Government Grants and Other Contributions (including S106) | (4,192) |
| | Earmarked Reserves | |
| (35) | Capital Fund | (615) |
| (73) | Project and Programme Management | (60) |
| (135) | Dev Sites Decontamination | 0 |
| (536) | New Home Bonus | 0 |
| 0 | Car Parking Zone | 0 |
| (12) | Long Term Debtors | (6,000) |
| (7,112) | Long Term Investments | 0 |
| 0 | Minimum Revenue Provision | (83) |
| (15,736) | | (16,761) |
| 31,117 | | 273,862 |

At 31 March 2020 the Council had contractual commitments totalling £22.781m (31 March 2019: £11.543m)

NOTES TO THE CORE FINANCIAL STATEMENTS

25 Leases

Finance Leases – Council as Lessee

The Council has acquired Croxley Business Park under a finance lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the balance sheet at the following net amounts:

| 2018/19 | | 2019/20 |
|---------|------------------------------|----------------|
| £000 | | £000 |
| 0 | Croxley Business Park | 256,100 |

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

| 2018/19 | | 2019/20 |
|---------|----------------------------------|----------------|
| £000 | Finance Lease Liabilities | £000 |
| | Current | 3,690 |
| | Non-Current | 230,712 |
| | Future Years Finance Costs | 127,296 |
| 0 | Minimum Lease Payments | 361,698 |

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

| 2018/19 | | | 2019/20 | |
|-------------------------|-----------------------|---|-------------------------|-----------------------|
| Finance Lease Liability | Minimum Lease Payment | | Finance Lease Liability | Minimum Lease Payment |
| £000 | £000 | | £000 | £000 |
| | | Not later than One Year | 3,690 | 9,320 |
| | | Later than 1 Year and Not later than 5 Years | 15,650 | 37,280 |
| | | Later Than 5 Years | 215,062 | 315,098 |
| | | Total | 234,402 | 361,698 |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents payable in 2019/20.

The Council is sub-letting properties held under these finance leases. For the year to 31st March 2019 the minimum payments expected to be received under these sub-leases was £7.4m.

NOTES TO THE CORE FINANCIAL STATEMENTS

Operating Leases – The council as Lessor

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

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

The future minimum leases payments receivable are:

| 2018/19 Restated | | 2019/20 |
|-----------------------------|---|----------------|
| £'000 | | £'000 |
| 677 | Leases rolling over regularly | 536 |
| 5,933 | Not later than one year | 16,180 |
| 22,500 | Later than one year and not later than five years | 64,847 |
| 144,800 | Later than five years | 184,836 |
| 173,910 | Balance as at 31 March carried forward | 266,398 |

NOTES TO THE CORE FINANCIAL STATEMENTS

26 Debtors & Investments - Long Term

Long-term debtors are debtors which fall due after a period of at least one year. Long-term investments include investments in the Watford Health Campus scheme. They are analysed as follows:

| Restated 2018/19 | | Net Movements in Year | 2019/20 |
|---------------------|--|-----------------------------|---------------|
| £'000 | | £'000 | £'000 |
| | Long Term Debtors | | |
| 8 | Loan to YMCA | 0 | 8 |
| 150 | Watford Muslim Youth | 0 | 150 |
| 7 | Charges Registered to Properties | 0 | 7 |
| 2,000 | Watford Health Hospital Trust | 0 | 2,000 |
| 6,000 | Hart Homes Watford - Loan | 0 | 6,000 |
| 6,734 | Watford Health Campus LABV | 3,317 | 10,051 |
| 6,000 | Watford Health Campus - Growing Places (interest free loan) | (6,000) | 0 |
| 0 | Everyone Active - Leisure Centres | 225 | 225 |
| 20,899 | | (2,458) | 18,441 |
| | Long Term Investments | | |
| 2,400 | Hart Homes Watford - Equity | 0 | 2,400 |
| 20 | Municipal Bonds Agency & Local Capital Finance Company | 0 | 20 |
| 150 | Watford Commercial Services | 300 | 450 |
| 2,570 | | 300 | 2,870 |
| | | | |
| 23,469 | | (2,158) | 21,311 |

27 Debtors - Short Term

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

| 2018/19 | | 2019/20 |
|---------------|--|---------------|
| £'000 | | £'000 |
| 1,615 | Central Government Bodies | 3,675 |
| 9 | Local Authorities | 594 |
| 10,325 | Other Entities and Individuals | 12,832 |
| 314 | Payments in Advance | 223 |
| 12,263 | | 17,323 |
| | | |
| (5,529) | Less: Provision for Bad Debts / Impairment | (5,640) |
| | | |
| 6,734 | Total | 11,684 |

NOTES TO THE CORE FINANCIAL STATEMENTS

28 Cash and Cash Equivalents

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

| 2018/19 | | 2019/20 |
|--------------|----------------------------|--------------|
| £'000 | | £'000 |
| (Restated) | | |
| | Current Assets | |
| 1 | Cash held by the Authority | 35 |
| 4,931 | Bank Current Accounts | 9,830 |
| 4,932 | | 9,865 |
| | Current Liabilities | |
| 0 | Bank overdrafts | 0 |
| | | |
| 4,932 | Total | 9,865 |

| 2018/19 | | 2019/20 |
|--------------|---------------------|---------------|
| £'000 | Short Term Deposits | £'000 |
| 2,004 | Short-term Deposits | 94,413 |
| 2,004 | Total | 94,413 |

Short term deposits include £92m received in advance as part of acquiring Croxley Business Park on finance lease. The money will be used for planned capital maintenance and to cover revenue shortfall over the lease period.

NOTES TO THE CORE FINANCIAL STATEMENTS

29 Cash Flow Statement - Operating, Investing and Financing Activities

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

| 2018/19 Restated | | | 2019/20 | |
|------------------|----------------|--|-----------|------------------|
| £'000 | £'000 | Note 29a - Operating Activities | £'000 | £'000 |
| 1,079 | | Interest received | 1,347 | |
| 0 | | Interest paid | (4) | |
| 1,680 | | Dividend/Profit Received | 4,550 | |
| | 2,759 | | | 5,893 |
| 5,056 | | Depreciation | 4,141 | |
| 1,824 | | Impairment and downward valuations | 1,983 | |
| 45 | | Amortisation | 221 | |
| (56) | | Increase/(decrease) in impairment of bad debts | 111 | |
| (3,504) | | Increase/(decrease) in creditors | 4,871 | |
| 2,144 | | (Increase)/decrease in debtors | (3,089) | |
| (1) | | Decrease in inventories | (3) | |
| 1,175 | | Movement in pensions liability | 844 | |
| 632 | | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 1,288 | |
| (3,112) | | Other non-cash items charged to the provision of services | 9,505 | |
| | 4,203 | | | 19,872 |
| 12,000 | | Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 379,963 | |
| (4,440) | | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (5,839) | |
| (4,474) | | Any other items for which the cash effects are investing or financing cash flows | (75,615) | |
| | 3,086 | | | 298,509 |
| | 10,048 | | | 324,274 |
| | | Note 29B- Investing Activities | | |
| (7,598) | | Purchase of property, plant, equipment, investment property and intangible assets | (14,247) | |
| (15,170) | | Purchase of st and It investments | (472,676) | |
| (149) | | Other payments for investing activities | (3,542) | |
| 4,440 | | Proceeds from the sale of property, plant, equipment, investment property and intangible assets | 5,838 | |
| 7,112 | | Proceeds from st and It investments | 0 | |
| 4,492 | | Other receipts from investing activities | 81,615 | |
| | (6,873) | | | (403,013) |
| | | Note 29c- Financing Activities | | |
| 0 | | Other receipts from financing activities | 0 | |
| 0 | | Cash receipts of short and long term borrowing | 15,000 | |
| 0 | | Cash payments - Finance Leases | (2,488) | |
| (4,508) | | Other payments for financing activities | (498) | |
| (10) | | Repayments of st and It borrowing | (7,500) | |
| | (4,518) | | | 4,514 |

NOTES TO THE CORE FINANCIAL STATEMENTS

30 Creditors and Borrowings - Short Term

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

| 2018/19 | | 2019/20 |
|-----------------|---|-----------------|
| £'000 | Short-term creditors | £'000 |
| (5,483) | Central Government Bodies | (5,092) |
| (2,776) | Local Authorities | (5,079) |
| 0 | NHS | 0 |
| 0 | Public Corporations | 0 |
| (5,755) | Other Entities and Individuals | (7,844) |
| (1,448) | Receipts in Advance less than 1 year | (2,495) |
| 0 | Deferred Liabilities (obligations under finance leases) | (3,690) |
| (15,462) | Total | (24,200) |
| | | |
| | Short-term borrowing | |
| (7,500) | Loans repayable within one year | (15,000) |
| | | |
| (22,962) | Total | (39,200) |

31 Creditors - Long Term

An analysis of creditors falling due in one year or more is shown below:

| 2018/19 | | 2019/20 |
|-----------|---|------------------|
| £'000 | Long Term Creditors | £'000 |
| 92 | Deferred Liabilities (obligations under finance leases) | (230,614) |
| (6) | Capital Grants receipts in advance | (6) |
| 0 | Section 106 Contributions receipts in advance | 0 |
| 0 | Receipts in advance more than 1 year | (1,292) |
| | | |
| 86 | Total | (231,912) |

NOTES TO THE CORE FINANCIAL STATEMENTS

32 Provisions

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

| 2018/19 | | Change | Used | 2019/20 |
|----------------|----------------------------|-----------|--------------|----------------|
| £'000 | | £'000 | £'000 | £'000 |
| (77) | Property Searches | 0 | 0 | (77) |
| (48) | Municipal Mutual Insurance | 0 | 0 | (48) |
| (74) | Contractual Provision | 0 | 0 | (74) |
| (5,747) | NDR Appeals | 39 | 2,920 | (2,788) |
| (5,946) | Total | 39 | 2,920 | (2,987) |

Property Searches

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

Municipal Mutual Insurance

Under Watford Borough Council's agreement with its previous insurer Municipal Mutual Insurance (MMI), the Council is exposed to the possibility of having to repay all or part of its claims already settled, or to be settled, by MMI. The Council believes the provision of £48k is prudent.

Contractual Provision

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

NDR Appeals

The NNDR Appeals provision has arisen because of the change to the NNDR regime. All business premises can appeal their valuation, set by the Valuation Office, which is used for setting the level of rates payable. Until the appeal is heard and decided a provision is estimated to cover the likely outcome.

