



**WATFORD  
BOROUGH  
COUNCIL**

DRAFT

STATEMENT OF ACCOUNTS

2020/21

# Statement of Responsibilities for the Statement of Accounts

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# Statement of Responsibilities for the Statement of Accounts

## 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 2021 and its income and expenditure for the year ended 31 March 2021.

Signed  
**Alison Scott, CPFA**  
Director of Finance

Date: 31 July 2021

Signed  
**Mark Hofman**  
Chairman of Audit Committee

Date: 31 July 2021

# Narrative Statement

## INTRODUCTION

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

The following Statement of Accounts give an overview of the Council's finances for 2020/21. I am pleased to be able to report that the Council has maintained its strong financial position, which shows that there is a high standard of financial management and stewardship of the Council's resources.

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

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

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

Last year the draft accounts had to be published by 31 August 2020, this requirement has been amended and is now 31 July. Local authorities must commence the public inspection period on or before the first working day of August 2021. This is a challenge for the council but we are pleased to be able to provide these draft accounts before the end of July.

## COUNCIL PLAN

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

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

Our Council Plan themes are:

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

The Council Plan 2020-2024 can be found at the following link:

[https://www.watford.gov.uk/info/20016/the\\_council/108/council\\_plan\\_2020-24\\_and\\_delivery\\_plan\\_2020-22](https://www.watford.gov.uk/info/20016/the_council/108/council_plan_2020-24_and_delivery_plan_2020-22)

### 2 Overview of the financial underpinning of service delivery

# Narrative Statement

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 2020 for the following activities:

Service Area	Approved budget 2020/21 £000
Community and Environmental	8,980
Corporate Strategy and Communications	1,118
Democracy and Governance	2,063
HR Shared Service	671
Place Shaping & Performance	(4,921)
Service Transformation	2,673
Strategic Finance	5,169
<b>Total Net Expenditure</b>	<b>15,753</b>

The Council also approved a Capital Programme for 2020-21 of £119.7 million. The five largest schemes in these three years were:


	£m
Riverwell (Watford Health Campus Partnership)	50.1
Hart Homes	24.1
Watford Business Park redevelopment	7.8
Town Hall redeployment	8.9
Woodside Sports Village	6.8

### 3 Strategic Resource Allocation and Performance Monitoring

The Council monitors its budget during the year and any changes made are reflected in a revised budget. This was agreed in January 2021, as usual, as part of the MTFS (Medium Term Financial Strategy) for 2021/22. This is supported by regular budget monitoring during the year, monthly to officers and quarterly to Members. The MTFS approved for 2021/22, including a revised budget for 2020/21 and as amended for the decision of Council on 26 January 2021, is on the following page.

The 2020/21 revised budget shown includes approved carry forwards of £1.756 million from 2019/20, which were approved by Cabinet in June 2020 and subsequently Council in July 2020. 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

 <b>WATFORD BOROUGH COUNCIL</b> BE BOLD	2020/21 Original	2020/21 Revised	2021/22	2022/23	2023/24
	£000s	£000s At Period 8	£000s	£000s	£000s
<b>Total Net Expenditure</b>	15,753	17,703	13,684	12,491	12,137
<b>Planned Use of Reserves</b>					
Contributions to reserves	157	552	628	1,288	621
Contributions from reserves- Incl W2020 & Carry forward Reserve	(1,517)	(4,432)	(885)	(200)	(200)
<b>Sub-Total</b>	<b>(1,360)</b>	<b>(3,880)</b>	<b>(257)</b>	<b>1,088</b>	<b>421</b>
<b>Funding</b>					
Council Tax (including £188K CTSS funding in 2021/22)	(9,160)	(9,160)	(9,311)	(9,393)	(9,378)
Business Rates	(3,152)	(3,152)	(3,002)	(3,002)	(3,002)
New Homes Bonus	(772)	(772)	(480)	(577)	(577)
(Surplus)/Deficit on collection fund	(250)	(250)	0	0	0
Additional Government Funding	(400)	(400)	(122)	(122)	(122)
<b>Sub-Total</b>	<b>(13,734)</b>	<b>(13,734)</b>	<b>(12,914)</b>	<b>(13,093)</b>	<b>(13,078)</b>
<b>Total Funding &amp; Use of Reserves</b>	<b>(15,094)</b>	<b>(17,614)</b>	<b>(13,171)</b>	<b>(12,005)</b>	<b>(12,657)</b>
<b>Gap</b>	<b>659</b>	<b>88</b>	<b>513</b>	<b>485</b>	<b>(521)</b>
<b>Reserves - opening balances</b>	<b>(19,006)</b>	<b>(19,916)</b>	<b>(16,036)</b>	<b>(15,308)</b>	<b>(16,396)</b>
Planned use of reserves	1,360	3,880	257	(1,088)	(421)
Gap funded from reserves	658	88	513	485	(521)
<b>Reserves - closing balances</b>	<b>(16,988)</b>	<b>(15,948)</b>	<b>(15,266)</b>	<b>(15,911)</b>	<b>(17,338)</b>
<b>Council Tax Rate Calculation</b>					
Council tax base	33,480.0	33,480.0	32,786.1	33,095.7	32,394.5
Council tax charge for band D	£ 273.59	£ 273.59	£ 278.24	£ 283.80	£ 289.48
£	9159.79	9159.79	9122.40	9392.71	9377.59

## 4 Performance, including outturn for 2020/21

### Revenue Outturn 2020/21

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

Service Area	Revised Budget £000	Outturn £000	Variance £000
Service Transformation	3,155	3,651	497
Community & Environmental	11,870	11,901	31
Democracy & Governance	2,075	1,977	(98)
Place Shaping	(4,226)	(3,597)	628
Corporate Strategy & Communications	(594)	(760)	(166)
Human Resources	726	636	(90)
Strategic Finance	4,697	3,604	(1,093)
<b>Net Direct Cost of Service</b>	<b>17,703</b>	<b>17,411</b>	<b>(292)</b>
		Carry Forwards	274
		<b>Total Variance</b>	<b>(18)</b>

# Narrative Statement

## COVID-19

The Covid-19 Pandemic has had, and will continue to have, a notable impact on the public's and businesses' behavior and consequently has had a considerable impact on the Council.

The Government's national lockdowns and restrictions has meant that many businesses have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's income. Furthermore, the Council has incurred additional expense ensuring that the homeless are safe during this period and that the most vulnerable in our community are cared for through our shielding hub.

These additional costs and reductions in income have had a dramatic impact on the financial outturn for 2020/21. The Council experienced substantial losses across many of its largest income streams, most notably Car Parks, Leisure Centres and Commercial Rent. However, collection levels of Council Tax did not see a significant drop. Similarly, planning applications and building control notices remained buoyant, while the new Garden Waste service exceeded its predicted customer base and income generated. Helping to offset this impact, the Council has received £1.383m emergency Covid-19 funding and is projecting £1.250m from the Government's loss of Income Guarantee Scheme.

The Council has a prudent General Fund balance and has a separate Economic Impact reserve which it has utilised during the pandemic to maintain financial resilience. During 2020/21 the Council established a Recovery/Renewal Fund to support Watford in recovering from the impacts of COVID19. Therefore the Council is in a position to draw upon its reserve balance should it need to but clearly this could have longer term implications.

Throughout 2020/21, the Council adopted a pro-active approach to ensure that it responded to the emerging needs of residents and businesses. Regular financial monitoring will continue to ensure the Council takes all necessary remedial action, where practicable, with a continued focus on delivering key services against the backdrop of considerably reduced available resources.

## Capital Outturn 2020/21

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

Key capital projects included:

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

Capital expenditure for 2020/21 is shown below:-

Service Area	Latest Budget £000	Outturn £000	Variance £000
Service Transformation	1,935	1,425	(994)
Community & Environmental	7,196	8,318	(2,442)
Place Shaping & Performance	40,304	11,672	(16,215)
Corporate Strategy & Communications	0	57	57
Strategic Finance	679	667	(13)
<b>Total</b>	<b>50,114</b>	<b>22,081</b>	<b>(28,141)</b>



# Narrative Statement

The Council completed and funded £21.973m of capital works in 2020/21 (£26.745m in 2019/20). Key variations in the Capital Programme include:

- £13.9m rephrasing relating to Watford Riverwell that continues to progress.
- £4.2m of rephrasing relating to public realm works in Clarendon Road and Lower High Street.
- £2.4m rephrasing relating to the ongoing investment at Watford Business Park.
- £2.0m rephrasing relating to housing opportunities.
- £1.3m rephrasing for vehicle fleet requirements.

Funding came from £0.130m from capital receipts, £2.197m from grants & contributions, £0.331m from reserves, £4.454m from Section 106 receipts and £14.861m from borrowing.

The Council is involved in three long term major schemes at Watford Riverwell, Hart Homes and Watford Business Park where spend during the year was £0.779m, £3.0m and £1.778m respectively. Other notable projects during the year relate specifically to a Public Realm scheme in Clarendon Road totaling £3.8m, housing schemes for £4.0m and capital commitments in connection to Croxley Business Park for £1.4m.

## Borrowing Facilities and Capital Borrowing

The Council borrowed from external sources in 2020/21 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 Standards). 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 2021 of £55.150m. This has increased from £41.543m at 31 March 2020 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 2020/21 (£3.692m in 2019/20).

## Performance Monitoring

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

## 5 Outlook

The Council 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

# Narrative Statement

of all types. The Town Centre upgrade enables the borough to be well placed to retain retail usage and offers the wider package to encourage full town centre use in the day and evening. Having anticipated the change in use of town centres, and coupled with a diverse investment property portfolio, the council is as well placed as is possible given the uncertain wider picture nationally.

## **6 Future challenges**

The future for local government funding remains very uncertain. Further delays to the reviews of Fair Funding, Business Rates and New Homes Bonus have been announced.

This uncertainty makes medium term financial planning far more challenging, coupled with the ongoing effects associated with the Covid-19 Pandemic and how the District then plans for the recovery phase. However, proactive financial stewardship has seen the Council make provision to manage the outcome of the reviews and to ensure we are in a strong financial position to enable us to move forward and react to all of these challenges that we will be facing.

## **7 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 2020/21. 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.

# 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 2020/21 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 2021 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.
6. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
8. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

## THE GOVERNANCE FRAMEWORK

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

### General

10. Watford Borough Council operates an elected Mayor and Cabinet model of governance under the Local Government Act 2000 and this places total responsibility for those functions designated as Executive Functions into the hands of the directly elected Mayor. However full Council is responsible for setting the Council's budget and agreeing the key policy framework. The Council also has established an Overview and Scrutiny Committee, Financial Scrutiny Committee to scrutinise the actions of the Mayor and Cabinet and assist with policy development, this is done

# Annual Governance Statement

either directly by those committees or by Overview and Scrutiny Committee establishing task and finish task groups to look at particular areas of interest. In addition, the Council has 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 that person to lead the council at four yearly intervals. The Mayor is supported by a Cabinet made up of elected councillors that plays a key role in determining the overall budget and policy framework of the Council. Each member of the Cabinet has a portfolio for which they are responsible and can make delegated decisions within their area of responsibility as set out in the Executive Scheme of Delegation, individual officers can also make decisions as set out in both the Executive Scheme of Delegation and the Council's Functions Scheme of Delegation in the Constitution.
12. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's website and intranet.
13. The Council has an approved Code of Conduct for Councillors and a separate code for officers, which sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website and intranet.
14. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.
15. Leadership Board and Management Board are aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement at the end of each year. This evidences amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
16. Elected Members as decision-makers have to fill in a register of pecuniary interest when they are elected and also declare any pecuniary or non-pecuniary interests as and when they occur.

