

# Public Document Pack



Chairman and Members of the Audit and Governance Committee

Your contact: Michele Aves  
Tel: 01279 502177  
Date: 17 April 2025

cc. All other recipients of the Audit and Governance Committee agenda

Dear Councillor,

## **AUDIT AND GOVERNANCE COMMITTEE - 22 APRIL 2025**

Please find attached the following reports which were marked "to follow" on the agenda for the above meeting:

6. 'External auditors completion report for those charged with governance - 2021/22 & 2022/23 (Pages 3 - 270)
7. Approval of Annual Governance Statement 2021/22 & 2022/23 (Pages 271 - 352)
8. Draft Annual governance Statement 2023/24 (Pages 353 - 395)

Please bring these papers with you to the meeting next Tuesday

Yours faithfully,

Michele Aves  
Committee Support Officer  
East Herts Council  
[Michele Aves@eastherts.gov.uk](mailto:Michele.Aves@eastherts.gov.uk)

**MEETING** : AUDIT AND GOVERNANCE COMMITTEE  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : TUESDAY 22 APRIL 2025

**TIME** : 7.00 PM

## East Herts Council Report

### Audit and Governance Committee

**Date of meeting: Tuesday 22 April 2025**

**Report by:** Brian Moldon, Head of Finance S151 Officer

**Report title:** 'External auditors completion report for those charged with governance - 2021/22 & 2022/23

**Ward(s) affected:**

**Summary** – The external auditors, Ernst & Young (EY) will present their Audit Results Report for the 2021/22 and 2022/23 Statement of Accounts to the Committee setting out the results of their delayed audit. The report includes three Statutory Recommendations that will need to go to the Council under Schedule 7 of the Local Audit and Accountability Act 2014.

Within the report management have outlined the steps that will be taken to resolve these recommendations. Addressing these recommendations will re-affirm basis for sound financial management and effective governance within the Council.

This report presents the 2021/22 and 2022/23 Statement of Accounts to the Audit and Governance Committee for approval.

### **RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:**

- a) Receive and make any comments on the external auditor's Completion Report for 2021/22 and 2022/23.
- b) Approve the 2021/22 and 2022/23 Statement of Accounts.

### **1.0 Proposal(s)**

- 1.1 That Members review and comment on the external auditors Completion Report for 2021/22 and 2022/23.
- 1.2 The Statement of Accounts are attached as Appendix B for 2021/22 and Appendix C for 2022/23.

## **2.0 Background**

- 2.1 Nationally there has been a significant backlog of outstanding audit opinions for English local authorities Statement of Accounts. For East Herts, all Statement of Accounts up to and including 2020/21 have been audited and published, leaving 2021/22, 2022/23 and 2023/24 audit outstanding.
- 2.2 The Government introduced legislation to bring the local authorities audits up to date and an initial backstop date of 13 December 2024 for all audits up to and including 2022/23. For 2023/24 audits backstop being 28 February 2025. This involves auditors are likely to issue 'disclaimed' audit opinions (no assurance) on many accounts.
- 2.3 This report is presented to the Audit and Governance Committee in its capacity as the body charged with Governance and is the designated committee to approve the Statement of Accounts. The Auditor's Completion reports produced by the Council's outgoing External Auditors, is shown at Appendix A.

## **3.0 Reason(s)**

- 3.1 The external auditor is required by auditing standards to present the Committee with their Audit Completion Report. The external auditor is presenting their report on the Council's financial statements and provide a value for money conclusion.
- 3.2 The report anticipates issuing a disclaimed audit opinion for the financial years ending 31 March 2022 and 31 March 2023 due to the inability to meet the statutory backstop date of 13 December 2024.
- 3.3 The report highlights significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. This includes delays in providing required information and inadequate quality of the information provided. The Council failed to publish draft financial statements within the regulatory timeframe for the years 2021/22 and 2022/23.
- 3.4 The report identifies risks of significant weaknesses related to governance and improving economy, efficiency, and effectiveness arrangements as part of the Value for Money audit undertaken. Specific recommendations include conducting a comprehensive review of the finance function



workflow, implementing a thorough review of the quality assurance process for draft accounts, and reassessing roles, responsibilities, and resource requirements for financial reporting.

- 3.5 Management responses to these recommendations are shown in the report on pages 71-74.

## **4.0 Options**

- 4.1 Members can ask questions and make observations to the external auditor, but they cannot reject the Audit Result Report.

## **5.0 Risks**

- 5.1 These are contained within the body of the main report.

## **6.0 Implications/Consultations**

### **Community Safety**

No

### **Data Protection**

No

### **Equalities**

No

### **Environmental Sustainability**

No

### **Financial**

These are contained in the main body of the report.

### **Health and Safety**

No

### **Human Resources**

No

### **Human Rights**

No

## **Legal**

Statutory Recommendations under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014 refer to formal advice issued by the External Auditor. These recommendations require the Council to discuss and respond publicly to the report.

## **Specific Wards**

No

## **7.0 Background papers, appendices and other relevant material**

- 7.1 Appendix A – Completion Report for Those Charged with Governance for years ended 31 March 2022 and 31 March 2023.  
Appendix B – Statement of Accounts for 2021/22  
Appendix C – Statement of Accounts for 2022/23

## **Contact Member**

Executive Member for Financial Sustainability

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## **Contact Officer**

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## **Report Author**

Brian Moldon, Head of Finance S151 Officer

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# East Hertfordshire Council Completion Report for Those Charged with Governance

Years ended 31 March 2022 and 31  
March 2023

Report issued - April 2025



**Audit and Governance Committee**  
East Hertfordshire Council  
Wallfields, Pegs Ln, Hertford SG13  
8EQ

14 April 2025

Dear Audit and Governance Committee

**Completion Report for Those Charged With Governance**

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Audit and Governance Committee of East Hertfordshire Council (the Authority) with a detailed complete report covering our approach and outcomes of the 2021/22, 2022/23 audit(s).

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report for both years.

In completing our work for these audit years we have taken into account the SI, Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, against this backdrop we have also considered the Committee's service expectations.

The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Audit and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw the Audit and Governance Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix F).

This report is intended solely for the information and use of the Audit and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Enc



01 Executive Summary



02 Work Plan



03 Results and Findings



04 Value for Money



05 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit and Governance Committee** of East Hertfordshire Council. Our work has been undertaken so that we might state to the **Audit and Governance Committee** of East Hertfordshire Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit and Governance Committee** of East Hertfordshire Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary - System wide context

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## Context for the audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- ▶ Lack of capacity within the local authority financial accounting professions
- ▶ Increased complexity of reporting requirements within the sector
- ▶ Lack of capacity within audit firms with public sector experience
- ▶ Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Authority's 2021/22 and 2022/23 accounts. The proposed disclaimer of the Council's 2021/22 and 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2021/22 and 2022/23 financial statements and the form of the audit report.



# Executive Summary - Local context

## Local Background and Context

The position at East Hertfordshire District Council has developed over recent years, resulting in unaudited financial statements for the years ended 31 March 2022 and 31 March 2023.

The main reasons for the Council's financial statements not being prepared, audited and signed to date include:

- ▶ The post pandemic timelines resulted in audit teams trying to move delayed audits on to completion, whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to complete the 2021/22 audit and then move on to the 2022/23 audit year.
- ▶ In recent years we have experienced significant delays in completing the financial statements audits. The 2020/21 audit significantly overran with the audit only being completed in March 2023, when an unmodified opinion was issued. The main reason for the delay was the failure of the Council to provide an update to the Going Concern assessment and disclosure in the accounts covering an appropriate period. There were also a large number of audit differences identified through the audit.
- ▶ We commenced the audit of the 2021/22 draft financial statements in March 2023, with the aim of concluding by the end of June 2023. However, there were again significant delays in the receipt of the required information to support the audit and all the required information had still not been received by March 2024. Given these delays, audit resource constraints and the impending backstop dates, it was not possible to complete all the required procedures to conclude the audit. A disclaimed audit opinion was therefore issued for 2021/22.
- ▶ As a result of the delay to the 2021/22 audit, we did not have audit resource available to complete our detailed audit procedures that would be needed to issue an unmodified audit report on those financial statements before the backstop date.
- ▶ In addition, the Council has not published draft statements of account within the regulatory timeframe in recent years. The Council published their draft 2021/22 financial statements on the 11 December 2023, which was significantly after the statutory deadline of 31 July 2022, We also noted that the draft accounts did not include an Annual Governance Statement (AGS), as required, and the Statement of Responsibilities included in the accounts was from the 2020/21 accounts and was dated 26/10/2020. For 2022/23, the Council again did not comply with the requirements of the Accounts and Audit Regulations as they did not prepare and publish the set of draft accounts by the statutory deadline of 31 May 2023, with accounts not prepared and published until 6 November 2024.
- ▶ We also note that for 2023/24 the Council has again failed to produce a set of accounts and has not included the required notices on its website. The 2023/24 accounts are still not published as of the date of this report (18 March 2025).

# Executive Summary - Report structure and work completed

## Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 01 - Executive Summary - this section setting out the national and local context and the structure of our report.

Section 02 - Work Plan - We have completed the following planning tasks:

- ▶ Required independence procedures.
- ▶ Set a level of materiality.
- ▶ Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- ▶ Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting,
- ▶ Identified significant, inherent and other areas of higher risk or focus.
- ▶ Considered any other matters that may require reporting to regulators, or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 03 - Results and findings - Work completed to issue the disclaimer, findings and results:

- ▶ Review of the financial statements.
- ▶ Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, which we report as appropriate.
- ▶ Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 04 - Value for money reporting

- ▶ The value for money report covering the year to 31 March 2022 and 31 March 2023.

Section 05 - Appendices





# 02

# Work Plan

# Work Plan – Audit Scope

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## Audit scope

This Completion report covers the work that we performed in relation to:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2022 and 31 March 2023 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 04.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

# Work Plan - Materiality

## Materiality

### Planning materiality

£1.53m

Materiality for year ended 31 March 2022 has been set at £1.53 million, which represents 2.0% of 2022 gross expenditure on provision of services.

£1.51m

Materiality for year ended 31 March 2023 has been set at £1.51 million, which represents 2.0% of 2023 gross expenditure on provision of services.

### Performance materiality

£0.77m

Performance materiality for year ended 31 March 2022 has been set at £0.76 million, which represents 50% of planning materiality.

£0.76m

Performance materiality for year ended 31 March 2023 has been set at £0.76 million, which represents 50% of planning materiality.

### Audit differences

£0.08m

We will report all uncorrected misstatements relating to the primary statements greater than £0.08 million for year ended 31 March 2022 and £0.08m for year ended 31 March 2023. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

£0.08m

In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the draft financial statements for 2021/22 and 2022/23. We determined that our audit procedures would be performed using the materiality level noted above. This level of materiality remains appropriate for the actual results for the financial year.

These materiality levels have been set based on the Council financial statements - we have not considered group materiality. These levels are being used to assess our response to any issues identified in the Council's financial statements.



# Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the years

## Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Misstatement due to fraud or error	All years covered by this report	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	All years covered by this report	Fraud Risk	No change / increase in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Recognition of grant income associated with Covid-19 (includes sales fees and charges and other Covid-19 funding streams)	2021/22	Inherent risk	No change in risk or focus	The Authority received a series of grants from the UK government during 2021/22 in support for the pandemic crisis management. We identified the accounting treatment of those grants as an area of focus.
Pension liability valuation	All years covered by this report	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the balance sheet.  The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement. Small changes in assumptions when valuing the assets and liabilities can have a material impact on the financial statements.
Valuation or property, plant and equipment and investment properties	All years covered by this report	Inherent risk	No change in risk or focus	The value of property, plant and equipment (PPE) and investment properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

# Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the years

## Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Minimum revenue provision	All years covered by this report	Inherent risk	New risk for 2021/22	<p>Linked to the risk of ‘misstatements due to fraud and error’, we consider specific areas where management makes significant judgements that impact charges to the General Fund balance.</p> <p>Local authorities are required to charge Minimum Revenue Provision (MRP) to the General Fund in each financial year if borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is ‘prudent’. In calculating a prudent provision, local authorities are required to have regard to statutory guidance.</p> <p>In prior years, the Council has not charged any MRP because the opening capital financing requirement (CFR) was negative. In 2021/22, the CFR balance is positive, hence, the Council is required to make a provision.</p> <p>The Council’s draft statement of accounts for 2012/22 and 2022/23 however note that <i>‘following the disposal of the Council’s Housing stock the Council has a negative capital financing requirement and so the calculated MRP is nil’</i>.</p> <p>There is therefore a risk that the Council may not be setting aside sufficient MRP for the future repayment of debt.</p>
Going concern disclosure	All years covered by this report	Area of focus	No change in risk or focus	<p>The Council is required to carry out a going concern assessment that is proportionate to the risks it faces. The unpredictability of the current economic environment and the volatility of the markets due to the ongoing impact of Covid as well as the Ukraine-Russia conflict also gives rise to a risk that the Council may not appropriately disclose the impact of these issues on its going concern assessment. The disclosure should be underpinned by the management’s assessment based on the Council’s forecast year end financial position for the going concern period of 12 months from the auditor’s report date.</p>

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence
- ▶ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).
- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



# Work Plan - Independence

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 1:5. No additional safeguards are therefore required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



# 03 Results and findings



# Results and findings

## Status of the audit

Our audit work in respect of the Council's accounts to support our disclaimed opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Completion of subsequent events procedures to the date of our audit report;
- ▶ Receipt of signed and approved financial statements and Annual Governance Statements;
- ▶ Receipt of a signed management representation letter.

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion, a current draft of which is included in this report.

## Value for Money

Our value for money (VFM) work is complete and reported in Section 04 of this report. We identified risks of significant weaknesses related to governance and improving economy, efficiency and effectiveness arrangements as part of our risk assessment procedures. Having updated and completed the planned procedures to address these risks we did identify a significant weakness in governance in relation to the Council's procedures supporting the production of its financial statements. See Section 04 of the report for further details.