33 Defined Benefit Pension Scheme

Participation in Pension Scheme

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

The Council participates in the Local Government Pension Scheme administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 | | 2019/20 |
|--------------|--|-----------------|
| £'000 | | £'000 |
| | Comprehensive Income and Expenditure Statement (CI&ES) | |
| | Costs of Service | |
| | <i>Service cost comprising:</i> | |
| 2,721 | current service cost | 3,027 |
| 542 | past service cost | 0 |
| | <i>Financing and Investment Income and Expenditure</i> | |
| 1,504 | Net Interest Expense | 1,509 |
| 4,767 | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 4,536 |
| | Other Post Employment Benefit Charged to the CI&ES | |
| | <i>Remeasurement of the net defined benefit liability comprising:</i> | |
| (4,813) | Return on plan assets | (9,238) |
| 0 | Actuarial gains and losses arising on changes in demographic assumptions | 0 |
| 0 | Actuarial gains and losses arising on changes in financial assumptions | 0 |
| 8,642 | Other | (12,468) |
| 3,829 | Total Remeasurement recognised in Other CI&ES | (21,706) |
| | | |
| 8,596 | Total Post Employment Benefit Charged to CI&ES | (17,170) |
| | | |
| | Movement in Reserves Statement | |
| (4,767) | Reversal of net charges made to the Provision of Services for post employment benefits in accordance with the Code | 4,536 |
| 3,592 | Employers' contributions payable to the scheme | 3,692 |
| | | |
| 3,592 | Actual amount charged against the General Fund Balance for pensions in the year | 3,692 |

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

| 2018/19 | | 2019/20 |
|-----------------|---|-----------------|
| £'000 | | £'000 |
| (178,200) | Present value of the defined benefit obligation | (167,147) |
| 115,147 | Fair value of plan assets | 124,956 |
| | | |
| (63,053) | Total | (42,191) |

NOTES TO THE CORE FINANCIAL STATEMENTS

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

| 2018/19 | | 2019/20 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 109,439 | Opening fair value of scheme assets at 1 April | 115,147 |
| 2,819 | Interest income | 2,743 |
| | Remeasurement gain/(loss): | |
| 4,813 | Return on plan assets | 9,238 |
| 3,592 | Contributions from employer | 3,692 |
| 503 | Contributions from employees into the scheme | 523 |
| (6,019) | Benefits paid | (6,387) |
| 0 | Other | 0 |
| | | |
| 115,147 | Closing fair value of scheme assets at 31 March | 124,956 |

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

| 2018/19 | | 2019/20 |
|------------------|--|------------------|
| £'000 | | £'000 |
| (167,488) | Opening Balance at 1 April | (178,200) |
| (2,721) | Current service costs | (3,027) |
| (542) | Past service costs | 0 |
| (4,323) | Interest cost | (4,252) |
| (503) | Contributions from scheme participants | (523) |
| | <i>Remeasurement (gains) and losses:</i> | |
| 0 | Actuarial gains and losses arising from changes in demographic assumptions | 0 |
| (8,642) | Actuarial gains and losses arising from changes in financial assumptions | 12,468 |
| 0 | Other | 0 |
| | <i>Past service costs</i> | |
| 0 | Losses/(gains) on curtailments | 0 |
| 6,019 | Benefits paid | 6,387 |
| | | |
| (178,200) | Closing Balance at 31 March | (167,147) |

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised

| 2018/19 | | | | 2019/20 | | |
|----------------------|--------------------------|----------------|--------------------------------------|----------------------|--------------------------|----------------|
| Quoted active market | Quoted non-active market | Total | | Quoted active market | Quoted non-active market | Total |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 3,726 | 0 | 3,726 | Cash and cash equivalents | 2,713 | 0 | 2,713 |
| | | | Equity instruments: by industry type | | | |
| 5,122 | 0 | 5,122 | Consumer | 2,398 | 0 | 2,398 |
| 4,465 | 0 | 4,465 | Manufacturing | 1,914 | 0 | 1,914 |
| 1,189 | 0 | 1,189 | Energy and Utilities | 0 | 0 | 0 |
| 4,748 | 0 | 4,748 | Financial Institutions | 1,840 | 0 | 1,840 |
| 937 | 0 | 937 | Health and Care | 1,130 | 0 | 1,130 |
| 3,603 | 0 | 3,603 | Information Technology | 4,303 | 0 | 4,303 |
| 309 | 0 | 309 | Other | 206 | 0 | 206 |
| 24,096 | 0 | 24,096 | Sub-total equity | 14,503 | 0 | 14,503 |
| | | | Bonds: by sector | | | |
| 0 | 0 | 0 | Corporate Bonds (inv. grade) | 0 | 0 | 0 |
| 0 | 0 | 0 | UK Government | 0 | 0 | 0 |
| 0 | 53 | 53 | Other | 0 | 3,255 | 3,255 |
| 0 | 53 | 53 | Sub-total bonds | 0 | 3,255 | 3,255 |
| | | | Property: by type | | | |
| 0 | 4,079 | 4,079 | UK Property | 0 | 3,674 | 3,674 |
| 0 | 4,367 | 4,367 | Overseas Property | 0 | 7,496 | 7,496 |
| 0 | 8,447 | 8,447 | Sub-total property | 0 | 11,170 | 11,170 |
| | | | Private Equity: | | | |
| 0 | 5,399 | 5,399 | All | 0 | 6,312 | 6,312 |
| 0 | 5,399 | 5,399 | Sub-total private equity | 0 | 6,312 | 6,312 |
| | | | Other Investment Funds: | | | |
| 29,055 | 0 | 29,055 | Equities | 39,074 | 0 | 39,074 |
| 40,061 | 0 | 40,061 | Bonds | 41,180 | 0 | 41,180 |
| 0 | 0 | 0 | Commodities | 0 | 0 | 0 |
| 0 | 1,116 | 1,116 | Infrastructure | 0 | 0 | 0 |
| 973 | 6,086 | 7,059 | Other | 1,059 | 8,536 | 9,596 |
| 70,088 | 7,202 | 77,290 | Sub-total other investment funds | 81,313 | 8,536 | 89,849 |
| | | | Derivatives: | | | |
| 0 | (137) | (137) | Foreign exchange | 0 | (133) | (133) |
| 0 | (137) | (137) | Sub-total derivatives | 0 | (133) | (133) |
| 94,184 | 20,963 | 115,147 | | 95,817 | 29,140 | 124,957 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

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

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

| 2018/19 | | 2019/20 |
|---------------|--|---------------|
| £'000 | | £'000 |
| 3-5% | Longevity (increase in 1 year) | 3-5% |
| 1,253 | Rate of increase in salaries (increase by 0.5%) | 746 |
| 14,174 | Rate of increase in pensions (increase by 0.5%) | 12,833 |
| 15,611 | Rate for discounting scheme liabilities (decrease by 0.5%) | 13,648 |
| 31,038 | Total | 27,227 |

Information about the Defined benefit obligation

Funding levels are monitored on an annual basis, and the latest triennial review is based on 31 March 2019 data. The fund liability may go up or down based on this review, and a sensitivity analysis

NOTES TO THE CORE FINANCIAL STATEMENTS

is set out within this note under “impact on the defined benefit obligation in the scheme”. The total value of contributions expected to be made by the Council in 2020/21 is £3.753m.

34 Contingent Assets and Liabilities

We have no contingent assets or liabilities in the year.

35 Usable Reserves

(a) Movement in Usable Reserves

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

| Balance at 31-Mar-19 Restated | | Net Movement in Year | Balance at 31-Mar-20 | Further Detail Note |
|-------------------------------|--------------------------|----------------------|----------------------|---------------------|
| £'000 | | £'000 | £'000 | |
| (1) | Capital Receipts Reserve | (27) | (28) | 35(b) |
| (19,492) | Earmarked Reserves | (25,134) | (44,626) | 35(c) |
| (2,000) | General Fund Balance | (292) | (2,292) | 35(d) |
| (4,228) | Capital Grants Unapplied | (71,423) | (75,651) | 35(e) |
| (25,721) | Total Net Worth | (96,876) | (122,597) | |

(b) Capital Receipts Reserve

The Usable Capital Receipts Reserve holds capital receipts from the sale of assets which have been received and have not yet been used to finance capital expenditure. The balance on the Reserve is restricted by statute from being used other than to fund future years' expenditure in the approved capital budget or set aside to finance historical capital expenditure.

| 2018/19 | | 2019/20 |
|----------------|--|----------------|
| £'000 | | £'000 |
| (987) | Balance brought forward at 1 April | (1) |
| | Received in year: | |
| (1,205) | Proceeds from sale of long-term assets | (1,922) |
| (3,236) | Unattached Capital Receipts | (3,917) |
| 0 | Loan repayments (Unattached Capital Receipt) | |
| (4,441) | | (5,839) |
| | Applied in year: | |
| 5,428 | Applied to Capital Adjustment Account to finance new capital expenditure | 5,811 |
| (1) | Transferred to Capital Adjustment Account to finance new capital expenditure | 1 |
| 5,427 | | 5,812 |
| (1) | Balance carried forward at 31 March | (28) |

NOTES TO THE CORE FINANCIAL STATEMENTS

(c) Earmarked Reserves

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

For each Reserve established the Council identifies:

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

| Balance at 01-Apr-18 | Approp-riations to Reserve | Approp-riations From Reserve | Balance at 31-Mar-19 | | Approp-riations to Reserve | Approp-riations From Reserve | Balance at 31-Mar-20 |
|----------------------|----------------------------|------------------------------|----------------------|------------------------------------|----------------------------|------------------------------|----------------------|
| £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| (86) | 0 | 0 | (86) | Area Based Grant | 0 | 0 | (86) |
| (1,058) | (1,303) | 1,059 | (1,302) | Budget Carry Forward | (1,975) | 1,344 | (1,933) |
| (650) | 0 | 35 | (615) | Capital Fund | 0 | 615 | 0 |
| (333) | (308) | 0 | (641) | Car Parking Zones | (56) | 0 | (697) |
| (93) | 0 | 0 | (93) | Charter Place Tenants | 0 | 0 | (93) |
| (56) | 0 | 0 | (56) | Climate Change | 8 | 0 | (48) |
| (150) | 0 | 0 | (150) | Crematorium | 0 | 0 | (150) |
| (135) | 0 | 135 | 0 | Development Sites Decontamination | 0 | 0 | 0 |
| (1,421) | (3,778) | 1,549 | (3,650) | Economic Impact | 0 | 670 | (2,980) |
| (997) | 0 | 0 | (997) | Housing Benefit Subsidy | 0 | 0 | (997) |
| (266) | 0 | 0 | (266) | Housing Planning Delivery Grant | 0 | 0 | (266) |
| (839) | 0 | 150 | (689) | Invest to Save | 0 | 0 | (689) |
| (13) | 0 | 2 | (11) | Le Marie Centre Repairs | (2) | 2 | (11) |
| (423) | 0 | 0 | (423) | Leisure Structured Maintenance | 0 | 0 | (423) |
| (178) | 0 | 0 | (178) | Local Development Framework | 0 | 0 | (178) |
| (181) | 0 | 0 | (181) | Multi-Storey Car Park Repair | 0 | 0 | (181) |
| (536) | 0 | 536 | 0 | New Homes Bonus | 0 | 0 | 0 |
| (2,486) | (3,335) | 3,300 | (2,521) | NNDR Collection Fund | 0 | 2,224 | (297) |
| (60) | 0 | 0 | (60) | Parks, Waste & Street Strategy | 0 | 0 | (60) |
| (2,248) | 0 | 0 | (2,248) | Pension Funding | 0 | 0 | (2,248) |
| (141) | 0 | 0 | (141) | Performance Reward Grant (Capital) | 0 | 0 | (141) |
| (28) | 0 | 0 | (28) | Performance Reward Grant (Revenue) | 0 | 0 | (28) |
| (359) | (538) | 486 | (411) | Project and Programme Management | 52 | 60 | (299) |
| (100) | 0 | 0 | (100) | Rent Deposit Guarantee Scheme | 0 | 0 | (100) |
| (3,249) | (1,423) | 730 | (3,942) | Riverwell | (3,392) | 0 | (7,334) |
| (182) | 0 | 0 | (182) | Vehicle Replacement | 0 | 0 | (182) |
| (83) | 0 | 0 | (83) | Weekly Collection Support Grant | 0 | 0 | (83) |
| 0 | 0 | 0 | 0 | Croxley Park Reserve | (25,506) | 1,251 | (24,255) |
| 0 | 0 | 0 | 0 | Grounds Maintenance | (32) | 0 | (32) |
| 0 | (438) | 0 | (438) | HB Equalisation Reserve | (397) | 0 | (835) |
| | | | | | | | |
| (16,351) | (11,123) | 7,982 | (19,492) | Total | (31,300) | 6,166 | (44,626) |

NOTES TO THE CORE FINANCIAL STATEMENTS

Details of the purpose of each current earmarked reserve are set out below:

| Reserve | Purpose |
|---|--|
| Area Based Grant Reserve | This grant was received to encourage initiatives relating to preventing violent extremism and anti-social behaviour. |
| Budget Carry Forward Reserve | This reserve has been created to 'carry forward' unspent revenue budgets for use in the proceeding financial year. |
| Capital Fund Reserve | To provide for funding of key capital projects. |
| Car Parking Zone Reserve | This is a statutory ring-fenced reserve, for future controlled parking related costs. |
| Charter Place Tenants Reserve | Tenants' contributions to meet major works. |
| Climate Change Reserve | To fund energy saving initiatives to reduce energy consumption. |
| Crematorium Reserve | To fund future repairs and maintenance. |
| Croxley Park Reserve | To provide resources to offset the impact of reduced income over the life of the finance lease. |
| Development Sites Decontamination Reserve | Provide for the costs of any decontamination of development sites for which the Council may have liability. |
| Economic Impact Reserve | To provide resources to offset the impact of the potential downturn of the economy and consequent potential overspends to the Council's budget. |
| Grounds Maintenance Reserve | To provide for the commuted sum for ground maintenance, tree works and legal and surveyor costs owed to Taylor Wimpey that relate to POS transfer, Hopwood Close |
| High Street Innovation Reserve | To assist with regeneration of Town Centres. |
| Homelessness Prevention Reserve | To assist with homelessness among young people. |
| Housing Benefit Subsidy Reserve | This reserve has been created to meet any subsidy clawback by DWP. |
| Housing Planning Delivery Grant Reserve | This grant was introduced to reward authorities for improved delivery of housing and other planning outcomes. |
| Invest to Save Reserve | To support schemes where initial expenditure will produce longer term savings. |
| LA Business Growth Incentive Reserve | Government grant received in respect of business rate growth. |
| Le Marie Centre Repairs Reserve | To help meet the Council's obligation as landlord. |
| Leisure Structural Maintenance Reserve | To fund future structural maintenance needs not covered within the existing Leisure services contract. |
| Local Development Framework Reserve | To help fund the costs of the production of the Local Development Plan. |
| Multi Storey Car Park Repair Reserve | To provide funds towards major structural works. |
| New Homes Bonus Reserve | Government grant received in respect of new homes built. |
| NNDR Collection Fund Reserve | Equalisation fund to support the NNDR Collection Fund variation. |
| Parks, Waste & Street Strategy Reserve | To support the Council's parks, waste and street cleansing strategy. |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | |
|---|---|
| Pension Funding Reserve | To meet one off pension costs and redundancy programme. |
| Performance Reward Grant Reserve | This is grant allocated for use in conjunction with the LSP, based on the achievement of performance targets. |
| Projects and Programme Mgmt Reserve | This supports the Council's major project programme |
| Rent Deposit Guarantee Scheme Reserve | To assist in the provision of homelessness accommodation. |
| Riverwell Reserve | This reserve is for holding disbursements from Riverwell and is available for redistribution to the General Fund or Economic Impact Reserve as and when required. |
| Vehicle Replacement Reserve | To provide for the replacement of the Council's refuse freighters. |
| Weekly Collection Support Grant Reserve | Grant received to support the weekly domestic waste collection. |

(d) General Fund Reserves

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

| 2018/19 Restated | | 2019/20 |
|---------------------|--|----------|
| £'000 | | £'000 |
| (1,415) | Balance brought forward at 1 April | (2,000) |
| (4,504) | Net increase/(decrease) before transfers to earmarked reserves | (26,101) |
| 3,920 | Transfer (to)/from earmarked reserves | 25,809 |
| (2,000) | Balance carried forward at 31 March | (2,292) |

(e) Capital Grant Unapplied

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

| 2018/19 | | 2019/20 |
|---------|---|----------|
| £'000 | | £'000 |
| (2,159) | Balance brought forward at 1 April | (4,228) |
| (1,286) | Section 106- grants held for future use (new in year) | (579) |
| 0 | Section 106- grants applied (to Capital Adjustment Account) | 322 |
| 2,405 | Capital Grants applied | 3,870 |
| (1,818) | Capital Grants received | (71,928) |
| (1,370) | Community Infrastructure Levy | (3,108) |
| (4,228) | Balance carried forward at 31 March | (75,651) |

NOTES TO THE CORE FINANCIAL STATEMENTS

36 Unusable Reserves

(a) Movement in Unusable Reserves

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

| Balance at 31-Mar-18 Restated | Balance at 31-Mar-19 Restated | | Net Movement in Year | Balance at 31-Mar-20 |
|-------------------------------|-------------------------------|-------------------------------|----------------------|----------------------|
| £'000 | £'000 | | £'000 | £'000 |
| 74 | 107 | Accumulated Absences Reserve | 19 | 126 |
| (203,929) | (204,320) | Capital Adjustment Account | 13,003 | (191,316) |
| (1,402) | 2,109 | Collection Fund Account | (2,897) | (788) |
| 123 | 123 | Deferred Capital Payments | 0 | 123 |
| (225) | (225) | Deferred Capital Receipts | 0 | (225) |
| 76 | 76 | Financial Instruments Account | 0 | 76 |
| 58,049 | 63,053 | Pensions Reserve | (20,862) | 42,191 |
| (59,281) | (60,228) | Revaluation Reserve | (17,820) | (78,048) |
| | | | | |
| (206,515) | (199,305) | Total Net Worth | (28,557) | (227,861) |

(b) Capital Adjustment Account

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

The Account contains accumulated gains/losses on Investment Properties.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2017/18 Restated £'000 | 2018/19 Restated £'000 | | 2019/20 £'000 |
|------------------------------|------------------------------|--|------------------|
| (189,787) | (203,929) | Balance brought forward at 1 April | (204,320) |
| | | Reversal of items relating to capital expenditure debited/credited to the CIES | |
| 5,678 | 5,023 | Charges for depreciation | 4,141 |
| 599 | 1,754 | Impairment of non-current assets | 809 |
| 0 | 45 | Amortisation of Intangible Assets | 221 |
| 4,416 | 70 | Revaluation (Gain) \ losses on PPE | 1,174 |
| 1,799 | 4,128 | Revenue Expenditure Funded from Capital under Statute | 4,532 |
| 5,134 | 632 | Amounts of non-current assets w/o on disposal/sale as part of the gain/loss on disposal to the CI&ES | 1,288 |
| 17,626 | 11,652 | Total of reversing entries debited/credited to CIES | 12,164 |
| (515) | (1,406) | Adjusting amounts written out of the Revaluation Reserve | (856) |
| 17,111 | 10,246 | Net w/o amount of the cost of non-current assets consumed in the year | 11,308 |
| | | Capital financing applied in the year: | |
| (20,668) | (5,428) | Use of Capital Receipts Reserve to finance new capital expenditure | (5,811) |
| (2,372) | (2,405) | Capital Grants/Contributions, applied to capital financing | (4,192) |
| (3,957) | (779) | Earmarked Reserves: | (675) |
| (8,471) | 0 | Repayment of Long term loan | 0 |
| 0 | 0 | Minimum Revenue Provision (MRP) | (83) |
| (35,468) | (8,612) | | (10,761) |
| | | Other Movements: | |
| 8,471 | 0 | Repayment of Long term debtors | 0 |
| (2,613) | (2,028) | Mvmnt in Market value of Investment Properties debited/credited to the CI&ES | 12,464 |
| (1,643) | 3 | Other | (8) |
| 4,215 | (2,025) | | 12,456 |
| (203,929) | (204,320) | Balance carried forward at 31 March | (191,316) |

(c) Collection Fund Adjustment Account

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

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| (1,402) | Balance brought forward at 1 April | 2,109 |
| 3,511 | Amount by which council tax and non-domestic rates income credited to CI&E Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (2,897) |
| 2,109 | Balance carried forward at 31 March | (788) |