## Strategic Framework

17. The Council has mapped its strategic governance framework to identify the linkages from its Council Plan 2020-24 to its key strategies, which ensure the Council retains an effective focus on delivery and clarity of purpose. The Council Plan 2020-24 is the Council's key strategic document, setting the direction for the authority and providing a basis for its planning and delivery of outcomes for the community.

Vision, themes and commitments:

The Council Plan 2020-24 sets out the council's vision, themes and commitments.

Our Vision: Watford Together: Our Town Our Future

# Annual Governance Statement

Our Themes:

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

18. Underpinning these overarching themes are a series of measurable (SMART) commitments and actions that are set out in the Council's Delivery Plan 2020-22. The Delivery Plan ensures that every member of staff understands their role in delivering the Council's ambitions and our community is well-informed about our plans and promises. 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, Watford BID, Watford and Three Rivers Trust, Watford Community Housing, and Hertfordshire Constabulary.

## Decision Making Structures

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

20. Overall financial control is monitored on a monthly basis by Leadership Board 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

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

22. The Council's Constitution is available to all on the Council's website.

23. There are regular meetings of the Council, Cabinet and other committees. Council, Cabinet and committee / scrutiny meetings are open to the public and written reports are available to the public through the council's website. Information is only treated as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions of the Local Government Act 1972.

24. The Council published a new Council Plan in July 2020, which has taken a four-year perspective. This is reviewed annually and is underpinned by a more detailed Delivery Plan, which sets out key service improvement commitments and actions 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

# Annual Governance Statement

Multiple Deprivation. Progress on the Plan is reported to Cabinet and Overview and Scrutiny Committee (both public meetings) and more directly to the public through the Council's magazine, About Watford, which is distributed to every household in the Borough and is also available online.

25. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant), risk and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
26. The 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.
27. The scrutiny function within a local authority provides a necessary check upon the role of Cabinet and is a key component of corporate governance. At Watford it is co-ordinated through the Overview and Scrutiny Committee, which can review Cabinet decisions and service performance, including those of the Council's outsourced services, it can also set up task 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 Scrutiny Committee considers financial issues. Finally, the Audit Committee reviews the overall governance arrangements, including the service related control and risk management environment. The Audit Committee also considers the response to Freedom of Information requests, the Ombudsman's annual report, risk management, Regulation of Investigatory Powers Act as well as annual accounts and treasury management (investment) policies.
28. The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.
29. Codes of Conduct defining the standards of behaviour for members, staff, partners and the community have been developed and communicated 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.
30. The Group Head of Democracy and Governance is the Council's Monitoring Officer and duties include: maintaining the Council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.



# Annual Governance Statement

31. The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account, and giving advice to the council on financial planning.

## Data Quality and Risk Management

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

33. The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually and approved by Leadership Board and the Audit Committee. This Strategy underpins the Corporate Risk Register which was updated and reviewed by the Audit Committee in March 2021 and covers major issues that will affect the achievement of the council's key objectives. The Corporate Risk Register is at a strategic / high level and is complemented by detailed project and service risk registers. The Corporate Risk Register is reviewed quarterly by Leadership Board and is reviewed annually by Audit Committee. It was last reviewed by Audit Committee in March 2021.

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

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

## Shared Services with Three Rivers District Council

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

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

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

# Annual Governance Statement

## Community Engagement

37. Corporate governance includes informing our community of the plans and aspirations of the council and is primarily communicated through its published Council Plan and Delivery Plan as well as regular update reports to Cabinet and Overview and Scrutiny Committee and through its resident magazine, 'About Watford'. The directly elected Mayor, Peter Taylor, takes the lead in ensuring there is open and effective community leadership and provides a focal point for individuals, communities, business and voluntary organisations to engage with the Council. The Mayor is also the Chair of the Borough's Local Strategic Partnership, One Watford, which continues to lead on the successful delivery of the overall vision and objectives for the town and on effectively integrating partnership working and delivery.
38. The Council has established twelve neighbourhood forums, which mirror the Borough's ward boundaries and each has a devolved budget of £3,000. These are organised and managed by the relevant local councillors as part of their commitment to community leadership and engagement.
39. The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and businesses with information about the Council and its spending through a leaflet. For 2020/21 this was distributed with Council Tax bills and online for Business Rate customers. A summary of key financial information is contained in the Council magazine 'About Watford'. It also has very high engagement figures through social media, which is important for its profile as a town with a younger than average population.
40. A range of consultation and engagement projects are undertaken annually. This includes a regular 'Community Survey', which covers a range of areas relating to the Council's services and activities, including how it spends its money and prioritises areas for focus and improvement. Local residents are also invited to attend a range of Council-led Forums across a range of local issues, which help build understanding across a range of areas including future plans and service delivery. The Watford Compact provides an agreement between the statutory and voluntary sectors in Watford to clarify and strengthen their relationship and to achieve better outcomes for individuals and for the Watford community.

## REVIEW OF EFFECTIVENESS

41. In accordance with recent external audit guidance, the review of the effectiveness of the governance framework will focus upon significant weaknesses and the 'big picture'. If issues have not been highlighted, it is because current governance arrangements have proved fit for purpose.
42. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Assurance for the Shared Internal Audit Service and also by comments made by the external auditors and other review agencies and inspectorates. The Mayor and Portfolio Holders maintain a continuous review of the Council's policies, activities and performance of Officers both through regular reviews and on a day to day basis.

## The Council

43. Council comprises 36 Members and an Elected Mayor. The main roles are:
- To set Watford Borough Council's Budget and Policy Framework;
  - To receive a report from the Mayor, which Councillors can then ask the questions related to the report;
  - To receive questions from the public, which are then debated by the Councillors;
  - To receive petitions from the public, which are debated by the Councillors;



# Annual Governance Statement

- To receive questions from Councillors with their response, these are not debated;
- To receive motions from Councillors, which are then debated;
- To consider any recommendations from Committees or Working Parties.

44. Council met six times during 2020/21 and agendas, reports and minutes are available on the Council's website.

## Cabinet

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

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

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

48. Cabinet met nine times during 2020/21.

## The Review Committees

49. 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.

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

- Reviewing called in Executive decisions made by Cabinet, Portfolio Holders and Officers;
- Reviewing the Council's performance measures;
- Monitoring the Executive decisions taken and the key decisions to be taken by Cabinet, Portfolio Holders and Officers;
- Monitoring the progress of recommendations from previous scrutiny reviews;
- Setting up Task Groups to review suggested topics for scrutiny;
- Monitoring the progress of Task Groups and agreeing the final reports;
- Setting a rolling scrutiny work programme.

The committee met nine times in 2020/21.

51. Financial 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 budget for the following financial year;
- To challenge if the proposals match the strategy and priorities;

# Annual Governance Statement

- To forward comments on the budget proposals to Cabinet in time for the January budget meeting.

The Financial Scrutiny Committee met five times in 2020/21.

## Member Panels

52. 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

53. The Standards Committee is set up as and when required to consider matters of Member conduct. There was one meeting of this committee in 2020/21.

## Members' Remuneration

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

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

## Senior Management

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.

56. Leadership Board comprises the three statutory appointments above, plus the following officers: Group Head of Community and Environmental Services, Executive Head of Strategy and Communications, Group Head of Transformation, Executive Head of Human Resources and Organisational Development, Group Head of Place and Executive Head of Commercial and Innovation. Leadership Board meets every two weeks.

## Performance Management

57. Performance management follows a 'cascade' principle. The Council approves its Council Plan and Delivery Plan and highlights key aspirations and targets including a series of commitments and actions to be achieved in the year ahead. This Council Plan then cascades down to individual service plans, which in turn translates into team and individual work plans. Performance is monitored regularly by Leadership Board and through Group / Executive Heads of Service, Cabinet Members and Overview and Scrutiny Committee. Panel. Performance reviews also include consideration of complaints and progress against the Council's equalities agenda. In 2020/21, the Council implemented a new performance and project management software (Qlik), which is allowing for greater real time assessment and scrutiny of performance, including across its major projects.

# Annual Governance Statement

58. The Council keeps residents and stakeholders informed of its progress through a publication called 'About Watford' which is delivered to every household and covers key achievements, events and opportunities. It also has a large social media following across Facebook, Twitter and Instagram platforms which are a significant channel for communicating and engaging with residents.

## Procurement

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

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

## The Audit Committee

61. The Audit Committee comprises five members and met four times during 2020/21.

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

## Internal Audit

63. Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment - this comprises the systems of governance, internal control and risk management - by evaluating its effectiveness in achieving the organisation's objectives.

64. The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceding 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 quarterly to Audit Committee.

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

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

# Annual Governance Statement

66. The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2020/21 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 2020/21;
- 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

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

68. The Annual Audit and Inspection Letter 2019/20 was presented to the Audit Committee in July 2021 and the main conclusions for the year were:

- The 2019/20 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council; and
- The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

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

## SIGNIFICANT GOVERNANCE ISSUES

70. 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 2020/21 and no outstanding matters were brought forward from 2019/20.

71. During 2020/21 COVID-19 has had a significant impact on the Council. Staff having been working largely from home relying on IT systems for remote working that were in place before the start of the pandemic. In addition, the Council has been responsible for administering significant grant systems and Council Tax and Non-Domestic Rate reliefs. The range of responses to the pandemic has placed considerable strain on the Council's resources. Incident management arrangements were put in place to oversee the Council's response, with regular incident management meetings and briefings for Cabinet. Existing delegated authorities to officers, the Mayor and Portfolio Holders were used when urgent decisions were required.

72. The Council recognised early the importance of steering both the town and the council through the COVID-19 crisis and into recovery and renewal. It developed a 'Road to Renewal' Plan in spring 2020 specifically to concentrate activities and resources on achieving a successful recovery. Progress against the Plan is reviewed by Leadership Board, Cabinet and Overview and Scrutiny Committee.

