THREE RIVERS
DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2018/19

CONTENTS

CONTENTS

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The Director of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of Three Rivers District Council as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019

Signed	[Original Signed]	Date	30 July 2019

Joanne Wagstaffe CPFA
Director of Finance

Signed	[Original Signed]	Date	30 July 2019

Councillor Keith Martin
Chairman of Audit Committee

NARRATIVE STATEMENT

Our understanding of Three Rivers and its priorities

1 VISION

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

2 STRATEGIC PLAN AND COMMUNITY STRATEGY

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

The themes identified are:

- Housing
- Ambition
- Independence & Resilience
- Health & Wellbeing
- Safety

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

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

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

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

1) Better neighbourhoods – we want to:

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

2) Healthier Communities – we want to:

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

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

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

3 LOCAL CONTEXT

Three Rivers District Council has had a long period of Liberal Democrat stewardship that, since the reduction of the number of Councillors from 48 to 39, has been challenged numerically, passing through periods of No Overall Control, hung and now with a minimal overall majority. Paradoxically, it has shown more innovation and political courage in the last five years than it did in the decade prior to that. Throughout the last fifteen years, however, it has shown consistently high performance in service delivery, focused on community safety and customer service (it was the first local authority in the country to gain Charter Mark and Customer Service Excellence accreditation in each one of its front-line and back office services), and played its full part in national, regional and county initiatives.

Politically, TRDC has an experienced Leader who is more outward-looking than her predecessor, has ably dealt with a minority administration and has successfully regained an overall majority. The Cabinet contains a mixture of long-standing experience together with new blood, is well aware of the manifold challenges facing us and has supported innovation in order to preserve our outstanding services. Meanwhile, there is high quality at every level of the organization; the Heads of Service are of consistently enviable ability and well able to deal with running their services to a high standard; the Management Board also consists of long-standing experience together with new blood, has been the wellspring of innovation and has delivered major projects to help stabilize the finances.

The ‘pluses’ are many: partnership working; anti-social behaviour interventions; SW Herts planning partnership; consistently good performance indicators over the whole authority that are usually best in Herts and usually in the top quartile of national standard; good teamwork and trust between Members and officers; exemplary customer care and consistent customer satisfaction; extensive management and leadership training for officers; high staff morale and satisfaction; and delivery on projects affecting the whole authority – the transformation of the role of the CSC into a Council Academy, shared services permeating our work, creating JVs and trading companies; solving our immediate temporary accommodation needs, masterminding the 7-LA Building Control Company, exploiting Property Income, Green Waste, Car Parking charges, saving Watersmeet, to name a few).

The challenges are the housing numbers required by the unadopted Local Plan, creating affordable housing, developing Members of all Groups to be more effective, the balancing of the budget, attaining the extra £1m annual revenue the Chief Executive believes we should develop in order to have financial headroom to deliver on our aspirations, and succession planning.

This Peer Review arrives at a highly opportune moment to evaluate how much has already been done and help us assess what is required further and our risk appetite to accomplish our aims.

Leadership of Place

The development of the new Three Rivers Community Strategy started from the outcomes developed by Children's Services for all work with children and families in Hertfordshire – the outcome bees - and engaged stakeholders to see how these could be developed to reflect the aspirational outcomes for the whole of our community in Three Rivers. Each of the sub-partnerships of the Local Strategic Partnership has then been tasked with developing work plans to address different parts of the Strategy, with the Board keeping an overview of performance and undertaking topic-based performance reviews of cross-cutting issues such as Violence, Mental Health, and System Navigation, providing recommendations on key gaps to be addressed through our local partnership work.

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

In addition, the Council has taken a lead role in the development of shared services through our sponsorship and leadership of Herts Building Control, the emerging Environmental Health Partnership, our participation in the Adults With Complex Needs Pilot Project, the development of Hertfordshire Families First Framework (Troubled Families and Early Help), and the development of the Hertfordshire Serious Violence and Exploitation Strategy and Action Plan.

When developing priorities, we work from a strong evidence base of strategic needs assessment, drawing on evidence from national research, regional and county needs assessment data, county and local performance data, public opinion and community engagement data. We identify gaps in performance in relation to key outcomes to set our local targets for both partnership based work and Council delivered work.

Our partnerships and strategic plan are dynamic in that they respond to new and emerging challenges such as the roll out of universal credit, the new Homelessness Reduction Act, the government's Serious Violence Strategy, the Active Lives Strategy, the Domestic Abuse Bill and consultation, and Mental Health Policy developments, and changes in the planning and local plan development requirements.

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

4 ORGANISATIONAL LEADERSHIP AND GOVERNANCE

Under the Council’s new Leadership the Strategic Plan was changed in 2017 to produce a new vision, aims and priorities alongside a set of values that underpin all of the Council’s work. The plan is refreshed on an annual basis through the Strategic Service and Financial Planning process, with performance indicators and targets reviewed on an annual basis alongside the budget process.

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

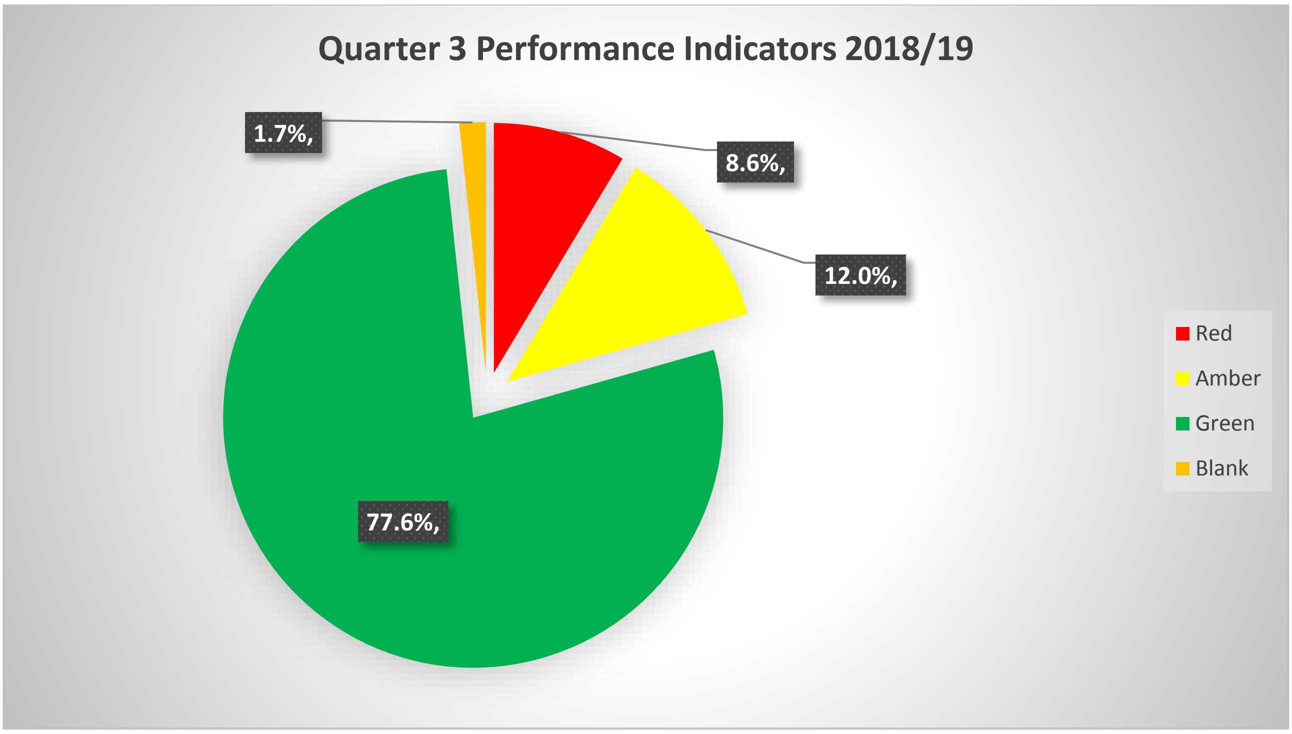
Management Board is extended twice a year to include meetings of all managers to ensure that key project issues are jointly discussed, and information from Management Board is shared through the intranet, the monthly staff newsletter All Aboard, departmental heads of service meetings, and team meetings.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

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

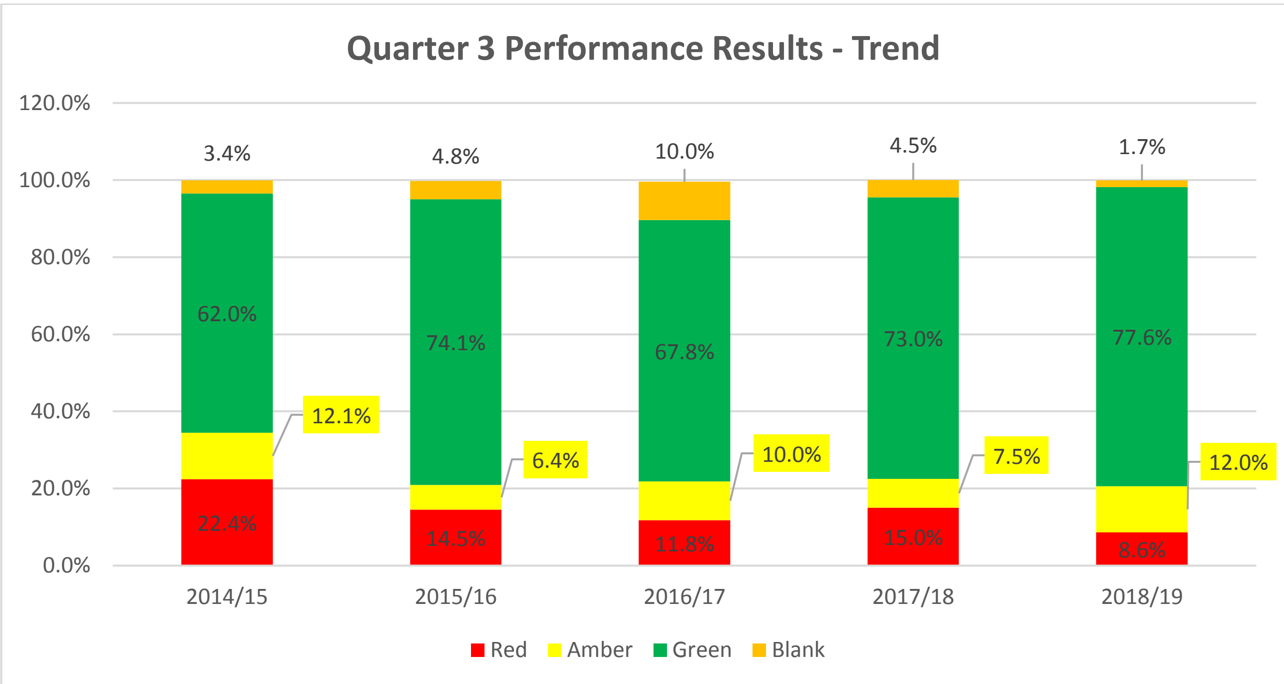
This brief overview is supplemented by the Annual Governance Statement which follows in this Statement of Accounts

5 CORPORATE PERFORMANCE

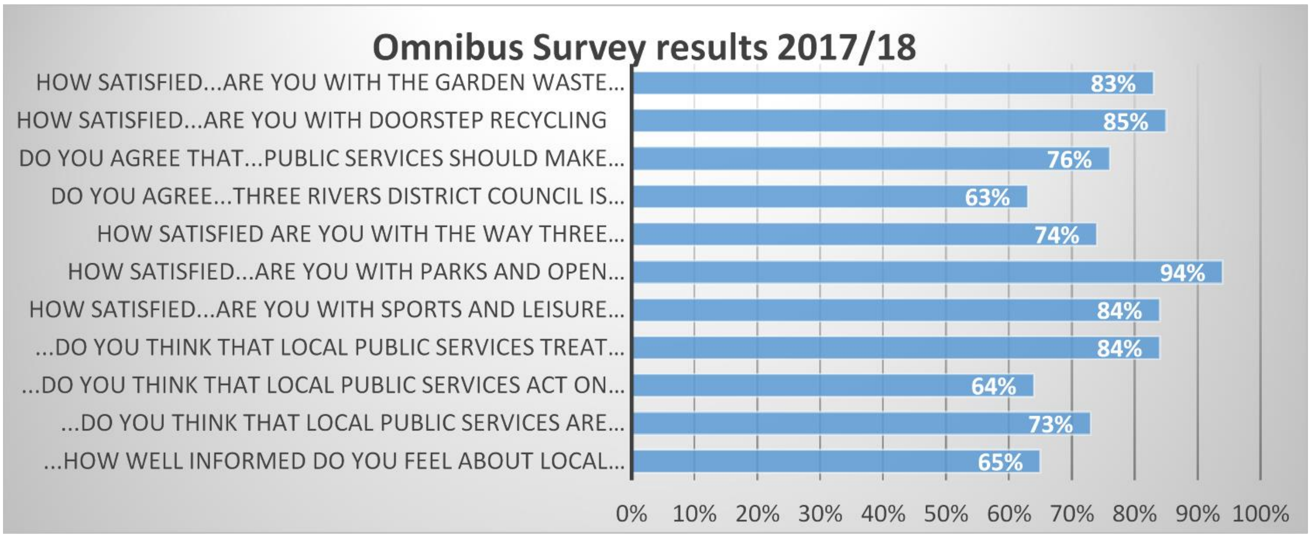
The latest corporate performance report shows the following results for the Council's Strategic Plan Performance Indicators.