NOTES TO THE CORE FINANCIAL STATEMENTS

(d) Deferred Capital Payments

Deferred capital payments are amounts representing capital payments from the purchase of long-term assets that will be paid by the Council in instalments over an agreed number of years.

| 2018/19 | | 2019/20 |
|---------|---|---------|
| £'000 | | £'000 |
| | | |
| 123 | Balance brought forward at 1 April | 123 |
| 0 | Deferred Payment of Local Enterprise Partnership (LEP) Loan | 0 |
| 123 | Balance carried forward at 31 March | 123 |

(e) Deferred Capital Receipts

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

Deferred capital receipts are amounts representing capital receipts from the sale of long-term assets that will be repaid to the Council in instalments over an agreed number of years. They have arisen from loans to community groups, which forms part of long term debtors.

| 2018/19 | | 2019/20 |
|---------|-------------------------------------|---------|
| £'000 | | £'000 |
| | | |
| (225) | Balance brought forward at 1 April | (225) |
| 0 | Deferred Receipts received | 0 |
| (225) | Balance carried forward at 31 March | (225) |

(f) Pension Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 | | 2019/20 |
|---------------|--|---------------|
| £'000 | | £'000 |
| 58,049 | Balance brought forward at 1 April | 63,053 |
| 3,829 | Remeasurements of the net defined benefit liability/(asset) | (21,569) |
| 4,767 | Reversal of items relating to retirement benefits debited/(credited) to the Surplus/Deficit on the Provision of Services in the CIES | 4,399 |
| (3,592) | Employer's pension contributions and direct payments to pensioners payable in year | (3,692) |
| 63,053 | Balance carried forward at 31 March | 42,191 |

(g) Revaluation Reserve

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

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

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

| 2018/19 | | 2019/20 |
|-----------------|---|-----------------|
| Restated | | |
| £'000 | | £'000 |
| (59,281) | Balance brought forward at 1 April | (60,228) |
| (2,641) | Upward Revaluation of assets | (25,893) |
| 288 | Downward Revaluation of assets and impairment losses not charged to the Provision of service | 7,217 |
| (2,353) | Net (Surplus) on revaluation of non-current assets not posted to the Provision of services | (18,676) |
| 1,195 | Difference between fair value depreciation and historical cost depreciation | 804 |
| 211 | Revaluation reserve written-off on disposal of asset | 52 |
| 1,406 | Amount written off to the Capital Adjustment Account | 856 |
| (60,228) | Balance carried forward at 31 March | (78,048) |

NOTES TO THE CORE FINANCIAL STATEMENTS

37 Financial Instruments

Financial Instruments – Balances

The Balance Sheet includes the following financial instruments:

| Non-Current Restated | Current Restated | | Non-Current | Current |
|----------------------|------------------|--|------------------|-----------------|
| 31 Mar 19 | 31 Mar 19 | | 31 Mar 20 | 31 Mar 20 |
| £'000 | £'000 | | £'000 | £'000 |
| | | FINANCIAL ASSETS | | |
| | | Carried at Amortised Cost | | |
| 6,150 | 2,004 | Investments | 6,450 | 94,413 |
| | 4,932 | Cash and Equivalents | | 10,351 |
| 15,030 | 6,734 | Debtors | 12,572 | 11,684 |
| 21,180 | 13,670 | Total at Amortised Cost | 19,022 | 116,448 |
| | | Carried at Fair Value through Profit and Loss | | |
| 2,420 | | Equity Instruments | 2,420 | 0 |
| 2,420 | 0 | Total at Fair Value through Profit and Loss | 2,420 | 0 |
| 23,600 | 13,670 | Total Financial Assets | 21,442 | 116,448 |
| | | FINANCIAL LIABILITIES | | |
| | | Carried at Amortised Cost | | |
| | (7,500) | Borrowing | | (15,000) |
| | (14,014) | Creditors at Contract Amount | | (18,015) |
| | | Carried at Fair Value through Profit and Loss | | |
| 92 | | PFI and Finance Leases (deferred liabilities) | (234,214) | |
| 92 | (21,514) | Total Financial Liabilities | (234,214) | (33,015) |
| 23,692 | (7,844) | TOTAL | (212,772) | 83,432 |
| 15,848 | | | (129,340) | |

Financial Instruments – Gains and Losses

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

| Total | | Financial Liabilities at Amortised Cost | Financial Assets | | Total |
|----------------|---|---|------------------|------------------------------------|----------------|
| | | | Amortised Cost | Fair Value through Profit and Loss | |
| 31 Mar 19 | | 31 Mar 20 | 31 Mar 20 | 31 Mar 20 | 31 Mar 20 |
| £'000 | | £'000 | £'000 | £'000 | £'000 |
| | 0 Interest Expense | 148 | | | 148 |
| | 0 Fees Paid | 2 | | | 2 |
| | 0 Interest Payable and Similar Charges | 150 | 0 | 0 | 150 |
| (1,360) | Interest Income | | (573) | (756) | (1,328) |
| (1,400) | Dividend Income | | 0 | (4,550) | (4,550) |
| (2,760) | Interest and Investment Income | 0 | (573) | (5,306) | (5,878) |
| (2,760) | Net Impact on Surplus/Deficit on Provision of Services | 150 | (573) | (5,306) | (5,728) |

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value of Assets and Liabilities

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

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

The fair values calculated are as follows:

| Non-Current Restated | Current Restated | | Non-Current | Current |
|----------------------|------------------|--|---------------|----------------|
| 31 Mar 19 | 31 Mar 19 | | 31 Mar 20 | 31 Mar 20 |
| £'000 | £'000 | | £'000 | £'000 |
| | | FINANCIAL ASSETS | | |
| | | Carried at Amortised Cost | | |
| 6,150 | 2,004 | Investments | 6,450 | 94,413 |
| | 4,932 | Cash and Equivalents | | 10,351 |
| 15,030 | 6,734 | Debtors | 12,572 | 11,684 |
| 21,180 | 13,670 | Total at Amortised Cost | 19,022 | 116,448 |
| | | Carried at Fair Value through Profit and Loss | | |
| 2,420 | | Equity Instruments | 2,420 | 0 |
| 2,420 | 0 | Total at Fair Value through Profit and Loss | 2,420 | 0 |
| 23,600 | 13,670 | Total Financial Assets | 21,442 | 116,448 |

| Non-Current Restated | Current Restated | | Non-Current | Current |
|----------------------|------------------|--|------------------|-----------------|
| 31 Mar 19 | 31 Mar 19 | | 31 Mar 20 | 31 Mar 20 |
| £'000 | £'000 | | £'000 | £'000 |
| | | FINANCIAL LIABILITIES | | |
| | | Carried at Amortised Cost | | |
| | (7,500) | Borrowing | | (15,000) |
| | (14,014) | Creditors at Contract Amount | | (18,015) |
| | | Carried at Fair Value through Profit and Loss | | |
| 92 | | PFI and Finance Leases (deferred liabilities) | (234,214) | |
| 92 | (21,514) | Total Financial Liabilities | (234,214) | (33,015) |
| 23,692 | (7,844) | TOTAL | (212,772) | 83,432 |

Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Fair Value

Long term debtors comprise finance lease and loans to other organisations. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has a 125 year loan to the Y.M.C.A. in respect of accommodation at less than market rate (soft loan). The interest foregone over the life of the loan is recognised in the Financial Instruments Adjustment Account on the Balance Sheet. Interest of £1,000 (2018/19: £1,000) is recorded as a gain in the Comprehensive Income and Expenditure Account and reflected as a reduction in the Financial Instruments Adjustment Account.

The current levels of fair value hierarchy, as a measurement of fair value of the financial instruments held by the authority for both assets and liabilities (current and non-current) are outlined in the table below.

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

| 2018/19 | | | | 2019/20 | | |
|---------|----------|---------|---|---------|-----------|---------|
| Level 1 | Level 2 | Level 3 | Financial Assets | Level 1 | Level 2 | Level 3 |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 2,004 | 32,846 | | Financial Assets at Amortised Cost | 94,413 | 41,057 | |
| | 2,420 | | Financial Assets at Fair Value through Profit and Loss | | 2,420 | |
| | | | Financial Liabilities | | | |
| | (21,514) | | Financial Liabilities at Amortised Cost | | (33,015) | |
| | 92 | | Financial Liabilities at Fair Value through Profit and Loss | | (234,214) | |
| 2,004 | 13,844 | 0 | Total | 94,413 | (223,753) | 0 |

Key Risks

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

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

Overall procedures for managing risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing

NOTES TO THE CORE FINANCIAL STATEMENTS

- its maximum and minimum exposures to fixed and variable rates
- its maximum and minimum exposures to the maturity structure of its debt
- its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

These are required to be reported and approved at or before the annual meeting where the Council agrees its budget and sets the council tax, or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 29th January 2019 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2019/20 was set at £55 million (2018/19: £30 million). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary was expected to be £40 million (2018/19: £25 million). This is the expected level of debt and other long term liabilities during the year

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy for 2019/20, which was approved by the Council on 29th January 2019, can be found on the Council's website.

One long-standing investment for £2m, which met the criteria when placed, does not meet the Council's current criteria. However, because it was placed to support local businesses, its continuing use as a counterparty has been approved by Leadership Team.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies

NOTES TO THE CORE FINANCIAL STATEMENTS

to all of the Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

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

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

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need. It currently has no longer term borrowing requirements. 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. The maturity analysis of financial liabilities is as follows:

| 2018/19 | | Time to Maturity | 2019/20 | |
|--------------|------|--------------------|---------------|------|
| £'000 | % | | £'000 | % |
| 7,500 | 100% | Less Than One Year | 15,000 | 100% |
| 7,500 | | Total | 15,000 | |

The Council does not generally allow credit for its trade debtors, such that £1.307 million (2018/19 £0.787 million) of the £11.671 million (2018/19: £10.325 million) balance is past its due date for payment. The past due amount can be analysed by age as follows:

| 31 Mar 19 | | 31 Mar 20 |
|------------|--|--------------|
| £'000 | | £'000 |
| 368 | Less than 3 months | 903 |
| 18 | More than 3 months, less than 6 months | 18 |
| 137 | More than 6 months, less than 1 year | 117 |
| 264 | More than 1 year | 269 |
| 787 | | 1,307 |

Refinancing and Maturity risk

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the

NOTES TO THE CORE FINANCIAL STATEMENTS

Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

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

| 31 Mar 19 | | 31 Mar 20 |
|--------------|------------------|-----------|
| £'000 | | £'000 |
| 2,004 | Less than 1 year | 0 |
| 2,004 | | 0 |

Interest Rate Risk

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| 31 Mar 19 | | 31 Mar 20 |
|-----------|------------------|--------------|
| £'000 | | £'000 |
| 70 | Less than 1 year | 1,043 |
| 70 | | 1,043 |

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

Price Risk

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

38 Going Concern

Underlying Principle: The accounts have been prepared on a going concern basis that the Council will continue in operational existence for the foreseeable future.