## Audit differences

We identified a number of differences in our review of the draft 2021/22 and 2022/23 financial statements which are summarised here:

- ▶ Casting and consistency differences between the balance sheet and supporting notes and within individual tables.
- ▶ differences between 2020/21 signed accounts and the 2020/21 comparatives in the 2021/22 accounts in a large number of notes as well as in all the Group Primary statements.
- ▶ differences between 2021/22 draft accounts and the 2021/22 comparatives in the 2022/23 accounts in a large number of notes as well as in all the Group Primary statements.

These have now been corrected by management in March 2025 but these errors do however again indicate a lack of adequate quality assurance arrangements in relation to the financial statements and we have included a recommendation related to this as part of the statutory recommendations included in our audit report and set out in Appendix E of this report.



# Results and findings

## Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of the Council. We asked the Council to update the AGS for both 2021/22 and 2022/23 to reflect the significant weaknesses identified and included in this report in relation to the financial statements processes. These changes have been made.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We have no matters to report as a result of this work.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We have not identified any issues which require reporting in the public interest

We have however identified significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. As a result of the weaknesses identified, we have made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).





# Results and findings

## Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of East Hertfordshire District Council. We concluded we would disclaim the audits for 2021/22 and 2022/23 and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee or Board of Directors.

## Control observations

During the audit, we did not identify any significant deficiencies in internal control.

We did however note significant weaknesses in the Council's arrangements for the production and publication of the Statements of Accounts and have reported this as a significant governance weakness in our audit report as part of our value for money reporting. We have also made a statutory recommendation in relation to these issues.

## Independence

Further to our review of independence in Section 02 of this report we have not identified any issues to bring to your attention..

# Results and findings

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits.

We wish to bring the following other matters to your attention.

### Minimum Revenue Provision

Although we did not complete our planned procedures on the financial statements, we noted that the financial statements for both 2021/22 and 2022/23 include the following statement in relation to Minimum Revenue Provision (MRP) '*Following the disposal of the Council's Housing stock the Council has a negative capital financing requirement and so the calculated MRP is nil.*' Our high-level review of the accounts and of the Section 151 Officer's Report on the '*Capital Strategy and MRP 22/23 onwards*' issued in March 2022, identified that this statement is incorrect and that the Council's Capital Financing Requirement (CFR) became positive in 2020/21, thus requiring the Council to calculate and set aside MRP. If the Council is not charging MRP on the positive CFR balance, this may have an impact on the level of useable reserves available to the Council. As it is not clear from the reports provided and we are issuing a disclaimed opinion, we have not undertaken any further work on this area. We do however recommend that the Council review its MRP policy as a matter of urgency. We have included this recommendation as part of our vfm reporting in Section 04 of this report.

### Financial Statement Processes

We have also identified and reported on significant weaknesses in the Council's arrangements for the production and publication of its financial statements as part of our value for money reporting in Section 04 of this report.

# Results and findings – Draft Audit Report

Draft audit report 2021/22

Our opinion on the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST HERTFORDSHIRE DISTRICT COUNCIL

### Disclaimer of Opinion

We were engaged to audit the financial statements of East Hertfordshire District Council ('the Council') for the year ended 31 March 2022. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 37 including material accounting policy information,
- Collection Fund and the related notes 1 to 4.

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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024. This requirement meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion as we had insufficient resources in the time available to perform all necessary procedures to support the local government audit reset.

We were not able to complete the audit of the 2020/21 financial statements and issue our audit opinion until 16 March 2023, due to delays in the provision of information by the Council.

We commenced our audit of the 2021/22 financial statements in March 2023, based on draft accounts provided for audit but not published, but were unable to complete all of our procedures on the financial statements due to delays in the provision of information.

# Results and findings – Draft Audit Report (cont'd)

## Our opinion on the financial statements

In addition, the Council did not publish their draft 2021/22 Statement of Accounts until the 11 December 2023, which was significantly after the statutory publication deadline of 31 July 2022. We also noted the following in relation to the published unaudited accounts:

- the accounts were not accompanied by an Annual Governance Statement
- the Statement of Responsibilities for the Statement of Account was from the 2020/21 Statement of Accounts and was dated 26 October 2020
- they included the signed audit report from the 2019/20 accounts.

As a result of the above, the Council had to re-advertise the period for the public inspection of the accounts and this period ran until 18 December 2024.

These issues are referred to in the significant weaknesses in arrangements section of our report.

These matters combined with the backstop date, meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion in advance of the backstop date of 13 December 2024. Therefore, we are disclaiming our opinion on the financial statements.

### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the Annual Governance Statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); and/or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. We are making written recommendations to the Council under Section 24, Schedule 7 (2) of the Local Audit and Accountability Act 2014 (as amended). We may designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

### **Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources**

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2022.



# Results and findings – Draft Audit Report (cont'd)

## Our opinion on the financial statements

### Significant weaknesses in arrangements

#### *Our judgement on the nature of the weaknesses identified:*

The Council did not publish its 2021/22 draft financial statements by 31 July 2022 as required by the Accounts and Audit Regulations 2015. The unaudited financial statements were published on 11 December 2023. The draft accounts, when published, were not appropriately certified by the Section 151 Officer and were not published alongside an Annual Governance Statement.

In addition, the Council was unable to adequately support the external audit process. Capacity issues within the finance team and weaknesses in quality control related to audit evidence led to delays in receipt of information to support the audit and that information, when provided, being of inadequate quality. These issues were also experienced during the 2020/21 audit process which was not completed until March 2023.

We note that the 2023/24 draft financial statements were not published by the statutory deadline of 31 May 2024.

#### *The evidence on which our view is based:*

- Publication date of the 2021/22, 2022/23 and 2023/24 draft financial statements
- The Council has not been able to provide timely, sufficient and appropriate audit evidence to support the external audit

### *The impact on the Council:*

Failure to improve the Council's processes to report financial information on a timely basis impacts the Council's ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

### *The action the body needs to take to address the weakness:*

As a result of the weaknesses identified, we make Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).

1. **Finance Function Workflow Review:** Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.
2. **Quality Assurance Function Review:** Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.

## Our opinion on the financial statements

- 3. Finance Team Capacity:** Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

This issue is evidence of significant weaknesses in proper arrangements for governance, specifically that the Council does not have effective processes and systems in place to support its statutory financial reporting requirements.

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 109, the Chief Financial Officer is responsible for the preparation of the 2021/22 Statement of Accounts, which includes the Group and Council 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, 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Group and the Council'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 Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council 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 responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and Council 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 Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

# Results and findings – Draft Audit Report (cont'd)

## Our opinion on the financial statements

### ***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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether East Hertfordshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Hertfordshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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 East Hertfordshire 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 (as amended) to satisfy ourselves that the Council has made 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Certificate**

We certify that we have completed the audit of the accounts of East Hertfordshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of East Hertfordshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 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 Council and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.

**Debbie Hanson (Key Audit Partner)**  
**Ernst & Young LLP (Local Auditor)**  
**Luton**  
**21 April 2025**

Draft audit report 2022/23

Our opinion on the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST HERTFORDSHIRE DISTRICT COUNCIL

### Disclaimer of Opinion

We were engaged to audit the financial statements of East Hertfordshire District Council ('the Council') for the year ended 31 March 2023. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 37 including material accounting policy information,
- Collection Fund and the related notes 1 to 4.

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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024.

The audit of the 2021/22 financial statements for East Hertfordshire District Council was not completed for the reasons set out in our opinion on those financial statements dated 21 April 2025. As a result of the delays to the previous year's audit together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements before the 13 December 2024 backstop date.

In addition, the Council did not publish their draft 2022/23 Statement of Accounts until the 6 November, which was significantly after the statutory publication deadline of 31 May 2023, and the period for the public inspection of the accounts did not conclude until 18 December 2024.

These issues are referred to in the significant weaknesses in arrangements section of our report.

Therefore, we are disclaiming our opinion on the financial statements.

# Results and findings – Draft Audit Report (cont'd)

## Our opinion on the financial statements

### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the Annual Governance Statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under Schedule 7 (1) of section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); and/or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. We are making written recommendations to the Council under Section 24, Schedule 7 (2) of the Local Audit and Accountability Act 2014 (as amended). We may designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

### Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2023.

#### Significant weaknesses in arrangements

*Our judgement on the nature of the weaknesses identified:*

The Council did not publish its 2022/23 draft financial statements by 31 May 2023 as required by the Accounts and Audit Regulations 2015. The unaudited financial statements were published on 6 November 2023. This is the second year the publication date has not been met. The draft accounts, when published, were not appropriately certified by the Section 151 Officer and were not published alongside an Annual Governance Statement.

In addition, the Council was unable to adequately support the external audit process. Capacity issues within the finance team and weaknesses in quality control related to audit evidence led to delays in receipt of information to support the audit and that information, when provided, being of inadequate quality. These issues were also experienced during the 2021/22 audit process which was not completed until March 2024.

We note that the 2023/24 draft financial statements were not published by the statutory deadline of 31 May 2024.



# Results and findings – Draft Audit Report (cont'd)

## Our opinion on the financial statements

### *The evidence on which our view is based:*

- Publication date of the 2021/22, 2022/23 and 2023/24 draft financial statements
- The Council has not been able to provide timely, sufficient and appropriate audit evidence to support the external audit

### *The impact on the Council:*

Failure to improve the Council's processes to report financial information on a timely basis impacts the Council's ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

### *The action the body needs to take to address the weakness:*

As a result of the weaknesses identified, we make Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).

1. **Finance Function Workflow Review:** Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.

2. **Quality Assurance Function Review:** Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.
3. **Finance Team Capacity:** Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

This issue is evidence of significant weaknesses in proper arrangements for governance, specifically that the Council does not have effective processes and systems in place to support its statutory financial reporting requirements.

# Results and findings – Draft Audit Report (cont'd)

## Our opinion on the financial statements

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 90, the Chief Financial Officer is responsible for the preparation of the 2022/23 Statement of Accounts, which includes the Group and Council 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, 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Group and the Council'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 Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council 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 responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and Council 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 Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

# Results and findings – Draft Audit Report (cont'd)

## Our opinion on the financial statements

### ***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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether East Hertfordshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Hertfordshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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 East Hertfordshire 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 (as amended) to satisfy ourselves that the Council has made 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Certificate**

We certify that we have completed the audit of the accounts of East Hertfordshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of East Hertfordshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 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 Council and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.

**Debbie Hanson (Key Audit Partner)**  
**Ernst & Young LLP (Local Auditor)**  
Luton  
21 April 2025





# 04 Value for Money

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this commentary is to explain the work we have undertaken during the period 01 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified; and
- Findings to date from our planned procedures.

We provided a detailed summary of arrangements over the period covered by this report in our Interim Value for Money report presented to the Audit and Governance Committee in October 2024.





# VFM - Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

In our Provisional Audit Plan for 2021/22 we noted that we had yet to complete our detailed VFM planning. However, one area of focus would be on the arrangements that the Council has in place in relation to financial sustainability. We completed our VFM planning and identified risks of significant risk as set out in the table on the following page. These were also reported in our Interim VFM Commentary in October 2024.

# VFM - Executive Summary (continued)

## Reporting

Our commentary for 2021/22 and 2022/23 is set out over pages 27 to 35. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendations we have made to the Council.

The detailed arrangements and processes underpinning the reporting criteria were reported in our 2020/21 Auditor’s Annual Report and have been updated for 2021/22 and 2022/23. These updates were included in our Interim VFM Commentary in October 2024.

In accordance with the NAO’s 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this report, we have concluded that there is a significant weakness in the Council’s arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	Non preparation and publication of the financial statements for 2021/22 and 2022/23 and the 2021/22 Annual Governance Statement	Yes, non-compliance with the Accounts and Audit Regulations 2015 in a number of areas.
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	Delays and/or significant cost over runs on major projects	No significant weakness identified.

# Value for Money Commentary

**Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23**

**No significant weakness identified**

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the National Audit Office (NAO)'s Code the focus of our work should be on the arrangements that the Authority is expected to have in place during the years ended 31 March 2022 and 2023.

Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability, but we did identify a number of areas for improvement which are noted in this report.

## **Budget setting and monitoring**

The Council has adhered to its governance processes for setting a balanced budget and Medium Term Financial Plan (MTFP). The budget and MTFP are underpinned by assumptions that we deemed reasonable and supported. The Council's budget is monitored on a monthly basis by senior management and reported quarterly to the Executive. The Council's revenue budget was put under pressure in 2021/22 due to losses in income and increased costs.

The 2021/22 and 2022/23 revenue budgets were approved by Council in March 2021 and 2022 respectively, and a balanced budget was set each year. The outturn and pressures identified in the previous year are considered as part of the budget process to ensure that these are adequately addressed in the next years' budget.

The 2021/22 revenue budget and MTFP was based on the following assumptions;

- salary inflation of 2%
- 2.5% increase to fees and charges
- additional budget savings/efficiencies required over the next four years totalling £8.89 million to 2024/25, with use of reserves of £5.47 million over the period to bridge the budget gap.
- increase in the provision for bad debts by £1.034 million has been forecast as well as an increase in the appeals provision of £3.4 million.

The 2022/23 budget and Medium-Term Financial Plan (MTFP) was based on the following assumptions:

- contract inflation up to 4%.
- no inflation in other goods and services budgets.
- provision for the national pay award (up to 3%).

The 2021/22 budget and MTFP included a savings target of £2.39 million, to be achieved from new savings proposals, the transformation programme and infrastructure investment. For 2021/22, the Council reported an overall underspend position of £91k. In 2022/23, the final general fund revenue outturn reported in September 2023 was a £195k overspend, which was funded from the General Fund Reserve. This compared to the forecast outturn as of 30 June 2022 of an overspend of £229k.



# Value for Money Commentary (continued)

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Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

## Medium term financial plans and savings

The Council faces real-term reductions in government grants and increases in costs due to inflation and other pressures. These challenges created a budget shortfall of £1.179 million for 2022/23 and an additional £3.5 million for 2023/24.