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



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



6 RISKS AND OPPORTUNITIES

The Council identified the following strategic risks in 2018/19, and the Service Plans with responsibility for the management / mitigation.

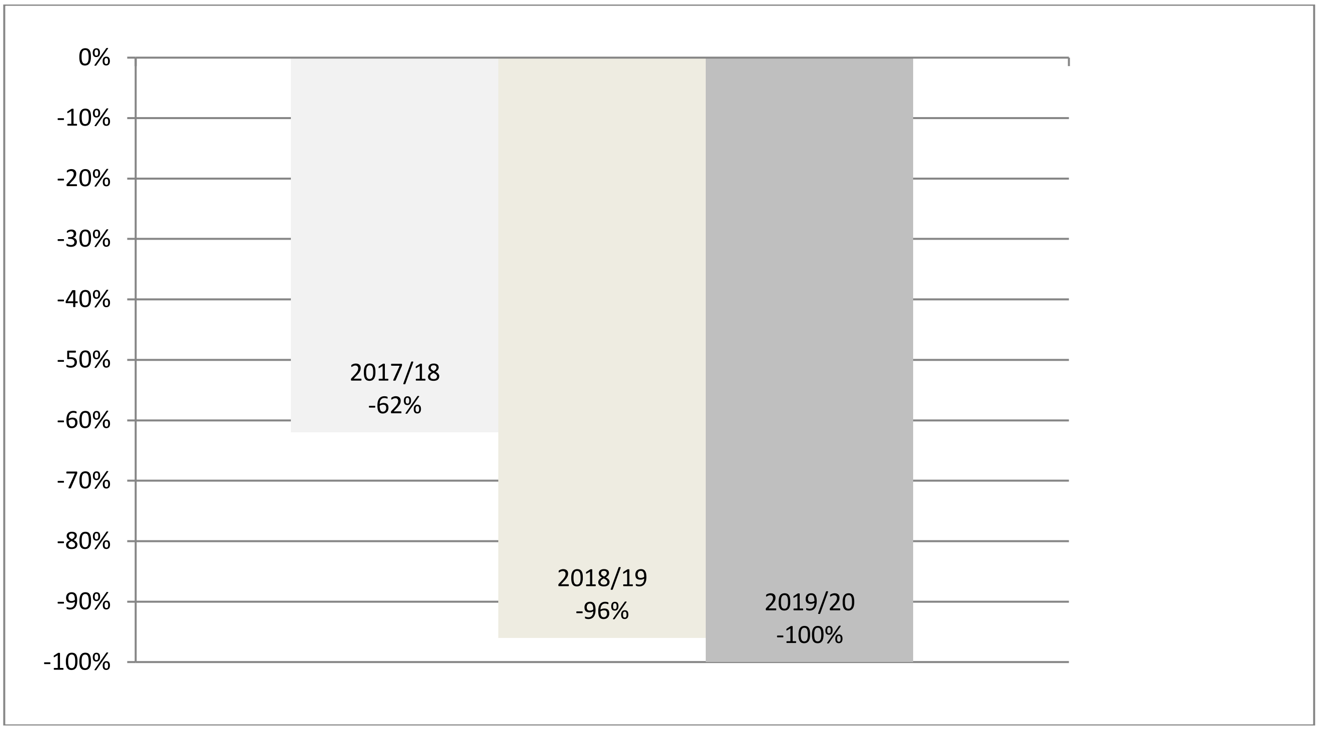
	Strategic risk	Service Plan
1)	Failure to secure improvements to services	Community Partnerships
2)	Failure to tell residents about improvements	Corporate Services
3)	Failure to make progress on sustainability	Economic and Sustainable Development
4)	Failure to engage the community in the Strategic Plan	Community Partnerships
5)	Failure to achieve Community Safety targets	Community Partnerships
6)	Failure to achieve the priorities of the Community Strategy through the LSP	Community Partnerships
7)	Failure to deliver the South Oxhey Initiative Project to the desired outcomes and objectives	Property Services
8)	The medium term financial position worsens	Finance

The Audit Committee monitors key financial risks and the latest version of the strategic financial risk register can be found here https://www.threerivers.gov.uk/listing/audit-committee.

7 FINANCIAL PLANNING

This section covers the 2018/19 outturn and looks forward to 2019/20 and its related Medium Term Financial Plan (MTFP) for 2019-23.

Since 2017 the MTFP has accounted for the loss of the revenue support grant (RSG) from Central Government. The RSG element of Government funding the previous medium term:



The Council has witnessed a reduction in RSG of £3.0m since 2013/14. In response to this the Council has achieved cashable savings averaging over £0.3m per year sustained over a period of 13 years. The MTFP has also addressed the gap in funding through increased income rising from £6.1m in 2013/14 to £8.6m in 2020/21 including: the returns on investment into property assets, the introduction of green waste collection charges, changes to parking charges, and the retendering of its leisure contract. The Council has also increased Council Tax to offset several years of government incentivised zero increases.

The development of the MTFP is supported by annual budget consultations and the review of our Omnibus Customer Telephone Survey results providing clear input on the views of residents as to their priorities for the Council's work and expenditure.

The Council has retained a prudent minimum balance of the general fund of £2.0m. At the same time the Council has maintained an ambitious Capital Investment Programme.

There has been a significant increase in costs associated with processing mixed dry recyclables. This is largely due to a change of policy in China's import restrictions. Although the price of mixed recyclables is starting to recover, there will be a significant shortfall in 2018/19 and this is predicted to continue in future years. An additional £78k is required for 2019/20 and future years. All Districts within the County are in a similar position.

Services have worked hard during the budget-setting process to keep budget growth to a minimum and remain within their budget limits. Services have submitted Project Initiation Documents (PIDS) to their relevant service Committees for approval. This results in an increase in growth of £268k over the MTFP for 2019-22.

The Council's decision not to proceed with the redevelopment of the sports hall at William Penn (part of the retendered leisure management contract) means there is a reduction in the average annual management fee of circa £107k over the remaining 19 year period of the contract to the Council (a total of £2.033m). To compensate for part of the budget shortfall, the contractor's and Management Board's proposal to implement above-inflation price increases was agreed by Council on 11

December. This means the Council will receive a £37k per annum reduction in the average annual management fee over the remaining period of the contract.

Planning application fees are demand led and, whilst the implications of Brexit are unknown, the Council's Local Plan will not advance significantly until the latter part of 2019/20, at which time developers will have more certainty of suitable development sites and opportunities. Applications have seen a reduction in income of £150k in 2018/19 and it is considered that this will continue in 2019/20. This will be monitored closely in the forthcoming financial year.

In the previous MTFP, the Council indicated that by 2018/19 it would be making an additional £1m from its investment in property, including temporary accommodation. This has been achieved. The property investment budget has now been spent and the Council will continue to manage its investment portfolio actively to maintain its investment income.

The effect of the all variances on the Council's (surplus)/deficit for 2018/19 and the General Fund balance over the medium term is shown in the table below.

Movement on General Fund	2018/19 Outturn	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
	£000	£000	£000	£000
Balance at April 1	(4,343)	(4,821)	(4,547)	(4,303)
Surplus / deficit in year	(478)	274	244	(23)
Balance at 31 March	**(4,821)**	**(4,547)**	**(4,303)**	**(4,326)**

The garden waste initiative has continued to be extremely popular and current demand has continued to exceed the anticipated participation and take-up rates.

There are five new proposed growth items in the MTFP 2019-2022. These total £29k in 2019/20. The overall MTFP 1 indicates a budget requirement (net expenditure) for 2019/20 of **£12.433m**. Funding for this will come from a number of sources, as set out below.

Government Grant

The provisional settlement in December 2018 provided details of the funding available to the Council for 2019/20. It included changes to the Council's baseline NDR figures and tariff to reflect the removal of negative RSG nationally. 2019/20 is the final year of the four-year settlement, with the Government expected to reset the NDR system from 2020/21.

Business rates

Business rates are collected by the Council to fund services, and the proceeds are shared between the District and County Councils, and also with central Government. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of business rates to be £1.610m in 2019/20. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation and reliefs.

It should be noted that the business rates retention system will be “re-set” for 2020-21. The re-set will establish new baseline funding levels and business rates baselines for each local authority that is party to the rates retention system. Baseline funding levels will be based on the spending control totals for 2020-21 and the distribution formulas that will be put in place through the Fair Funding Review.

In 2018/19 a new business rate pool was established consisting of the County Council, this Council and other Hertfordshire districts/borough councils. This is to continue in 2019/20 with membership of this pool expecting to contribute £400k to the Council’s business rate income. This is already included in the base budget. The provisional settlement confirmed that Hertfordshire will be a pilot for 75% Business Rate retention in 2019/20 Being a part of this pilot is expected to increase resources available to the Council by £200k.

New Homes Bonus

New Homes Bonus is a non-ring-fenced grant relating to the number of new homes delivered in a local authority area that may be used at the discretion of the Council for either capital expenditure or to support the revenue account (or combination). For 2019/20, based on the provisional settlement, the Council expects to receive £0.635m which will be split equally between revenue and capital funding**.** Estimates for future years are harder to predict due to factors around timing of qualifying developments coming on line and the impact of the NDR reset, but the Council has made realistic estimates of income and included these in the MTFP.

Council Tax

The Council sets its budget to give an acceptable level of council tax, balanced in the medium to long term using the resources at its disposal.

A council tax increase of £5 has been assumed for 2019/20 and subsequent years. The Council expects to collect £6.798m of council tax income in 2019/20. A one per cent increase in the District council tax rate generates a c£68k increase in Council Tax revenue for the District Council.