The Council carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2019/20, 2020/21 and 2021/22. This included consideration of the following:-

- Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as remote working).
- Changes to Government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- The impact on the Council's capital programme, e.g. delays caused by Government restrictions, and whether there is a need to rephase work for other reasons.
- The impact on the Council's subsidiaries and joint ventures.
- The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at June 2020 the Council has around £94m short term investments), impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the Council's General Fund and reserves.
- Central Government support - the Council has received grants from the Government. These have been:
 - Grants that the Council has administered and passed onto individuals and businesses to provide support to them and whilst these have been in the millions of pounds there has been no impact on the Council's financial position.
 - Grants for the Council to cover the additional expenditure incurred to respond to COVID related issues and then also grants to cover the loss of non-commercial income (although this has been limited to a maximum of 75% of the loss).

This review highlighted that COVID-19 posed a significant financial challenge for the Council, as it did for all local authorities.

The Council's assessment as at 14 July 2020 was that the net total adverse impact of COVID-19 on the General Fund would be £1.03 million, the vast majority of which was expected to crystallise within 2020/21. This assumed no extra funding above that already announced by Central Government, no re-prioritisation of services or alternative service provision. During 2020/21 the Council received additional support from central government and reprioritised resources to minimise the call on balances. By way of context, the General Fund minimum prudent balance as at 31 March 2020 was £2.00 million and the Council has been able to maintain general fund balances at or above this level to November 2022. In addition to this the Council has an Economic Impact reserve which has been utilised to help manage the financial impact of COVID-19 with a forecast balance of £1.36m at 31 March 2023 (2022/23 financial monitoring report to Cabinet October 2022). It is therefore felt that there continues to be significant headroom within the General Fund to manage future financial risks including inflation and the cost of living crisis.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has also reviewed its cash requirements over the medium term (up to the end of March 2024) and remains confident in its ability to maintain sufficient cash for its services throughout the medium term, even there is some uncertainty around income levels. The Council holds over £90m in cash all of which is available at short notice. This is based on our review of the cashflow forecast which covers a period twelve months beyond the signing of the accounts i.e. through to December 2023. The Council is of course also able to borrow short term for revenue purposes if ever needed. The Council continues to hold sufficient levels of reserves and investments such that it would not run out of cash.

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

COLLECTION FUND

COLLECTION FUND

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

| 2018/19 | | | | 2019/20 | | |
|---------------|----------------|----------------|---|-----------------|-----------------|------------------|
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| NNDR | Ctax | Total | | NNDR | Ctax | Total |
| | | | Income receivable: | | | |
| | (57,959) | (57,959) | Council Tax receivable | | (60,997) | (60,997) |
| (63,996) | | (63,996) | Business Rates receivable | (60,044) | | (60,044) |
| | | | Transitional Protection Receivable | (45) | | (45) |
| | | | Repayment of previous years deficit | | | |
| | | | Watford Borough Council | (3,411) | | (3,411) |
| | | | Hertfordshire County Council | (853) | | (853) |
| | | | Central Government | (4,263) | | (4,263) |
| (63,996) | (57,959) | (121,955) | Total Income | (68,616) | (60,997) | (129,613) |
| | | | Expenditure: | | | |
| | | | Repayment of previous years surplus | | | |
| 3,382 | 181 | 3,563 | Watford Borough Council | | 250 | 250 |
| 846 | 887 | 1,733 | Hertfordshire County Council | | 1,257 | 1,257 |
| | 108 | 108 | Hertfordshire Police and Crime Commissioner | | 156 | 156 |
| 4,228 | | 4,228 | Central Government | | | 0 |
| | | | Precepts | | | |
| 24,876 | 8,502 | 33,378 | Watford Borough Council | 23,344 | 8,809 | 32,153 |
| 6,219 | 42,775 | 48,994 | Hertfordshire County Council | 26,679 | 44,661 | 71,340 |
| | 5,313 | 5,313 | Hertfordshire Police and Crime Commissioner | | 6,174 | 6,174 |
| 31,095 | | 31,095 | Central Government | 16,675 | | 16,675 |
| | | | Charges to the Collection Fund | | | |
| 1,693 | 119 | 1,812 | Increase(Decrease) in Bad Debts Provision | 851 | 224 | 1,075 |
| (2,711) | | (2,711) | Increase(Decrease) in Appeals Provision | (6,400) | | (6,400) |
| 169 | | 169 | Cost of Collection | 167 | | 167 |
| 3,005 | | 3,005 | Transitional Protection Payable | 0 | | 0 |
| 72,802 | 57,885 | 130,687 | | 61,316 | 61,531 | 122,847 |
| 8,806 | (74) | 8,732 | (Surplus)/Deficit for the year | (7,300) | 534 | (6,766) |
| (2,848) | (1,751) | (4,599) | Fund Balance as at 1 April | 5,958 | (1,825) | 4,133 |
| 5,958 | (1,825) | 4,133 | (Surplus)/Deficit carried forward | (1,342) | (1,291) | (2,633) |
| | | | Fund Balance Allocation | | | |
| 2,383 | (274) | 2,109 | Watford Borough Council | (598) | (190) | (788) |
| 596 | (1,378) | (782) | Hertfordshire County Council | 234 | (967) | (733) |
| | (173) | (173) | Hertfordshire Police and Crime Commissioner | | (134) | (134) |
| 2,979 | | 2,979 | Central Government | (978) | | (978) |

COLLECTION FUND

NOTES TO THE COLLECTION FUND

CF1 Council Tax Payers

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

| 2018/19 | | 2019/20 | | | | |
|---------------------------------------|--|-----------------------------------|---|----------------------------|----------------------------------|---------------------------------------|
| Equivalent Number of Band D Dwellings | Valuation Band | Total Number of Dwellings in Band | Discounts, Exemptions & Disabled Relief | Total Chargeable Dwellings | Conversion Fraction (Proportion) | Equivalent Number of Band D Dwellings |
| 1.11 | A (Disabled Relief) | 0.00 | 0 | 0.00 | 5/9 | 0.00 |
| 237.53 | A | 493.00 | (166) | 327.20 | 6/9 | 218.13 |
| 2,187.93 | B | 4,259.00 | (1,373) | 2,886.50 | 7/9 | 2,245.06 |
| 10,250.27 | C | 14,515.00 | (2,820) | 11,694.95 | 8/9 | 10,395.51 |
| 10,769.70 | D | 12,708.00 | (1,860) | 10,848.35 | 9/9 | 10,848.35 |
| 3,911.42 | E | 3,606.00 | (356) | 3,250.20 | 11/9 | 3,972.47 |
| 2,890.41 | F | 2,171.00 | (123) | 2,048.35 | 13/9 | 2,958.73 |
| 3,002.92 | G | 1,902.00 | (72) | 1,830.00 | 15/9 | 3,050.00 |
| 144.49 | H | 78.00 | 6 | 84.00 | 18/9 | 168.00 |
| 33,395.78 | | 39,732.00 | (6,762.45) | 32,969.55 | | 33,856.24 |
| (1,001.87) | Less Allowance for losses on collection | | | | | (1,015.69) |
| 32,393.90 | Tax Base for Calculation of Council Tax | | | | | 32,840.56 |
| | Add: Adjustment for changes during the year for successful appeals against valuations bandings, new properties, demolitions, disabled persons' relief and empty properties | | | | | |
| 32,393.90 | | | | | | 32,840.56 |

Each year, the Council needs to collect enough money from local residents to cover the cost of the services it provides which is not funded by government grants and charges for services. It also collects charges for Hertfordshire County Council and the Hertfordshire Police. The total is divided by the tax base for the purposes of calculating the council tax to arrive at an average Band D tax per dwelling. The Council set an average council tax charge for Band D dwellings of £1,816.17 (£1,746.92 for 2018/19).

| 2018/19 | | 2019/20 |
|----------|--------------------------|----------|
| £'000 | | £'000 |
| (57,959) | Gross Council Tax Charge | (60,997) |

CF2 Business Rate Payers

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

The relevant rateable value and multiplier data is shown below:

| 2018/19 | | 2019/20 |
|-------------|--|-------------|
| £ | | £ |
| 149,458,837 | Total Non-Domestic Rateable Value at 31 March | 148,212,001 |
| 49.3 | National Non-Domestic Rate Multiplier - Standard | 50.4 |
| 48.0 | National Non-Domestic Rate Multiplier - Small Business | 49.1 |

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

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

From 1 April 2013, the Hertfordshire County Council share, the Borough share and the Central Government share (after allowable deductions) are paid direct from the Collection Fund.