For 2022/23, the following savings proposals were identified;

- Reduction in payment to the Hertfordshire Emergency Planning / Resilience Partnership from £26k per year to £16k to reflect the reduction in hours devoted by the Partnership to East Herts
- Removal of £21k from the 2022/23 budget relating to the community public transport schemes
- Increase the charge from single people in bed and breakfast from £110.40 per week to £129.33
- Reduction of 25% in the combined revenue and capital grants budget of £31k
- Introduce standard car park tariff charges on Sundays across Council managed car parks
- To reduce the number of audit days purchased from SIAS whilst still ensuring appropriate assurance is received
- Gilston Planning Costs Pressure reduction from £247,000 to £207,000

For 2023/24, the Council approved a net revenue budget of £12,113 million in March 2023 with a forecast net revenue overspend of £220k. Assumptions built into the 2023/24 revenue budget and MTFP were:

- a council tax increase of 2.99%
- pay inflation originally set at 2% for 2023/24 was increased to 4% in 2023/24 but remaining at 2% in future years.
- contract inflation was set at 4% in 2022/23 and 2.5% thereafter.
- net income stream for the theatre has been moved back to 2025/26 due to delays in Hertford Theatre
- the Elizabeth Road redevelopment will be progressed only as far as planning permission
- capital receipts will be used to replace borrowing thus reducing revenue costs

The 2023/24 MTFP projections were reported to Council in March 2023 and required the Council to make savings of at least £6.9 million in the next four years. Proposals to close the budget gap for 2023/24 amounted to £866k compared to a target of £822k. The 2023/24 MTFP projections were reported to Council in March 2023 and required the Council to make savings of at least £6.9 million in the next four years. Proposals to close the budget gap for 2023/24 amounted to £866k compared to a target of £822k. The 2025 Budget 2025/26 & Medium Term Financial Plan 2025-2035 reported to the Council in February 2025 shows a balanced budget for 2025/26.

The savings targets over the next four years are challenging and a recent Finance Peer Challenge report based on a desktop review undertaken in February to March 2024 noted a number of areas for improvement in relation to savings. These included, the need to incorporate comprehensive risk assessments related to the proposed savings measures, including detailing the likelihood and potential impact of not achieving the targeted savings. It also found that the budget report would benefit from clear explanations as to how the savings identified impact on future years and ensuring that all savings figures are fully reconciled.

# Value for Money Commentary (continued)

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

The Council has earmarked reserves which can be used to balance the budget in the medium term. Earmarked reserves at 31 March 2022 were £21.3 million and the general fund balance of £3.8 million was above the min recommended level of £2.2 million set by the Section 151 officer. The level of earmarked reserves had reduced to £18.7 million at 31 March 2023.

The annual savings requirements to deliver a balanced budget in the March 2023 MTFP are set out below and the cumulative impact of these is a savings requirement of £7.49 million by 2027/28:

- 2023/24: £0,822 million
- 2024/25: £2.170 million
- 2025/26: £2.146million
- 2026/27: £1.758 million
- 2027/28: £0.594 million

Savings requirements as per the 2024/25 MTFP are:

- 2024/25: Gross savings requirement of £1.186 million
- 2025/26: Gross savings requirement of £5.606 million.
- 2026/27: Gross savings requirement of £5.606 million.
- 2027/28: Gross savings requirement of £6.132 million.

## Levels of reserves

The Council has earmarked reserves which can be used to balance the budget in the medium term. Earmarked reserves at 31 March 2022 were £21.3 million and the general fund balance of £3.8 million was above the min recommended level of £2.2 million set by the Section 151 officer. The level of earmarked reserves had reduced to £18.7 million at 31 March 2023.

The Finance Peer Challenge report referred to above, also noted that the useable reserves were comparatively low, and recommended that the Council should consider financial risks in determining a minimum level of reserves to be maintained. Additionally, it recommends publishing an explicit statement on the Council's useable reserves position within the budget report. The most recent published accounts cover the period up to 2021/22 and show useable reserves of £21.3 million as of March 2022. However, after discounting specific reserves, the Peer Review noted that the sum of useable earmarked reserves is only £4.7 million. We also noted as part of our work that it was difficult to establish the projected level of useable reserves through review of the Council's various budgeting reports. We did however note that the Budget Report in October 2024, included projections of reserves to 2027/28, which reported a projected general fund balance of £3.8 million, a general reserve of £1 million and earmarked reserves of £14.7 million.

# Value for Money Commentary (continued)

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

## Minium Revenue Provision (MRP)

We note that the Council moved to a position of having a positive Capital Financing Requirement in 2020/21, having previously been debt free. The Council's reported MRP policy is to *'repay internal borrowing incurred on capital expenditure between 2011/12 and 2021/22 from the set aside balance in order that no MRP is required to be set aside. For external borrowing from 2021/22 and future years the Council will assess MRP in accordance with the main recommendations contained within the guidance issued by the Secretary of State'*. It is unclear from our reading of the Council's Policy whether the Council has fully considered the impact of not setting aside MRP in relation to capital spend between 2011/12 and 2021/22 in terms of any impact on its future financial resilience. As we are issuing disclaimer opinions on the 2021/22 and 2022/23 financial statements, we have not undertaken any audit work in relation to the MRP policy and calculation, but recommend that the Council undertakes a review of this area.

## Overall conclusion

Despite the pressures noted we have not identified any significant weakness in the financial management arrangements for 2021/22 and 2022/23. The Council has mitigating actions in place which have enabled a balanced budget to be set in each year and for reserves to be maintained above the minimum recommended level. The scale of savings required to continue to set a balanced budget and maintain reserves at an appropriate level does however significantly increase in future years.

Our work and that of the Finance Peer Challenge has however noted a number of areas for improvement in financial management and reporting.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services**

## Recommendations:

- 1. Officers need to ensure robust savings plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.*
- 2. The Council should ensure that it mitigates the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place, without compromising front line service delivery.*
- 3. The Council should ensure it takes action to address the findings and recommendations from the Finance Peer Challenge as a matter of urgency.*
- 4. The Council should undertake a review of its MRP policy and calculation to ensure it is fully compliant with the statutory requirements and guidance and that sufficient set asides are being made.*

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

## Significant weakness identified for 2021/22 and 2022/23

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

### Financial statements

Our risk assessment identified a risk of significant weakness in arrangements in governance in relation to the Council's failure to comply with the Audit and Accounts regulations in relation to the failure to prepare and publish accounts on a timely basis along with appropriate inspection notices.

Under the Accounts and Audit Regulations 2015, the Council is required to publish a set of draft accounts for a public inspection period of 30 working days, during which time any interested person may inspect the accounts and ask questions to the external auditor. For 2021/22, this public inspection period should start no later than the first working day of August (per a 2021 amendment to the regulations) and the accounts should also include an Annual Governance Statement.

The Council published their draft 2021/22 financial statements for audit on the 11 December 2023 and advertised and held an inspection period for members of the public. For 2021/22, the Council have therefore not complied with the requirements of the Accounts and Audit Regulations, as the inspection period did not start until 12 December 2023. We also noted the following:

- the accounts published for inspection did not include an Annual Governance Statement (AGS ).
- the Statement of Responsibilities for the Statement of Account included in the 2021/22 Accounts was from the 2020/21 accounts and was dated 26/10/2020.
- the auditor's report included in the 2021/22 Accounts was the audit report for the 2019/20 accounts.

For 2022/23, the Council have again not complied with the requirements of the Accounts and Audit Regulations as they;

- did not prepare and publish the set of draft accounts until 6 November 2024.
- did not publish a notice stating that the Council has not been able to publish the statement of accounts and its reasons for this.

We also note that for 2023/24 the Council has again failed to produce a set of accounts and has not included the required notices on its website.

We have therefore concluded that appropriate arrangements for financial reporting were not in place during 2021/22 and 2022/23. As the statement of accounts are an important document and provide members of the public and other stakeholders with information regarding the Council's financial position, we have concluded that the continued failure to prepare and publish accounts represents a significant weakness in governance arrangement and will be modifying our audit report, to refer to this. We are also issuing a statutory recommendation in this regard as part of our formal reporting.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified for 2021/22 and 2022/23

## Other arrangements

The Council has an established risk management process including a Risk Management Strategy that is reviewed quarterly by the audit and governance committee. The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly, which has been evidenced by the recent updating of its constitution on in January 2024.

The Shared Internal Audit Service's (SIAS) have given reasonable assurance for 2021/22 and 2022/23 over the adequacy and effectiveness of the Council's framework of governance, risk management and control. In 2021/22, ten projects all received substantial assurance opinions and contributed to the overall assurance opinion. There were also three projects with an opinion of 'not assessed', two "not complete" and one "limited" For 2022/23, there were two incomplete projects, one unqualified and one not assessed.

The 2022/23 AGS includes all the areas required by the Cipfa Code, including information relating to review of effectiveness and reports on the key governance areas where Internal Audit work has identified further improvements needed. These are:

- The Communications Strategy requires revision to reflect changes in technology, social media and the further decline of printed media and to separate consultation from communication.
- The Council would benefit from a separate Consultation Strategy which sets out how and when the Council will consult. This accords with the priorities of the new Joint Administration.
- Member Officer Protocol for working in a no overall control council. At the elections in May 2023, the Council moved to being under no overall control by a single political party. There is a need to set out expectations concerning information, briefings and policy development that more appropriately meet the needs of the political groups in a no overall control council.
- Contract Procedure Rules are in need of review and updating, particularly as they reflect the transition under Brexit and not the final position under the Procurement Bill, which is in its final stage before anticipated Royal Assent and amendments introduced under the Public Procurement (International Trade Agreements) (Amendment) Regulations 2023. This will be undertaken alongside the development of the Procurement Strategy to ensure that they are properly aligned.

We did however note that the AGS does not include reference to the delays in the production and publication of the financial statements and have therefore asked management to update the AGS to include reference to these issues.



# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified for 2021/22 and 2022/23

**Conclusion:** Based on the work performed, we have identified a significant weakness in the arrangements in relation to the production and publication of the accounts that we will be reporting by exception in relation to the non-compliance with Audit and Accounts regulations 2015. We are also issuing a statutory recommendation in this regard as part of our formal reporting.

**Recommendations:**

- 1. The Council should take immediate action to strengthen the arrangements for the preparation and publication of its accounts and relevant associated notices in line with the requirements of the Accounts and Audit Regulations.*
- 2. The Council should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements.*

# Value for Money Commentary (continued)

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Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified for 2021/22 and 2022/23 but work remains in progress

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Our risk assessment has identified a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness, as noted below. We have now concluded our work in this area following the provision of additional information from the Council regarding the procurement arrangements and the supplier evaluation process and have not identified a significant weakness in arrangements.

The five-year capital spending programme totals over £90 million. During 2021/22, the Council spent £31.5 million on capital projects, compared with a budget of £64.6 million. The underspend of £33 million was due to schemes not commencing or progressing in line with initial expectations and was carried forward into 2022/23. The capital programme was re-profiled as part of the budget report to Council in March 2022 and the majority of these underspends were captured in this re-profiling and a further £4.1 million was carried forward to the 2022/23 capital programme.

The capital programme included the regeneration of Old River Lane in Bishop's Stortford and the continued redevelopment of Hartham Leisure Centre. We have noted significant delays and/or cost overruns on these major projects which could indicate a weakness in procurement arrangements or contract management and could have a negative impact on the Council's financial position. In response to this risk, we have considered these projects in more detail as noted below.

## **1. Hertford Theatre Development:**

The initial contract was awarded in March 2022 for £18.881 million. The project has encountered a series of budgetary challenges due to rising inflation and unprecedented increase in costs of labour and materials. This has resulted in an increased budget for the development, which stood at £24.1 million at March 2022. As of that date, the cost verification has indicated that the project is expected to cost £30.2 million to complete in its entirety and at the current date the forecast outturn is a projected overspend of £2.6 million, which officers are working to reduce. The Council has engaged external advisors to undertake an assessment of costs and advise the Council on an appropriate guaranteed maximum price to be agreed with the contractor following the continued increases.

## **2. Old River Lane Regeneration and Arts Centre:**

The Council purchased the Old River Lane site in 2015, after a private sector scheme failed to be delivered. The site offers a prime development opportunity in the heart of Bishop's Stortford town centre. The Council selected Cityheart as their development partner via an OJEU compliant Competitive Dialogue process in 2018. The aims were to create an arts and entertainment centre, residential, retail and leisure uses to drive transformational change in Bishop's Stortford.

Since the project was initially started it has been revisited and updated. The project is currently postponed until the borrowing to construct the building becomes affordable. We note that the Development Agreement with CityHeart has not yet been signed as a result of additional details having to be worked through, including land assembly, the boundary of the development, existence of power sub-stations and culverts and restrictive covenants.

# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified for 2021/22 and 2022/23

Spend to date on the Old River Lane project is £4 million. The 2023/24 budget outturn report includes a forecasted £500k further spend. From 2023/24 onwards, there is no forecasted budget spend due to:

- ▶ A £2.0 million saving which arose from delay to the likely commencement of the Arts Centre.
- ▶ A decision to pause the Old River Lane & Arts centre project and rephasing of IT capital spend.

## Financing of the capital programme

The March 2023 MTFS notes that the capital programme will be largely funded by external borrowing going forward. The Council has previously been debt free, and this new borrowing will impact the revenue account through the requirement to pay interest and also from the requirement to set aside Minimum Revenue Provision (MRP) to meet the repayment of the principal amount of loans. As part of the completion of our value for money work in this area we will assess the appropriateness and adequacy of the Council's MRP policy and calculation.

The latest MTFS, notes that priority has been given to the following and, as a result of the prioritisation exercise, £9.560 million of capital expenditure has been paused until such time as it is affordable for the Council to start a number of capital projects again:

- ▶ completing the major projects;
- ▶ essential maintenance only on operational assets;
- ▶ essential investment for the new waste contract;
- ▶ continuing to deliver means-tested statutory housing improvement loans

## Other matters

The Council was not subject to any inspections. The Council partners with a range of external organisations to consult on and deliver services to the local area. These partnerships are managed using boards, committees and other forums either under statutory or locally determined arrangements to agree and monitor performance against targets.