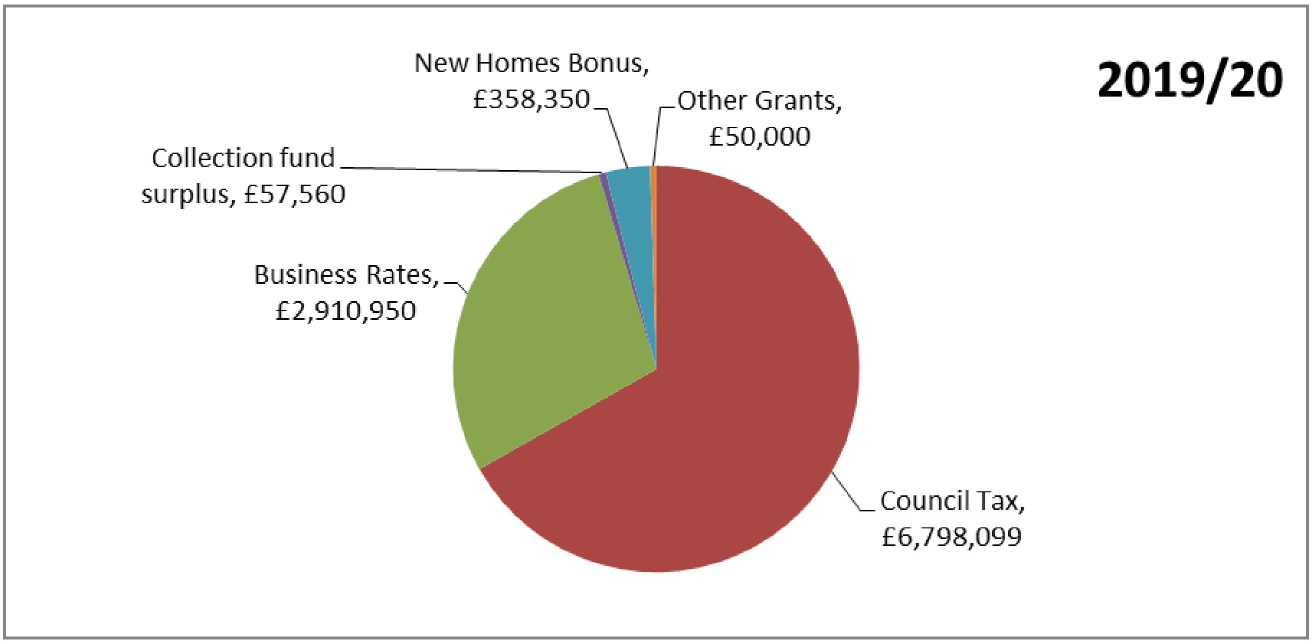
Council Tax Base

The Council Tax base for 2019/20 was set at the Council meeting on 11 December 2018 and totalled 39,092 assuming a collection rate of 99%. The base shows an increase of 2.2% over 2018/19. Where amounts of Council Tax collected exceed the estimates made, the surplus is shared between the relevant major precepting authorities (Hertfordshire County Council, Three Rivers District Council and Hertfordshire Police & Crime Commissioner). To reduce risk for the Parish Councils, surpluses or deficits are not paid or charged to them.

Local Council Tax Reduction Scheme

At the Council meeting on 11 December 2018, it was resolved to continue to apply the agreed Local Council Tax Reduction Scheme for 2019/20.

The chart below show the value and proportion of each funding stream that supports the Council’s revenue account for 2019/20.



Capital Programme

The capital programme for 2018/19 totals £27.5m, including significant sums for investment and income generation. The services' capital programme included in MTFP shows schemes totalling £14.6m in 2019/20; £3.5m in 2020/21 and £3.1m in 2021/22.

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

- Leisure Facility South Oxhey (£7.7m),
- Provision of Temporary Accommodation (£2.0m),
- Disabled Facility Grants (£1.5m),
- Waste and Recycling Vehicles (£1.8m), and
- Garage Improvements (£0.6m).

For 2019/20 there are proposals for five new schemes. Project Initiation Documents (PIDs) have been prepared and presented to the relevant service Committee at the November/December meetings. These bids total £1.0m in 2019/20. The bid for Three Rivers House (THR) transformation also has revenue implications.

The proposed new schemes are;

- Integration of Firmstep to Uniform software licensing applications (£19k),
- Watersmeet hot water pipework replacement (£38k),
- Watersmeet cinema screen replacement (£15k),
- Three Rivers House transformation (£394k), and
- Batchworth Depot Offices refurbishment (£500k), and
- Temporary Accommodation Garage Sites (£186k)

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

Government Grants & Other Contributions:

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

Section 106 Contributions:

These are contributions from developers to the public services and amenities required for the development. These have been in part replaced by the Community Infrastructure Levy (CIL). Current Section 106 (s.106) monies are guaranteed. Council has previously agreed to use £1.5m of the affordable housing s.106 for the provision of additional affordable housing as part of the South Oxhey Initiative project.

Capital Receipts Reserve:

Capital receipts are derived when selling assets such as land and/or buildings. The main receipt relates to the arrangements made when the Council sold its housing stock to Thrive Homes Ltd in 2008; the Transfer Agreement included a Right to Buy (RTB) Sharing Agreement whereby the Council is entitled to a share of the post-transfer receipts from RTB sales and a 'VAT Shelter Agreement' whereby the Council benefits from the recovery of VAT on continuing works carried out by Thrive. That agreement expired at the end of 2018/19.

Revenue Contributions:

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

Future Capital Expenditure Reserve:

The Council has a general reserve which it has put aside for future capital expenditure. It has the ability, should it wish, to re-designate this reserve for revenue use, however the current MTFP forecasts that this reserve will be fully utilised to support the capital programme.

New Homes Bonus Reserve:

New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. There are no government restrictions on whether this is capital or revenue, nor is there any ring-fence imposed. For 2019/20, based on the provisional settlement, the Council expects to receive £221k, of which half will be apportioned to revenue. Estimates for future years are harder to predict due to factors such as uncertainty around timing of qualifying developments being completed and occupied, but realistic estimates are included in the medium term.

Borrowing:

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

The capital programme includes an assessment of likely available resources to finance capital expenditure and includes assumptions regarding capital receipts, which have been estimated at £1.1m in 2019/20 and future years.

Future Investment

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

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

- Schemes that generate revenue budget savings for the Council;
- Schemes that allow the Council to benefit from future economic regeneration and potential within the local area, especially those that attract additional investment into the local area from regional or national agencies; and
- Schemes that provide additional or improved services to the Council's residents in line with the Council's Strategic Plan.

8. FINANCIAL PERFORMANCE

Revenue Activity

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

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

It was estimated that there would be a deficit for the year of £0.314m. The actual outturn showed a surplus of £0.478m, a variance in the year of £0.793m.

Income & Expenditure Account	2018/19 Net Latest Approved Budget £000	2018/19 Net Outturn £000
Service Committee		
Leisure , Environment & Community	4,621	4,535
Infrastructure,Housing & Economic Development	1,662	1,357
Policy & Resources	4,573	4,238
Net Cost of District Services	**10,857**	**10,130**
Parish Precepts	1,921	1,921
Net Interest Income to General Fund	(184)	(303)
Other Income	0	0
Net District Operating Expenditure	**12,594**	**11,748**
Contributions to/(from) Earmarked Reserves	(60)	0
(Contribution from Balances)/Surplus/(Deficit) for year	0	0
Amount To Be Met From Government Grant And Local Tax Payers	**12,534**	**11,748**
Demanded From Collection Fund	(8,381)	(8,381)
Collection Fund Transfer of (Surplus)/Deficit	(204)	(204)
Revenue Support Grant	(12)	(12)
Business Rates	(3,019)	(3,026)
Non - Specific grants	(555)	(555)
Other Income	(50)	(50)
Total	**(12,220)**	**(12,226)**
Balance in Hand at 1 April	(4,343)	(4,343)
(Surplus)/Deficit For Year	314	(478)
Balance in Hand at 31 March	**(4,029)**	**(4,821)**

Capital Activity

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2018/19 is shown below:

Capital Programme	Latest Budget £000	Actual Out-turn £000	Variance £000
Services			
Leisure , Environment & Community	4,732	3,661	(1,071)
Infrastructure, Housing & Economic Developme	1,141	803	(338)
Policy & Resources	1,060	936	(124)
Service Capital Programme	**6,933**	**5,400**	**(1,533)**
Major Projects			
South Oxhey Initative	3,565	1,578	(1,987)
South Oxhey Leisure Facility	1,353	1,289	(65)
Property Investment	18,435	17,666	(769)
Temporary Accommodation	1,900	1,598	(302)
Total	**32,186**	**27,530**	**(4,656)**

The Council planned to complete capital schemes valued at £32.186m in 2018/19. The Council completed and funded £27.5m worth of capital work, £9.254m of which was funded from capital receipts. The remainder was funded from government grants, contributions from third parties, borrowing and reserves.

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

- South Oxhey initiative
- Temporary Accommodation
- Property Investment
- Waste & Grounds maintenance vehicles
- Heritage & Tourism

The Council externally borrowed £16.0m in 2018/19 mainly to fund property investment.

9. BASIS OF PREPARATION AND PRESENTATION

The external audit assessment of planning materiality is 2% of £53.0m gross revenue spend in the previous year = £1.061m. The performance materiality is 50% of the planning materiality £531k, which is the amount used to determine the extent of audit procedures.

In addition external audit report to Committee all audit differences in excess of £53k.
All joint ventures are fully identified to EY who have assessed the details for materiality and inclusion on the Group Accounts. The extent of additions in future years will fully reflect the financial progress of any partnerships over time.

SCOPE OF RESPONSIBILITY

1. Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

3. Three Rivers District Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework ‘Delivering Good Governance in Local Government’. It is also in accordance with the requirements of the Accounts and Audit (England &Wales) Regulations 2015.

4. This Governance Statement explains how the Council has maintained sound governance during the financial year 2018/19 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 2019 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.

6. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

7. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.

8. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

THE GOVERNANCE FRAMEWORK

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

General

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

11. The Council's written Constitution sets out how the Council operates, how decisions are made including which decisions are delegated to the various Committees or to Officers under the scheme of delegation and the terms of reference for the various Committees. The procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law as set out in the Act and regulations made thereunder, whilst others are adopted locally by the Council. The Constitution is reviewed at least annually and is available on the Council's website and intranet. Changes to the Constitution are reported to Full Council.

12. The Council has an approved Local Code of Governance, a copy of which is included in Part 5 of the written Constitution. This sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website and intranet.

13. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.

14. The Management Board is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year. This evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

15. Elected Members as decision-makers have to declare pecuniary and non-pecuniary interests as defined under the Act as and when they occur as well as formally recording this information in the Register of Members Interests which is available online. Each Councillor is personally responsible for keeping their entry in the Register up to date and are reminded of this obligation on an annual basis. Members have access to the Committee team and the Monitoring Officer for advice on declaration of interests at meetings.

Strategic Aims and Objectives

16. The Council and the Policy and Resources Committee met regularly to set the strategic direction of the Council and together with the Audit Committee and the Service Committees, monitor service delivery.

17. The Council publishes its Strategic Plan annually, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the local context. Progress on the Plan is reported to the public.

18. The Council updates and formally adopts its Strategic Plan every February and the Council's key objectives / priorities for 2018-21 are as follows:

Vision

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

Aims and Priorities

Better Neighbourhoods:
We want to:

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

Healthier Communities: We want to

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

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

Decision Making Structures

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

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

Constitution

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

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

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

26. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.

27. Local Authorities operating a committee system do not have to have or appoint separate overview and scrutiny committees. The scrutiny function for health and community safety is undertaken by the Leisure Environment and Community Committee. At Three Rivers District Council the review and scrutiny of policy is co-ordinated through the Policy and Resources Committee.

28. The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.

29. Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website.

30. The Solicitor to the Council is the Council's Monitoring Officer and duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Leader and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

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

Data Quality and Risk Management

32. The Council has a performance management framework linked to the Council's Strategic Plan. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's committees report the Council's achievements against targets set for improvements.

33. The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually. All of the Council's key objectives, including those in the Strategic Plan have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through service plans. Risks have been identified and assessed for their impact and likelihood. Where they require managing, a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.

34. Business continuity and emergency planning are other key aspects within the corporate governance framework and again falls within the remit of the Risk Management corporate group.

Shared Services with Watford Borough Council

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

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

- monitoring performance and dealing with complaints from either authority;

- resolving conflicts between competing interests amongst the authorities;
- reviewing the governance arrangements;
- dealing with matters referred up to it by the Operations Board;
- having overall supervision of the Shared Service;
- receiving annual reports on each service within the shared service;
- community engagement.