WATFORD
RIVERWELL



**WATFORD
BOROUGH
COUNCIL**

GROUP ACCOUNTS
GROUP ACCOUNTS

2019/20

Watford Riverwell is the brand logo for Watford Health Partnership LLP (WHCP)

GROUP ACCOUNTS

GROUP MOVEMENT IN RESERVES STATEMENT

Page 195

| 2019/20 | General Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Share of JV Reserve | Total Usable Reserves | Unusable Reserves | Total Reserves |
|---|----------------------|--------------------|--------------------------|--------------------------|---------------------|-----------------------|-------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 April 2019 | (1,999) | (19,492) | (1) | (4,228) | (2,741) | (28,461) | (199,305) | (227,766) |
| Total Comprehensive income and expenditure | (85,051) | 0 | 0 | 0 | | (85,051) | (40,382) | (125,433) |
| Adjustments between accounting basis, and funding basis under regulations | 58,950 | 0 | (27) | (71,423) | | (12,500) | 12,500 | 0 |
| Adjustments primarily involving the share of Joint Venture Reserve | | | | | 2,404 | 2,404 | | 2,404 |
| Transfer to/from Earmarked Reserves | 25,809 | (25,134) | 0 | 0 | 0 | 675 | (675) | 0 |
| Total Increase(decrease) during the year | (292) | (25,134) | (27) | (71,423) | 2,404 | (94,472) | (28,557) | (123,029) |
| Balance as 31 March 2020 | (2,292) | (44,626) | (28) | (75,651) | (337) | (122,934) | (227,861) | (350,795) |

| 2018/19 Restated | General Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Share of JV Reserve | Total Usable Reserves | Unusable Reserves | Total Reserves |
|---|----------------------|--------------------|--------------------------|--------------------------|---------------------|-----------------------|-------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 April 2018 | (1,415) | (16,351) | (987) | (2,159) | (433) | (21,345) | (206,515) | (227,859) |
| Total Comprehensive income and expenditure | 926 | | | | | 926 | 1,476 | 2,402 |
| Adjustments between accounting basis, and funding basis under regulations | (5,430) | | 986 | (2,069) | | (6,513) | 6,513 | 0 |
| Adjustments primarily involving the share of Joint Venture Reserve | | | | | (2,309) | (2,309) | | (2,309) |
| Transfer to/from Earmarked Reserves | 3,920 | (3,141) | 0 | 0 | 0 | 779 | (779) | 0 |
| Total Increase(decrease) during the year | (584) | (3,141) | 986 | (2,069) | (2,309) | (7,117) | 7,210 | 93 |
| Balance as at 31 March 2019 | (1,999) | (19,492) | (1) | (4,228) | (2,741) | (28,461) | (199,305) | (227,766) |

GROUP ACCOUNTS

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2018/19 Restated | | 2019/20 | | |
|---------------------|--|----------------------|-----------------|--------------------|
| Net Expenditure | GROUP CIES STATEMENT | Gross Expenditure | Gross Income | Net Expenditure |
| £000 | | £000 | £000 | £000 |
| | Services | | | |
| 1,189 | Corp Strategy & Client Service | 1,315 | (81) | 1,234 |
| 11,299 | Community Services | 15,877 | (3,642) | 12,235 |
| 3,672 | Democracy & Governance | 2,513 | (567) | 1,946 |
| 678 | Human Resources | 673 | (46) | 627 |
| 11,030 | Place Shaping & Performance | 14,756 | (4,569) | 10,187 |
| 3,810 | Service Transformation | 6,458 | (292) | 6,166 |
| 4,394 | Strategic Finance | 35,328 | (31,282) | 4,046 |
| 36,072 | Net Cost of Services | 76,920 | (40,479) | 36,441 |
| | | | | |
| (7,635) | Other Operating (Income) and Expenditure | | | (10,735) |
| (11,610) | Financing and Investment (Income) /Expenditure | | | (1,924) |
| (15,901) | Taxation and Non-Specific Grant Income | | | (108,833) |
| | | | | |
| 926 | (Surplus) or Deficit on Provision of Services | | | (85,051) |
| (2,129) | Share of (Surplus) / Deficit on Provision of Services by Joint Venture | | | 2,404 |
| | | | | |
| (1,203) | Group (Surplus) / Deficit | | | (82,647) |
| (2,353) | (Surplus) / Deficit on revaluation of long-term assets | | | (18,676) |
| 3,829 | Actuarial (gains) or losses on pension assets and liabilities | | | (21,706) |
| | | | | |
| 1,476 | Other Comprehensive (Income) and Expenditure | | | (40,382) |
| | | | | |
| 273 | Total Comprehensive (Income) and Expenditure | | | (123,029) |

GROUP ACCOUNTS

GROUP BALANCE SHEET

| 31 March 2018 Restated £'000 | 31 March 2019 Restated £'000 | | 31 March 2020 £'000 |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------------|
| 100,121 | 101,671 | Property, Plant and Equipment | 361,467 |
| 3,055 | 2,238 | Assets under Construction | 1,331 |
| 1,945 | 1,978 | Heritage Assets | 2,609 |
| 830 | 2,146 | Surplus Assets | 2,600 |
| 169,339 | 171,711 | Investment Properties | 161,448 |
| 2,852 | 5,311 | Long Term Investments | 3,208 |
| 20,854 | 20,899 | Long-Term Debtors | 18,441 |
| 298,994 | 305,954 | Total Long term Assets | 551,104 |
| 0 | 0 | Assets Held For Sale | 0 |
| 17 | 17 | Inventories | 20 |
| 10,707 | 6,734 | Short-Term Debtors | 11,684 |
| | 2,004 | Short-Term Investments | 94,413 |
| 15,992 | 4,932 | Cash and Cash Equivalents | 9,865 |
| 26,716 | 13,687 | Total Current Assets | 115,981 |
| (25,354) | (15,462) | Short-Term Creditors | (24,200) |
| 0 | (7,500) | Short-Term Borrowing | (15,000) |
| (25,354) | (22,962) | Total Current Liabilities | (39,200) |
| (7,418) | 86 | Long-Term Creditors | (231,912) |
| (7,030) | (5,946) | Provisions | (2,987) |
| (58,049) | (63,053) | Defined Benefit Pension Scheme | (42,191) |
| (72,497) | (68,913) | Total Long Term Liabilities | (277,090) |
| 227,859 | 227,766 | Net Assets | 350,795 |
| | | Reserves | |
| (21,345) | (28,462) | Usable Reserves | (122,934) |
| (206,515) | (199,305) | Unusable Reserves | (227,861) |
| (227,859) | (227,766) | Total Reserves | (350,795) |

During the financial year, the Council acquired Croxley Business Park on a finance lease for 40 years at a cost of £237m. The Council received £92m in advance for planned capital programme and rent shortfall over the lease period. This sum is reflected in Earmarked Reserves and Capital Grants and Contributions in the following notes.

Signed:
Alison Scott, CPFA
Director of Finance

Date:

Signed:
Mark Hofman
Chairman of Audit Committee

Date:

NOTES TO GROUP ACCOUNTS

GROUP CASH FLOW STATEMENT

| 2018/2019 (Restated) | | | 2019/2020 | |
|----------------------|----------------|--|-----------|------------------|
| £'000 | £'000 | | £'000 | £'000 |
| 1,170 | | Net surplus on the provision of services | 85,051 | |
| 2,074 | | Adjustments to net surplus or deficit on the provision of services for non cash movements | 19,872 | |
| 3,086 | | Adjustments for items that are outflows in provision of services from investing and financing activities | 298,509 | |
| | 6,330 | Net cash inflows from Operating Activities | | 403,432 |
| | | Investing Activities Inflows /(outflows) | | |
| (7,598) | | Purchase of PPE, Investment Property and intangible assets | (14,247) | |
| (15,170) | | Purchase of short term / long term investments | (472,676) | |
| (149) | | Other payments for investing activities | (3,542) | |
| 4,440 | | Proceeds from the sale of PPE, Investment Property and intangible assets | 5,838 | |
| 7,112 | | Proceeds from short term / long term investments | 0 | |
| 4,492 | | Other receipts from investing activities | 81,615 | |
| | (6,873) | | | (403,013) |
| | | Financing Activities Inflows /(outflows) | | |
| 0 | | Other receipts/payments from financing activities | 0 | |
| (10) | | Repayments of short and long term borrowing | (7,500) | |
| (4,508) | | Other payments for financing activities | (498) | |
| 0 | | Cash payments - finance leases | (2,488) | |
| 0 | | Cash receipts of short-term / long term borrowing | 15,000 | |
| | (4,518) | | | 4,514 |
| | (5,061) | Net increase in cash and cash equivalents | | 4,933 |
| | 9,991 | Cash and Cash equivalents at the beginning of the reporting period | | 4,930 |
| | 4,930 | Cash and Cash equivalents at the end of the reporting period | | 9,864 |

As part of the Croxley Business Park acquisition, the Council received £68m in advance for planned capital programme and £24m for rent shortfall over the duration of the finance lease. This is reflected **in the net increase** in cash and cash equivalents of £97,832.

NOTES TO GROUP ACCOUNTS

NOTES TO THE GROUP ACCOUNTS

1. The Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2019/20 using the equity method for Joint Ventures under International Accounting Standard 28, Interests in Joint Ventures, and using the line-by-line consolidation method for subsidiaries under International Accounting Standard 27, Consolidated and Separate Financial Statements. There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts.

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

2. Watford Borough Council's Share of Joint Venture Company within the Group

| Joint Ventures | Share of Ownership | Other Stakeholder | Date Incorporated |
|--|---------------------------|---------------------------------|--------------------------|
| Watford Health Campus Partnership LLP (WHCP) | 50% | Kier Property Investment | 18 June 2013 |
| Hart Homes (Watford) Limited | 50% | Watford Community Housing Trust | 24 June 2016 |

Watford Borough Council has 100% ownership in Watford Commercial Services Limited (net assets not material as at 31 March 2020) which in turn has 50% ownership in Hart Homes Watford Development LLP (net liabilities of £147k as at 31 March 2020) and part of joint committee with Wests Herts Crematorium as at 31 March 2020. The aggregate net assets of these companies is not material, and therefore has not been consolidated as part of the group accounts.

NOTES TO GROUP ACCOUNTS

The table below shows 50% share for Watford Borough Council.

| Restated 2018/19 | | | 2019/20 | |
|---------------------------------------|------------------------------|--|---------------------------------------|------------------------------|
| Watford Health Campus Partnership LLP | Hart Homes (Watford) Limited | | Watford Health Campus Partnership LLP | Hart Homes (Watford) Limited |
| £'000 | £'000 | | £'000 | £'000 |
| (11,532) | (93) | Revenue | (14,400) | (368) |
| 7,278 | 0 | Cost of Sales | 12,203 | 0 |
| 270 | 85 | Administrative Expenses | 141 | 200 |
| 0 | 0 | Finance Cost | 0 | 128 |
| (3,985) | (8) | (Profit) Loss for the period | (2,057) | (40) |
| 0 | 5,567 | Property, Plant and Equipment | 0 | 5,515 |
| 5,259 | 0 | Project under Development | 5,151 | 0 |
| 9,055 | 0 | Work in Progress (Current Assets) | 5,087 | 0 |
| 1,126 | 9 | Debtors (Current Assets) | 75 | 36 |
| 1,382 | 45 | Cash and Cash Equivalents (Current Assets) | 474 | 69 |
| (4,117) | (230) | Creditors (Current Liabilities) | (427) | (99) |
| (9,953) | (3,000) | Creditors (Long term liabilities) | (10,051) | (3,090) |
| 2,752 | 2,390 | Net Assets | 308 | 2,430 |
| 5,141 | | TOTAL NET ASSETS | 2,738 | |

3. Related Party Transactions

During the Period, there were no transactions between WHCP and the three related parties; Kier Project Investments, Kier Project Development, and Watford Borough Council.