# Annual Governance Statement

## Certification Statement from the Elected Mayor and the Managing Director

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

Signed \_\_\_\_\_

Date \_\_\_\_\_

Peter Taylor - Mayor

Signed \_\_\_\_\_

Date \_\_\_\_\_

Donna Nolan - Managing Director

# Core Financial Statements

## EXPLANATION OF CORE FINANCIAL STATEMENTS

### **Movement in Reserves Statement (MIRS) (Page 22)**

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 23)**

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 24)**

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 25)**

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

2020/21	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2020</b>		(2,600)	(44,299)	(28)	(75,651)	(122,578)	(234,762)	(357,340)
Total Comprehensive income and expenditure		(9,411)				(9,411)	17,371	7,960
Adjustments between accounting basis, and funding basis under regulations	8	(6,235)		0	(8,466)	(14,702)	14,702	0
Transfer to\from Earmarked Reserves		16,246	(15,913)			333	(333)	0
<b>Total (Increase)\decrease during the year</b>		<b>600</b>	<b>(15,913)</b>	<b>0</b>	<b>(8,466)</b>	<b>(23,780)</b>	<b>31,740</b>	<b>7,960</b>
<b>Balance as at 31 March 2021</b>		<b>(2,000)</b>	<b>(60,212)</b>	<b>(28)</b>	<b>(84,117)</b>	<b>(146,358)</b>	<b>(203,022)</b>	<b>(349,380)</b>
<b>2019/20</b>	<b>Note</b>	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2019</b>		(2,309)	(19,492)	(1)	(4,228)	(26,030)	(201,951)	(227,981)
Total Comprehensive income and expenditure		(88,129)				(88,129)	(41,230)	(129,359)
Adjustments between accounting basis, and funding basis under regulations	8	62,356		(27)	(71,423)	(9,094)	9,094	0
Transfer to\from Earmarked Reserves		25,482	(24,807)			675	(675)	0
<b>Total (Increase)\decrease during the year</b>		<b>(291)</b>	<b>(24,807)</b>	<b>(27)</b>	<b>(71,423)</b>	<b>(96,548)</b>	<b>(32,811)</b>	<b>(129,359)</b>
<b>Balance as at 31 March 2020</b>		<b>(2,600)</b>	<b>(44,299)</b>	<b>(28)</b>	<b>(75,651)</b>	<b>(122,578)</b>	<b>(234,762)</b>	<b>(357,340)</b>



# Core Financial Statements

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT



2019/20					2020/21		
Gross Spend	Gross Income	Net Spend			Gross Spend	Gross Income	Net Spend
£'000	£'000	£'000		Note	£'000	£'000	£'000
			<b>Services</b>				
1,315	(81)	1,234	Corp Strategy & Client Service		4,269	(4,593)	(324)
15,361	(3,642)	11,719	Community Services		18,444	(2,888)	15,556
2,926	(567)	2,359	Democracy & Governance		2,237	(143)	2,094
673	(46)	627	Human Resources		774	(62)	712
11,556	(4,569)	6,987	Place Shaping & Performance		13,523	(3,980)	9,543
5,840	(292)	5,548	Service Transformation		5,240	(608)	4,632
35,458	(31,282)	4,131	Strategic Finance		31,807	(29,256)	2,551
<b>73,129</b>	<b>(40,479)</b>	<b>32,605</b>	<b>Cost of Services</b>		<b>76,294</b>	<b>(41,530)</b>	<b>34,764</b>
		(101,483)	Other Operating (Income)	<b>9</b>			(10,967)
		(1,167)	Financing and Investment (Income)	<b>10</b>			(15,038)
		(18,084)	Taxation and Non-Specific Grant Income	<b>11</b>			(18,171)
		<b>(88,129)</b>	<b>Deficit on Provision of Services</b>				<b>(9,411)</b>
		(19,524)	(Surplus) on Revaluation of PPE	<b>21(a)</b>			3,352
		(21,706)	Re-measurement of the net defined benefit liability	<b>33</b>			14,019
		<b>(41,230)</b>	Other Comprehensive (Income)				<b>17,371</b>
		<b>(129,359)</b>	<b>Total Comprehensive (Income)/Expenditure</b>				<b>7,960</b>



# Core Financial Statements

## BALANCE SHEET

2019/20 (restated)			2020/21
£'000			£'000
369,599	Property, Plant and Equipment	21	370,173
1,331	Assets Under Construction	21	4,923
2,609	Heritage Assets	22	2,609
1,700	Surplus Assets	23	1,700
160,447	Investment Properties	23	160,686
18,921	Long Term Investments	26	115,765
2,419	Long-Term Debtors	26	2,521
<b>557,026</b>	<b>Total Long term Assets</b>		<b>658,377</b>
950	Assets Held For Sale		950
20	Inventories		20
10,641	Short-Term Debtors	27	15,435
104,764	Cash and Cash Equivalents	28	17,131
<b>116,375</b>	<b>Total Current Assets</b>		<b>33,536</b>
(24,061)	Short-Term Creditors	30	(23,512)
(15,000)	Short-Term Borrowing	30	(20,011)
<b>(39,061)</b>	<b>Total Current Liabilities</b>		<b>(43,523)</b>
(231,822)	Long-Term Creditors	31	(228,225)
0	Long-Term Borrowing		(11,250)
(2,987)	Provisions	32	(3,737)
(42,191)	Defined Benefit Pension Scheme	33	(55,798)
<b>(277,000)</b>	<b>Total Long Term Liabilities</b>		<b>(299,010)</b>
<b>357,340</b>	<b>Net Assets</b>		<b>349,380</b>
	<b>Reserves</b>		
(122,578)	Usable Reserves	35	(146,358)
(234,762)	Unusable Reserves	36	(203,023)
<b>(357,340)</b>	<b>Total Reserves</b>		<b>(349,380)</b>

Signed:  
**Alison Scott, CIPFA**  
**Director of Finance**

Date: 30 September 2021

Signed:  
**Mark Hofman**  
**Chairman of Audit Committee**

Date: 30 September 2021

# Core Financial Statements

## CASH FLOW STATEMENT

2019/20 (Restated)				2020/21	
£'000	£'000		Note	£'000	£'000
88,129		Net surplus on the provision of services	CIES	9,411	
24,616		Adjustments to net surplus or deficit on the provision of services for non cash movements	29a	10,785	
(172,203)		Adjustments for items that are outflows in provision of services from investing and financing activities	29a	(13,838)	
	<b>(59,458)</b>	<b>Net cash inflows from Operating Activities</b>			<b>6,358</b>
156,559		Investing Activities outflows	29b	(99,636)	
727		Financing Activities outflows	29c	5,645	
	<b>97,828</b>	<b>Net increase in cash and cash equivalents</b>			<b>(87,633)</b>
	<b>6,936</b>	<b>Cash and Cash equivalents at the beginning of the reporting period</b>			<b>104,764</b>
	<b>104,764</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>	28		<b>17,131</b>

## 1. Accounting Policies - Single Entity and Group Accounts

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by the International Financial Reporting Standards (IFRS). There have been no material changes to the accounting policies for 2020/21.

The accounting convention adopted in the Statement of Accounts is primarily historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These statements have been compiled on the basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

### 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 income 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.

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 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.

# Notes to the Core Financial Statements

## 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 relevant service area in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

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

## Post Employment Benefits

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

## The Local Government Pension Scheme

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

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

# Notes to the Core Financial Statements

- Actuarial gains and losses — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve;
- Contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

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

## Discretionary Benefits

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

## 1.08 Financial Instruments

### Financial Assets

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. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

The Council'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 cashflows 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 council 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 council, 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.

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

The Authority recognises gains and losses on its Pooled Investment through Surplus / Deficit on Provision of Services on the face of the Income Statement. This is a new requirement under IFRS 9. There is a "statutory reversal" which means that the impact of this change in valuation does not hit the "bottom line" or taxpayers. The impact is reversed out and placed in an unusable reserve.

## **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 and
- 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, depending upon their nature. 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.

## **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).



# Notes to the Core Financial Statements

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

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

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

Where there is intangible asset expenditure of an immaterial nature, the Council's policy is that these are 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.



# Notes to the Core Financial Statements

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

## ***The Council as Lessee***

### **Finance Leases**

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

Lease payments are apportioned between:-

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

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

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

### **Operating Leases**

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

## ***The Council as Lessor***

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal.

Lease rentals are apportioned between:

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

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the 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

# Notes to the Core Financial Statements

balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

## Operating Leases

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

## 1.14 Overheads and Support Services

The actual costs of overheads and support services are charged to those users that benefit from the supply or service as required by the CIPFA Code of Practice on Local Authority Accounting 2020/21.

## 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.

## Notes to the Core Financial Statements

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

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

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

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

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

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

When decreases in value are identified:

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

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

### **Impairment**

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

When impairment losses are identified, they are accounted for by:

- 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.

# Notes to the Core Financial Statements

## Depreciation

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

Depreciation is calculated on the following bases:-

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years
- Vehicles — straight-line over the estimated life of the asset - up to 20 years
- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years
- Infrastructure — straight-line over the estimated life of the asset - up to 25 years
- Finance leases — over the life on the underlying asset or over the life of the lease where there is no option to acquire the asset at the end of the lease.

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

Depreciation commences in the year following acquisition.

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

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

## Disposals of Non-current Assets

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

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

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

## Construction Contracts

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

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

# Notes to the Core Financial Statements

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 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



# Notes to the Core Financial Statements

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 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.

# Notes to the Core Financial Statements

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
- 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 2020/21 Code. The 2020/21 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.

# Notes to the Core Financial Statements

## **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:

- 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. 2 Accounting Standards that have been issued but have not yet been adopted**

Paragraph 3.3.4.3 of the Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2021 for 2020/21).

In compiling the 2020/21 accounts there are no material effects in relation to these standards.



# Notes to the Core Financial Statements

In response to the Covid-19 pandemic, CIPFA/LASAAC deferred the implementation of IFRS 16 Leases in the public sector until the 2022/23 financial year, with an effective date of 1 April 2022. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases).

## 3. 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 assumptions within the accounts are arrived at in a number of ways:

- a) Estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end.
- b) Bad debt provision - based on historic trends and adjusted for any material movements during 2020/21. This includes an estimation of the impact that the Covid-19 lockdown will have on rates of debt recovery.
- c) Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.
- d) The Council has also placed reliance on technical estimates supplied by third parties for the following:
  - Property valuations made by the Avison Young
  - Pension valuations supplied by Hymans Robertson - Actuary engaged by Hertfordshire County Council.

The Council has received very detailed reports from both of these sources outlining overall valuations and all of the key assumptions made in arriving at these final figures. These reports will be examined by EY during their audit of the Council's Accounts.

e) Delays to the reviews of the future funding mechanisms for Local Government have caused a high degree of uncertainty. The impact of this on the finances of this Council will be material with an expectation that the current various income streams will be altered, reduced and even ceased in some cases. This has been compounded by the Covid-19 pandemic which required various national lockdowns and restrictions to be imposed. Authorities have received some necessary reactive funding and have been reimbursed for the majority of the lost income normally collected through Fees and Charges. This funding, along with the need to close facilities have been sufficient to protect the assets of the Council from impairment.

## 4 Prior Period Adjustments

We have no prior period adjustments this year.

## 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 2021.

# 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 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Impact
Property, Plant and Equipment (PPE)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Investment Properties	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.	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.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; the rate at which salaries are projected to increase; changes in the retirement ages; mortality rates; and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The value of pension assets is based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the closing defined benefit obligation of £17.733m. A 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation by 3-5%.