37. The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the Council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information.

REVIEW OF EFFECTIVENESS

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

The Council

39. All Councillors meet together as the Full Council. These meetings are chaired by the Chairman of the Council appointed in May for the municipal year. At these ordinary meetings, Councillors decide the Council's overall policies and set the budget each year. Certain decisions can only be made by the Council as a whole and these are clearly set out in the written Constitution. The Council also hold debates on issues which affect the district generally. The Leader of the Council can make an oral report on relevant district matters. Members of the public may, on notice, put written questions to the Council.

40. The Full Council comprises all 39 Members. They met four times during 2018/19. In addition there was a meeting of Annual Council in the municipal year. In cases of urgency an extraordinary meeting of the Council can be called by the Chairman and / or the Monitoring Officer under Part 4, Rule 1 of the Constitution.

The Policy and Resources Committee

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

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

42. Policy and Resources Committee met seven times during 2018/19.

The Service Committees

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

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

44. The functions of the Service Committees are to:

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

Regulatory Committees

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

Member Allowances

46. Members Allowances were reviewed in 2017 by an Independent Remuneration Panel. The report and recommendations of the Independent Remuneration Panel for 2018/19 was approved by the full Council in December 2017. The Panel did recommend increases in the allowances and these were implemented from 1 April 2018.

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

Senior Management

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

49. Management Board comprises the Chief Executive, the Director of Community and Environmental Services, the Shared Director of Finance and selected Heads of Service.

50. The Council keeps residents and stakeholders informed of its progress through 'Three Rivers Times' published three times a year and through its website.

Procurement

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

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

The Audit Committee

53. The Audit Committee comprised nine members and met four times during 2018/19.

54. The role of Audit Committee is to:

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

Internal Audit

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

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

risk. The audit plan is approved by Audit Committee in March of the preceding year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee.

57. In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the Audit Committee (at its meeting in July 2018), which:

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

58. The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2018/19 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 2018/19.

- A satisfactory assurance opinion is given on the adequacy and effectiveness of both financial systems and non-financial systems in the internal control environment. The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements. There are no qualifications to this assurance.

The Council's External Auditors

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

60. The Annual Audit Letter 2017/18 was presented to the Audit Committee in September 2018 and the main conclusions for the year were:

- The 2017/18 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 2018.

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

SIGNIFICANT GOVERNANCE ISSUES

62. The ‘normal’ running of Council business has and can be controlled through the governance framework detailed in this report. No outstanding matters were brought forward from 2017/18.

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

63. 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 [Original Signed] Date: 30 July 2019

Leader of the Council – Sara Bedford

Signed [Original Signed] Date: 30 July 2019

Interim Chief Executive – David Hill

Movement in Reserves Statement (MIRS) (Page 27)

The MIRS shows the movement in the year in the reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves.' The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net (Increase)/Decrease line shows the statutory General Fund balance movements in the year following those adjustments.

Comprehensive Income and Expenditure Statement (CIES) (Page 28)

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

Balance Sheet (Page 29)

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 and are reported in two categories. The first category is usable reserves i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt. The second category of reserves is those that the Council is not able to use to provide services (unusable reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

Cash Flow Statement (Page 30)

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

MOVEMENT IN RESERVES STATEMENT

2018/19	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2018		**(4,341)**	**(12,994)**	**(5,252)**	**(2,168)**	**(24,755)**	**(49,256)**	**(74,011)**
Total Comprehensive income and expenditure		3,776				3,776	2,284	**6,060**
Adjustments between accounting basis, and funding basis under regulations	**8**	(8,252)		5,018	(57)	(3,291)	3,291	**0**
Transfer to\from Earmarked Reserves		3,997	(3,036)			961	(961)	**0**
Total Increase\(decrease) during the year		**(479)**	**(3,036)**	**5,018**	**(57)**	**1,446**	**4,614**	**6,060**
Balance as 31 March 2019		**(4,820)**	**(16,030)**	**(234)**	**(2,225)**	**(23,309)**	**(44,642)**	**(67,951)**

2017/18	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2017		**(4,094)**	**(15,732)**	**(2,658)**	**(2,019)**	**(24,503)**	**(47,125)**	**(71,628)**
Total Comprehensive income and expenditure		2,040				2,040	(4,423)	(2,383)
Adjustments between accounting basis, and funding basis under regulations	**8**	451		(2,594)	(149)	(2,292)	2,292	0
Transfer to\from Earmarked Reserves		(2,738)	2,738			0	0	0
Total Increase\(decrease) during the year		**(247)**	**2,738**	**(2,594)**	**(149)**	**(252)**	**(2,131)**	**(2,383)**
Balance as at 31 March 2018		**(4,341)**	**(12,994)**	**(5,252)**	**(2,168)**	**(24,755)**	**(49,256)**	**(74,011)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18					2018/19		
Gross Spend £'000	Gross Income £'000	Net Spend £'000		Note	Gross Spend £'000	Gross Income £'000	Net Spend £'000
			Services				
0	0	0	Leisure Wellbeing and Health		11,310	(4,232)	7,078
0	0	0	Infrastructure Housing and Economic Development		3,426	(1,607)	1,819
36,522	(29,144)	7,378	Policy Resources		34,563	(24,438)	10,125
5,315	(1,432)	3,883	Leisure Environment and Community *		0	0	0
3,380	(1,922)	1,458	Sustainable Development, Planning & Transportation *		0	0	0
5,387	(2,774)	2,613	General Public Services & Community Safety *		0	0	0
50,604	**(35,272)**	**15,332**	**Cost of Services**		**49,299**	**(30,277)**	**19,022**
		(609)	Other Operating (Income)	**9**			(3,721)
		(286)	Financing and Investment (Income)/Expenditure	**10**			1,007
		(12,397)	Taxation and Non-Specific Grant Income	**11**			(12,532)
		2,040	**Deficit on Provision of Services**				**3,776**
		0	(Surplus) on Revalution of PPE	**22a**			(257)
		(4,423)	Re-measurement of the net defined benefit pension liability	**35**			2,541
		(4,423)	Other Comprehensive (Income)/Expenditure				**2,284**
		(2,383)	**Total Comprehensive (Income)/Expenditure**				**6,060**

.

* These reporting structures relate to 2017/18.

BALANCE SHEET

2017/18 £'000		Note	2018/19 £'000
	Property, Plant and Equipment		
52,519	Land and Buildings	22	55,106
5,321	Vehicles, Plant and Equipment	22	5,443
502	Infrastructure Assets	22	369
201	Community Assets	22	786
	Asset Under Construction	22	1,840
206	Heritage Assets	23	206
3,369	Investment Properties	24	13,570
20,681	Long-Term Debtors	27	32,592
	Long-Term Investments	27	510
82,799	**Total Long term Assets**		**110,422**
103	Assets Held For Sale	28	0
18,124	Inventories	29	16,315
5,317	Short-Term Debtors	30	6,007
8,009	Short-Term Investments	40	0
13,588	Cash and Cash Equivalents	31	5,191
45,141	**Total Current Assets**		**27,513**
(11,368)	Short-Term Creditors	33	(8,529)
(11,368)	**Total Current Liabilities**		**(8,529)**
(18,089)	Deferred Liabilities	34	(16,277)
0	Loans	34	(16,000)
(1,691)	Provisions	35	(1,869)
(1,055)	Grants & Contributions	34	(637)
(21,724)	Defined Benefit Pension Scheme	36	(26,672)
(42,559)	**Total Long Term Liabilities**		**(61,455)**
74,013	**Net Assets**		**67,951**
	Reserves		
(24,756)	Usable Reserves	38	(23,309)
(49,257)	Unusable Reserves	39	(44,642)
(74,013)	**Total Reserves**		**(67,951)**

Signed [Original Signed] Date: 30 July 2019.
Joanne Wagstaffe CPFA
Director of Finance

Signed [Original Signed] Date: 30 July 2019
Councillor Keith Martin
Chairman of Audit Committee

CASH FLOW STATEMENT

2018				2019	
£'000	£'000		Note	£'000	£'000
(2,040)		Net (deficit) on the provision of services	CIES	(3,776)	
3,868		Adjustments to net surplus or deficit on the provision of services for non cash movements	32a	7,292	
(10,128)		Adjustments for items that are outflows in provision of services from investing and financing activities	32a	11,702	
	(8,300)	**Net cash inflows/(outflows) from Operating Activities**			**15,218**
	13,473	Investing Activities outflows	32b		(39,615)
	6,767	Financing Activities outflows	32c		16,000
	11,940	**Net increase in cash and cash equivalents**			**(8,397)**
	1,648	**Cash and Cash equivalents at the beginning of the reporting period**			**13,588**
	13,588	**Cash and Cash equivalents at the end of the reporting period**	31		**5,191**

1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link between the figures reported in the Narrative Statement and the Comprehensive Income & Expenditure Statement (CIES) notes. [* 2017/18 only]

2017/18				2018/19		
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**
0	0	0	Leisure Wellbeing and Health	4,591	2,487	7,078
0	0	0	Infrastructure Housing and Economic Development	1,357	462	1,819
5,029	2,349	7,378	Policy Resources	3,993	6,132	10,125
2,150	1,733	3,883	Leisure Environment and Community *	0	0	0
1,018	440	1,458	Sustainable Devel, Planning & Transportation *	0	0	0
1,607	1,006	2,613	General Public Services & Community Safety *	0	0	0
9,804	**5,528**	**15,332**	**Net Cost of Services**	**9,941**	**9,081**	**19,022**
(7,314)	(5,978)	(13,292)	Other Income and Expenditure	(14,415)	(831)	(15,246)
2,490	**(450)**	**2,040**	**(Surplus)/Deficit on Provision of Services**	**(4,474)**	**8,250**	**3,776**
(2,738)			Transfer (from)/to Reserves	3,998		
(248)			**(Surplus)/Deficit as per Outturn**	**(476)**		
(4,094)			Opening General Fund Balance	**(4,342)**		
(248)			(Surplus)/Deficit on Provision of Services	(476)		
(4,342)			**Closing General Fund Balance**	**(4,818)**		

1(a) Note to Expenditure and Funding Analysis

2017/18					2018/19			
Adjustments for capital purposes	Net change for the pension adjustments	Other Difference	Total Adjustments		Adjustments for capital purposes	Net change for the pension adjustments	Other Difference	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
0	0	0	0	Leisure Wellbeing and Health	1,701	784	2	2,487
0	0	0	0	Infrastructure Housing and Economic Development	206	257	(1)	462
1,269	1,003	77	2,349	Policy Resources	5,113	996	23	6,132
1,374	322	37	1,733	Leisure Environment and Community *	0	0	0	0
213	225	2	440	Sustainable Devel, Planning & Transportation*	0	0	0	0
587	416	3	1,006	General Public Services & Community Safety*	0	0	0	0
3,443	**1,966**	**119**	**5,528**	**Net Cost of Services**	**7,020**	**2,037**	**24**	**9,081**
			(5,978)	Other Income and Expenditure				(831)
			(450)	**Difference between General Fund (surplus)/deficit and CIES (surplus)/deficit**				**8,250**

- Single Entity

2 Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the CIPFA Service Reporting Code of Practice 2018/19 (SERCOP). SERCOP does not prescribe guidance on the Statement of Accounts. This is provided by the Code, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern basis.

2.2 Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council

- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council

- supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made

- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract

- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.3 Cash and Cash Equivalents

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

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

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

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

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

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

2.5 Charges to Revenue for Long Term Assets

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

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

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

2.6 Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- liabilities are discounted to their value at current prices, using a discount rate of 3.6%-3.8% (based on the indicative rate of return on high quality corporate bonds); and
- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS) 19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.