We have not undertaken a detailed review of the Council's MRP policy and calculation, as noted earlier in this report. We note however that the Council's plans for its capital programme are now reliant on external borrowing and it is therefore important that the Council ensures its policy and calculation is appropriate and compliant with stator requirements.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to ensure economy, efficiency and effectiveness





# 05 Appendices

# Appendix A – Management representation letter

## Management representation letter 2021/22

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

**Ernst & Young**

**400 Capability Green  
Luton  
LU1 3LU**

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of East Hertfordshire District Council ("the Group and Council for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the of the Group and Council financial position of East Hertfordshire District Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).



# Appendix A - Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the financial statements.
  3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
  4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), that are free from material misstatement, whether due to fraud or error.
  5. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and Council financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and Council financial statements for the year ended *31 March 2022* are solely the result of reclassifications for comparative purposes.
  6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
  7. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.
- B. Non-compliance with law and regulations, including fraud**
1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

# Appendix A – Management representation letter

## Management representation letter

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## Management Rep Letter

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group and Council (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance matters:
  - involving financial improprieties;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council’s financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and Council’s activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or

in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

# Appendix A - Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

3. We have made available to you all minutes of the meetings of the Group and Council/ and committees including the Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 18 March 2025.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 16 March 2023 (the date of our last management representation letter) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

# Appendix A – Management representation letter

## Management representation letter 2022/23

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## Management Rep Letter

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note xx to the financial statements all guarantees that we have given to third parties.

### E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

### F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property, defined benefit pension scheme and business rates appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

# Appendix A - Management representation letter

## Management representation letter

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## Management Rep Letter

### G. Estimates

#### Valuation of land and buildings included in property plant and equipment and investment properties

1. We confirm that the significant judgments made in making the valuation of land and buildings included in property, plant, and equipment and investment property estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land and buildings and investment properties estimate.
3. We confirm that the significant assumptions used in making the valuation of land and buildings and investment properties estimate appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income behalf of the Group and Council.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings and investment properties estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

#### Defined benefit pensions scheme

1. We confirm that the significant judgments made in making the defined benefit pensions scheme estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the defined benefit pensions scheme.
3. We confirm that the significant assumptions used in making the defined benefit pensions scheme estimate appropriately reflect our intent and ability to continue to participate in the Essex Pension Fund.



# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the defined benefit pensions scheme estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

### **Business rates appeals provision**

7. We confirm that the significant judgments made in making the business rates appeals provision estimate have taken into account all relevant information of which we are aware.
8. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the business rates appeals provision estimate.

9. We confirm that the significant assumptions used in making the business rates appeals provision estimate appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income behalf of the Group and Council.
10. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
11. We confirm that appropriate specialized skills or expertise has been applied in making the business rates appeals provision estimate.
12. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

# Appendix A - Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

### H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated or Council entity financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated or Council entity financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

### K. Going Concern

1. Note xx to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### L. Subsequent Events

1. Other than events described in Note xx to the consolidated and Council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts 2021/22 including the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

3. We confirm that the Annual Governance Statement for 2021/22 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2021/22 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

### N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered in the consolidated and Council financial statements.

### G. Group audits

Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

*Yours faithfully,*

\_\_\_\_\_  
(Chief Financial Officer/Finance Director)

\_\_\_\_\_  
(Chair of the Audit & Governance Committee)

# Appendix A - Management representation letter

## Management representation letter 2022/23

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

### Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

**Ernst & Young**

**400 Capability Green  
Luton  
LU1 3LU**

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of East Hertfordshire District Council ("the Group and Council for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the of the Group and Council financial position of East Hertfordshire District Council as of 31 March 2023 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).



# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), that are free from material misstatement, whether due to fraud or error.

5. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and Council Council financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and Council Council financial statements for the year ended *31 March 2023* are solely the result of reclassifications for comparative purposes.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
7. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

### **B. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

# Appendix A - Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group and Council (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance matters:
  - involving financial improprieties;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council’s financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and Council’s activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

3. We have made available to you all minutes of the meetings of the Group and Council and committees including the Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 18 March 2025.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 16 March 2023 (the date of our last management representation letter) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

# Appendix A - Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note xx to the financial statements all guarantees that we have given to third parties.

### E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheets.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

### F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property, defined benefit pension scheme and business rates appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

### G. Estimates

#### Valuation of land and buildings included in property plant and equipment and investment properties

1. We confirm that the significant judgments made in making the valuation of land and buildings included in property, plant, and equipment and investment property estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land and buildings and investment properties estimate.
3. We confirm that the significant assumptions used in making the valuation of land and buildings and investment properties estimate appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income behalf of the Group and Council.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings and investment properties estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

#### Defined benefit pensions scheme

1. We confirm that the significant judgments made in making the defined benefit pensions scheme estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the defined benefit pensions scheme.
3. We confirm that the significant assumptions used in making the defined benefit pensions scheme estimate appropriately reflect our intent and ability to continue to participate in the Essex Pension Fund.

# Appendix A - Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the defined benefit pensions scheme estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

### **Business rates appeals provision**

7. We confirm that the significant judgments made in making the business rates appeals provision estimate have taken into account all relevant information of which we are aware.

8. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the business rates appeals provision estimate.
9. We confirm that the significant assumptions used in making the business rates appeals provision estimate appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income behalf of the Group and Council.
10. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
11. We confirm that appropriate specialized skills or expertise has been applied in making the business rates appeals provision estimate.
12. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

### H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated or Council entity financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated or Council entity financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

### K. Going Concern

1. Note xx to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### L. Subsequent Events

1. Other than events described in Note xx to the consolidated and Council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

# Appendix A - Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

### M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts 2022/23 including the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2022/23 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2022/23 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

### N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered in the consolidated and Council financial statements.

### G. Group audits

Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

Yours faithfully,

\_\_\_\_\_  
(Chief Financial Officer/Finance Director)

\_\_\_\_\_  
(Chair of the Audit & Governance Committee)



# Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The original fees for these years were based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	2022/23	2021/22	2020/21
	Scale fee	Scale fee	fee
	£	£	£
Scale Fee - Code Work	55,440	40,295	40,295
Scale Fee variation - Note 1	TBD	TBD	51,789
<b>Total audit</b>	<b>TBD</b>	<b>TBD</b>	<b>92,094</b>
Other non-audit services not covered above (Housing benefits - Note 2)	TBD	TBD	TBD
<b>Total other non-audit services</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>
<b>Total fees</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>

All fees exclude VAT

Note 1: As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2021/22 and 2022/23 audits. PSAA have already determined the additional fee for 2020/21 as set out above.

Note 2: Our work on the certification of the Council's housing benefit claim has not yet been completed. The fees for this work will be finalised and agreed with management on completion of this work

# Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	This Completion report for Those Charged with Governance
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	This Completion report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	This Completion report for Those Charged with Governance
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul>	This Completion report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	This Completion report for Those Charged with Governance
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:                             <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> </li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	This Completion report for Those Charged with Governance



# Appendix C – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	This Completion report for Those Charged with Governance
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	This Completion report for Those Charged with Governance
Group audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	This Completion report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

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## Our Reporting to you

Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	This Completion report for Those Charged with Governance

# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

## Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

## Examples of Non-Compliance with Laws and Regulations (NOCLAR)

### Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

### Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

## What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



### Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

### Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

### Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators



# Appendix E – VFM – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report, 2021/22 to 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial sustainability	<p>Officers need to ensure robust savings plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.</p> <p>The Council should ensure that it mitigates the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place, without compromising front line service delivery.</p> <p>The Council should ensure it takes action to address the findings and recommendations from the Finance Peer Challenge as a matter of urgency.</p> <p>The Council should undertake a review of its MRP policy and calculation to ensure it is fully compliant with the statutory requirements and guidance and that sufficient set asides are being made.</p>	<p>The following actions are in place:</p> <ol style="list-style-type: none"> <li>1. A new tracking spreadsheet has been created to ensure the details behind the savings plans within the MTFP are monitored regularly</li> <li>2. This now includes a phasing of when savings are likely to materialise - which month they start to occur in and any that will not fully materialise in the current financial year - but will continue to materialise in 26/27</li> <li>3. Additional savings and income are also being included - in separate sections - so that the overall position is reviewed and monitored more frequently (Monthly) by the leadership team             <ol style="list-style-type: none"> <li>i. This gives a better visual 'overview' of what is materialising, where issues are arising and when savings might not deliver</li> <li>ii. Which allows plans to be re-looked at and mitigation steps to be started sooner rather than later</li> <li>iii. This will then be shared with members so they have a clearer picture of which is and should be achieved</li> </ol> </li> <li>4. Monthly reports to Leadership Team identifying (early) where overspends are projected so that mitigation can be taken.</li> <li>5. Confirm that the MRP policy for 2025/26 has been updated, liaising with our External Advisors</li> </ol>

# Appendix E - VFM - Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report, 2021/22 to 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial sustainability (continued)		<ol style="list-style-type: none"><li data-bbox="1458 501 2119 772">6. This includes undertaking an exercise to look at MRP calculations which has produced a new calculated MRP charge for all recent years considering the negative CFR as the starting position and only charging MRP from the year after construction was completed. This new calculation shows that a relatively small MRP charge of £42,519 would have been chargeable in 2022/23 - as a lot of the schemes were still under construction in 21/22 and 22/23.</li><li data-bbox="1458 772 2119 863">7. g. The new S151 Officer to consider and put in place actions to address the findings of the Finance Peer Review.</li><li data-bbox="1458 863 2119 1062">8. h. The Council's Asset Management Group is reviewing all assets to determine suitability for disposal, further investigation, or retention based on criteria like use value and strategic fit. The disposal program started in October 2024, with revenue benefits expected in the 2025/26 budget, reducing the need for reserves and optimizing asset value.</li></ol>

# Appendix E – VFM – Summary of recommendations

## Recommendations (continued)

Issue	Recommendation	Management response
<p>Governance: Non preparation and publication of the financial accounts for 2022/23 and 21/22 Annual governance statement (Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended)).</p>	<p>The Council should take immediate action to address the following statutory recommendations:</p> <p><b>Finance Function Workflow Review:</b> Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p> <p><b>Quality Assurance Function Review:</b> Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.</p> <p><b>Finance Team Capacity:</b> Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.</p>	<p>The following actions are in place:</p> <ol style="list-style-type: none"> <li>1. The 2021/22 and 2022/23 Statements of Accounts are going to the Audit &amp; Governance on 22 April for sign off.</li> <li>2. It is anticipated that the 2023/24 accounts will be completed and published on the Council’s website by the end of April 2025.</li> <li>3. Plans have been put in place by the new S151 Officer to ensure that the 2024/25 Statement of Accounts are completed and published on time.</li> <li>4. The new S151 Officer(started on 1 April) will look to put more controls in place to ensure adequate time is given for reviews to be undertaken prior to publication.</li> <li>5. A review of the Finance team will be undertaken in their first six months to propose a new structure that will address:             <ol style="list-style-type: none"> <li>a) potential ‘single point of failure’;</li> <li>b) capability and capacity of the team to ensure it is fit for purpose;</li> <li>c) Individuals have the necessary skills needed to deliver in line with all deadlines.</li> <li>d) Tasks are clearly defined and delivered on time.</li> </ol> </li> </ol>

# Appendix E – VFM – Summary of recommendations

## Recommendations (continued)

Issue	Recommendation	Management response
Governance: Response to Internal Audit recommendations	The Council should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements.	The following actions are in place: <ol style="list-style-type: none"><li data-bbox="1458 435 2110 520">1. The CFO to have regular meetings with the Chief Internal Auditor to discuss audit findings where there are weaknesses identified.</li><li data-bbox="1458 525 2110 609">2. These will also be discussed with Leadership Team as part of the Monthly meeting specifically set aside for Finance matters.</li><li data-bbox="1458 614 2110 719">3. These will be monitored by the Operation Council (consisting of CEO, CFO and Monitoring Officer) to quickly identify any weaknesses in its governance arrangements and take necessary actions.</li><li data-bbox="1458 724 2110 778">4. These will also be reported to Audit &amp; Governance, where members will have an opportunity to review</li></ol>



# Appendix F – PSAA Statement of Responsibilities

As set out in this report, our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## ***Preparation of the statement of accounts***

*26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.*

*27. In preparing their statement of accounts, audited bodies are expected to:*

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

*28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.*

# Appendix G – Other Communications

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).