## Notes to the Core Financial Statements

	<p>give a different value of pension assets, but this is not generally considered to be material.</p>	
Arrears	<p>At 31 March 2021, 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>
Non Domestic Rates Appeals Provision	<p>The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2021, plus an estimate of the appeals not yet lodged.</p>	<p>There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle the obligation. If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.</p>
Fair Value Asset Valuations	<p>The Council engages Avison Young, a qualified RICS surveyor, to provide valuations of land and property assets at the year end. The values of assets are adjusted to their current values by reviewing the sales of similar assets in the region, applying indexation and considering impairment of individual assets. Avison Young's valuation experts work closely with finance officers on all valuation matters.</p>	<p>Significant changes in the assumptions of future income streams/growth; occupancy levels; ongoing property maintenance and other factors could result in a significantly higher or lower fair value for these assets.</p> <p>In particular, the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p>

# Notes to the Core Financial Statements

## 7(a) Expenditure and Funding Analysis

2019/20				2020/21		
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
69,086	(67,852)	1,234	Corp Strategy & Client Services	(478)	154	(324)
9,264	2,455	11,719	Community Services	11,060	4,496	15,556
2,621	(262)	2,359	Democracy & Governance	1,971	123	2,094
547	80	627	Human Resources	638	74	712
2,486	4,501	6,987	Place Shaping & Performance	6,776	2,767	9,543
3,567	1,981	5,548	Service Transformation	3,579	1,053	4,632
3,619	557	4,176	Strategic Finance	4,956	(2,405)	2,551
<b>91,190</b>	<b>(58,540)</b>	<b>32,650</b>	<b>Net Cost of Services</b>	<b>28,502</b>	<b>6,262</b>	<b>34,764</b>
(116,963)	(3,816)	(120,779)	Other Income and Expenditure	(44,149)	(27)	(44,176)
<b>(25,773)</b>	<b>(62,356)</b>	<b>(88,129)</b>	<b>(Surplus) on Provision of Services</b>	<b>(15,647)</b>	<b>6,235</b>	<b>(9,411)</b>
25,482			Transfer (from) \to Reserves	14,421		
<b>(291)</b>			<b>(Surplus) as per Outturn</b>	<b>(1,226)</b>		
<b>(2,309)</b>			<b>Opening General Fund Balance</b>	<b>(2,600)</b>		
(25,773)			(Surplus) on Provision of Services	(15,647)		
25,482			Transfer to Earmarked Reserves	16,246		
<b>(2,600)</b>			<b>Closing General Fund Balance</b>	<b>(2,000)</b>		

# Notes to the Core Financial Statements

## 7(b) Note to Expenditure and Funding Analysis

2019/20				2020/21				
Adjustments for capital purposes	Net change for the pension the adjustments	Other Difference	Total Adjustments		Adjustments for capital purposes	Net change for the pension the adjustments	Other Difference	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(68,000)	147	1	(67,852)	Corp Strategy & Client Services	0	126	28	154
2,128	325	2	2,455	Community Services	4,141	287	68	4,496
(413)	148	3	(262)	Democracy & Governance	0	103	20	123
0	78	2	80	Human Resources	0	63	11	74
4,064	437	0	4,501	Place Shaping & Performance	2,356	364	47	2,767
1,665	309	7	1,981	Service Transformation	780	237	36	1,053
552	5	0	557	Strategic Finance	109	(2,515)	1	(2,405)
<b>(60,004)</b>	<b>1,449</b>	<b>15</b>	<b>(58,540)</b>	<b>Net Cost of Services</b>	<b>7,386</b>	<b>(1,335)</b>	<b>211</b>	<b>6,262</b>
		(3,816)	(3,816)	Other Income and Expenditure			(27)	(27)
		<b>(3,801)</b>	<b>(62,356)</b>	<b>Difference between General Fund (surplus) and Comprehensive Income and Expenditure Statement (surplus)</b>			<b>184</b>	<b>6,235</b>

# Notes to the Core Financial Statements

## 8 Adjustments between accounting basis and funding basis under regulations

2020/21	General Fund £'000	Capital Receipts £'000	Capital Grants £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the CIES:</b>				
Charges for depreciation, impairment and revaluation losses	(5,664)			5,664
Movements in the market value of Investment Properties	(1,815)			1,815
Revenue Expenditure Funded from Capital Under Statute	(1,613)			1,613
Amortisation of intangible assets	0			0
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals	0			0
MRP transfer to CAA	4,109			(4,109)
<b>Adjustments primarily involving the Financial Instrument Adjustment Account:</b>				
Unrealised Gains/(Losses) on Pooled investment funds	2,848			(2,848)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	13,708		(13,708)	
Application of grants to capital financing transferred to the CAA			5,242	(5,242)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	130	(130)		
Capital Receipts applied		130		(130)
Transfer (from)/to the Deferred Capital Receipts upon receipt of cash				
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,565)			3,565
Employer's pensions contributions and direct payments to pensioners payable in the year	3,977			(3,977)
<b>Adjustments primarily involving the Collection Fund Adjustments Accounts:</b>				
Amount by which council tax & business rates income credited to the CIES is different from statutory requirements	(18,140)			18,140
<b>Adjustments primarily involving the Accumulated Absences Accounts:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements.	(210)			210
	<b>(6,235)</b>	<b>(0)</b>	<b>(8,466)</b>	<b>14,702</b>



# Notes to the Core Financial Statements

2019/20	General Fund	Capital Receipts	Capital Grants	Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the CIES:</b>				
Charges for depreciation, impairment and revaluation losses	(5,750)			5,750
Movements in the market value of Investment Properties	(12,889)			12,889
Revenue Expenditure Funded from Capital Under Statute	(1,073)			1,073
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
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)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
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
<b>Adjustments primarily involving the Pensions Reserve:</b>				
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)
<b>Adjustments primarily involving the Collection Fund Adjustments Accounts:</b>				
Amount by which council tax & business rates income credited to the CIES is different from statutory requirements	2,898			(2,898)
<b>Adjustments primarily involving the Accumulated Absences Accounts:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements.	(14)			14
	<b>62,356</b>	<b>(27)</b>	<b>(71,423)</b>	<b>9,094</b>

# Notes to the Core Financial Statements

## 9 Other Operating Income and Expenditure

2019/20		2020/21
£'000		£'000
(634)	(Gains) on Disposal of Non-Current Assets	0
(94,666)	Unattached Capital Receipts	(130)
(6,183)	Other Operating (Income)	(10,837)
<b>(101,483)</b>		<b>(10,967)</b>

## 10 Financing and Investment Income and Expenditure

2019/20		2020/21
£'000		£'000
3,962	Interest Payable and Similar Charges	5,689
1,509	Net Interest on the Net Defined Benefit Liability/(Asset)	940
(5,886)	Interest Receivable and Similar Income	(6,047)
(13,641)	(Income) Relation to Investment Properties	(17,435)
12,889	Investment Properties - Changes in their Fair Value	1,815
<b>(1,167)</b>		<b>(15,038)</b>

## 11 Taxation and Non Specific Grant Incomes

2019/20		2020/21
£'000		£'000
(8,975)	Council Tax Income - Includes Collection Fund Deficit	2,935
(4,709)	Non-domestic Rates Income and Expenditure	(17,306)
(721)	Non-ringfenced Government Grants	(772)
(3,679)	Capital Grants & Contributions	(3,028)
<b>(18,084)</b>		<b>(18,171)</b>

# Notes to the Core Financial Statements

## 12 Expenditure and Income analysed by Nature

2019/20		2020/21
£'000		£'000
(7,227)	Fees and Charges	(3,234)
(6,648)	Net Interest and Investment Income	(21,667)
(13,684)	Income From Council Tax and Business Rates	(14,371)
(100,884)	Other Income	(10,967)
(37,065)	Government Grants and Contributions	(39,671)
(587)	Support Services Recharge	(545)
<b>(166,095)</b>	<b>Total Income</b>	<b>(90,454)</b>
17,355	Employee Costs	14,708
50,977	Other Service Expenditure	54,621
4,797	Depreciation, Amortisation and Impairment	5,085
(634)	(Gains) on disposal of non-current assets	0
3,962	Interest Payable and Similar Charges	5,689
1,509	Pensions Adjustments	940
<b>77,966</b>	<b>Total Expenditure</b>	<b>81,043</b>
<b>(88,129)</b>	<b>(Surplus)/Deficit on Provision of Services (I&amp;E)</b>	<b>(9,411)</b>

# Notes to the Core Financial Statements

## 13 Grant Income

2019/20		2020/21
£'000		£'000
	<b>Credited to Taxation and Non-Specific Grant Income</b>	
0	Council Tax Transition Grant	0
(721)	New Homes Bonus	(772)
(3,664)	Section 106 Contributions	(3,010)
(15)	Other	(18)
<b>(4,400)</b>	<b>Subtotal Grant Income Credited to Taxation and Non-Specific Grant Income</b>	<b>(3,800)</b>
	<b>Covid Grants</b>	
0	Discretionary Grants	(3,273)
0	Income Guarantee Scheme	(1,250)
	<b>Subtotal Covid-19 Grant Income Credited to Services</b>	<b>(4,523)</b>
	<b>Credited To Services</b>	
(55)	Arts Council - Lottery	0
(17)	Building Safer Communities	0
(15)	CCTV	(17)
0	Cemeteries	0
(112)	Housing & Council Tax Benefit Administration Grant	(100)
(97)	Highways	(102)
(29,838)	DWP Housing Benefit Grant	(28,717)
(67)	Partnerships and Performance	0
(512)	Elections	(56)
(62)	Environmental Health	(399)
(271)	Housing - Homelessness	(1,005)
(52)	Housing Refugees	(46)
0	Other LA/Public Bodies	(56)
(194)	New Burdens	(59)
(176)	NNDR - Cost of Collection Grant	(162)
(27)	Public Health & Nuisance	0
(298)	Planning	(124)
(54)	Little Cassiobury	(74)
(42)	Sports Development	(6)
(32)	Taxi Marshall Scheme	(2)
(45)	Town Centre Special Events	(35)
(699)	Waste Management	(388)
<b>(32,665)</b>	<b>Subtotal Grant Income Credited to Services</b>	<b>(31,348)</b>
<b>(37,065)</b>	<b>Total Grant Income</b>	<b>(39,671)</b>

## 14 Joint Operations

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

# 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 2019/20 and 2020/21 by Ernst & Young.

2019/20		2020/21
£'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
<b>51</b>		<b>51</b>

## 16 Members' Allowances

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

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

# 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:-

2019/20		2020/21
No of Employees	Remuneration Band	No of Employees
11	£50,000 - £54,999	12
6	£55,000 - £59,999	5
3	£60,000 - £64,999	5
0	£65,000 - £69,999	2
1	£70,000 - £74,999	2
2	£75,000 - £79,999	2
3	£80,000 - £84,999	4
0	£85,000 - £89,999	1
0	£90,000 - £94,999	1
0	£95,000 - £99,999	0
1	£100,000 - £104,999	0
0	£105,000 - £109,999	0
1	£110,000 - £114,999	0
0	£115,000 - £119,999	1
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	1
1	£140,000 - £144,999	0
0	£145,000 - £149,999	0
0	£150,000 - £154,999	0
0	£155,000 - £159,999	0
<b>29</b>		<b>36</b>

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.