The change in the net pension liability is analysed into seven components:

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

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

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

Discretionary Benefits

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

2.7 Financial Instruments

Financial Liabilities

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

Financial Assets - Loans and Receivables

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

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

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

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

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

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

2.8 Government Grants and Contributions

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

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

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

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

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

2.9 Intangible Assets

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

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

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

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

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

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

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

2.10 Inventories and Long Term Contracts

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

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

2.11 Investment Property

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

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

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

2.12 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:-

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

2.13 Overheads and Support Services

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

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

2.14 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

When decreases in value are identified:

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

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

Impairment

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

When impairment losses are identified:

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

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

Depreciation

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

Deprecation is calculated on the following bases:-

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

Please note, to ensure consistency across the 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

Construction Contracts

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

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

2.15 Heritage Assets

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

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

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

2.16 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

The level of provisions is reviewed annually by the Council.

Contingent Liabilities

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

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

Contingent Assets

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

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

2.17 Reserves

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

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

2.18 Revenue Expenditure Funded from Capital under Statute

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

2.19 Value Added Tax (VAT)

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

2.20 Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

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

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

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

2.21 Single Entity Financial Statements

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

2.22 Fair Value

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

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

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

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

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

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

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

Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

For 2018-19 the following accounting standard change that needs to be reported is:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

The following will have no impact on the Council as it already complies:

IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property.

4 Critical Judgements in Applying Accounting Policies

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

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

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

5 Prior Period Adjustments

There are no prior period adjustments in 2018/19.

6 Events after the Balance Sheet date

There are no material events after Balance Sheet date to be reported.

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

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

The Items in the Council's Balance Sheet at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	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.
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 effects of these individual assumptions can have a major impact on the pension liability calculation. During 2018/19, The Council's actuaries advised that the net pensions liability had increased by £6,309k as a result of estimates and assumptions being updated.
Arrears	At 31 March 2019, the Council had gross short term debtors totalling £8,166kk A review of significant balances suggested a provision of (£2,159k) was appropriate. However, in the current political and economic climate it may not be certain that such an allowance would be sufficient. See Note 29.	If collection rates were to deteriorate an increasing level of doubtful debts would require an additional amount to be set aside as a bad debt provision or additional bad debt write offs.
Non Domestic Rates Appeals provision	The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2019 and an estimate of the appeals not yet lodged.	If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.
Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Fair Value Estimations	When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using the following valuation techniques: 1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; 2. For level 3 inputs, valuations based on; - Most recent valuations	The Council uses combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy

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

8 Adjustments between accounting basis and funding basis under regulations

2018/19	Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
		£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	39(b)				
Reversal of items debited or credited to the CIES:					
Charges for depreciation, impairment and revaluation losses, and		(5,934)			5,934
Revaluation gains \(losses) on Property, Plant and Equipment					
Movements in the market value of Investment Properties		(723)			723
Amortisation of Intangible Assets		(110)			110
Capital Grants and Contributions applied					
Revenue Expenditure Funded from Capital Under Statute		(978)			978
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals		(1,812)			1,812
Adjustments primarily involving the Capital Grants Unapplied Account:	38(e)				
Capital grants and contributions unapplied credited to the CIES		1,087		(1,087)	
Application of grants to capital financing transferred to the CAA				1,030	(1,030)
Adjustments primarily involving the Capital Receipts Reserve:	38(b)				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES		4,237	(4,237)		
Capital Receipts applied			9,255		(9,255)
Adjustments primarily involving the Pensions Reserve:	39(g)				
Reversal of items relating to retirement benefits debited or credited to the CIES		(4,196)			4,196
Employer's pensions contributions and direct payments to pensioners payable in the year		1,790			(1,790)
Adjustments primarily involving the Collection Fund Adjustments Accounts:					
Amount by which council tax & business rates income credited to the CIES is different from statutory requirements		(1,590)			1,590
Adjustments primarily involving the Accumulated Absences Accounts:	39(f)				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements.		(23)			23
		(8,252)	**5,018**	**(57)**	**3,291**

2017/18	Note 17/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
		£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation, impairment and revaluation losses	**18a**	(2,854)			2,854
Revaluation gains \(losses) on Property, Plant and Equipment	**35b**	(2,561)			2,561
Movements in the market value of Investment Properties					
Amortisation of Intangible Assets	**17**	(708)			708
Capital Grants and Contributions applied	**34e**			1,866	(1,866)
Revenue Expenditure Funded from Capital Under Statute	**21**	(578)			578
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals	**35b**	(1,697)			1,697
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CIES	**34e**	2,015		(2,015)	0
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	**34b**	4,342	(4,342)		0
Capital Receipts applied	**34b**		1,748		(1,748)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	**35g**	(4,095)			4,095
Employer's pensions contributions and direct payments to pensioners payable in the year	**35g**	1,777			(1,777)
Adjustments primarily involving the Collection Fund Adjustments Accounts:					
Amount by which council tax & business rates income credited to the CIES is different from statutory requirements	**35d**	4,772			(4,772)
Adjustments primarily involving the Accumulated Absences Accounts:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements.	**35f**	38			(38)
		451	**(2,594)**	**(149)**	**2,292**

9 Other Operating Income and Expenditure

2017/18		2018/19
£'000		£'000
1,824	Parish Council Precepts	1,921
1,697	Loss on Disposal of Non-Current Assets	1,812
(4,341)	Unapplied Capital Receipts	(4,237)
(3,706)	Other Operating (Income)/Expenditure	(3,217)
3,917	Deficit on Revaluation of PPE assets	0
(609)		**(3,721)**

10 Financing and Investment Income and Expenditure

2017/18		2018/19
£'000		£'000
617	Net Interest on the Net Defined Benefit Pension Liability/(Asset)	587
(88)	Interest Receivable and Similar Income	0
0	Interest Payable & Similar Charges	72
541	(Income)/ Expenditure on Investment Properties	(375)
(1,356)	Investment Properties - Fair Value (gains) / losses	723
(286)		**1,007**

11 Taxation and Non Specific Grant Incomes

2017/18		2018/19
£'000		£'000
(8,088)	Council Tax Income	(8,436)
(1,487)	Non-domestic Rates Income and Expenditure	(3,474)
(1,455)	Non-ringfenced Government Grants	(567)
(1,367)	Capital Grants & Contributions	0
0	Other contributions	(55)
(12,397)		**(12,532)**

12 Expenditure and Income analysed by Nature

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

2017/18		2018/19
£'000		**£'000**
(10,636)	Fees and Charges	(8,485)
(192)	Interest and Investment Income	(375)
(8,087)	Income From Council Tax	(8,436)
(32,440)	Government Grants and Contributions	(29,100)
(4,341)	Unattached Capital Receipts	(4,237)
(320)	Support Services Recharge	(326)
(56,016)	**Total Income**	**(50,959)**
15,141	Employee Expenses	15,727
31,296	Other Service Expenditure	26,843
7,480	Depreciation, Amortisation and Impairment	7,743
1,824	Precepts and Levies	1,921
1,697	Losses on Fixed Assets	1,812
0	Interest payment and similar charges	103
618	Pensions adjustments	587
58,056	**Total Expenditure**	**54,736**
2,040	**(Surplus)/Deficit on Provision of Services (CIES)**	**3,777**

13 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

2017/18		2018/19
£'000		£'000
	Credited to Taxation and Non Specific Grant Income	
(1,663)	New Homes Bonus	(1,109)
(140)	Other	(50)
(336)	Revenue Support Grant	(12)
(1,367)	S106 contributions / Community Infrastucture Levy	(5,478)
(684)	Section 31 grant	(730)
(4,190)		**(7,379)**
	Credited to Services	
(30)	Homelessness General Fund	0
1	Community Sports Network	(5)
(309)	Housing & Council Tax Benefit Administration Grant	(285)
(23,416)	Housing Benefits - DWP	(20,845)
(105)	NNDR - cost of collection	(92)
(103)	Other.	(283)
(105)	Parish & County Elections	(26)
5	Police & Crime Commissioner	0
(161)	Safer & Stronger Communities	(105)
(75)	Public Health	(50)
(146)	Parliamentary Elections	(31)
(24,444)		**(21,721)**
(28,634)	**Total**	**(29,100)**

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

2017/18		2018/19
£'000		£'000
	Current Liabilities	
(716)	Grants' Receipts in Advance (Capital Grants)	(2,073)
	Long Term Liabilities	
(1,055)	Grants' Receipts in Advance (Capital Grants) Section 106	(637)
(1,771)	**Total**	**(2,710)**

14 Joint Operations

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

15 External Audit Costs

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

2017/18		2018/19
£'000		£'000
58	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	55
1	Fees payable for other services provided by external auditors during the year.	0
59		**55**

16 Members Allowances

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

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

2017/18		2018/19
£'000		£'000
249	Allowances	253
2	Expenses (travel & subsistence)	3
251		**256**

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

17 Officers' Remunerations

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

2017/18				2018/19
No of Employees	Remuneration Band			No of Employees
12	£50,000	-	£54,999	9
5	£55,000	-	£59,999	6
2	£60,000	-	£64,999	2
2	£65,000	-	£69,999	4
1	£70,000	-	£74,999	0
2	£90,000	-	£94,999	2
1	£95,000	-	£99,999	0
1	£120,000	-	£124,999	0
0	£125,000	-	£129,999	1
26				24

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

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

There were no bonuses given during either period.

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

2017/18 **Post**	**Salary Including Fees and Allowances**	**Expenses Allowances**	**Compensation for Loss of Office**	**Pension Contribution**	**Total Remuneration**
	£	**£**	**£**	**£**	**£**
Chief Executive	123,334	0	0	22,221	145,555
Director of Finance (Shared post with WBC)	91,572	0	0	16,666	108,238
Director of Community & Environmental Services	92,837	0	0	16,671	109,508
Solicitor to the Council (Monitoring Officer)	52,890	0	0	9,626	62,516
Total	**360,633**	**0**	**0**	**65,184**	**425,817**

18 Termination Benefits

The Council terminated the contracts of 4 employees in 2018/19, incurring liabilities of £28421.00 (£212,015 in 2017/18). All of this total was payable in the form of compensation for loss of office and no payments were made for enhanced pension benefits as part of the Council's rationalisation of Services.

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

2017/18				2018/19		
Compulsory Redundancy	Other Departures	Total Cost £	Remuneration Band	Compulsory Redundancy	Other Departures	Total Cost £
5	2	51,074	£0 - £20,000	3	0	28,421
2	1	74,434	£20,001 - £40,000	1	0	0
1	0	86,507	£80,001 - £100,000	0	0	0
8	**3**	**212,015**		**4**	**0**	**28,421**

The total cost of £28,421 in the table above is for exit packages that have been charged to the Council's CIES in the current year.

19 Related Party Transactions

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

Central Government

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

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

Members and Senior Officers

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

Name	Role	Name of Entity	Details	
	Three Riv. DC	Entity		
David Major	Councillor	Repre-sentative	West Herts Crematorium	An agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers and Watford) to constitute a Joint Committee under the Local Government Act 2000.
Jo Wagstaffe	Director of Finance	Treasurer	West Herts Crematorium	An agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers and Watford) to constitute a Joint Committee under the Local Government Act 2000.
Jo Wagstaffe	Director of Finance	Designated Member	Three Rivers Housing Developments LLP	A limited liability partnership between Three Rivers Commercial Services Limited and Clarendon Living Limited
Jo Wagstaffe	Director of Finance	Director	Three Rivers Commercial Services	Wholly owned subsidiary of the Council
Andrew Scarth	Councillor	Chairman	Three Rivers District Council	Occasional transactions in the normal course of business
Martin Henwood then Alison Scott from June 2018	Head of Finance	Board Member	Three Rivers Homes Limited	The Council has a 50% Stake
Martin Henwood then Alison Scott from June 2018	Head of Finance	Director	Watford Commercial Services Limited	Wholly owned subsidiary of the Council
Martin Henwood then Alison Scott from June 2018	Head of Finance	Board Member	Hart Homes LLP	A Limited Liability partnership with Watford BC
Rupert Barnes	Councillor	Bookings Manager	St Oswald's Church	Occasional transactions in the normal course of business
Sarah Bedford	Councillor	Member	Abbots Langley Parish Council	Occasional transactions in the normal course of business
Steven Halls	Chief Executive	Board Chairman	Broste Rivers Ltd	Company wholly owned by seven Herts local authorities

20 Partnership Working

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

The table below shows the net expenditure of the 5 shared services (4 when Tax and Benefits are considered as one) and the charge to each authority of which Three Rivers District Council's share was £2.617m in 2018/19 (£2.586m 2017/18).