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ED None

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# DRAFT STATEMENT OF ACCOUNTS 2021-22



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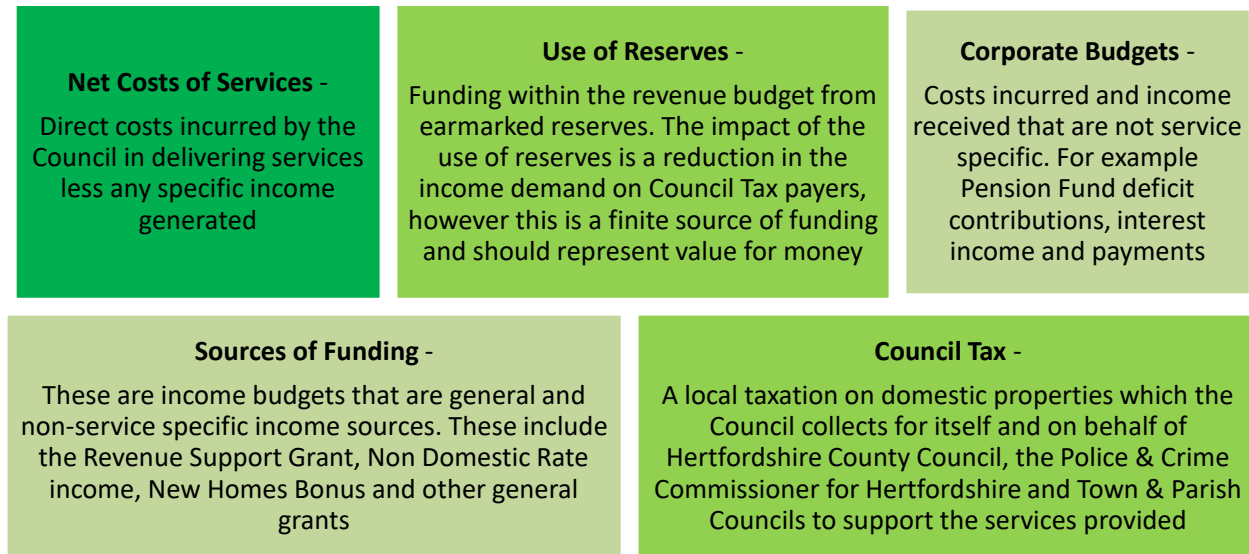
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# FINANCIAL PERFORMANCE IN 2021/22

The 2021/22 budget was set by Council in March 2021 as part of the budget report and Medium Term Financial Plan for 20221/22 to 2024/25. There are five major 'building blocks' to the Council's revenue budget. These are shown below:



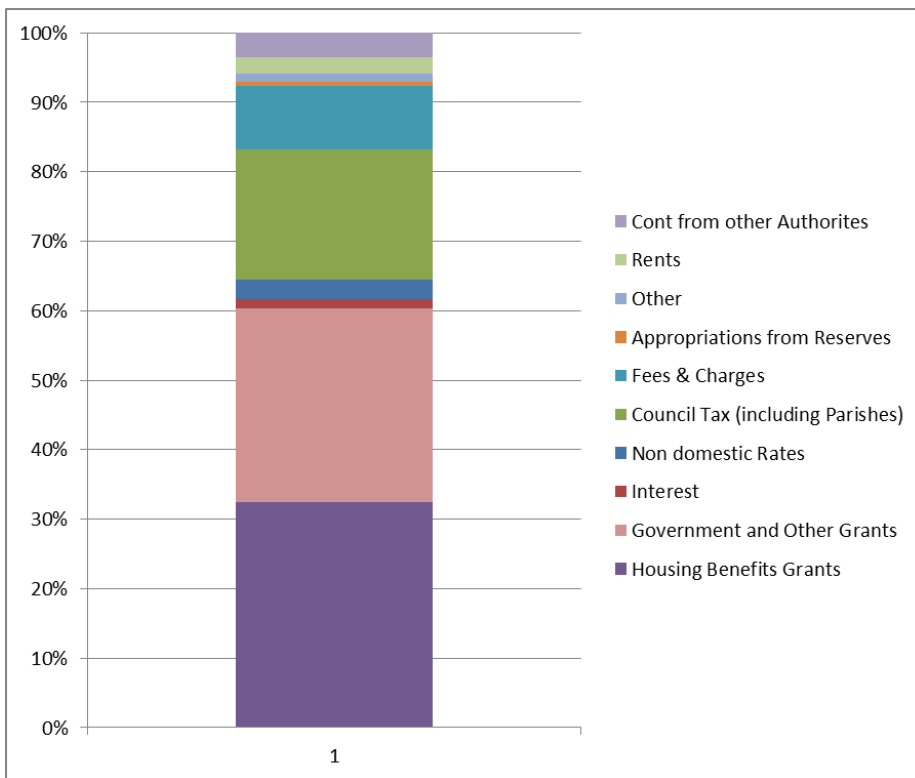
The table below details the Council's performance against the five major 'building blocks'. There was a £91k underspend in 2021/22, this has been funded from the General Fund.

	Original Budget 2021/22	2021/22 Outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	16,787	14,843	(1,944)
Corporate Budgets Total	(166)	(159)	7
Net Use of Reserves	2,485	(2,030)	(4,515)
Funding	(8,050)	(1,689)	6,361
Council Tax	(11,056)	(11,056)	0
<b>Overspend</b>	<b>-</b>	<b>(91)</b>	<b>(91)</b>

The Council's budget is monitored monthly by senior management and reported quarterly to the Executive. The Council's revenue budget was put under pressure in 2021/22 due to losses in income and increased costs due to national lockdowns and the Covid-19 pandemic.

## 2021/22 Income streams

The chart below shows the £82.6m of income that the Council received in 2021/22. The largest source of income was Housing Benefits subsidy (from Central Government) which is used to fund the payment of Housing Benefits to claimants.



In 2021/22 the second largest source of funding for East Herts was government grants, with £23.1m funding received. This differs from previous years and is directly related to Covid -19 and the funding streams that central Government have put in place to support both local government, residents and businesses during the pandemic.

Details are shown below;

- £2.8m of New Homes Bonus, which is a Government scheme aimed at encouraging local authorities to grant planning permission in return for additional revenue.
- £10.6m of grant from central government to fund mandatory reliefs given in respect of Non Domestic Rates. The majority of this has been transferred to an earmarked reserve in line with regulation and will be utilised as part of NNDR collection fund in 2021/22.
- £1.8m of government grant to support the revenue account during the Covid-19 pandemic
- £3.8m of to fund various government grant schemes to assist local business and residents during local and national lockdowns and to fund the administration of the grants.
- £2.3m Sales fees and charges compensation grant, to compensate for lost fees and charges income due to local and national lockdowns



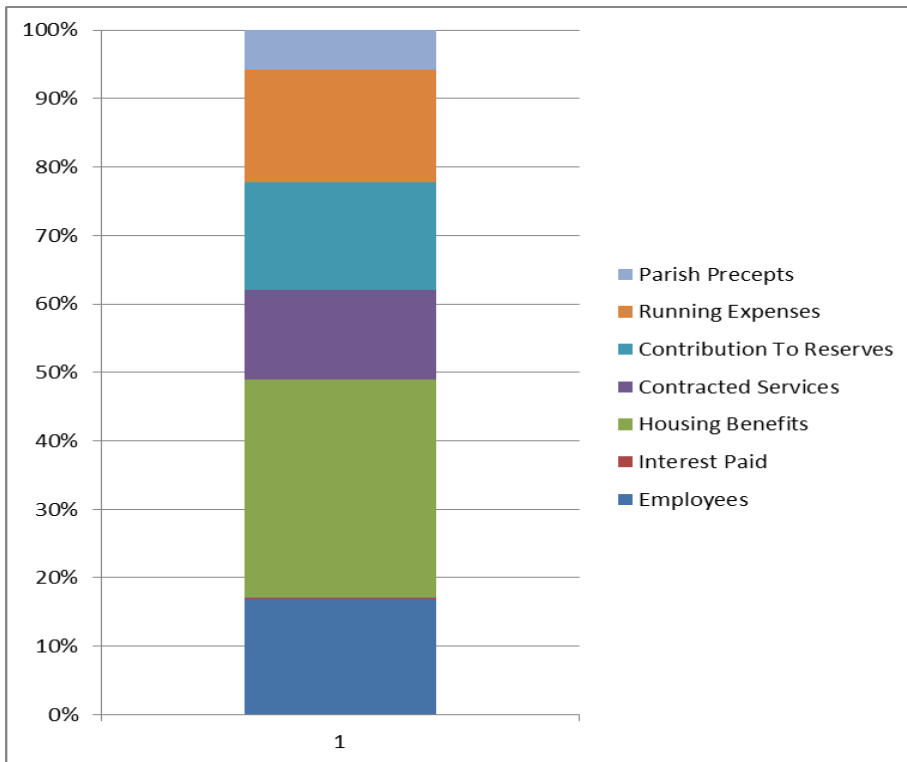
East Herts Council is the billing authority for Non Domestic Rates (Business Rates) collected from businesses across the district. This is then distributed to Central Government, East Herts Council and Hertfordshire County Council. After distribution the income attributable to East Herts totalled £1.6m in 2019/20. In 2019/20 EHC took part in a 75% Business rate retention pilot, this generated additional income of £731k. This pilot was only in operation for one year.

As the billing authority, East Herts Council collects Council Tax income from residents of the district; this is then distributed between Hertfordshire County Council, East Herts Council and the Police and Crime Commissioner. Of the income collected the Council's share in 2019/20 was £14.4m; £4.2m of which was distributed to Town and Parish Councils across the district. The remaining Council Tax income is used to fund services in the year.

The Council earned Interest and Investment income of £1.1m in 2020/21 on its portfolio of investments and holdings in property funds. This was £195k above budget, this has been transferred to the Interest Equalisation reserve to mitigate future losses.

## 2021/22 Expenditure

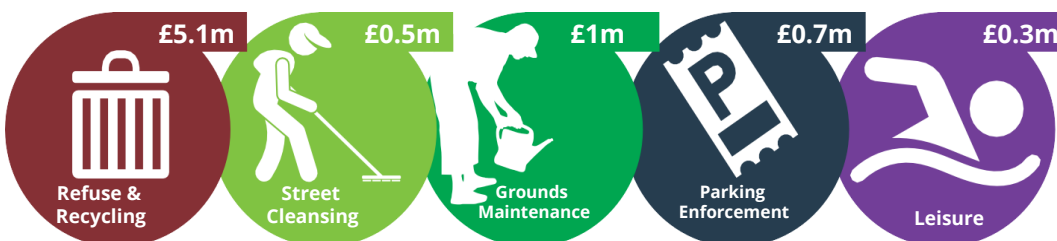
The chart below shows the £82.6m that the the Council spent in 2021/22. Housing benefits make up the largest outgoing of the Council.



Included in the Council's running expenses figure of £12.9m is the following expenditure:

- £2.9m of premises related costs, including ongoing maintenance of the Council's operational buildings, business rates, insurance and utilities costs for all the Council's buildings, car parks, theatre and leisure facilities;
- £7.5m direct costs of providing Council services throughout the year including, public and environmental health, planning, sports, leisure and parks;

The cost of the Council's main contracts are included in the contracted services figure (£10.8m) are as follows:



# FINANCIAL MANAGEMENT

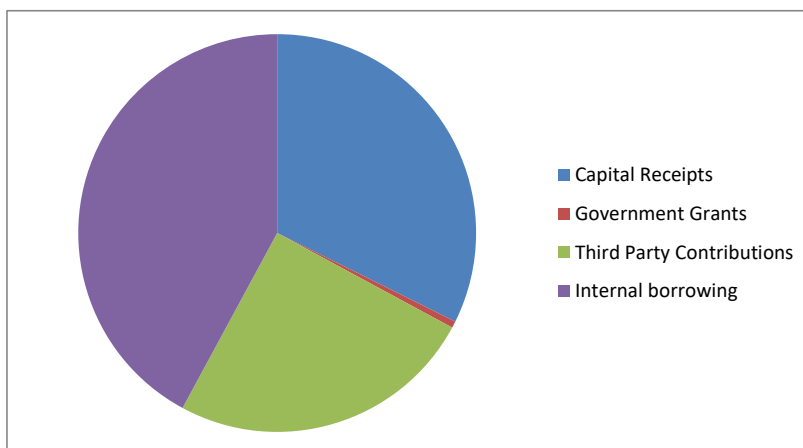
## Capital

Capital expenditure relates to the acquisition or enhancement of assets which generates a benefit for a period greater than one year. This differs to the Revenue expenditure, discussed over the previous pages, which is defined as money that the authority spends or receives in the same year that the services are delivered.

The Council has embarked on an ambitious Capital Programme over the life of the Medium Term Financial Plan, during 2021/22 the Council incurred expenditure of £31.5m on capital projects, compared with a capital programme budget of £64.6m. A total budget of £33m has been carried forward to 2022/23 to match ongoing schemes which didn't commence in 2021/22 or where works are ongoing. A selection of the capital schemes undertaken this year are shown below:

£12.2m - improvements to our Leisure facilities	£0.4m - improvements to Information, Communication and Technology infrastructure	£2.3m - purchase and refurbishment of Rectory Hall to provide accomodation for homeless households
£1.1m - ongoing build costs for Hertford Theatre	£2.7m - loans to our Property management company , Millstream	£11.7m - redevelopment of Nothgate end car park in Bishops Storfrod

A combination of capital grant income, receipts from disposal of assets, third party contributions and revenue contributions were used to fund the 2020/21 capital programme. The split is shown in the following pie chart:



## MEDIUM TERM FINANCIAL PLAN

East Herts' approach to setting the revenue and capital budget for the four years commencing 2021/22 was to improve the organisational financial sustainability and resilience in the forthcoming years.

The budget report sets out the proposals and outcomes that Officers and Members had arrived at to ensure that the Council maintains a sustainable budget position for the future.

The MTFP provides the framework for the development of annual budgets in line with the aims of the Council's Corporate Strategy.

Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures, help them smooth the impact of known spending requirements over time, and help to fund any in-year overspending. In 2020/21 the Council contributed a net £12.5m to reserves; the balance held in the general and earmarked at the end of the year is £23.9m. Of this £10.6m is in respect of the NNDR collection fund and cannot be utilised for any other purpose and will be fully utilised in 2021/22. The following graph shows the use of reserves over the past 2 years and the projected use in 2021/22. this highlights the overall increase in the level



Details of the Council's earmarked reserves (set aside for a defined purpose to meet known or predicted future liabilities) and General Reserve (to manage cash flows and limit the need for temporary borrowing and to provide a contingency for unforeseeable events and emergency spending) can be found within the Statement of Accounts.

## PENSION FUND

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. Under current accounting standards the impact of any pension liability must be shown in the balance sheet.

The Council's liability at 31 March 2021 was £35.038m which is an increase of £13m compared to the position at 31 March 2020

Further information is given in note 33, on page 72.

## Impact of COVID-19

The COVID-19 pandemic has had a major impact on the Council, and the financial impact will continue in subsequent years. The most significant impacts have been loss of car parking income, loss of other fees and charges and commercial rent deferrals. The Council has incurred additional expenditure to ensure that key services such as homelessness are maintained. The Council has distributed £44.9m of grants to businesses during the pandemic, details of the various schemes are shown below.

Under the Code of practice on Local Authority Accounting the Council has assessed the grants received from BEIS and the distribution of the grants to eligible businesses as either principal or agents transactions. The code sets out that authority is principal where it is acting on its own behalf, where this has been determined the transactions have been recorded in the comprehensive income and expenditure statement (CIES). An authority is deemed to be an agent where it is acting as an intermediary in this instance the transactions will not be reflected in an authority's financial statements, with the exception of the cash position in which case there is a debtor or creditor and the net cash position is included in the cash flow statement.