4. WHCP Members' Capital Contributions (Loan Notes)

| 2018/19 | | 2019/20 | | |
|---------------------------------|-------------|--------------|------------|---------------------------------|
| Amounts outstanding at 31 March | | New Loans | Repayments | Amounts outstanding at 31 March |
| £'000 | | £'000 | £'000 | £'000 |
| 7,078 | Loan Note A | 2,973 | 0 | 10,051 |
| 7,078 | | 2,973 | 0 | 10,051 |

Interest of £0.518m has been accrued in respect of the total contributions by Watford Borough Council.

Grant and interest free loans

The project has a committed grant of £9.0m from West Hertfordshire Hospital Trust (WHHT) which has been used to fund part of the development of infrastructure, including construction of road and a bridge.

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS AND ABBREVIATIONS

Accounting Period

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

Accruals

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

Amortisation

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

Billing Authority

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

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

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

Collection Fund

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

Contingent Assets/Liabilities

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

Depreciation

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

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.

GLOSSARY OF TERMS AND ABBREVIATIONS

Financial Reporting Standard (FRS)

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

Group Accounts

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

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

Heritage Assets

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

IFRS

International Financial Reporting Standards.

Investment Property

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

Investments

Deposits 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)

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

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

Operational Assets

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

Operating Lease

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

Pension Fund

GLOSSARY OF TERMS AND ABBREVIATIONS

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

Precept

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

Profit on the Sale of Long Term Assets

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

Provisions

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

Revenue Expenditure Funded From Capital Under Statute

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

Revenue Support Grant

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

Surplus Assets

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

Agenda Item 9

Part A

Report to: Audit Committee

Date of meeting: Thursday, 24 November 2022

Report author: Head of Finance

Title: Draft Treasury Management Strategy 2023/24

1.0 Summary

1.1 This report sets out the draft Treasury Management Strategy Statement (TMSS) for 2022/23. The final TMSS will be considered by Council on 31 January 2023 alongside the Budget for 2023/24, Medium Term Financial Strategy and Capital Investment Strategy.

1.2 The report is presented to the Audit Committee as the body delegated by Council to undertake the role of scrutiny of treasury management strategy and policies.

2.0 Risks

2.1

| Nature of risk | Consequence | Suggested Control Measures | Response (treat, tolerate, terminate or transfer) | Risk Rating (combination of severity and likelihood) |
|--|--|---|---|--|
| Treasury Management Risks are not adequately managed | The function fails to provide security of its cash and / or sufficient liquidity to meet current obligations | The Treasury Management function applies the Treasury Management Strategy Statement and monitors performance against it. The Treasury Management Strategy Statement will reflect the latest requirements for the CIPFA Treasury Management Code of Practice and applies best practice | Treat | 4 |

3.0 Recommendations

3.1 The Committee is asked to comment on the draft Treasury Management Strategy Statement 2023/24.

Further information:

Hannah Doney

hannah.doney@threerivers.gov.uk

Report approved by: Hannah Doney, Head of Finance

4.0 Detailed proposal

4.1 The Treasury Management Strategy Statement (TMSS), previously called the Treasury Management Policy, supports the delivery of the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity.

4.2 The TMSS details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The primary objectives are of the TMSS are:

- Security - Safeguard the repayment of the principal and interest of its investments on time
- Liquidity - Ensure adequate liquidity to meet obligations as they fall due
- Yield - Investment return is the final objective and is considered after security and liquidity requirement have been satisfied.

4.3 This statement is reviewed and approved annually by Council alongside the Council's budget, Medium Term Financial Strategy (MTFS) and Capital Strategy.

4.4 The Director of Finance in consultation with the Portfolio Holder Resources has delegated authority to approve any variation to the Treasury Management Strategy Statement during the year with the objective of maximising the Council's returns without significantly increasing risk.

4.5 The Audit Committee is designated as the Committee to receive reports on the performance of the Treasury Management function. The Committee currently receives two reports per year: the Mid Term Review and Annual Performance Report. As the committee responsible for monitoring the performance of the function, the Committee is also asked to comment on the TMSS prior to its consideration and approval by Council. The draft TMSS is at Appendix 1.

4.6 The draft TMSS has been prepared in accordance with the Treasury Management Code of Practice which is statutory guidance prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA).

4.7 Although the macro-economic environment has changed significantly since the current Treasury Management Policy was agreed for 2022/23, the principles of effective treasury management and primary objectives remain the same. Therefore, there are no changes proposed to the TMSS for 2023/24 other than adoption of the new title to reflect current terminology.

5.0 **Implications**

5.1 **Financial**

5.1.1 The Shared Director of Finance comments that there are no implications arising directly from this report.

5.2 **Legal Issues (Monitoring Officer)**

5.2.1 There are no legal issues arising from this report.

5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

Having had regard to the council's obligations under s149, it is considered that there are no issues arising from this report.

5.4 **Staffing**

5.4.1 There are no staffing issues arising from this report.

5.5 **Accommodation**

5.5.1 There are no accommodation issues arising from this report.

5.6 Community Safety/Crime and Disorder

5.6.1 There are no community safety issues arising from this report.

5.7 Sustainability

5.7.1 There are no sustainability issues arising from this report.

Appendices

- Appendix 1 – Draft Treasury Management Strategy Statement 2023/24

Background papers

No papers were used in the preparation of this report.

Treasury Management Strategy Statement 2023/24



1. Overview

- 1.1. This document sets out the Council's Treasury Management Strategy Statement.
- 1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.3. The Treasury Management Strategy Statement supports the delivery of the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity.
- 1.4. The Treasury Management Strategy Statement details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The primary objectives of the Treasury Management Strategy Statement are:
 - Security - Safeguard the repayment of the principal and interest of its investments on time
 - Liquidity - Ensure adequate liquidity to meet obligations as they fall due
 - Yield - Investment return is the final objective and is considered after the security and liquidity requirements have been satisfied.
- 1.5. This statement is reviewed and approved annually by Council alongside the Council's budget, Medium Term Financial Strategy (MTFS) and Capital Strategy.
- 1.6. The Director of Finance in consultation with the Portfolio Holder Resources has delegated authority to approve any variation to the Treasury Management Strategy Statement during the year with the objective of maximising the Council's returns without significantly increasing risk.

2. Risks

- 2.1. The key Treasury Management risks are set out in the CIPFA Treasury Management Code of Practice ("the TM Code"). The following paragraphs set out these risks and how they are managed:

Liquidity Risk - the Council may not have the cash it needs on a day to day basis to pay its bills.

This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.

Interest Rate Risk - the costs and benefits expected do not materialise due to changes in interest rates.

DRAFT

This risk is managed through the placing of different types and maturities of investments, within limits set for the amount of borrowing which may mature in a given time-period, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

Exchange Rate Risk - losses or gains are made due to fluctuations in the prices of currency.

The Council does not engage in any significant non-sterling transactions.

Credit and Counterparty Risk - the entity holding Council funds is unable to repay them when due.

This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited

Refinancing Risk - the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher.

The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.

Legal and Regulatory Risk - the Council operates outside its legal powers.

This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.

Fraud, Error and Corruption - the risk that losses will be caused by impropriety or incompetence.

This is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds

Market Risk - the price of investments held fluctuates, principally in secondary markets.

The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure.

3. Treasury Indicators: Limits to Borrowing Activity

- 3.1. There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved Treasury Management Strategy Statement and practices. These indicators are set out in the Capital Strategy.
- 3.2. The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of

DRAFT

the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.

- 3.3. In addition to the limits controlling the total amount of borrowing, further limits are in place to control the Council's exposure to interest rate risk on refinancing. These limits are set out in the following table:

| Maturity Structure of Borrowing | | |
|--|--------------|--------------|
| | Lower | Upper |
| Under 12 months | 0% | 100% |
| 12 months to 2 years | 0% | 100% |
| 2 years to 5 years | 0% | 100% |
| 5 years to 10 years | 0% | 50% |
| 10 years to 20 years | 0% | 50% |
| 20 years to 30 years | 0% | 50% |
| 30 years to 40 years | 0% | 50% |
| 40 years to 50 years | 0% | 50% |

- 3.4. These limits range between 0% and 100% for loans out to 5 years where there is some degree of accuracy with the forecasts for interest rates. Then for the longer term, loans are limited to 50% of the overall borrowing portfolio maturing in each of the given timeframes. The 50% maximum limit protects the Council from being exposed to high levels of refinancing when interest rates may be substantially higher than they are now. Borrowing is expected to increase in following the strategy set out in the following paragraphs

4. Borrowing Strategy

- 4.1. The Council's treasury team maintains a cashflow forecast and works its liquidity requirements within this forecast; it may, on rare occasions, be necessary to borrow short-term for cashflow purposes. This will be in the form of short term debt or overdraft facilities and is normally for small amounts for minimum durations. As this is based on need and has a defined repayment period it is not normally included within the limits set above.
- 4.2. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated (i.e. the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds. Any associated risks will be approved and reported through the standard reporting method.
- 4.3. The Council's level of external borrowing is expected to increase across the period of the MTF5. In recent years the Council has followed a policy of using

DRAFT

internal borrowing – which is the use of the Council’s own short-term cash surpluses (which back the Council’s reserves and provisions) – to limit the interest cost of financing borrowing-funded elements of the Capital Programme. The Council’s capacity to use internal borrowing is now diminished and external borrowing will be required to finance future spend. In the longer-term it will also be necessary to refinance internal borrowing with external debt.

- 4.4. Interest rates on short-duration loans are significantly lower than on longer term debt. Interest rates are expected to remain at these very low levels for some time to come. In order to benefit from these lower short-term rates, it is proposed that the Council will manage long-term financing by building a portfolio of short-term (0-5 year duration) loans, the timing of which will be determined by the cash need to borrow.
- 4.5. Short-term debt will be replaced by longer term (10+ year duration) loans, based on projections for CFR, ensuring that financing cost will be spread over the useful life of the assets being financed.
- 4.6. Officers will monitor interest rate forecasts, and in conjunction with Treasury Management advisors determine the optimum timing and amount of future borrowing.