2017/18		2018/19		
Total Net Cost		Provided by TRDC	Provided by WBC	Total Net Cost
£'000	**Services**	£'000	£'000	£'000
1,508	Local Tax Collection	1,464		1,464
1,663	Housing Benefits	1,690		1,690
1,212	Finance	1,496		1,496
801	HR		716	716
1,355	ICT		1,195	1,195
6,539	**Net Cost of Services / Operating Expenditure**	**4,650**	**1,911**	**6,561**
(2,586)	Paid by Three Rivers District Council	(1,910)	(707)	(2,617)
(3,953)	Paid by Watford Borough Council	(2,740)	(1,204)	(3,944)
0	**(Surplus) /Deficit for the year**	0	0	0

21 Intangible Assets

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

2017/18		2018/19
£'000		**£'000**
708	Expenditure on Software Licences	110
(708)	Written out in year of Acquisition	(110)
0	**Total**	**0**

During 2018/19, all capital expenditure recorded in this category (£110k) was written off in year (£708k 2017/18).

22 Property, Plant and Equipment

(a) Movement of Property, Plant and Equipment

2018/19	Assets under Constr-uction	Community Assets	Land & Buildings	Plant & Eqpt	Infra-Structure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
Gross at 1 April 2018	**0**	**201**	**55,132**	**13,776**	**1,802**	**70,911**
Additions - Capital Programme	3,346	512	4,910	1,542	60	10,370
Revaluation increases / (decreases) recognised in the Revaluation Reserve			258			258
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(1,748)		(1,668)			(3,416)
Assets reclassified	242	73	(8)			307
Other movements in cost or valuation						0
Balance as at 31 March 2019	**1,840**	**786**	**58,624**	**15,318**	**1,862**	**78,430**
Accumulated Depreciation and Impairment						
Total at 1 April 2018	**0**	**0**	**(2,613)**	**(8,455)**	**(1,300)**	**(12,368)**
Depreciation Charge			(905)	(1,420)	(193)	**(2,518)**
Depreciation written out to the Revaluation Reserve						0
Total at 31 March 2019	**0**	**0**	**(3,518)**	**(9,875)**	**(1,493)**	**(14,886)**
Balance Sheet Value at 31 March 2019	**1,840**	**786**	**55,106**	**5,443**	**369**	**63,544**
Balance Sheet Value at 1 April 2018	**0**	**201**	**52,519**	**5,321**	**502**	**58,543**

2017/18	Assets under Constr-uction	Community Assets	Land & Buildings	Plant & Eqpt	Infra-Structure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
Gross at 1 April 2017	**5,764**	**195**	**53,420**	**12,576**	**1,763**	**73,718**
Additions - Capital Programme	11,052	6	1,164	1,202	40	13,464
Revaluation increases recognised in the Revaluation Reserve			840			840
Revaluation (decreases) recognised in the Surplus / Deficit on the provisions of services	(4,598)		(292)			(4,890)
Assets reclassified	(12,221)					(12,221)
Other movements in cost or valuation	3			(2)	(1)	0
Gross total at 31 March 2018	**0**	**201**	**55,132**	**13,776**	**1,802**	**70,911**
Accumulated Depreciation and Impairment						
Total at 1 April 2017			**(1,769)**	**(6,822)**	**(1,056)**	**(9,647)**
Depreciation Charge			(977)	(1,633)	(244)	(2,854)
Depreciation written out to the Revaluation Reserve			133			133
Total at 31 March 2018	**0**	**0**	**(2,613)**	**(8,455)**	**(1,300)**	**(12,368)**
Balance Sheet Value at 31 March 2018	**0**	**201**	**52,519**	**5,321**	**502**	**58,543**
Balance Sheet Value at 1 April 2017	**5,764**	**195**	**51,651**	**5,754**	**707**	**64,071**

22b Revaluations

The Council carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Wilks, Head & Eve LLP undertook valuations on behalf of the Council in 2018/19 in relation to Operational and Investment Properties and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final statements of account reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in the Statement of Accounting Policies at Note 1.

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

Revaluations	Community Assets	Land & Building	Plant & Eqpt	Infra-structure	Total
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	786	0	15,318	1,862	17,966
31/03/2019	0	3,494	0	0	3,494
31/03/2018	0	6,722	0	0	6,722
31/03/2017	0	6,587	0	0	6,587
31/03/2016	0	10,184	0	0	10,184
31/03/2015	0	31,637	0	0	31,637
Total cost at 31 March 2019 carried forward	**786**	**58,624**	**15,318**	**1,862**	**76,590**

23 Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated as part of the rolling 5 year programme. The Council has a rolling programme of repair and restoration of it 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.

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

2017/18	Musical Instrument	Works of Art	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2017	150	41	15	206
At 31 March 2018	**150**	**41**	**15**	**206**

24 Investment Properties and Surplus Assets

24(a) Movement of Investment Properties and Surplus Assets

2018/19	Investment Properties	Surplus Assets	Total
	£'000	£'000	£'000
At 1 April 2018	**3,369**	**0**	**3,369**
Additions	11,638		11,638
Revaluation (decreases) recognised in the surplus/deficit on the provision of services	(723)		(723)
Derecognition - disposals	(1,812)	0	(1,812)
Derecognition - Other	0	0	0
Assets reclassified	1,098		1,098
At 31 March 2019	**13,570**	**0**	**13,570**
Balance Sheet Value at 31 March 2019	**13,570**	**0**	**13,570**
Balance Sheet Value at 1 April 2018	**3,369**	**0**	**3,369**

2017/18	Investment Properties	Surplus Assets	Total
	£'000	£'000	£'000
At 1 April 2017	**8,805**	**0**	**8,805**
Additions	773	0	773
Revaluation increases recognised in the surplus/deficit on the provision of services	1,356	0	1,356
Derecognition - disposals	(1,697)	0	(1,697)
Assets reclassified (inventory)	(5,868)	0	(5,868)
At 31 March 2018	**3,369**	**0**	**3,369**
Balance Sheet Value at 31 March 2018	**3,369**	**0**	**3,369**
Balance Sheet Value at 1 April 2017	**8,805**	**0**	**8,805**

Fair Value Hierarchy

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

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

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

Highest and Best Use of Investment Properties

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

Valuers

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

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

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

2017/18		2018/19
£'000		£'000
(38)	Rental income from investment property	**(418)**
6	Direct operating expenses arising from investment properties	43
(32)	**Net (gain) /Loss**	**(375)**

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

25 Capital Expenditure, Financing and Commitments

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

2017/18		2018/19
£'000		£'000
0	**Opening Capital Financing Requirement**	**857**
	Capital Investment	
2,412	Property, Plant and Equipment	**10,370**
773	Investment Properties	11,638
708	Intangible Assets	110
578	Revenue Expenditure Funded from Capital Under Statute	978
0	Long Term Debtors	4,434
4,471		**27,530**
	Sources of Finance	
(1,748)	Capital receipts	(9,254)
(1,866)	Government Grants and Other Contributions (including S106)	(1,099)
0	Earmarked Reserves	(961)
(3,614)		**(11,314)**
857	**Closing Capital Financing Requirement**	**17,073**

At 31 March 2019 the Council had entered into contractual commitments valued at £2.961m (31 March 2018: £2.961m) in respect of its capital schemes.

26 Leases

Operating Leases – The council as Lessor

The Council leases out property under operational leases.
The future minimum leases payments receivable are:

2017/18		2018/19
£'000		£'000
126	Not later than one year	643
437	Later than one year and not later than five years	2,440
392	Later than five years	2,128
955	**Balance as at 31 March carried forward**	**5,211**

27 Debtors & Investments - Long Term

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

2017/18		Net Movements in Year	2018/19
£'000		£'000	£'000
	Long Term Debtors		
1	Mortgages	0	1
1,553	Rent to Mortgage	1	1,554
23	Finance Leases as Lessor	(23)	0
16	Charges Registered to Properties	0	16
18,088	South Oxhey	(1,811)	16,277
1,000	Loan - Grapevine	3,514	4,514
0	Loan - Thrive Homes	8,000	8,000
0	Loan -Young Mariners New Clubhouse	920	920
0	Loan - Puckeridge	1,310	1,310
20,681		**11,911**	**32,592**
0	**Long Term Investments**		
0	Grapevine Equity	510	510
0		**510**	**510**
20,681	**Total**	**12,421**	**33,102**

28 Assets Held For Sale

Assets Held For Sale are those being actively marketed where there is an expectation that they will be sold within one year of the balance sheet date, and shown within Current Assets.

2017/18		2018/19
£'000		£'000
	Cost or valuation	
103	**Balance at 1 April**	**103**
	Assets reclassified	(103)
103	**Balance at 31 March**	**0**

29 Inventories

2017/18		2018/19
£'000		£'000
3	Watersmeet Bar Stock	3
32	Fuel Stock	35
18,089	South Oxhey Initiatives Land	16,277
18,124	**Total**	**16,315**

30 Debtors - Short Term

2017/18		2018/19
£'000		£'000
836	Central Government Bodies	444
1,268	Local Authorities	0
5,666	Other Entities and Individuals	6,425
168	Payments in Advance	1,297
7,938		**8,166**
(2,621)	Less: Provision for Bad Debts / Impairment	(2,159)
5,317	**Total**	**6,007**

31 Cash and Cash Equivalents

2017/18		2018/19
£'000		£'000
	Current Assets	
3	Cash held by the Authority	5
13,585	Bank Current Accounts	5,186
13,588		**5,191**
	Current Liabilities	
0	Bank overdrafts	**0**
13,588	**Total**	**5,191**

32 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:

2017/18			2018/19	
£'000	£'000		£'000	£'000
		Note 32a- Operation Activities		
117		Interest received	399	
0		Interest paid	(72)	
0		Dividend Received		
	117			**327**
2,854		Depreciation	2,518	
(3,646)		Impairment and downward valuations	3,416	
708		Amortisation	110	
0		Increase/(decrease) in impairment of bad debts	0	
(3,000)		(Decrease) in creditors	(2,843)	
3,398		(Increase)/decrease in debtors	(694)	
(11,060)		(Increase) in inventories	(3)	
2,318		Movement in pensions liability	2,406	
5,372		Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,812	
6,924		Other non-cash items charged to the provision of services	570	
	3,868			**7,292**
0		Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	17,008	
(8,015)		Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,237)	
(2,113)		Any other items for which the cash effects are investing or financing cash flows	(1,069)	
	(10,128)			**11,702**
	(6,143)			**19,321**
		Note 32b- Investing Activities		
(3,895)		Purchase of property, plant, equipment, investment property and intangible assets	(23,096)	
(44,000)		Purchase of short-term and long-term investments	(9,000)	
(1,000)		Other payments from investing activities	(13,744)	
4,341		Proceeds from the sale of property, plant, equipment, investment property and intangible assets	4,237	
56,000		Proceeds from short-term and long-term investments	1,988	
2,027		Other receipts from investing activities	0	
	13,473			**(39,615)**
		Note 32c- Financing Activities		
0		Other receipts from financing activities	16,000	
0		Cash receipts of short and long term borrowing	0	
6,767		Other payments for financing activities		
0		Repayments of short and long term borrowing	0	
	6,767			**16,000**

33 Creditors - Short Term

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

2017/18		2018/19
£'000		£'000
(4,579)	Central Government Bodies	(1,821)
(3,421)	Local Authorities	(1,430)
0	NHS	0
0	Public Corporations	0
(1,597)	Other Entities and Individuals	(3,205)
(1,771)	Receipts in Advance	(2,073)
(11,368)		**(8,529)**

34 Creditors - Long Term

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

2017/18		2018/19
£'000		£'000
(18,089)	Deferred Liabilities (obligations under finance leases)	(16,277)
(1,055)	Section 106 Contributions receipts in advance	(637)
0	Loans	(16,000)
(19,144)		**(32,914)**

Deferred Receipt of £18m (2017/18) is related to South Oxhey Initiative project. This development project is between Countryside Properties (UK) Limited and the Council.