## Notes to the Core Financial Statements

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

2020/21	Salary Including Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total Remuneration
Post	£	£	£	£	£
Managing Director	138,713	0	0	25,246	163,959
Group Head of Place Shaping	94,766	0	0	17,247	112,013
Group Head of Community & Environmental Services	82,768	0	0	15,064	97,832
Group Head of Transformation	84,765	0	0	15,427	100,192
Group Head of Democracy & Governance (Monitoring Officer)	85,461	0	0	15,554	101,015
Group Head of Commercial	49,495	0	30,000	8,535	88,030
Executive Head of Strategy and Communications	79,852	0	0	14,533	94,385
Executive Head of HR and Organisational Development	83,390	0	0	15,177	98,567
<b>Total</b>	<b>699,210</b>	<b>0</b>	<b>30,000</b>	<b>126,783</b>	<b>855,993</b>

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
<b>Total</b>	<b>720,739</b>	<b>0</b>	<b>26,010</b>	<b>107,050</b>	<b>853,799</b>

# Notes to the Core Financial Statements

## 18 Termination Benefits

This table will be updated shortly.

2019/20			Remuneration Band			2020/21		
Compulsory Redundancy	Other Departures	Total Cost	Remuneration Band			Compulsory Redundancy	Other Departures	Total Cost
6	0	69,416	£0	-	£20,000	0	0	0
1	0	32,652	£20,001	-	£40,000	2	0	62,928
2	0	94,762	£40,001	-	£60,000	0	1	41,913
0	0	0	£60,001	-	£80,000	1	0	62,021
1	0	156,485	£150,001	-	£200,000	0	0	0
<b>10</b>	<b>0</b>	<b>353,315</b>				<b>3</b>	<b>1</b>	<b>166,862</b>

## 19 Related Party Transactions

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

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 Councils 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
Stephen Bolton	Councillor	Board Member	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

Matthew Turmaine	Councillor	Project Manager	Hertfordshire County Council	Occasional transactions in the normal course of business
Peter Taylor	Mayor	Board Member	Hertfordshire Growth Board	Occasional transactions in the normal course of business
Peter Taylor	Mayor	Board Member	Hertfordshire Local Enterprise Partnership	Occasional transactions in the normal course of business
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
Iain Sharpe	Councillor	Declaration of Interest	New Hope	Occasional transactions in the normal course of business
Peter Taylor	Mayor	Declaration of Interest	Parochial Church Council – St Matthews Church	Occasional transactions in the normal course of business
Alison Scott	Director of Finance	Board Member	Riverwell Joint Venture LABV	Occasional transactions in the normal course of business
Tim Williams	Councillor	Representative	The Palace Theatre	Occasional transactions in the normal course of business
Karen Collett		Board Member		
Mark Watkin	Councillor	Representative	Val Mirugan Hindu Temple Trust	Occasional transactions in the normal course of business
Donna Nolan	Managing Director	Board Member	Watford BID	Occasional transactions in the normal course of business

## Notes to the Core Financial Statements

Stephen Bolton	Councillor	Board Member	Watford Citizens Advice Bureau	Occasional transactions in the normal course of business
Andrew Cox	Group Head of Transformation	Board Member	Watford Commercial Services Ltd	Wholly owned subsidiary of Council
Alison Scott	Head of Finance/Director of Finance	Director		
Iain Sharpe	Councillor	Declaration of Interest	Watford FC Community Sports & Education Trust	Occasional transactions in the normal course of business
Donna Nolan	Managing Director	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 2018/19 the net equity at the year-end was £7.078m including accrued interest.
Peter Taylor	Mayor	Board Member	Watford Town Centre Business Improvement District	Occasional transactions in the normal course of business
Tim Williams	Councillor	Representative	Watford Workshop	Occasional transactions in the normal course of business

## Notes to the Core Financial Statements

Stephen Bolton	Councillor	Board Member	Wellspring Church	Occasional transactions in the normal course of business
Maggie Parker				
Donna Nolan	Managing Director	Clerk	West Herts Crematorium	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 2020/21, Watford received a contribution of £50,000 (2019/20 £50,000)
Karen Collett	Councillor	Board Member		
Darren Walford	Councillor	Committee Member	West Herts Golf Club Consultative Committee	Rent Received from West Herts Golf Club of £54,000 per annum (2019/20 £70,000) as well as occasional transactions in the normal course of business
Jagtar Dhindsa				

# Notes to the Core Financial Statements

## 20 Partnership Working

2019/20		2020/21		
Total Net Cost		Provided by WBC	Provided by TRDC	Total Net Cost
£'000	Services	£'000	£'000	£'000
1,474	Local Tax Collection	1,679		1,679
1,486	Housing Benefits	1,632		1,632
1,397	Finance	1,375		1,375
668	HR		888	888
1,201	ICT		1,280	1,280
<b>6,226</b>	<b>Net Cost of Services / Operating Expenditure</b>	<b>4,686</b>	<b>2,168</b>	<b>6,854</b>
<b>(3,747)</b>	<b>Paid by Watford Borough Council</b>	<b>(1,905)</b>	<b>(796)</b>	<b>(2,701)</b>
<b>(2,479)</b>	<b>Paid by Three Rivers District Council</b>	<b>(2,781)</b>	<b>(1,372)</b>	<b>(4,153)</b>
<b>0</b>	<b>(Surplus) / Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 21 Property, Plant and Equipment

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

2020/21	Assets Under Constr'n	Land & Building	Plant & Equipment	Infra-Structure	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
<b>At 1 April 2020</b>	<b>1,331</b>	<b>359,515</b>	<b>33,081</b>	<b>11,814</b>	<b>405,741</b>
Additions - Capital Programme	3,592	2,739	3,054	4,427	13,813
Additions - Finance Leases					0
Revaluation increases / (decreases) recognised in the Revaluation Reserve		(4,944)			(4,944)
Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the provisions of services		(595)	(200)		(795)
Derecognition - Disposals					0
Assets reclassified		0	0	0	0
<b>At 31 March 2021</b>	<b>4,923</b>	<b>356,714</b>	<b>35,936</b>	<b>16,241</b>	<b>413,815</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
<b>At 1 April 2020</b>	<b>0</b>	<b>(9,775)</b>	<b>(21,522)</b>	<b>(3,514)</b>	<b>(34,811)</b>
Depreciation Charge	0	(2,221)	(1,805)	(842)	(4,869)
Depreciation written out to the Revaluation Reserve		961			961
<b>At 31 March 2021</b>	<b>0</b>	<b>(11,035)</b>	<b>(23,327)</b>	<b>(4,356)</b>	<b>(38,719)</b>
<b>Balance Sheet Value at 31 March 2021</b>	<b>4,923</b>	<b>345,679</b>	<b>12,609</b>	<b>11,885</b>	<b>375,096</b>
<b>Balance Sheet Value at 1 April 2020</b>	<b>1,331</b>	<b>349,740</b>	<b>11,559</b>	<b>8,300</b>	<b>370,930</b>



## Notes to the Core Financial Statements

2019/20	Assets Under Constr'n	Land & Building	Plant & Equipment	Infra-Structure	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
<b>At 1 April 2019</b>	<b>995</b>	<b>103,594</b>	<b>25,955</b>	<b>8,254</b>	<b>138,798</b>
Additions - Capital Programme	336	2,656	7,665	3,694	14,351
Additions - Finance Leases	0	236,890	0	0	236,890
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	17,214	0	0	17,138
Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the provisions of services	0	(467)	(539)	(134)	(1,051)
Derecognition - Disposals	0	(28)	0	0	(28)
Assets reclassified	0	(344)	0	0	(355)
<b>At 31 March 2020</b>	<b>1,331</b>	<b>359,515</b>	<b>33,081</b>	<b>11,814</b>	<b>405,741</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
<b>At 1 April 2019</b>	<b>0</b>	<b>(7,952)</b>	<b>(20,439)</b>	<b>(3,097)</b>	<b>(31,488)</b>
Depreciation Charge	0	(2,678)	(1,083)	(417)	(4,178)
Depreciation written out to the Revaluation Reserve	0	855	0	0	855
<b>At 31 March 2020</b>	<b>0</b>	<b>(9,775)</b>	<b>(21,522)</b>	<b>(3,514)</b>	<b>(34,811)</b>
<b>Balance Sheet Value at 31 March 2020</b>	<b>1,331</b>	<b>349,740</b>	<b>11,559</b>	<b>8,300</b>	<b>370,930</b>
<b>Balance Sheet Value at 1 April 2019</b>	<b>995</b>	<b>95,642</b>	<b>5,516</b>	<b>5,157</b>	<b>107,310</b>

### (b) Revaluations

The Council carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out externally 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 Statement of Accounts 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. The Council undertakes an impairment review at the year end and any asset which has had a material gain or loss in value during the year is adjusted.

## Notes to the Core Financial Statements

Revaluations	Land & Building	Plant & Equipment	Infra-Structure	Total
	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	<b>0</b>	<b>33,081</b>	<b>11,815</b>	<b>44,896</b>
Additions valued at current value as at:				
31/03/2021	To be updated			
31/03/2020	359,515	0	0	359,515
31/03/2019	103,594	0	0	103,594
31/03/2018	98,309	0	0	98,309
31/03/2017	79,644	0	0	79,644
31/03/2016	67,596	0	0	67,596
31/03/2015	67,137	0	0	67,137

### (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.

2020/21 To be updated	Musical Instrument	Statues, Sculptures & War Memorials	Works of Art	Civic Regalia	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2020	400	647	1,297	265	2,609
Revaluation increases recognised in the Revaluation - TO BE UPDATED					0
<b>At 31 March 2021</b>	<b>400</b>	<b>647</b>	<b>1,297</b>	<b>265</b>	<b>2,609</b>

## Notes to the Core Financial Statements

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
At 31 March 2020	400	647	1,297	265	2,609

### 23 Investment Properties and Surplus Assets

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

2020/21	Investment Properties	Surplus Assets	Total
	£'000	£'000	£'000
At 1 April 2020	160,447	1,700	162,147
Additions	2,054		2,054
Revaluation increases recognised in the surplus/deficit on the provision of services	(1,815)		(1,815)
Derecognition - disposals	0		0
Derecognition - Other			0
Assets reclassified	0		0
At 31 March 2020	160,686	1,700	162,386
Balance Sheet Value at 31 March 2021	160,686	1,700	162,386
Balance Sheet Value at 1 April 2020	160,447	1,700	162,147
2019/20	Investment Properties	Surplus Assets	Total
	£'000	£'000	£'000
At 1 April 2019	171,135	2,146	173,281
Additions	3,129		3,129
Revaluation increases recognised in the surplus/deficit on the provision of services	(12,889)	(458)	(13,347)
Derecognition - disposals	(875)	(385)	(1,260)
Derecognition - Other	(1)	1	0
Assets reclassified	(52)	396	344
At 31 March 2020	160,447	1,700	162,147
Balance Sheet Value at 31 March 2020	160,447	1,700	162,147
Balance Sheet Value at 1 April 2019	171,135	2,146	173,281

# Notes to the Core Financial Statements

## Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 1 for explanation of fair value levels).