The Council has received some Government funding towards the additional costs and reduced income. The financial impact will depend on the level of Government funding received and how quickly services are able to return to pre COVID-19 operating levels. The Local Government Secretary of State has provided public assurances that Local Government will have the resources it needs to meet COVID-19 challenges.

Whilst the Council's un-ringfenced General Fund reserve would have some capacity to absorb a financial impact, a robust financial plan will be required to ensure the sustainability of the Council's finances are maintained and this will form part of the budget setting work for 2021/22.



The Council uses cash flow forecasting to assist with treasury management decisions and this has gained greater significance as unplanned expenditure has been required to respond to the emerging situation and specific grants to deal with COVID-19 have been paid and received. Cash flow will continue to be closely monitored to ensure sufficient funds are available for daily requirements.

More detail of specific risks and uncertainties is provided in Note 4, Assumptions made about the future and other major sources of estimation uncertainty.

# EXPLANATION OF ACCOUNTING STATEMENTS

Statement	Explanation
Movement in Reserves Statement	Shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves
Comprehensive Income & Expenditure Statement	A summary of the resources generated and consumed by the Council in the year
Balance Sheet	Sets out the financial position of the Council on 31 March 2022
Cash Flow Statement	Summarises the Council's inflows and outflows of cash for the year 2021/22
Notes to the Accounts	Provides support to the core financial statements, which informs and gives sufficient information to present a good understanding of the Council's activities. The notes include a Statement of Accounting Policies which details the legislation and principles on which the Statement of Accounts have been prepared. The purpose is to explain the basis for recognition, measurement and disclosure of transactions and other events in the Statement of Accounts
Supplementary Financial Statements – The Collection Fund	Shows the level of Non Domestic Rates and Council Tax that has been received by the Council, as billing authority, during the period
Glossary of Financial Terms	Explains some of the key terms used in the Statement of Accounts
Statement of Responsibilities for the Statement of Accounts	Identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the Chief Finance Officer to sign under a statement that the Statement of Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2022

# The Core Accounting Statements

## MOVEMENT IN RESERVES STATEMENT

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

		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>		<b>3,854</b>	<b>23,336</b>	<b>0</b>	<b>224</b>	<b>974</b>	<b>28,388</b>	<b>48,483</b>	<b>76,871</b>
<b>Movement in reserves during 2021/22</b>									
<b>Total Comprehensive Income and Expenditure</b>		<b>(3,336)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,336)</b>	<b>22,639</b>	<b>19,303</b>
Adjustments between accounting basis and funding basis under regulations	Note 5	1,397	-	0	0	-	1,397	(1,397)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>(1,939)</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>(1,939)</b>	<b>21,242</b>	<b>19,303</b>
Transfers to/(from) Earmarked Reserves	Note 6	1,939	(2,030)	-	-	91	-	-	-
Increase/Decrease in Year		0	(2,030)	0	0	91	(1,939)	21,242	19,303
<b>Balance as at 31 March 2022 carried forward</b>		<b>3,854</b>	<b>21,306</b>	<b>0</b>	<b>224</b>	<b>1,065</b>	<b>26,449</b>	<b>69,725</b>	<b>96,174</b>

		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2020</b>		<b>3,854</b>	<b>11,859</b>	<b>0</b>	<b>300</b>	<b>772</b>	<b>16,785</b>	<b>78,902</b>	<b>95,687</b>
<b>Movement in reserves during 2020/21</b>									
<b>Total Comprehensive Income and Expenditure</b>		<b>(2,307)</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>(2,307)</b>	<b>(16,510)</b>	<b>(18,817)</b>
Adjustments between accounting basis and funding basis under regulations	Note 5	13,985	-	-	(76)	-	13,909	(13,909)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>11,678</b>	<b>-</b>	<b>-</b>	<b>(76)</b>	<b>-</b>	<b>11,602</b>	<b>(30,419)</b>	<b>(18,817)</b>
Transfers to/(from) Earmarked Reserves	Note 6	(11,678)	11,477	-	-	202	-	-	-
Increase/Decrease in Year		-	11,477	-	(76)	202	11,602	(30,419)	(18,817)
<b>Balance as at 31 March 2021 carried forward</b>		<b>3,854</b>	<b>23,336</b>	<b>-</b>	<b>224</b>	<b>974</b>	<b>28,387</b>	<b>48,483</b>	<b>76,870</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, generally this will be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2021/22		2020/21	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Chief Executive, PA's & Directors	632	0	632	583
Communications, Strategy & Policy	2,407	(903)	1,504	1,405
Human Resources & Organisation Development	653	(42)	611	530
Strategic Finance & Property	5,939	(1,899)	4,040	4,384
Democratic & Legal Services	2,152	(500)	1,652	1,344
Housing & Health	6,051	(2,597)	3,454	3,033
Planning & Building Control	3,733	(1,929)	1,804	1,839
Operations	14,025	(10,046)	3,979	6,068
Shared Revenues & Benefits Service	33,042	(31,778)	1,264	1,010
Shared Business & Technology Services	2,207	(19)	2,188	1,788
<b>NET COST OF SERVICES</b>			<b>21,128</b>	<b>21,984</b>
Payments of precepts to parishes			4,892	4,782
Gain on disposal of non current (fixed) assets			2,186	(138)
<b>OTHER OPERATING EXPENDITURE</b>			<b>7,078</b>	<b>4,644</b>
Interest payable and similar charges			141	206
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			773	564
Interest receivable and similar income			(956)	(1,086)
Income from investment properties ( Note 10)			(844)	(882)
Direct expenditure incurred on investment properties ( Note 10)			102	125
Changes in Fair Value of Investment Properties			(97)	6,422
<b>FINANCING AND INVESTMENT EXPENDITURE</b>			<b>(881)</b>	<b>5,349</b>
Recognised capital grants and contributions			(1,475)	(6,373)
Council tax income			(16,057)	(15,457)
Non domestic rates			2,543	7,411
Non service related government grants			(9,000)	(15,251)
<b>TAXATION AND NON-SPECIFIC GRANT INCOME (Note 29)</b>			<b>(23,989)</b>	<b>(29,670)</b>
<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>			<b>3,336</b>	<b>2,307</b>
(Surplus) or Deficit on revaluation of Fixed assets			(7,195)	4,017
Remeasurements of the net defined benefit liability (Note 33)			(12,145)	12,016
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>(19,340)</b>	<b>16,033</b>
(Surplus) / Deficit on revaluation of financial instruments (Note 12)			(3,299)	477
<b>ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>(3,299)</b>	<b>477</b>
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(22,639)</b>	<b>16,510</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(19,303)</b>	<b>18,817</b>

All operations arise from continuing activities.

## BALANCE SHEET

These financial statements are authorised by Steven Linnett - Head of Strategic Finance & S151 Officer 06/11/2024

*Steven Linnett*

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

		31 March '22		31 March '21
		£000	£000	£000
Property, Plant & Equipment	Note 7			
- Other land and buildings		71,147		43,871
- Vehicles, plant, furniture and equipment		1,501		1,817
- Infrastructure assets		1,516		1,764
- Community assets		3,524		3,293
- Surplus assets		2,416		2,410
- Assets under Construction		31,373		31,243
			111,477	
Investment Properties	Note 10	9,161		9,070
Intangible Assets	Note 11	376	9,537	616
			<b>121,014</b>	<b>94,084</b>
Long Term Investments	Note 12	24,223		20,923
Long Term Debtors	Note 15	5,192	29,415	5,187
<b>TOTAL LONG TERM ASSETS</b>			<b>150,429</b>	<b>120,194</b>
Assets Held For Sale	Note 17	0		0
Short Term Investments	Note 12	2,500		4,702
Short Term Debtors	Note 15	11,581		19,297
Cash and Cash Equivalents	Note 16	16,988		8,906
<b>CURRENT ASSETS</b>			<b>31,069</b>	<b>32,905</b>
Provisions	Note 19	(496)		(604)
Short Term Creditors	Note 18	(26,321)		(23,300)
Short Term Borrowing	Note 12	(20,000)		0
<b>CURRENT LIABILITIES</b>			<b>(46,817)</b>	<b>(23,904)</b>
Provisions	Note 19	(1,949)		(3,158)
Long Term Borrowing	Note 12	(1,522)		(1,522)
Net Pension Liability	Note 33	(28,511)		(37,484)
Grant Receipts in Advance	Note 29	(2,085)		(2,489)
- Capital				
- Revenue		(4,441)		(7,672)
<b>LONG TERM LIABILITIES</b>			<b>(38,508)</b>	<b>(52,325)</b>
<b>NET ASSETS</b>			<b>96,173</b>	<b>76,870</b>
<b>USABLE RESERVES</b>				
- General Fund	Note 20	3,854		3,854
- General Reserve	Note 20	1,065		974
- Earmarked Reserves	Note 6	21,307		23,336
- Capital Receipts Reserve	Note 20	0		-
- Capital grants Unapplied	Note 20	224		224
			<b>26,450</b>	<b>28,388</b>
<b>UNUSABLE RESERVES</b>				
- Revaluation Reserve	Note 21	21,788		16,956
- Financial Instrument Revaluation Reserve	Note 21	4,225		925
- Pensions Reserve	Note 21	(28,511)		(37,488)
- Capital Adjustment Account	Note 21	76,316		77,138
- Deferred Capital Receipts	Note 21	145		147
- Collection Fund Adjustment Account	Note 21	(4,013)		(8,874)
- Short-term Accumulating Compensated Absences Account	Note 21	(227)		(322)
		<b>608</b>	<b>69,723</b>	<b>48,482</b>
<b>TOTAL RESERVES</b>			<b>96,173</b>	<b>76,870</b>



# THE CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2021/22		2020/21
	£000	£000	£000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Council Tax receipts	(11,527)		(11,079)
NNDR Receipts	(14,116)		(8,960)
DWP grants for benefits	(24,968)		(26,960)
Other Government grants	(38,712)		(81,585)
Cash received for goods and services	(25,427)		(9,557)
Interest received	(847)		(1,141)
<b>Cash inflows generated from operating activities</b>	<b>(115,597)</b>		<b>(139,282)</b>
<b>Cash Out Flows</b>			
Cash paid to and on behalf of employees	14,551		15,427
Housing Benefit paid out	23,965		26,317
Other operating cash payments	54,980		65,999
Precepts paid to other authorities	4,892		4,782
Interest paid	133		397
<b>Cash outflows generated from operating activities</b>	<b>98,522</b>		<b>112,922</b>
<b>Net Cash Inflow from operating activities</b>		<b>(17,076)</b>	<b>(26,360)</b>
<b>INVESTING ACTIVITIES</b>			
- Purchase of property plant and equipment, investment property and intangible assets	26,386		31,288
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(605)		(422)
- Capital grants	(1,251)		(6,572)
- Proceeds from short-term and long-term investments	(2,202)		(17,704)
<b>Net cash outflow from investing activities</b>		<b>22,327</b>	<b>6,590</b>
<b>FINANCING ACTIVITIES</b>			
- Cash receipts of short and long-term borrowing	(20,000)		
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)			300
- Other payments for financing activities	5,433		26,252
<b>Net cash outflow from financing activities</b>		<b>(14,567)</b>	<b>26,552</b>
Net increase in cash and cash equivalents		(9,316)	6,782
Cash and cash equivalents at the beginning of the reporting period		(8,906)	(15,688)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(18,222)</b>	<b>(8,906)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

- i. The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Accounts and Audit Regulations 2015 require the Council to prepare the Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice (SeRCOP) 2020/21, 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.
- ii. The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

### iii. Accruals of Income & Expenditure

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

- Income from the provision of services in the form of sales, fees, charges and rents is recognised and accounted for in the period to which they relate.
- Expenses in relation to services received (including services provided by employees, transport related, premises related and supplies and services related expenditure) are recorded as expenditure when the services are received rather than when payments are made, with the exception of quarterly utility payments where no actual apportionment is made for bills spanning two financial years.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Provision is made for doubtful debts and known uncollectable debts are written off in accordance with the Council's agreed policy.

### iv. 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 no more than three weeks or less that are readily convertible to known amounts of cash with insignificant risk of change in value, and are used to meet short term liquidity requirements.

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.

## **v. 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.

## **vi. Charges to Revenue for Non - Current Assets (Property, Plant and Equipment and Intangible Assets)**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation, impairment losses and amortisations are therefore transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

## **vii. 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 salaries, paid annual leave and paid sick leave, 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 and flexi time 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 the 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.

## **Post Employment Benefits (Pensions)**

The Council participates in one scheme, the Local Government Pension Scheme, which is a defined benefit final salary scheme administered by Hertfordshire County Council.

The liabilities of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit 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 future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.5%. The discount rate has been determined as the long term government bond yield plus an allowance for the average difference between the yield on corporate bonds and government bonds. This difference in yields is a result of the difference in the risk of default. This approach has been adopted as government bonds have a long enough term to match the term of the liabilities whereas corporate bonds have shorter terms.

The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unit trust and managed fund investments (including property) – current bid price and disclosed in line with the requirements of IAS19.

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost / gain – the increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited / credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the pension fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees
- debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
  
- contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the 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 are earned by employees.

In line with the requirements of the Code the past service contribution is no longer a current revenue item but is included as part of the payments to the pension fund (in accordance with pension scheme regulations) and is treated as a cash flow item which reduces the pensions liability. This is also in line with the requirements of the Code.

Further information can be found in Hertfordshire County Council’s Pension Fund’s Annual Report which is available upon request from LPP, Hertfordshire County Council, Post point CHO 033, County Hall, Pegs Lane, Hertford, SG13 8DQ.



### **viii. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted where material to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **ix. Government grants and contributions - revenue and capital**

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised in the accounts when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received.

The grant or contribution is recognised immediately within the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition relating to the initial recognition that the Council has not satisfied.