35 Provisions

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

2017/18		Change	Used	Unused Reversal	Unwinding Discounting	2018/19
£'000		£'000	£'000	£'000	£'000	£'000
(87)	Land Charges					(87)
(1,604)	NDR Appeals	(444)	266			(1,782)
(1,691)	Total	**(444)**	**266**	**0**	**0**	**(1,869)**

Land Charges

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

NDR Appeals

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

36 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.

McCloud Judgement

A ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (eg McCloud) and firefighter pensions (eg Sergeant) which had previously been considered by employment tribunals. The rulings have implications for the LGPS, Police and Fire schemes since similar reforms were implemented.

The final situation in terms of employer pension liabilities and financial impact is not clear, since the government may appeal and any remediation process, including cost cap considerations, may affect the resolution and financial impact for entities. Timescales for the resolution of this matter may be lengthy and outcomes may be challenging for entities to assess and quantify, especially at Fund or Authority level

Revised IAS reports were run and an allowance has been made for the above judgement in the accounts.

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:-

2017/18 £'000		2018/19 £'000
	Comprehensive Income and Expenditure Statement (CIES)	
	Costs of Service	
	Service cost comprising:	
3,478	current service cost	3,312
0	past service cost	297
	Financing and Investment Income and Expenditure	
617	Net Interest Expense	587
4,095	**Total Post Employment Benefit Charged to the Surplus or Deficit on the**	**4,196**
	Other Post Employment Benefit Charged to the CIES	
	Remeasurement of the net defined benefit liability comprising:	
(2,478)	Return on plan assets	(3,768)
0	Actuarial (gains) and losses arising on changes in demographic assumptions	0
(1,945)	Actuarial (gains) and losses arising on changes in financial assumptions	6,310
0	Other	0
(4,423)	**Total Remeasurement recognised in Other CIES**	**2,542**
(328)	Total Post Employment Benefit Charged to CIES	**6,738**
	Movement in Reserves Statement	
(4,095)	Reversal of net charges made to the Provision of Services for post employment benefits in accordance with the CIPFA Code	(4,196)
1,777	Employers' contributions payable to the scheme	1,790
1,777	**Actual amount charged against the General Fund for pensions**	**1,790**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2017/18 £'000		2018/19 £'000
(107,143)	Present value of the defined benefit pension obligation	(117,077)
85,419	Fair value of plan assets	90,405
(21,724)	**Net liability arising from the defined benefit pension obligation**	**(26,672)**

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

2017/18		2018/19
£'000		£'000
81,777	Opening fair value of scheme assets at 1 April	85,419
2,032	Interest income	2,207
	Remeasurement gain/(loss):	
2,478	Return on plan assets	3,768
1,777	Contributions from employer	1,790
571	Contributions from employees into the scheme	603
(3,216)	Benefits paid	(3,382)
85,419	**Closing fair value of scheme assets at 31 March**	**90,405**

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

2017/18		2018/19
£'000		£'000
(105,606)	**Opening Balance at 1 April**	**(107,143)**
(3,478)	Current service costs	(3,609)
0	Past service costs	0
(2,649)	Interest cost	(2,794)
(571)	Contributions from scheme participants	(603)
	Remeasurement (gains) and losses:	
0	Actuarial gains / (losses) arising from changes in demographic assumptions	0
1,945	Actuarial gains / (losses) arising from changes in financial assumptions	(6,310)
0	Other	0
	Past service costs	
0	Losses/(gains) on curtailments	0
3,216	Benefits paid	3,382
(107,143)	**Closing Balance at 31 March**	**(117,077)**

Local Government Pension Scheme assets comprised:

2017/18				2018/19		
Quoted active market	Quoted non-active market				Liability Split	Weighted Average Duration
£'000	£'000	£'000		£'000	£'000	£'000
2,851	**0**	**2,851**	**Cash and cash equivalents**	**2,926**	**0**	**2,926**
			Equity instruments: by industry type			
3,903	0	3,903	Consumer	4,021	0	4,021
3,357	0	3,357	Manufacturing	3,506	0	3,506
896	0	896	Energy and Utilities	933	0	933
3,810	0	3,810	Financial Institutions	3,728	0	3,728
541	0	541	Health and Care	735	0	735
2,663	0	2,663	Information Technology	2,828	0	2,828
203	0	203	Other	242	0	242
15,373	**0**	**15,373**	Sub-total equity	**15,993**	**0**	**15,993**
			Bonds: by sector			
0	0	0	Corporate Bonds (inv. grade)	0	0	0
0	0	0	UK Government	0	0	0
0	35	35	Other	0	42	42
0	**35**	**35**	Sub-total bonds	**0**	**42**	**42**
			Property: by type			
0	2,830	2,830	UK Property	0	3,203	3,203
0	2,789	2,789	Overseas Property	0	3,429	3,429
0	**5,618**	**5,618**	Sub-total property	**0**	**6,632**	**6,632**
			Private Equity:			
0	3,241	3,241	All	0	4,239	4,239
0	**3,241**	**3,241**	Sub-total private equity	**0**	**4,239**	**4,239**
			Other Investment Funds:			
22,451	0	22,451	Equities	22,812	0	22,812
30,721	0	30,721	Bonds	31,453	0	31,453
0	0	0	Commodities	0	0	0
0	204	204	Infrastructure	0	876	876
636	4,358	4,994	Other	764	4,778	5,542
53,808	**4,562**	**58,370**	Sub-total other investment funds	**55,028**	**5,654**	**60,682**
			Derivatives:			
0	(68)	(68)	Foreign exchange	0	(108)	(108)
0	**(68)**	**(68)**	Sub-total derivatives	**0**	**(108)**	**(108)**
72,032	**13,387**	**85,419**		**73,947**	**16,458**	**90,405**

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 2018.

The significant assumptions used by the actuary have been:

31 Mar 18		31 Mar 19
5.5%	**Total Returns from 1 April 2017 to 31 March 2018**	7.0%
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
22.5	Men	22.5
24.9	Women	24.9
	Longevity at 65 for future pensioners	
24.1	Men	24.1
26.7	Women	26.7
2.5%	Rate of increase in salaries	2.6%
2.4%	Rate of increase in pensions	2.5%
2.6%	Rate for discounting scheme liabilities	2.4%

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

Impact on the Defined Benefit Obligation in the Scheme

2017/18 £'000		2018/19 £'000
3-5%	Longevity (increase in 1 year)	3-5%
1,382	Rate of increase in salaries (increase by 0.5%)	1,490
8,604	Rate of increase in pensions (increase by 0.5%)	9,791
10,115	Rate for discounting scheme liabilities (decrease by 0.5%)	11,456
20,101	Total	**22,737**

Information about the Defined benefit obligation

2017/18			2018/19	
Liability Split	**Weighted Average Duration**		**Liability Split**	**Weighted Average Duration**
42.8%	22.6	Active members	46.4%	22.6
19.8%	21.2	Deferred members	19.4%	21.2
37.4%	11	Pensioner members	34.1%	11.0
100%	**16.7**		**100%**	**16.7**

Funding levels are monitored on an annual basis, and the next triennial review is due to be 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 2019/20 is £1.775m

37 Contingent Assets and Liabilities

Contingent Assets - VAT Shelter Agreement with Thrive Homes Ltd

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

The recovery of VAT on major works will amount to an estimated £12.3m, of which the first £2.3m was paid to the Council. The Council will then receive 50% of the remaining £10m. The disbursement of this sum is dependent on the THL work programme.

Contingent Liability –

The Council has a provision set aside for the removal of Asbestos for the housing stock transferred to Thrives Homes Limited.

38 Usable Reserves

(a) Movement in Usable Reserves

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

Balance at 31-Mar-18		Net Movement in Year	Balance at 31-Mar-19	Note
£'000		£'000	£'000	
(5,252)	Capital Receipts Reserve	5,018	(234)	38(b)
(12,994)	Earmarked Reserves	(3,036)	(16,030)	38(c)
(4,343)	General Fund Balance	(479)	(4,822)	38(d)
(2,168)	Capital Grants Unapplied	(55)	(2,223)	38(e)
(24,757)	**Total Net Worth**	**1,448**	**(23,309)**	

(b) Capital Receipts Reserve

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

2017/18		2018/19
£'000		£'000
(2,658)	**Balance brought forward at 1 April**	**(5,252)**
	Received in year:	
(81)	Proceeds from sale of long-term assets	
(1,886)	Shares in preserved Right to Buy	(1,866)
(354)	VAT Shelter compensation (Unattached Capital Receipt)	(355)
0	Transfer from Deferred Capital Receipts upon receipts of cash	
(2,021)	Unattached Capital Receipts	(204)
0	South Oxhey Initiative	(1,812)
(4,342)		**(4,237)**
	Applied in year:	
1,748	Applied to Capital Adjustment Account to finance new capital expenditure	9,254
0	Applied to Long Term Debtors to clear loans	
0	Transferred to Capital Adjustment Account to finance new capital expenditure	
1,748		**9,254**
(5,252)	**Usable Reserves**	**(235)**

(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 2018/19

For each reserve established the Council identifies:

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

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

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

Balance at 1Apr17	Added to reserves	Taken from reserves	Balance at 31Mar18		Added to reserves	Taken from reserves	Balance at 31Mar19
£'000	£'000	£'000	£'000		£'000	£'000	£'000
(1,749)	(27)	14	(1,762)	Section 106 Commuted Sums	(25)	131	(1,656)
(754)	(1,336)		(2,090)	Community Infrastructure Levy	(1,271)	0	(3,361)
(3,067)			(3,067)	Future Capital Expenditure	(10)	467	(2,610)
(3,542)	(864)		(4,406)	New Homes Bonus	(556)	368	(4,594)
-	(135)		(135)	Building Control	(15)	0	(150)
(769)			(769)	Leavesden Hospital Open Space	0	0	(769)
(92)			(92)	Environmental Maintenance Plant	0	0	(92)
(2,000)	(100)	1,427	(673)	Economic Impact	(1,427)	0	(2,100)
(100)		100	0	High Street Innovation Fund	0	0	0
(3,669)		3,669	0	NNDR Collection Fund	(1,891)	1,427	(464)
0			0	Benefits equalisation	(234)	0	(234)
(15,742)	**(2,462)**	**5,210**	**(12,994)**	**Total**	**(5,429)**	**2,393**	**(16,030)**

(d) General Fund Reserves

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

2017/18		2018/19
£'000		£'000
(4,094)	**Balance brought forward at 1 April**	**(4,341)**
2,491	Net increase/(decrease) before transfers to earmarked reserves	(4,474)
(2,738)	Transfer (to)/from earmarked reserves	3,998
(4,341)	**Balance carried forward at 31 March**	**(4,817)**

(e) Capital Grant Unapplied

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

2017/18		2018/19
£'000		£'000
(2,019)	**Balance brought forward at 1 April**	**(2,168)**
(554)	Section 106- grants held for future use (new in year)	(18)
(1,461)	Capital Grants received	(1,064)
(2,015)	**Total Grants Received**	**(1,082)**
1,866	Section 106- grants applied (to Capital Adjustment Account)	18
0	Capital Grants applied	1,009
1,866	**Total Grants Applied**	**1,027**
(2,168)	**Balance carried forward at 31 March**	**(2,223)**