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

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

## Valuers

The investment property portfolio has been valued at 31 March 2021 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

2019/20		2020/21
£'000		£'000
536	Leases rolling over regularly	536
4,794	Not later than one year	4,794
15,550	Later than one year and not later than five years	15,550
131,220	Later than five years	131,220
<b>152,100</b>	<b>Balance as at 31 March carried forward</b>	<b>152,100</b>

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

## 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.

## Notes to the Core Financial Statements

2019/20		2020/21
£'000		£'000
<b>31,116</b>	<b>Opening Capital Financing Requirement</b>	<b>273,861</b>
	Capital Investment	
251,241	Property, Plant and Equipment	13,813
3,129	Investment Properties	2,054
221	Intangible Assets	0
1,073	Revenue Expenditure Funded from Capital Under Statute	1,613
225	Long Term Debtors	0
3,617	Long Term Investments	0
<b>259,506</b>		<b>17,480</b>
	Sources of Finance	
(5,811)	Capital receipts	(130)
(4,192)	Government Grants and Other Contributions (including S106)	(5,242)
	Earmarked Reserves	
(615)	Capital Fund	0
(60)	Project and Programme Management	0
0	Dev Sites Decontamination	0
0	New Home Bonus	0
0	Car Parking Zone	(330)
(6,000)	Long Term Debtors	0
0	Long Term Investments	0
(83)	Minimum Revenue Provision	(4,109)
<b>(16,761)</b>		<b>(9,811)</b>
<b>273,861</b>		<b>281,530</b>

At 31 March 2021 the Council had contractual commitments totalling £22.781m (31 March 2020: £35.719m)

# Notes to the Core Financial Statements

## 25 Leases

Operating Leases – The Council as Lessor

The Council leases out property under operational leases.

The future minimum leases payments receivable are:

2019/20		2020/21
£'000		£'000
536	Leases rolling over regularly	536
4,794	Not later than one year	4,794
15,550	Later than one year and not later than five years	15,550
131,220	Later than five years	131,220
<b>152,100</b>	<b>Balance as at 31 March carried forward</b>	<b>152,100</b>

## 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 2019/20		Net Movements in Year	2020/21
£'000		£'000	£'000
	<b>Long Term Debtors</b>		
8	Loan to YMCA	0	8
29	Finance Leases as Lessor	102	131
150	Watford Muslim Youth	0	150
7	Charges Registered to Properties	0	7
2,000	Watford Health Hospital Trust	0	2,000
0	Watford Health Campus- Growing Places (interest free loan)	0	0
225	Everyone Active - Leisure Centres	0	225
<b>2,419</b>		<b>102</b>	<b>2,521</b>
	<b>Long Term Investments</b>		
2,400	Hart Homes Watford	0	2,400
6,000	Hart Homes Watford	3,000	9,000
10,051	Watford Health Campus LABV	1,446	11,497
20	Municipal Bonds Agency & Local Capital Finance Company	0	20
450	Watford Commercial Services	(450)	0
0	CBP Pooled Fund	92,848	92,848
<b>18,921</b>		<b>96,844</b>	<b>115,765</b>
<b>21,340</b>		<b>96,946</b>	<b>118,286</b>

# Notes to the Core Financial Statements

## 27 Debtors - Short Term

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

2019/20		2020/21
£'000		£'000
3,647	Central Government Bodies	4,050
594	Local Authorities	309
11,671	Other Entities and Individuals	16,863
223	Payments in Advance	456
<b>16,135</b>		<b>21,678</b>
(5,494)	Less: Provision for Bad Debts / Impairment	(6,243)
<b>10,641</b>	<b>Total</b>	<b>15,435</b>

## 28 Cash and Cash Equivalents

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

2019/20		2020/21
£'000		£'000
	<b>Current Assets</b>	
521	Cash held by the Authority	1,005
9,830	Bank Current Accounts	16,126
94,413	Short-term Deposits	0
<b>104,764</b>		<b>17,131</b>
	<b>Current Liabilities</b>	
0	Bank overdrafts	0
<b>104,764</b>	<b>Total</b>	<b>17,131</b>

## 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:



# Notes to the Core Financial Statements

2019/20			2020/21	
£'000	£'000		£'000	£'000
		<b>Note 29a - Operation Activities</b>		
5,942		Interest received	3,947	
(4)		Interest paid	(5,689)	
4,550		Dividend/Profit Received	2,100	
	<b>10,488</b>			<b>358</b>
4,178		Depreciation	4,869	
1,573		Impairment and downward valuations	795	
221		Amortisation	0	
8,422		Increase/(decrease) in creditors	7,475	
(1,941)		(Increase)/decrease in debtors	(4,507)	
(2)		Decrease in inventories	0	
844		Movement in pensions liability	(412)	
1,288		Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0	
10,033		Other non-cash items charged to the provision of services	2,565	
	<b>24,616</b>			<b>10,785</b>
0		Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	
(96,588)		Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(130)	
(75,615)		Any other items for which the cash effects are investing or financing cash flows	(10,808)	
	<b>(172,203)</b>			<b>(10,938)</b>
	<b>(137,099)</b>			<b>205</b>
		<b>Note 29B- Investing Activities</b>		
(17,802)		Purchase of property, plant, equipment, investment property and intangible assets	(16,528)	
(3,617)		Purchase of st and It investments	(97,294)	
(225)		Other payments for investing activities	(102)	
96,588		Proceeds from the sale of property, plant, equipment, investment property and intangible assets	130	
0		Proceeds from st and It investments	450	
81,615		Other receipts from investing activities	10,808	
	<b>156,559</b>			<b>(102,536)</b>
		<b>Note 29c- Financing Activities</b>		
0		Other receipts from financing activities	0	
15,000		Cash receipts of short and long term borrowing	31,261	
(6,275)		Cash payments - Finance Leases	(2,305)	
(498)		Other payments for financing activities	(8,311)	
(7,500)		Repayments of st and It borrowing	(15,000)	
	<b>727</b>			<b>5,645</b>

# Notes to the Core Financial Statements

## 30 Creditors - Short Term

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

2019/20		2020/21
£'000		£'000
	<b>Short-term creditors</b>	
(5,092)	Central Government Bodies	(10,333)
(5,079)	Local Authorities	3,803
(7,705)	Other Entities and Individuals	(8,419)
(2,495)	Receipts in Advance less than 1 year	(8,563)
(3,690)	Deferred Liabilities (obligations under finance leases)	0
<b>(24,061)</b>	<b>Total</b>	<b>(23,512)</b>
	<b>Short-term borrowing</b>	
<b>(15,000)</b>	Loans repayable within one year	<b>(20,011)</b>
<b>(39,061)</b>	<b>Total</b>	<b>(43,523)</b>

## 31 Creditors - Long Term

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

2019/20		2020/21
£'000		£'000
(230,524)	Deferred Liabilities (obligations under finance leases)	(228,219)
(6)	Capital Grants receipts in advance	(6)
(1,292)	Receipts in advance more than 1 year	0
		9
<b>(231,822)</b>	<b>Total</b>	<b>(228,225)</b>

## 32 Provisions

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

2019/20		Change	Used	Unused Reversal	Unwinding Discounting	2020/21
£'000		£'000	£'000	£'000	£'000	£'000
(77)	Property Searches	0	0	0	0	(77)
(48)	Municipal Mutual Insurance	0	0	0	0	(48)
(74)	Contractual Provision	0	0	0	0	(74)
(2,788)	NDR Appeals	(2,889)	2,139	0	0	(3,538)
<b>(2,987)</b>	<b>Total</b>	<b>(2,889)</b>	<b>2,139</b>	<b>0</b>	<b>0</b>	<b>(3,737)</b>

# Notes to the Core Financial Statements

## Property Searches

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

## Municipal Mutual Insurance

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

## Contractual Provision

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

## NDR Appeals

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

## 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 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

2019/20 Restated		2020/21
£'000		£'000
	<b>Comprehensive Income and Expenditure Statement (CI&amp;ES)</b>	
	<b>Costs of Service</b>	
	<i>Service cost comprising:</i>	
3,027	current service cost	2,625
0	past service cost	0
	<i>Financing and Investment Income and Expenditure</i>	
1,509	Net Interest Expense	940
<b>4,536</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,565</b>
	<b>Other Post Employment Benefit Charged to the CI&amp;ES</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(9,238)	Return on plan assets	(23,411)
0	Actuarial gains and losses arising on changes in demographic assumptions	0
0	Actuarial gains and losses arising on changes in financial assumptions	0
(12,468)	Other	37,430
<b>(21,706)</b>	<b>Total Remeasurement recognised in Other CI&amp;ES</b>	<b>14,019</b>
<b>(17,170)</b>	<b>Total Post Employment Benefit Charged to CI&amp;ES</b>	<b>17,584</b>
	<b>Movement in Reserves Statement</b>	
(4,536)	Reversal of net charges made to the Provision of Services for post employment benefits in accordance with the Code	(3,565)
3,692	Employers' contributions payable to the scheme	3,977
<b>3,692</b>	<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	<b>3,977</b>

### 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:

2019/20 Restated		2020/21
£'000		£'000
(167,147)	Present value of the defined benefit obligation	(205,236)
124,956	Fair value of plan assets	149,438
<b>(42,191)</b>	<b>Total</b>	<b>(55,798)</b>

# Notes to the Core Financial Statements

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

2019/20		2020/21
£'000		£'000
115,147	Opening fair value of scheme assets at 1 April	124,956
2,743	Interest (income)/expenditure	2,866
	Remeasurement gain/(loss):	
9,238	Return on plan assets	23,411
3,692	Contributions from employer	3,977
523	Contributions from employees into the scheme	587
(6,387)	Benefits paid	(6,359)
0	Other	0
<b>124,956</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>149,438</b>

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

2019/20		2020/21
Restated		£'000
£'000		£'000
<b>(178,200)</b>	<b>Opening Balance at 1 April</b>	<b>(167,147)</b>
(3,027)	Current service costs	(2,625)
0	Past service costs	0
(4,252)	Interest cost	(3,806)
(523)	Contributions from scheme participants	(587)
	<i>Remeasurement (gains) and losses:</i>	
0	Actuarial gains and losses arising from changes in demographic assumptions	0
12,468	Actuarial gains and losses arising from changes in financial assumptions	(37,430)
0	Other	0
	<i>Past service costs</i>	
0	Losses/(gains) on curtailments	0
6,387	Benefits paid	6,359
<b>(167,147)</b>	<b>Closing Balance at 31 March</b>	<b>(205,236)</b>