5. Investment Policy

- 5.1. The Council’s investment policy has regard to the Statutory Guidance on Local Government Investments and the TM Code. The Council’s investment priorities are security first, liquidity second, then yield.
- 5.2. Investment instruments identified for use in the financial year and counter-party limits are listed in Annex A under the ‘Specified’ and ‘Non-Specified’ Investments categories.
- 5.3. As part of its diversification of investments, the Council has invested some of its core funds (i.e. funds not immediately required for cashflow reasons) in longer-term investment property instruments. These are in the form of individual assets directly owned by the council. All property investments are controlled through the Property Investment Board (PIB) and each investment is subject to its own business case and appraisal before a decision to invest is taken and before any Council funds are committed.
- 5.4. Although the Council has no current investments or plans to invest in pooled property funds, these are permitted under the policy and are an option that could be considered in the future
- 5.5. The Council received a £92m reserve as a result of its acquisition of Croxley Park. These funds will be required over the life of the asset to cover any shortfalls in rental income (voids) and to cover the cost of planned programmed maintenance and refurbishment.

DRAFT

- 5.6. Following a competitive appointment process supported by the Council's Treasury Advisers, this cash has now been invested in three funds managed by Royal London Asset Management.
- 5.7. These investments are governed by the Council's Treasury Management Strategy Statement, but are to be considered separately from the Council's operational cash. The performance of these investments will be reported separately to the Property Investment Board.

6. Creditworthiness policy

- 6.1. The Council will ensure:
- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment schedule at Annex A.
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 6.2. The Director of Finance will maintain a counterparty list in compliance with the following criteria in section 7. The criteria will be reviewed regularly and proposed changes will be submitted to Council for approval as necessary in order to provide an overall pool of counterparties considered high quality.
- 6.3. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

7. Counterparty Categories

- 7.1. The Council uses the following criteria in choosing the categories of institutions in which to invest:
- **Banks 1 - Good Credit Quality**
The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.
 - **Banks 2 – The Council's Own Banker**
For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.
 - **Bank Subsidiary and Treasury Operations**
The Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.

DRAFT

- **Building Societies**
The Council will use all Societies which meet the ratings for banks outlined above.
- **Specific Public Bodies**
The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.
- **Money Market Funds AAA Rated**
The Council may lend to Money Market Funds in order to spread its investment risk.
- **Local Authorities**
A limit of £5m per authority will be applied.
- **Debt Management Office Deposit Account Facility**
A Government body which accepts local authority deposits.
- **Council Subsidiaries (non-specified)**
The Council will lend to its subsidiaries subject to approval of a business case by the Director of Finance in consultation with the Portfolio Holder for Resources. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.

7.2. The Council will also consider investment in property in accordance with its Property Investment Strategy. All property investments will be dependent on a standalone business case being proven. Further details of counterparty categories and limits are set out Annex A Schedule of Specified and Non-Specified Investments.

8. The Monitoring of Investment Counterparties

8.1. The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody's and Standard & Poor's) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard & Poor's respectively. Minimum Short Term Ratings, where given, must be met for all categories. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

- 8.2. For non-specified investments the progress of the entity against the approved, independently verified business case will be monitored by the Director of Finance.

9. Use of Additional Information Other Than Credit Ratings

- 9.1. Additional requirements under the TM Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

10. Time and Monetary Limits Applying to Investments

- 10.1. The time and monetary limits for institutions on the Council's Counterparty List summarised in the table below at paragraph 11.2, are driven by the criteria set out in sections 7 and 8. These limits will cover both Specified and Non-Specified Investments.

11. Exceptional Circumstances

- 11.1. The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly, the time periods for investments will be restricted.
- 11.2. Examples of these restrictions would be the greater use of the Debt Management Office Account Deposit Facility (DMADF) – a Government body which accepts local authority deposits - money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

12. Interest Rates

- 12.1. Interest rates are currently rising due to tightening of monetary policy to combat inflation and concerns over the UK economy. Increasing rates are leading to higher borrowing costs which will ultimately impact on the ability to finance the capital programme at the same level as previously. At the time of writing this strategy there is much uncertainty in the market and the impact of fiscal tightening has yet to be seen.
- 12.2. The Council's current strategy is to borrow over the shorter term and using advance deals already in place whilst continuously monitoring rate movements so that debt can be fixed long term when opportunities arise and the market view improves. Market commentators are predicting a fall back in rates over the

DRAFT

medium term although it is unlikely that this will be to previous historically low levels.

13. Investment Strategy

- 13.1. In-House Funds - investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 13.2. Investment Treasury Indicator and Limit - total principal funds invested for greater than one year. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. The table below provides details of these limits.

| Treasury Indicator & Limit | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 |
|---|-----------------|-----------------|-----------------|
| Maximum amount invested for periods over one year (Excludes Croxley Park Reserve, property investment and loans to Council subsidiaries). | £5m | £5m | £5m |
| Maximum amount invested for periods over one year. (Money Market Funds – Croxley Park Reserve) | £115m | £115m | £115m |

14. Investment Risk & Security Benchmarking

- 14.1. The Council sets benchmarks for security, liquidity and yield. These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report. The benchmarks are as follows:

Security:

Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

Liquidity:

DRAFT

The Council sets the following liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £1.0m available with a week's notice.

The Council has the benefit of instant access to its funds on the general account with Lloyds.

Yield:

The Council benchmarks the yield on its operational cash against SONIA (the Sterling Overnight Index Average). This is a measure of market rates for actual returns on overnight cash deposits. Performance against this indicator is monitored throughout the year.

15. Reporting Requirements

- 15.1. The Audit Committee has the responsibility for the scrutiny of Treasury Management policies and practices and receives the Treasury Management Policy for review prior to approval by Council.
- 15.2. An annual report on the performance of the Treasury Management function, including the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy is considered by Council following the end of the financial year.
- 15.3. Council also receives a Mid-Year Treasury Management Report setting out activity to 30 September.

16. Policy on the Use of External Service Providers

- 16.1. The contract for external treasury management advisors is carried out by Link Asset Services. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 16.2. The Council will also, from time to time, procure specialist advice for ad-hoc pieces of work; this will be procured in accordance with the Council's normal procedure rules.

17. Member and Officer Training

17.1. In order to ensure that Members and Officers are sufficiently trained and qualified to monitor and manage the Council's Treasury Management activity, the following measures are in place:

- Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
- Keeping up to date with CIPFA publications on Treasury Management.
- Regular briefings both by email and face to face with the Council's Treasury advisors;
- Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

Schedule of Specified and Non-Specified Investments

Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments with:

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- A local authority, parish council or community council.
- A body that is considered of a high credit quality (such as a bank or building society) with a minimum short term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies or a Building Society with assets over £1,000m. Non rated Building Societies are non-specified investments.
- Money Market Funds (triple AAA rated only).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are defined in the Treasury Management Strategy.

The ratings criteria and exposure limits are detailed in Schedules 1A to 1C.

Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out on the following page.

DRAFT

| Non Specified Investment Category | Limit (£ or %) |
|--|---|
| Any bank or building society that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment). | £5m |
| The Council's own banker if it fails to meet the basic credit criteria. | In this instance balances will be minimised as much as possible |
| <p>Building Societies not meeting the basic security requirements under the specified investments.</p> <p>The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.</p> | £2m |
| <p>Specific Public Bodies</p> <p>The Council can seek Member approval to make loans to other public bodies for periods of more than one year.</p> | £10m |
| <p>Loans to Council Subsidiaries</p> <p>The Council will lend to its subsidiaries subject to approval of a business case by the Director of Finance in consultation with the Portfolio Holder (Resources). Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.</p> | £10m limit for any single loan |
| <p>Money Market Funds</p> <p>Appointed through competitive process for the investment of the Croxley Park Reserve</p> | £100m |
| <p>Other unspecified investments</p> <p>The strategy allows the Director of Finance, in consultation with the Portfolio Holder (Resources), the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e. Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified investments, subject to conditions which will be generally similar to (e).</p> | £10m |

| | | Minimum Short Term Ratings | | Schedule 1 (A) – UK BANKS | | | |
|---|-------|-----------------------------|-----|---|---|---|---|
| Institution | Fitch | Moody's | S&P | | | | |
| The Council's own Bankers | F1m | P-1 | A-1 | If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible. | | | |
| Wholly Owned Subsidiaries of UK Clearing Banks Parent Ratings | F1 | P-1 | A-1 | Long Term Credit Rating: AA(F), Aa2(M), AA(S&P) | Long Term Credit Rating: Single A (All agencies) | Long Term Crediting Rating: Lower than A (All Agencies) | Long Term Crediting Rating: Lower than A |
| Partially Owned Subsidiaries of UK Clearing Banks Parent Ratings | F1 | P-1 | A-1 | Long Term credit Rating: AA(F), Aa2(M), AA(S&P) | Long Term Crediting Rating: Single A (All agencies) | Long Term Credit Rating: Lower than A (All Agencies) | Long Term Credit Rating: Lower than A |
| | | Max Amount / Length: | | £10m 364 Days | £10m 6 Months | £10m 3 Months | £10m 1 Month |

| | | | | Schedule 1 (B) – Building Societies | | | |
|---------------------------------------|-------|---------|-----|---|--|--|---|
| | | | | Minimum Short Term Ratings | | | |
| Institution | Fitch | Moody's | S&P | | | | |
| Building Societies – By Credit Rating | F1 | P-1 | A-1 | Long Term Credit Rating: AA(F), Aa2(M), AA(S&P) | Long Term Credit Rating: Single A (all agencies) | Long Term Credit Rating: Lower than A (All Agencies) | Long Term Crediting Rating: Lower than A |
| Building Societies – by Total Assets | | | | Assets over £15bn | Assets over £5bn | Assets of £2.5bn | Assets of £1bn |
| | | | | Max Amount / Length: £10m 364 Days | £10m 6 Months | £10m 3 Months | £10m 1 Month |

| Schedule 1 (C) – Other Entities | |
|--|--|
| 1. Specific Public Bodies | As approved by Members – up to £10m for up to 10 years |
| 2. Debt Management Deposit Facility (UK Government) | Unlimited – this is the Council’s Safe-Haven Deposit facility with the UK Government |
| 3. Money Market Funds (AAA Rated) – excluding Croxley Park Reserve | £5m per fund |
| 4. Municipal Bond Agency | As approved by Members |
| 5. UK Local Authorities | <p>A Maximum of £5m Applies per Authority.</p> <p>The Council can invest in all UK Local Authorities whether rated or not.</p> <p>The Council will not lend to an authority which is subject to a s.114 notice <i>without member approval</i>.</p> |

Notes:-

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).