39 Unusable Reserve

(a) Movement in Unusable Reserves

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

Balance at 31-Mar-18		Net Movement in Year	Balance at 31-Mar-19	Note
£'000		£'000	£'000	
(37,471)	Capital Adjustment Account	(2,188)	(39,659)	39(b)
(1,464)	Deferred Capital Receipts	24	(1,440)	39(c)
(1,046)	Collection Fund Account	1,591	545	39(d)
(31,062)	Revaluation Reserve	216	(30,846)	39(e)
62	Accumulated Absences Reserve	24	86	39(f)
21,724	Pensions Reserve	4,948	26,672	39(g)
(49,257)	**Total Net Worth**	**4,615**	**(44,642)**	

(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

2017/18		2018/19
£'000		£'000
(37,983)	**Balance brought forward at 1 April**	**(37,471)**
	Reversal of items relating to capital expenditure debited/credited to the CIES	
2,854	Charges for depreciation and impairment of non-current assets	2,518
708	Amortisation of Intangible Assets	110
4,890	Revaluation (Gain) \ losses on PPE	3,418
578	Revenue expenditure funded from capital under statute	978
1,697	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the CIES	1,812
(5,244)	Adjusting amounts written out of the Revaluation Reserve	(474)
5,483	**Net written out amount of the cost of non-current assets consumed in the year**	**8,362**
	Capital financing applied in the year:	
(1,748)	Use of Capital Receipts Reserve to finance new capital expenditure	(9,254)
(1,867)	Capital Grants and contributions applied to capital financing	(1,099)
0	Earmarked Reserves:	(920)
0	Repayment of Long term loan	**0**
(3,615)		**(11,273)**
	Other Movements:	
(1,356)	Movement in market value of Investment Properties debited/ (credited) to the CIES	**723**
(1,356)		**723**
(37,471)	**Balance carried forward at 31 March**	**(39,659)**

(c) Deferred Capital Receipts

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

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

2017/18		2018/19
£'000		£'000
(1,466)	**Balance brought forward at 1 April**	**(1,464)**
2	Finance Lease Mitigation	24
(1,464)	**Balance carried forward at 31 March**	**(1,440)**

(d) Collection Fund Adjustment Account

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

2017/18		2018/19
£'000		£'000
3,726	**Balance brought forward at 1 April**	**(1,046)**
(4,772)	Amount by which council tax and non-domestic rates income credited to CIES differs from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,591
(1,046)	**Balance carried forward at 31 March**	**545**

(e) Revaluation Reserve

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

revalued downwards or impaired and the gains are lost

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

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

2017/18		2018/19
£'000		£'000
(35,331)	**Balance brought forward at 1 April**	**(31,062)**
(2,010)	Upward Revaluation of assets	(6,208)
1,037	Downward Revaluation of assets and impairment losses not charged to the provision of service	5,950
(973)	Net (surplus) on revaluation of non-current assets not posted to the provision of services	**(258)**
584	Difference between fair value depreciation and historical cost depreciation	474
4,658	Other movements	0
5,242	Amount written off to the Capital Adjustment Account	**474**
(31,062)	Balance carried forward at 31 March	**(30,846)**

(e) Revaluation Reserve

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

2017/18		2018/19
£'000		£'000
100	**Balance brought forward at 1 April**	**62**
(100)	Settlement of accrual made at the end of preceding year	(63)
62	Amounts accrued at the end of the current year	87
62	**Balance carried forward at 31 March**	**86**

(g) Pension Reserve

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

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

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

2017/18		2018/19
£'000		£'000
23,829	**Balance brought forward at 1 April**	**21,724**
(4,423)	Remeasurements of the net defined benefit liability/(asset)	2,542
4,095	Reversal of items relating to retirement benefits charged to the provision of services in the CIES	4,196
(1,777)	Employer's pension contributions and direct payments to pensioners payable in year	(1,790)
21,724	**Balance carried forward at 31 March**	**26,672**

40 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Financial Instruments – Balances

The Balance Sheet includes the following financial instruments:-

Non-Current	Current		Non-Current	Current
31 Mar 18			31 Mar 19	
£'000	£'000		£'000	£'000
		Investments		
0	8,009	Financial assets at fair value through profit and loss	0	1
		Debtors		
20,681		Loans and receivables	32,592	
	5,149	Financial assets carried at contract amount		4,710
	13,588	Cash and Cash Equivalents		5,191
		Borrowing		
0		Financial liabilites at amortised cost	(16,000)	
		Other long-term Liabilities		
0		**PFI and Finance Leases (deferred liabilities)**	(16,277)	
		Creditors		
(1,055)		Financial liabilities at amortised cost	(637)	
	(9,597)	Financial liabilities carried at contract amount		(6,456)
19,626	**17,149**	**Total**	**(322)**	**3,446**
36,775			**3,124**	

Fair Value

Long term debtors comprise mortgages 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 is debt free and has no long term borrowings.

Key Risks

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 20 February 2018 (Policy and Resources Committee 29 January 2018) and is available on the Council website. The key issues within the strategy were:-

- the Authorised Limit for 2018/19 was set at £17m (£12m 2017/18). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary 2018/19 was expected to be £15m (£10m 2017/18). This is the expected level of debt and other long term liabilities during the year

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy for 2017/18, which was approved by the Council on 21 February 2017, can be found on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

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

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

Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need. The Council has no longer term borrowing requirements. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council does not generally allow credit for its trade debtors, such that £540k of the £6,425k million balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 18		31 Mar 19
£'000		£'000
662	Less than 3 months	464
10	More than 3 months, less than 6 months	19
19	More than 6 months, less than 1 year	10
47	More than 1 year	47
738		540

Refinancing and Maturity risk

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

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

The maturity analysis of the Council's investments at 31 March 2019 is as follows:-

31 Mar 18		31 Mar 19
£'000		£'000
8,009	Less than 1 year	1
8,009		**1**

Market Risk

Interest Rate Risk

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

Price Risk

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

Foreign Exchange Risk

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

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)

2017/18				2018/19		
£'000	£'000	£'000		£'000	£'000	£'000
NNDR	Ctax	Total		NNDR	Ctax	Total
			Income receivable:			
	(61,505)	(61,505)	Council Tax receivable		(65,644)	(65,644)
(26,946)		(26,946)	Business Rates receivable	(28,854)		(28,854)
			Transitional Protection Receivable	(30)		(30)
			Busienss rates - contribution towards previous year's deficit			
(5,190)		(5,190)	Three Rivers Disctrict Council			
(1,298)		(1,298)	Hertfordshire County Council			
(6,488)		(6,488)	Central Government			
(39,922)	**(61,505)**	**(101,427)**	**Total Income**	**(28,884)**	**(65,644)**	**(94,528)**
			Expenditure:			
			Repayment of previous years surpluses			
	50	50	Three Rivers Disctrict Council	1,482	204	1,686
	291	291	Hertfordshire County Council	371	1,196	1,567
	38	38	Herts Police and Crime Commissioner		146	146
			Central Government	1,853		1,853
			Precepts and demands			
10,306	8,022	18,328	Three Rivers Disctrict Council	11,342	8,381	19,723
2,577	47,107	49,684	Hertfordshire County Council	2,835	50,499	53,334
	5,747	5,747	Herts Police and Crime Commissioner		6,272	6,272
12,883		12,883	Central Government	14,177		14,177
			Charges to the Collection Fund			
171	98	269	Bad Debts Provision increase/(decrease)	(106)	96	(10)
1,790		1,790	Appeals Provision increase / (decrease)	(407)		(407)
93		93	Cost of Collection	92		92
211		211	Transitional Protection Payable	0		0
28,031	**61,353**	**89,384**		**31,639**	**66,794**	**98,433**
(11,891)	**(152)**	**(12,043)**	**(Surplus)/Deficit for the year**	**3,606**	**1,149**	**4,755**
9,863	(1,675)	8,188	**Fund Balance brought forward**	(2,028)	(1,827)	(3,855)
(2,028)	**(1,827)**	**(3,855)**	**(Surplus)/Deficit carried forward**	**1,578**	**(678)**	**900**
			Fund Balance Allocation (indicative)			
(811)	(235)	(1,046)	Three Rivers District Council	631	(87)	544
(203)	(1,416)	(1,619)	Hertfordshire County Council	158	(526)	(368)
	(176)	(176)	Herts Police and Crime Commissioner		(65)	(65)
(1,014)		(1,014)	Central Government	789		789

CF 1 Council Tax Payers

The charge for council tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an "equivalent number of Band D dwellings" where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2018/19.

2017/18		2018/19				
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Faction (Proportion)	Equivalent Number of Band D Dwellings
0	A (Disabled Relief)	0	(1)	(1)	5/9	(1)
343	A	840	(319)	521	6/9	347
796	B	2,057	(970)	1,087	7/9	846
4,103	C	6,385	(1,544)	4,841	8/9	4,303
8,084	D	9,887	(1,680)	8,207	9/9	8,207
8,164	E	7,405	(707)	6,698	11/9	8,187
5,712	F	4,289	(334)	3,955	13/9	5,713
7,963	G	5,066	(272)	4,794	15/9	7,990
2,885	H	1,519	(73)	1,446	18/9	2,893
38,049		37,448	(5,900)	31,549		38,485
(381)	Less Allowance for losses on collection					(385)
144	Add: Contribution in lieu of tax					144
37,812	Tax Base for Calculation of Council Tax					38,244
390	Add: Adjustment for changes during the year for successful appeals against					
38,202	**Council Tax Base for the year**					38,244

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 £1,687.63 (£1,609.98 for 2017/18).

2017/18		2018/19
£'000		£'000
(61,505)	Gross Council Tax Charge	(65,644)

CF 2 Business Rate Payers

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

The relevant rateable value and multiplier data is shown below:

2017/18		2018/19
£		£
69,630,175	Total Non-Domestic Rateable Value at 31 March	71,692,628
47.9	National Non-Domestic Rate Multiplier - Standard	49.3
46.6	National Non-Domestic Rate Multiplier - Small Business	48.0

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THREE RIVERS DISTRICT COUNCIL

Opinion

We have audited the financial statements of Three Rivers Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement;
- Authority Comprehensive Income and Expenditure Statement;
- Authority Balance Sheet;
- Authority Cash Flow Statement;
- The related notes 1 to 40 to the Authority accounts; and
- The Collection Fund and the related notes CF1 and CF2,

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Three Rivers Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Three Rivers District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 1, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Three Rivers District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Three Rivers District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Three Rivers District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of Three Rivers District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

(Original Signed)

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
31 July 2019

The maintenance and integrity of the Three Rivers District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

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

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy body concerned with local authorities and the public sector.
Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
The annual Code of Practice, produced by CIPFA, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a Local Authority.

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

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

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

Earmarked Reserves
These are funds set aside for a specific purpose, or a particular service, or type of expenditure.
Finance Lease
Arrangement whereby the lessee is treated as the owner of the leased asset, and is required to include such assets within Long Term Assets on the balance sheet.

Financial Reporting Standard (FRS)
A statement of accounting practice issued by the Accounting Standards Board.

Group Accounts
Group Accounts are prepared using consistent accounting policies which will require authorities to align their financial statements more closely with International Financial Reporting Standards.
Three Rivers District Council has not used acquisitions or mergers accounting methodologies following consideration of the level of involvement with companies, voluntary organisations and other public bodies to determine if there is a requirement to undertake group accounts. There are no subsidiaries, associates or joint ventures.

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

IFRS
International Financial Reporting Standards.

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

Investments
Deposits with approved institutions.

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

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

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

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

National Non-Domestic Rates (NNDR)
Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collected Non-Domestic Rates for its area based on local rateable values (set by DCLG), multiplied by nationally set rates. The total amount, less certain reliefs and deductions, was paid to a central pool managed by the Government, which in turn, paid back to Authorities their share of the pool based on a standard amount per head of the local adult population.
New arrangements for the distribution of NNDR came into force on 1 April 2013.

Operational Assets
Long Term Assets held by the Council and used or consumed in the delivery of its services.
Operating Lease
An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

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

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

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

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

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

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

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