# Notes to the Core Financial Statements

## Local Government Pension Scheme assets comprised

2019/20				2020/21		
Quoted active market	Quoted non-active market	Total		Quoted active market	Quoted non-active market	Total
£'000	£'000	£'000		£'000	£'000	£'000
2,713	0	2,713	Cash and cash equivalents	4,255	0	4,255
			Equity instruments: by industry type			
2,398	0	2,398	Consumer	1,343	0	1,343
1,914	0	1,914	Manufacturing	1,185	0	1,185
0	0	0	Energy and Utilities	0	0	0
1,840	0	1,840	Financial Institutions	968	0	968
1,130	0	1,130	Health and Care	598	0	598
4,303	0	4,303	Information Technology	3,446	0	3,446
206	0	206	Other	135	0	135
<b>14,503</b>	<b>0</b>	<b>14,503</b>	Sub-total equity	<b>11,929</b>	<b>0</b>	<b>11,929</b>
			Bonds: by sector			
0	0	0	Corporate Bonds (inv. grade)	0	0	0
0	0	0	UK Government	7,744	0	7,744
0	3,255	3,255	Other	0	3,636	3,636
<b>0</b>	<b>3,255</b>	<b>3,255</b>	Sub-total bonds	<b>7,744</b>	<b>3,636</b>	<b>11,380</b>
			Property: by type			
0	3,798	3,798	UK Property	0	8,364	8,364
0	7,496	7,496	Overseas Property	0	6,965	6,965
<b>0</b>	<b>11,293</b>	<b>11,293</b>	Sub-total property	<b>0</b>	<b>15,329</b>	<b>15,329</b>
			Private Equity:			
0	6,720	6,720	All	0	7,845	7,845
<b>0</b>	<b>6,720</b>	<b>6,720</b>	Sub-total private equity	<b>0</b>	<b>7,845</b>	<b>7,845</b>
			Other Investment Funds:			
39,074	0	39,074	Equities	69,529	0	69,529
41,180	0	41,180	Bonds	24,440	0	24,440
0	0	0	Commodities	0	0	0
0	116	116	Infrastructure	0	63	63
1,059	8,536	9,596	Other	1,399	8,231	9,630
<b>81,313</b>	<b>8,652</b>	<b>89,965</b>	Sub-total other investment funds	<b>95,368</b>	<b>8,294</b>	<b>103,662</b>
			Derivatives:			
0	(133)	(133)	Foreign exchange	0	(60)	(60)
<b>0</b>	<b>(133)</b>	<b>(133)</b>	Sub-total derivatives	<b>0</b>	<b>(60)</b>	<b>(60)</b>
<b>95,817</b>	<b>29,787</b>	<b>125,604</b>		<b>115,042</b>	<b>35,044</b>	<b>150,086</b>

# 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 20		31 Mar 21
-1.3%	<b>Total Returns from 1 April 2020 to 31 March 2021</b>	21.1%
	<b>Mortality Assumptions</b>	
	<b>Longevity at 65 for current pensioners</b>	
21.9	Men	22.1
24.1	Women	24.5
	<b>Longevity at 65 for future pensioners</b>	
22.8	Men	23.2
25.5	Women	26.2
2.3%	Rate of increase in salaries	3.3%
1.9%	Rate of increase in pensions	2.9%
2.3%	Rate for discounting scheme liabilities	2.0%

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.

2019/20		2020/21
£'000		£'000
3-5%	Longevity (increase in 1 year)	3-5%
746	Rate of increase in salaries (increase by 0.5%)	959
12,833	Rate of increase in pension rates (increase by 0.5%)	16,463
13,648	Rate for discounting scheme liabilities (decrease by 0.5%)	17,733
<b>27,227</b>	<b>Total</b>	<b>35,155</b>



# Notes to the Core Financial Statements

## Information about the Defined benefit obligation

Funding levels are monitored on an annual basis, and the latest triennial review is based on 31 March 2019 data. The fund liability may go up or down based on this review, and a sensitivity analysis is set out within this note under “impact on the defined benefit obligation in the scheme”. The total value of contributions expected to be made by the Council in 2021/22 is £4.040m.

## 34 Contingent Assets and Liabilities

There are no contingent assets or liabilities for 2020/21.

## 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		Net Movement in Year	Balance at 31-Mar-20
£'000		£'000	£'000
(28)	Capital Receipts Reserve	0	(28)
(44,299)	Earmarked Reserves	(15,913)	(60,212)
(2,600)	General Fund Balance	600	(2,000)
(75,651)	Capital Grants Unapplied	(8,466)	(84,117)
<b>(122,578)</b>	<b>Total Net Worth</b>	<b>(23,780)</b>	<b>(146,358)</b>

### (b) Capital Receipts Reserve

The Usable Capital Receipts Reserve holds capital receipts from the sale of assets which have been received and have not yet been used to finance capital expenditure. The balance on the Reserve is 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.

## Notes to the Core Financial Statements

2019/20		2020/21
£'000		£'000
(1)	<b>Balance brought forward at 1 April</b>	<b>(28)</b>
	<b>Received in year:</b>	
(1,922)	Proceeds from sale of long-term assets	0
0	Transfer from Deferred Capital Receipts upon receipts of cash	
(94,666)	Unattached Capital Receipts	(130)
	Loan repayments (Unattached Capital Receipt)	
<b>(96,588)</b>		<b>(130)</b>
	<b>Applied in year:</b>	
5,811	Applied to Capital Adjustment Account to finance new capital expenditure	130
68,000	Transfer to Capital Grants and Contributions	0
22,749	Transfer to Croxley Park Earmarked Reserve	0
0	Applied to Long Term Debtors to clear loans	0
1	Transferred to Capital Adjustment Account to finance new capital expenditure	0
<b>96,561</b>		<b>130</b>
<b>(28)</b>	<b>Usable Reserves</b>	<b>(28)</b>

### (c) Earmarked Reserves

This note sets out the amounts set aside from the General Funding earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

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

# Notes to the Core Financial Statements

Balance at 01-Apr-19	Approp - riations From Reserve	Balance at 31-Mar-20		Approp - riations to Reserve	Approp - riations From Reserve	Balance at 31-Mar-21
£'000	£'000	£'000		£'000	£'000	£'000
0	0	(86)	Area Based Grant	86	0	0
(1,975)	1,344	(1,933)	Budget Carry Forward	(1,863)	1,934	(1,862)
0	615	0	Capital Fund	0	0	0
(56)	0	(697)	Car Parking Zones	465	0	(232)
0	0	(93)	Charter Place Tenants	93	0	0
8	0	(48)	Climate Change	48	0	0
0	0	(150)	Crematorium	0	0	(150)
0	0	0	Development Sites Decontamination	0	0	0
0	670	(2,980)	Economic Impact	(278)	255	(3,003)
0	0	(997)	Housing Benefit Subsidy	0	0	(997)
0	0	(266)	Housing Planning Delivery Grant	0	0	(266)
0	0	(689)	Invest to Save	0	689	0
(2)	2	(11)	Le Marie Centre Repairs	9	2	0
0	0	(423)	Leisure Structured Maintenance	366	0	(58)
0	0	(178)	Local Development Framework	0	0	(178)
0	0	(181)	Multi-Storey Car Park Repair	0	0	(181)
0	0	0	New Homes Bonus	0	0	0
0	2,224	(297)	NNDR Collection Fund	(19,567)	0	(19,864)
0	0	(60)	Parks, Waste & Street Strategy	60	0	0
0	0	(2,248)	Pension Funding	0	0	(2,248)
0	0	(141)	Performance Reward Grant (Capital)	0	0	(141)
0	0	(28)	Performance Reward Grant (Revenue)	28	0	0
52	60	(299)	Project and Programme Management	0	73	(226)
0	0	(100)	Rent Deposit Guarantee Scheme	0	0	(100)
(3,392)	0	(7,334)	Riverwell	(1,184)	247	(8,271)
0	0	(182)	Vehicle Replacement	0	0	(182)
0	0	(83)	Weekly Collection Support Grant	53	0	(30)
(23,928)	0	(23,928)	Croxley Park Reserve	(258)	0	(21,512)
(32)	0	(32)	Grounds Maintenance	17	0	(15)
(397)	0	(835)	HB Equalisation Reserve	139	0	(696)
<b>(29,722)</b>	<b>4,915</b>	<b>(44,299)</b>	<b>Total</b>	<b>(21,787)</b>	<b>3,200</b>	<b>(60,212)</b>

## 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 to cover guarantees provided by the Council for the Riverwell scheme, to cover repayments of outstanding loans, for redistribution to the GF or Economic Impact Reserve as and when required and to create a fund for future investment.
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:

2019/20		2020/21
£'000		£'000
<b>(2,309)</b>	<b>Balance brought forward at 1 April</b>	<b>(2,600)</b>
(25,773)	Net increase/(decrease) before transfers to earmarked reserves	(15,646)
25,482	Transfer (to)/from earmarked reserves	16,246
<b>(2,600)</b>	<b>Balance carried forward at 31 March</b>	<b>(2,000)</b>

### (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:

2019/20		2020/21
£'000		£'000
<b>(4,228)</b>	<b>Balance brought forward at 1 April</b>	<b>(75,651)</b>
(579)	Section 106- grants held for future use (new in year)	(107)
322	Section 106- grants applied (to Capital Adjustment Account)	1,454
3,870	Capital Grants applied	771
(71,928)	Capital Grants received	(10,701)
	Community Infrastructure Levy - applied (to Capital Adjustment Account)	3,000
(3,108)	Community Infrastructure Levy - held	(2,900)
0	Other	16
<b>(75,651)</b>	<b>Balance carried forward at 31 March</b>	<b>(84,117)</b>

# Notes to the Core Financial Statements

## 36 Unusable Reserve

### (a) Movement in Unusable Reserves

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

Balance at 31-Mar-19		Net Movement in Year	Balance at 31-Mar-20
£'000		£'000	£'000
126	Accumulated Absences Reserve	210	336
(198,022)	Capital Adjustment Account	(3,287)	(201,309)
(788)	Collection Fund Account	18,139	17,351
123	Deferred Capital Payments	0	123
(225)	Deferred Capital Receipts	0	(225)
76	Financial Instruments Account	(2,848)	(2,772)
42,191	Pensions Reserve	13,607	55,798
(78,243)	Revaluation Reserve	5,919	(72,324)
(234,762)	<b>Total Net Worth</b>	<b>31,740</b>	<b>(203,022)</b>

### (b) Capital Adjustment Account

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

The Account contains accumulated gains/losses on Investment Properties.