Monies received as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as a liability within the Grants Receipts in Advance Account. 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-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund expenditure.

Revenue grants specific to service provision are shown against the relevant service in the Comprehensive Income and Expenditure Statement. General grants allocated by central government directly to local authorities as additional revenue funding which are non- ring fenced are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

## **x. Minimum revenue provision**

In accordance with current legislation the minimum revenue provision (MRP) for the redemption of debt is required to be calculated on a prudent basis having regard to guidelines set out for application of the prudential code. Following the disposal of the Council's Housing stock the Council has a negative capital financing requirement and so the calculated MRP is nil.

## **xi. Overheads and support services**

As the Council does not include the recharge of overheads and support services in how they monitor and manage financial performance they are no longer included in the year end accounts.

## **xii. Provision for bad debt**

The value of receivables (debtors) shown on the Balance Sheet is adjusted for doubtful debts. The level of bad debt provision is reviewed annually. Uncollectable debts are written off against the provision. The following methods are used:

Trade Accounts Receivable	- Age and Collectability
Housing Benefits Overpayments	- Age and Collectability
National Non Domestic Rates	- Currently 100% of outstanding arrears
Council Tax	- 0.46% against the net debit due reviewed against sums written off and opening yearly balances

### **xiii. Revenue expenditure funded from Capital under Statute (REFCUS)**

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

### **xiv. Capital receipts**

Capital Receipts arise from the sale of non-current assets (Property, Plant and Equipment and Investment Properties). Further to the introduction of the Prudential Capital Finance System on 1 April 2004, capital receipts are all deemed to be “usable” and are held within the Capital Receipts Reserve.

Prior to this date, in accordance with Government legislation, a proportion of certain receipts had to be “set aside” and are retained within the Capital Adjustment Account as provision for the repayment of debt.

### **xv. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues & Customs and in most circumstances all VAT paid is recoverable from them. VAT has been included in the income and expenditure accounts only to the extent that it is irrecoverable.

### **xvi. Tax Income (Council Tax, Non-Domestic Rates (NDR)**

#### **Non Domestic Rates (NDR)**

The Council collects, administers and distributes Non Domestic Rates (NDR) for its area based on local rateable values determined by the Valuation Office Agency (VOA). The tax liability is then calculated applying a business rate which is set and uniformly applied on a national basis. In 2013/14, the administration of NDR changed following the introduction of a Business Rates Retention Scheme which aims to give Councils greater incentive to grow businesses in their locality. This regime also increased the financial risk and opportunities for local authorities, with income becoming more volatile and difficult to predict.

The regime provides for local authorities to retain a proportion of the total collectable rates due in proportion of their relevant statutory share. The proportion for East Hert is 40%, the remainder being distributed to Hertfordshire County Council (10%) and Central Government (50%).

As part of the regime the Government set up a system of 'Top ups', 'Tariffs' and 'Safety Nets' that were introduced to ensure that Councils were guaranteed a minimum level of retained NDR income, thus providing some financial certainty under the new scheme. In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and the financial impact of uncollected business rate income as at 31 March 2021. Authorities are required to make a provision for these assets and liabilities in their accounts.

The accounting arrangements for the Non Domestic Rates are summarised as follows:

- the Council's element of Retained Business Rate income, Tariffs, Top Up and Safety net is included in the CI&E Statement based on the relevant regulations.
- the NDR Collection Fund is prepared on an agency arrangement basis. Relevant proportions of the accounts Surplus/Deficit/taxpayer's Arrears and Provisions are allocated to the relevant Preceptors and Government and accounted for as Debtors/ Creditors in the Billing Authority's Accounts
- the council's cashflow statement only includes the council's share of council tax, net cash collected and precepts paid.

### **Council Tax**

The Council as billing authority acts as agent with regards to the collection and distribution of Council Tax on behalf of itself, Hertfordshire County Council, Hertfordshire Police and Town and Parish Councils. In line with these agency arrangements, and in order to reflect the risks and rewards within the Council, the following transactions are included:

- the Council's Comprehensive Income & Expenditure Statement includes only the statutory precept under regulation.
- a debtor/creditor to reflect the difference between the various preceptors share of cash collected in the year and cash paid to the preceptors on account in line with the appropriate regulations will be included in the Council's balance sheet.
- the council's cashflow statement only includes the council's share of council tax, net cash collected and precepts paid

### **xvii. Interests in Other Entities**

The Council has set up a wholly owned subsidiary called Millstream Property Investments Ltd, which has the principal activity of acquiring, developing and refurbishing properties. The Company's accounts are consolidated into the Council's accounts and the consolidated accounts are included in the Council's Statement of Accounts.

Additionally, the Council also has an interest in Hertfordshire Building Control Limited, a company which is equally owned by seven Hertfordshire authorities.

## 2. Expenditure and Funding Analysis

The object of the Expenditure and Funding Analysis is to demonstrate to Council Taxpayers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with general accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22	Net Expenditure		
	chargeable to the General Fund balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	383	249	632
Communications, Strategy & Policy	1,184	319	1,503
Human Resources & Organisation Development	502	109	611
Strategic Finance & Property	3,110	930	4,040
Legal & Democratic Services	1,371	282	1,653
Housing & Health	2,330	1,124	3,454
Planning & Building Control	1,402	402	1,804
Operations	2,603	1,376	3,979
Shared revenues & Benefits Service	451	812	1,263
Shared Business & Technology Services	2,184	4	2,188
<b>Net cost of services</b>	<b>15,520</b>	<b>5,607</b>	<b>21,127</b>
Other income and Expenditure	(13,581)	(4,210)	(17,791)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,939</b>	<b>1,397</b>	<b>3,336</b>
<b>Operating General Fund balance at 1 April 2020</b>	<b>28,388</b>		
Transfers to/(from) Earmarked Reserves	(1,939)		
<b>Closing General Fund Balance at 31 March 2021</b>	<b>26,449</b>		

2020/21	Net Expenditure		
	chargeable to the General Fund balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	381	202	583
Communications, Strategy & Policy	1,226	179	1,405
Human Resources & Organisation Development	459	71	530
Strategic Finance & Property	3,461	923	4,384
Legal & Democratic Services	1,217	127	1,344
Housing & Health	2,512	521	3,033
Planning & Building Control	1,565	274	1,839
Operations	4,503	1,565	6,068
Shared revenues & Benefits Service	529	481	1,010
Shared Business & Technology Services	1,784	4	1,788
<b>Net cost of services</b>	<b>17,637</b>	<b>4,347</b>	<b>21,984</b>
Other income and Expenditure	(29,240)	9,563	(19,677)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(11,603)</b>	<b>13,910</b>	<b>2,307</b>
<b>Operating General Fund balance at 1 April 2020</b>	<b>16,785</b>		
Transfers to/(from) Earmarked Reserves	11,603		
<b>Closing General Fund Balance at 31 March 2021</b>	<b>28,388</b>		



# Note to the Expenditure and Funding Analysis - Adjustments between Funding and Accounting Basis

2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Chief Executive, PA's & Directors	163	89	-4	248
Communications, Strategy & Policy	36	289	-6	319
Human Resources & Organisation Development	17	95	-2	110
Strategic Finance & Property	591	359	-19	931
Legal & Democratic Services	30	258	-6	282
Housing & Health	560	578	-15	1,123
Planning & Building Control	19	392	-10	401
Operations	1,110	275	-9	1,376
Shared Revenues & Benefits Service	41	795	-23	813
Shared Business & Technology Services	4	0	0	4
<b>Net cost of services</b>	<b>2,571</b>	<b>3,130</b>	<b>-94</b>	<b>5,607</b>
Other income and expenditure from the Funding Analysis	615	36	(4,861)	(4,210)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income &amp; Expenditure Statement (surplus) or deficit</b>	<b>3,186</b>	<b>3,166</b>	<b>(4,955)</b>	<b>1,397</b>

2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Chief Executive, PA's & Directors	154	43	5	202
Communications, Strategy & Policy	43	126	10	179
Human Resources & Organisation Development	22	46	3	71
Strategic Finance & Property	746	162	15	923
Legal & Democratic Services	32	87	8	127
Housing & Health	229	268	24	521
Planning & Building Control	55	202	17	274
Operations	1,387	170	8	1,565
Shared Revenues & Benefits Service	64	387	30	481
Shared Business & Technology Services	4	-	0	4
<b>Net cost of services</b>	<b>2,736</b>	<b>1,491</b>	<b>120</b>	<b>4,347</b>
Other income and expenditure from the Funding Analysis	(164)	(203)	9,930	9,563
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income &amp; Expenditure Statement (surplus) or deficit</b>	<b>2,572</b>	<b>1,288</b>	<b>10,050</b>	<b>13,910</b>

## **Note 1 – Adjustments for Capital Purposes**

Adjustments for capital purposes for this column add in depreciation and impairment and revaluation gains and losses in the services line and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those asset;
- Financing and investment income and expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;
- Taxation and non-specific grant income and expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those received in the year to those receivable without conditions or for which conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions were satisfied in the year.

## **Note 2 – Net change for the pensions' adjustments**

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For Services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past services costs;
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

## **Note 3 – Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

### 3. Accounting Standards Issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the Council to disclose information relating to accounting standards that have been issued but have not yet been adopted that could have a material impact on the accounts.

For this disclosure the standards introduced by the 2022/23 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

The Code requires implementation from 1 April 2022 and therefore there is no impact on the 2021/22 Statement of Accounts.

### 4. Assumptions made about the future and other major sources of estimation 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 into account professional advice (e.g. actuarial advice), historical experience, current trends and other relevant information. Items included within the Council's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming year are as follows:

#### Pension Liability

The value of the pension liability as at 31st March 2021 is £35.038m. This liability depends on a number of factors, including discount rates, changes in retirement age, mortality rates and expected return on pension's assets. These are determined on an actuarial basis by Hymans Robertson, the actuaries for the Hertfordshire pension fund.

Change in assumptions at 31 March 2020	Approximate % increase to Employer liability	Approximate monetary amount (£m)
0.5% decrease in Real Discount Rate	9%	15,571
0.5% increase in the Salary Increase Rate	1%	1,315
0.5% increase in the Pension Increase Rate	8%	13,948

The figures in the table above give an indication of the potential impact that a change in assumptions could represent to the value of the pension liability. The figures represent key factors taken in isolation and are only indicative of the estimated impact as the assumptions interact in complex ways. The approach taken is consistent with that adopted to derive the IAS19 figures as per note 33.

## Property, Plant and Equipment

The Councils assets are shown in the accounts at either Fair Value, Fair Value (Existing Use) or Market Value (dependent on the class of asset. Further information can be found in Note 7). The valuations are carried out by our internal asset management team in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation professional standards and International Financial Reporting Standards (IFRS). These valuations are arrived at using recent comparable transactions and for specialised properties using depreciated replacement cost methodology.

The valuations have been provided amidst the economic uncertainty (business volumes have declined dramatically and economies have shrunk temporarily) created as a result of the global COVID-19 pandemic and thus the valuations have been reported subject to a Material Valuation Uncertainty clause.

Consequently, less certainty – and a higher degree of caution – should be attached to these figures than would normally be the case and these valuations will be kept under frequent review until the market stabilises. There remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which currently cannot be foreseen. Action taken by the Government and the Bank of England may assist in maintaining market equilibrium, thus mitigating these risks.

The inclusion of the 'material valuation uncertainty' declaration however, does not mean that the valuation cannot be relied upon, rather that the declaration has been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

The tables below show the 31 March 2021 value of the assets in the Statement of Accounts, the impact a 5% increase or decrease in asset value would have on the Balance Sheet and the depreciation charged to the Comprehensive Income and Expenditure statement.

	31/03/2021	-5%	5%		
	Value	Movement	Value	Movement	
	£000	£000	£000	£000	
Other Land & Buildings	71,970	68,372	(3,598)	75,569	3,599
Vehicles, Plant, Furniture & Equip.	20,729	19,693	(1,036)	21,765	1,036
Infrastructure	1,516	1,440	(76)	1,592	76
Community Assets	3,615	3,434	(181)	3,795	180
Surplus Assets	2,416	2,295	(121)	2,536	120
	<b>100,246</b>	<b>95,234</b>	<b>(5,012)</b>	<b>105,257</b>	<b>5,011</b>

### Depreciation

	31/03/2021	-5%	5%		
	Value	Movement	Value	Movement	
	£000	£000	£000	£000	
Other Land & Buildings	774	735	(39)	813	39
Vehicles, Plant, Furniture & Equip.	467	444	(23)	490	23
Infrastructure	266	253	(13)	279	13
	<b>1,507</b>	<b>1,432</b>	<b>(75)</b>	<b>1,582</b>	<b>75</b>

### Investment Properties

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. The Council's investment property has been valued as at 31 December 2019 (with a statement of professional opinion given that there has been no material change up to 31 March 2020) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.



In accordance with RICS guidance, current valuations are subject to 'material valuation uncertainty' (as per VPS 3 and VPGA 10 of the RICS Red Book Global). Consequently, less certainty – and a higher degree of caution – should be attached to these figures than would normally be the case and these valuations will be kept under frequent review until the market stabilises. There remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which currently cannot be foreseen. Action taken by the Government and the Bank of England may assist in maintaining market equilibrium, thus mitigating these risks.

### **Non Domestic Rates – Provision for outstanding appeals**

Since the Retained Business Rate scheme was introduced on 1st April 2013 Local Authorities have assumed the liability for refunding business rate payers who successfully appeal against the rateable value of their property.

Appeals against the rateable value of a property are lodged by the rate payer with the Valuation Office Agency, who provides information of all the appeals that have been lodged to the Council.

An estimate of the potential impact of successful appeals has been calculated using analysis provided from Inform (a member of the Institute of Rating, Revenues and Valuation) and local knowledge.

The carrying amount of the provision at 31 March 2022 is £6.1m, of which the Council's share of £2.424m is reflected in the accounts. Higher success rates of appeals could result in a need for a larger provision. An increase of 5% would change the required provision by £303k affecting the surplus/deficit distribution to the Council, Hertfordshire County Council and Central Government.