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

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

## Notes to the Core Financial Statements

2019/20		2020/21
£'000		£'000
(207,620)	<b>Balance brought forward at 1 April</b>	<b>(198,022)</b>
	<b>Reversal of items relating to capital expenditure debited/credited to the CIES</b>	
4,178	Charges for depreciation	4,869
398	Impairment of non-current assets	216
221	Amortisation of Intangible Assets	0
1,175	Revaluation (Gain) \ losses on PPE	579
1,073	Revenue Expenditure Funded from Capital under Statute	1,613
1,288	Amounts of non-current assets w/o on disposal/sale as part of the gain/loss on disposal to the CI&ES	0
<b>8,333</b>	<b>Total of reversing entries debited/credited to CIES</b>	<b>7,277</b>
(855)	Adjusting amounts w/o of the Revaluation Reserve	(2,567)
<b>7,478</b>	<b>Net w/o amount of the cost of non-current assets consumed in the year</b>	<b>4,711</b>
	<b>Capital financing applied in the year:</b>	
(5,811)	Use of Capital Receipts Reserve to finance new capital expenditure	(130)
(4,192)	Capital Grants/Contributions, applied to capital financing	(5,242)
(675)	Earmarked Reserves:	(331)
(83)	Minimum Revenue Provision (MRP)	(4,109)
0	Repayment of Long term loan	<b>0</b>
<b>(10,761)</b>		<b>(9,811)</b>
	<b>Other Movements:</b>	
0	Repayment of Long term debtors	
12,889	Mvmnt in Market value of Investment Properties debited/credited to the CI&ES	1,815
(8)	Other	(1)
<b>12,881</b>		<b>1,814</b>
<b>(198,022)</b>	<b>Balance carried forward at 31 March</b>	<b>(201,309)</b>

### (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.

2019/20		2020/21
£'000		£'000
<b>2,109</b>	<b>Balance brought forward at 1 April</b>	<b>(788)</b>
(2,897)	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	18,139
<b>(788)</b>	<b>Balance carried forward at 31 March</b>	<b>17,351</b>



# 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.

2019/20		2020/21
£'000		£'000
<b>123</b>	<b>Balance brought forward at 1 April</b>	<b>123</b>
0	Deferred Payment of Local Enterprise Partnership (LEP) Loan	0
<b>123</b>	<b>Balance carried forward at 31 March</b>	<b>123</b>

## (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.

2019/20		2020/21
£'000		£'000
<b>(225)</b>	<b>Balance brought forward at 1 April</b>	<b>(225)</b>
0	Deferred Receipts received	0
<b>(225)</b>	<b>Balance carried forward at 31 March</b>	<b>(225)</b>

# Notes to the Core Financial Statements

## (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.

2019/20 Restated		2020/21
£'000		£'000
<b>63,053</b>	<b>Balance brought forward at 1 April</b>	<b>42,191</b>
(21,706)	Remeasurements of the net defined benefit liability/(asset)	14,019
4,536	Reversal of items relating to retirement benefits debited/(credited) to the Surplus/Deficit on the Provision of Services in the CI&ES	3,565
(3,692)	Employer's pension contributions and direct payments to pensioners payable in year	(3,977)
<b>42,191</b>	<b>Balance carried forward at 31 March</b>	<b>55,798</b>

## (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.

2019/20		2020/21
£'000		£'000
<b>(59,574)</b>	<b>Balance brought forward at 1 April</b>	<b>(78,243)</b>
(26,741)	Upward Revaluation of assets	0
7,217	Downward Revaluation of assets and impairment losses not charged to the Provision of service	3,352
<b>(19,524)</b>	<b>Net (Surplus) on revaluation of non-current assets not posted to the Provision of services</b>	<b>3,352</b>
803	Difference between fair value depreciation and historical cost depreciation	2,567
52	Revaluation reserve written-off on disposal of asset	0
<b>855</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>2,567</b>
<b>(78,243)</b>	<b>Balance carried forward at 31 March</b>	<b>(72,324)</b>

# Notes to the Core Financial Statements

## 37 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

### Financial Instruments – Balances

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

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

The Balance Sheet includes the following financial instruments:

Non-Current	Current		Non-Current	Current
31 Mar 20	31 Mar 20		31 Mar 21	31 Mar 21
£'000	£'000		£'000	£'000
		<b>FINANCIAL ASSETS</b>		
		<b>Carried at Amortised Cost</b>		
	94,413	Investments		
	10,351	Cash and Equivalents		17,131
2,419	10,641	Debtors	2,521	15,435
<b>2,419</b>	<b>115,405</b>	<b>Total at Amortised Cost</b>	<b>2,521</b>	<b>32,566</b>
		<b>Carried at Fair Value through Profit and Loss</b>		
18,901	0	Investments	22,897	
20	0	Equity Instruments	92,868	0
<b>18,921</b>	<b>0</b>	<b>Total at Fair Value through Profit and Loss</b>	<b>115,765</b>	<b>0</b>
<b>21,340</b>	<b>115,405</b>	<b>Total Financial Assets</b>	<b>118,286</b>	<b>32,566</b>
		<b>FINANCIAL LIABILITIES</b>		
		<b>Borrowing</b>		
	(15,000)	Financial liabilities at amortised cost		(20,011)
		<b>Other long-term Liabilities</b>		
(234,214)		PFI and Finance Leases (deferred liabilities)	(228,219)	
		<b>Creditors</b>		
	(24,061)	Financial liabilities carried at contract amount		(23,512)
<b>(234,214)</b>	<b>(39,061)</b>	<b>Total Financial Liabilities</b>	<b>(228,219)</b>	<b>(43,523)</b>
<b>(212,874)</b>	<b>76,344</b>	<b>Total</b>	<b>(109,933)</b>	<b>(10,957)</b>
<b>(136,530)</b>			<b>(120,890)</b>	

# Notes to the Core Financial Statements

## Disclosure of Nature and Extent of Risks arising from Financial Instruments

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

The Council 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 (2019/20: £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 Council's activities expose it to a variety of financial risks. The key risks are:

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

### Liquidity Risk

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

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

### Market Risk

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

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

### Credit Risk

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

During 2020/21, approval was given by Full Council to maintain a flexible limit on balances held with the Council's bank (Lloyds) to equal that of £10m plus the balance of any emergency grant funds

## Notes to the Core Financial Statements

being administered. At 31 March 2021, the total balance being held for the administration of Covid-19 grants to businesses amounted to £4.011m.

### **38 Going Concern**

The Going Concern Statement will be included shortly.

# Notes to the Core Financial Statements

## 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).

2019/20				2020/21		
£'000	£'000	£'000		£'000	£'000	£'000
NDR	Ctax	Total		NDR	Ctax	Total
			<b>Income receivable:</b>			
	(60,997)	(60,997)	Council Tax receivable		(62,741)	(62,741)
(60,044)		(60,044)	Business Rates receivable	(27,162)		(27,162)
(45)		(45)	Transitional Relief; S13A Reliefs and discount for prompt payment	0	(308)	(308)
			<b>Repayment of previous year's deficit</b>			
(3,411)		(3,411)	Watford Borough Council	0		0
(853)		(853)	Hertfordshire County Council	0		0
(4,263)		(4,263)	Central Government	0		0
<b>(68,616)</b>	<b>(60,997)</b>	<b>(129,613)</b>	<b>Total Income</b>	<b>(27,162)</b>	<b>(63,049)</b>	<b>(90,211)</b>
			<b>Expenditure:</b>			
			<b>Repayment of previous year's surplus</b>			
	250	250	Watford Borough Council	923	154	1,077
	1,257	1,257	Hertfordshire County Council	137	783	920
	156	156	Hertfordshire Police and Crime Commissioner		108	108
		0	Central Government	1,210		1,210
			<b>Precepts</b>			
23,344	8,809	32,153	Watford Borough Council	25,340	9,160	34,500
26,679	44,661	71,340	Hertfordshire County Council	6,335	47,349	53,684
	6,174	6,174	Hertfordshire Police and Crime Commissioner		6,629	6,629
16,675		16,675	Central Government	31,675		31,675
			<b>Charges to the Collection Fund</b>			
851	224	1,075	Increase(Decrease) in Bad Debts Provision	1,716	988	2,704
(6,400)		(6,400)	Increase(Decrease) in Appeals Provision	879		879
167		167	Cost of Collection	161		161
0		0	Transitional Protection Payable	3,328		3,328
<b>61,316</b>	<b>61,531</b>	<b>122,847</b>		<b>71,704</b>	<b>65,171</b>	<b>136,875</b>
<b>(7,300)</b>	<b>534</b>	<b>(6,766)</b>	<b>(Surplus)/Deficit for the year</b>	<b>44,542</b>	<b>2,122</b>	<b>46,664</b>
5,957	(1,825)	4,133	<b>Fund Balance as at 1 April</b>	(1,343)	(1,291)	(2,634)
<b>(1,343)</b>	<b>(1,291)</b>	<b>(2,633)</b>	<b>(Surplus)/Deficit carried forward</b>	<b>43,199</b>	<b>831</b>	<b>44,030</b>
			<b>Fund Balance Allocation</b>			
(599)	(190)	(788)	Watford Borough Council	17,233	118	17,351
234	(967)	(733)	Hertfordshire County Council	4,598	623	5,221
	(134)	(134)	Hertfordshire Police and Crime Commissioner		90	90
(978)		(978)	Central Government	21,368		21,368

# Notes to the Core Financial Statements

## 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 2020/21.

2019/20		2020/21				
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Fraction (Proportion)	Equivalent Number of Band D Dwellings
0.00	A (Disabled Relief)	0.00	0	0.00	5/9	0.00
218.13	A	518.00	(138)	379.70	6/9	253.13
2,245.06	B	4,374.00	(1,252)	3,122.20	7/9	2,428.38
10,395.51	C	14,732.00	(2,773)	11,959.40	8/9	10,630.58
10,848.35	D	12,842.00	(1,828)	11,014.00	9/9	11,014.00
3,972.47	E	3,623.00	(355)	3,267.70	11/9	3,993.86
2,958.73	F	2,178.00	(126)	2,051.60	13/9	2,963.42
3,050.00	G	1,904.00	(65)	1,839.30	15/9	3,065.50
168.00	H	81.00	3	83.70	18/9	167.40
<b>33,856.24</b>		<b>40,252.00</b>	<b>(6,534.40)</b>	<b>33,717.60</b>		<b>34,516.27</b>
(1,015.69)	Less Allowance for losses on collection					(1,035.50)
<b>32,840.56</b>	Tax Base for Calculation of Council Tax					<b>33,480.77</b>
	Add: Adjustment for changes during the year for successful appeals against valuations bandings, new properties, demolitions, disabled persons' relief and empty properties					
<b>32,840.56</b>						<b>33,480.77</b>

Each year, the Council needs to collect enough money from local residents to cover the cost of the services it provides which is not funded by Government grants and charges for services. It also collects charges for Hertfordshire County Council and the Hertfordshire Police. The total is divided by the tax base for the purposes of calculating the Council Tax to arrive at an average Band D tax per dwelling. The Council set an average Council Tax charge for Band D dwellings of £1,885.79 (£1,816.17 for 2019/20).

2019/20		2020/21
£'000		£'000
(62,741)	Gross Council Tax Charge	(66,964)



# Notes to the Core Financial Statements

## CF2 Business Rate Payers

The Council collects National Non-Domestic Rates for its area, which are based on local rateable values multiplied by a uniform rate (51.2p or 49.9p for those receiving small business relief for 2020/21). The total amount receivable; less certain reliefs and other deductions is distributed between Central Government, Hertfordshire County Council and Watford Borough Council.

The relevant rateable value and multiplier data is shown below:

2019/20		2020/21
£		£
148,291,501	Total Non-Domestic Rateable Value at 31 March	148,565,026
50.4	National Non-Domestic Rate Multiplier - Standard	51.2
49.1	National Non-Domestic Rate Multiplier - Small Business	49.9

# Glossary of Terms

## **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.

# Glossary of Terms

## **Finance Lease**

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

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

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

## **Group Accounts**

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

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.

# Glossary of Terms

## **Operating Lease**

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

## **Pension Fund**

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

## **Precept**

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

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

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

## **Provisions**

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

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

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

## **Revenue Support Grant**

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

## **Surplus Assets**

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