## 5. Adjustments between Accounting Basis and Funding Basis under Regulations

2021/22

### Adjustments involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Charges for depreciation of non current assets	1,538			(1,538)
Revaluation / Impairment on Property Plant and Equipment	737			(737)
Movements in the market value of Investment Properties	(97)			97
Amortisation of intangible assets	296			(296)
Capital grants and contributions applied	(1,475)			1,475
Revenue expenditure funded from capital under statute	0			0
Revenue grants written down to the Capital Adjustment Account	-			-
Disposal of non current assets	2,742			(2,742)
Disposal of investment Properties	-			-

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory adjustment relating to capital element of principal repayment for finance lease  
Capital expenditure charged against the General Fund

### Adjustments involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement

Application of grants to capital financing transferred to the Capital Adjustment Account

### Adjustments involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(557)	557		
Use of Capital Receipts Reserve to finance new capital expenditure		(557)		557

### Adjustments involving the Deferred Capital Receipts Reserve:

Statutory adjustment relating to capital element of principal payment for finance lease	2			(2)
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### Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	5,798			(5,798)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,632)			2,632

### Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,861)			4,861
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### Adjustment involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(94)			94
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<b>Total Adjustments</b>	<b>1,397</b>	<b>0</b>	<b>0</b>	<b>(1,397)</b>
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2020/21 comparative figure

	Usable Reserves			
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non current assets	1,635	-	-	(1,635)
Revaluation / Impairment on Property Plant and Equipment	437	-	-	(437)
Movements in the market value of Investment Properties	6,422	-	-	(6,422)
Amortisation of intangible assets	416	-	-	(416)
Capital grants and contributions applied	(6,373)	-	-	6,373
Revenue expenditure funded from capital under statute	248	-	-	(248)
Revenue grants written down to the Capital Adjustment Account	-	-	-	-
Disposal of non current assets	284	-	-	(284)
Disposal of investment Properties	-	-	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory adjustment relating to capital element of principal repayment for finance lease	-	-	-	-
Capital expenditure charged against the General Fund	-	-	-	-
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(76)	76
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(422)	422	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	(422)	-	422
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Statutory adjustment relating to capital element of principal payment for finance lease	1	-	-	(1)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	3,939	-	-	(3,939)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,593)	-	-	2,593
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	9,871	-	-	(9,871)
<b>Adjustment involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	120	-	-	(120)
<b>Total Adjustments</b>	<b>13,985</b>	<b>0</b>	<b>(76)</b>	<b>(13,909)</b>

## 6. Transfers to/from Earmarked Reserves

Amounts appropriated to / from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cashflow management.

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide funding for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

	Balance 1 April 2020 £000	Transfers Out/(In) 2020/21 £000	Balance 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance 31 March 2022 £000
Interest Equalisation Reserve	(1,785)	(195)	(1,980)	-	(65)	(2,045)
Insurance Fund	(935)	27	(908)	-	-	(908)
Emergency Planning Reserve	(36)	-	(36)	-	-	(36)
LDF/Green Belt Reserve	(62)	-	(62)	-	-	(62)
Housing Condition Survey Reserve	(90)	-	(90)	-	-	(90)
Council Elections Reserve	-	(28)	(28)	-	(35)	(63)
Sinking fund - Leisure Utilities / Pension Reserve	(228)	-	(228)	-	-	(228)
Performance Reward Grant Reserve	(10)	-	(10)	-	-	(10)
Waste Recycling Income Volatility Reserve	(103)	-	(103)	-	(250)	(353)
Footbridge Reserve	(150)	-	(150)	-	-	(150)
DCLG Preventing Repossessions	(18)	-	(18)	-	-	(18)
New Homes Bonus Priority Spend	(4,593)	(1,475)	(6,068)	-	(600)	(6,668)
Collection Fund Reserve	(2,554)	591	(1,963)	-	-	(1,963)
DEFRA Flood Support	(4)	-	(4)	-	-	(4)
Neighbourhood Planning	(64)	-	(64)	-	-	(64)
IER	(106)	-	(106)	-	-	(106)
MTFP Transition Funding Reserve	(673)	260	(413)	-	-	(413)
Flexible Homelessness Grant	(354)	-	(354)	-	-	(354)
Preventing Homelessness New Burdens Reserve	(31)	-	(31)	-	-	(31)
Healthy Lifestyle Promotions Reserve	(33)	-	(33)	-	-	(33)
Land Charges New Burdens	(30)	-	(30)	-	-	(30)
HB Subsidy Volatility Reserve	-	(50)	(50)	-	-	(50)
Section 31 NNDR	-	(10,607)	(10,607)	3,536	-	(7,071)
Parks & Open Spaces Reserve	-	-	-	-	(306)	(306)
Revs & Bens New Burdens Reserve	-	-	-	-	(250)	(250)
<b>Total</b>	<b>(11,859)</b>	<b>(11,477)</b>	<b>(23,336)</b>	<b>3,536</b>	<b>(1,506)</b>	<b>(21,306)</b>



Interest Equalisation Reserve	This reserve was established to assist the Council in managing the financial implications of adverse interest rate fluctuations. A further £65k has been added to this reserve in 2021/22
Insurance Fund	Its purpose is to support the Council's insurance and risk management process in anticipation of setting up a self-insurance fund in some areas to reduce future insurance premiums. There has been no use of this reserve in 2021/22.
Emergency Planning Reserve	The reserve was set up to support the work of an Emergency Planning Officer Group that has been established within the Council. There was no call on it in 2021/22.
Local Development Framework / Green Belt Reserve	This reserve was established in 2008/09 to smooth expenditure over the Council's Medium Term Financial Plan (MTFP). There has been no call on the reserve in 2021/22.
Housing Condition Survey Reserve	This reserve was established to fund House Condition Surveys. There has been no movement on the reserve in 2021/22.
Council Elections Reserve	Established to smooth the cost of Elections over the MTFP. £35k was added to the reserve in 2021/22 to fund the cost of future elections.
Sinking Fund – Leisure Utilities and Pension	Further to the Council awarding a new leisure contract to Sports and Leisure Management from January 2009, the Council provided guarantees in respect of utilities and employers pension costs. There was no call on it in 2021/22.
Performance Reward Grant Reserve	The Council received revenue grant funding in respect of the Local Area Agreement (Performance Reward Grant) in 2009/10. There was no call on the reserve in 2021/22.
Waste Recycling Income Volatility Reserve	The reserve has been established to manage income volatility in recycling income. A further £250k was added in 2021/22 from additional recycling income.
Footbridge Reserve	The Council's MTFP included setting aside £50k a year from 2010/11 to 2012/13 in order to meet any potential maintenance costs or liabilities that may arise relating to the footbridge over the River Stort. There was no call on the reserve 2021/22.
DCL Preventing Repossessions	This reserve was established from unspent Government Grant monies. There were no appropriations in 2021/22.
New Homes Bonus Priority Spend	This reserve was established from unspent New Homes Bonus monies received from DCLG and the 2014/15 GF underspend. Over the years, further amounts of New Homes Bonus monies have been transferred to this reserve with a further £600k added in 2021/22.

Collection Fund Reserve	As a result of a Council decision in January 2014, a Government Funding Risk Reserve was established to smooth the effect on the Council of income volatility following the new NDR funding regime. This was subsequently renamed the Collection Fund Reserve. No movement on this reserve in 2021/22.
DEFA Flood Support for Local Businesses	This reserve was established from the unspent element of a DEFRA grant received to enable the Council to support local businesses to repair damage following the flooding in 2013/14. There has been no call on this in 2021/22.
Neighbourhood Planning Grant	Created in 2014/15 from unspent Neighbourhood Planning grant received from MHCLG to fund future spend. There has been no call on this reserve in 2021/22.
IER Grant	This reserve was created from unspent grant monies received from the Cabinet Office to fund the costs of additional work involved in the Individual Electoral Registration Scheme. Further unspent grant monies were added to the reserve in 2019/20. There has been no call on this reserve in 2021/22.
MTFP Transition Funding Reserve	A new reserve established in 2016/17 from the Transition Grant awarded by MHCLG as part of the 2016/17 financial settlement. No movement on this reserve in 2021/22.
Flexible Homelessness Grant	Established from unspent Government Grant monies in 2017/18 specifically to prevent and deal with homelessness. Further unspent grant monies have been added in 2019/20. No call on this reserve in 2021/22.
Preventing Homelessness New Burdens	A new reserve set up in 2017/18 from unspent Government Grant to deal with Homelessness. There was no call on this in 2021/22.
Healthy Lifestyle Promotions	A new reserve created in 2018/19 from unspent grant monies received to promote healthy living. There has been no call on this in 2021/22.
Land Charges New Burdens	This reserve was created from unused government grant received to cover costs of transferring the local land charges register to HM Land Registry. There has been no call on this in 2021/22.
HB Subsidy Volatility Reserve	This reserve was created in 2018/19 to manage the financial implications of fluctuations in Housing Benefit subsidy. £50k was added to this reserve in 2020/21. No movement on this reserve needed in 2021/22.
NNDR Section 31 Reserve	A new reserve created in 2020/21 from Section 31 grants received in 2020/21 but for use in 2021/22 to fund NNDR Collection Fund transactions. £3,536 has been appropriated in 2021/22.
Parks & Open Spaces Reserve	A new reserve created in 2021/22 from unspent contribution to be used to fund future works.
Revs & Bens New Burdens	A new reserve established in 2021/22 from unspent Government Grant monies.

## 7. Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, 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. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational non-specialised property – fair value based on existing use value. The multi-storey car parks and surface car parks have been valued using the Existing Use Valuation method on the basis of income & expenditure, profit information;
- Operational specialised property (inc leisure centres and Hertford theatre) – depreciated replacement cost (DRC);
- Community assets – nominal value or historical cost;
- Infrastructure and all other assets – depreciated historical cost;
- Surplus assets - fair value, estimated at highest and best use from a market participant's perspective.

In the event of a future disposal the market value at that time may realise more or less than the carrying value. Since April 2016 the Council has revalued its assets on an annual basis (formerly four year rolling basis). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The Valuations were carried out by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) on the basis of standards of professional practice set out in the guidance below:

- Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards ('The red Book')
- International Financial Reporting Standards (IFRS)
- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting ('The CIPFA Code')

The valuer has arrived at their opinion of Fair Value, Fair Value (Existing Use) and Market Value from referring to recent comparable transactions. For Specialised properties the Fair value (Existing Use) has been derived using Depreciated Replacement Cost methodology.

Where decreases in value are identified, they are accounted for:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The current asset values used in the accounts are based upon a certificate issued by the Council's Asset & Estates Manager, Anna Osborne MRICS and Lucy Smith MRICS as at 31 March 2021. Property, plant and equipment are classified in the Balance Sheet in line with current Accounting Codes of Practice.

### **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.

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

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

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

## Depreciation

All Property, Plant and Equipment, other than freehold land and Community Assets (with two exceptions being recreational facilities with a building element) are depreciated on a straight line basis over the period of the assets useful economic life. The following periods are used:

Freehold Land	No depreciation
Council Buildings	20 to 60 years
Infrastructure	10 to 20 years
Equipment, Furniture and Fittings	5 to 20 years
Community Assets	No depreciation (30 years for exceptions)
Non-operational assets	40 to 60 years
Enhancement to Leased Properties	10 to 25 years
Plant	20 to 35 years

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

## Componentisation

In line with accounting requirements the Council considers the identification of individual asset components on a prospective basis following either the enhancement of an asset or its revaluation. The Council has determined that it will adopt a de-minimis value of £1m for individual assets.

## Disposals

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

The gain or loss on disposal 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 transferred from the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account (the carrying amount of the asset) and the usable Capital Receipts Reserve (the disposal proceeds).



## Property, Plant & Equipment

Cost or Valuation	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equip. £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>2020/21</b>						
As at 01/04/2020	46,774	20,381	3,056	2,571	5,740.00	<b>78,522</b>
Additions	2,268	197	328	3.00	25,503	<b>28,299</b>
Disposals	(29)	-	-	-	-	<b>(29)</b>
Reclassifications	0	-	-	0	-	<b>0</b>
Revaluations	(5,142)	-	-	(164)	0	<b>(5,306)</b>
<b>Total as at 31/03/2021</b>	<b>43,871</b>	<b>20,578</b>	<b>3,384</b>	<b>2,410</b>	<b>31,243</b>	<b>101,486</b>

<b>2021/22</b>						
As at 01/04/2021	43,871	20,578	3,384	2,410	31,243	<b>101,486</b>
Additions	655	151	231	-	23,864	<b>24,901</b>
Disposals	(2,742)	-	-	-	-	<b>(2,742)</b>
Reclassifications	23,734.00	-	-	-	(23,734)	<b>0</b>
Revaluations	6,452	-	-	6	-	<b>6,458</b>
<b>Total as at 31/03/2022</b>	<b>71,970</b>	<b>20,729</b>	<b>3,615</b>	<b>2,416</b>	<b>31,373</b>	<b>130,103</b>

### Depreciation & Impairment

<b>2020/21</b>						
As at 01/04/2020	0	18,230	91	0	0	<b>18,321</b>
Charge for Year	853	531	-	-	-	<b>1,384</b>
Acc depreciation w/o on revaluation	- 853.00	-	-	-	-	<b>(853)</b>
Disposals	-	-	-	-	-	<b>0</b>
Impairment (reversal) recognised in the service	-	-	-	-	-	<b>0</b>
Revaluations	-	-	-	-	-	<b>0</b>
<b>Total as at 31/03/2021</b>	<b>0</b>	<b>18,761</b>	<b>91</b>	<b>0</b>	<b>0</b>	<b>18,852</b>

<b>2021/22</b>						
As at 01/04/2021	0	18,761	91	0	0	<b>18,852</b>
Charge for Year	823	467	-	-	-	<b>1,290</b>
Acc depreciation w/o on revaluation	-	-	-	-	-	<b>0</b>
Disposals	-	-	-	-	-	<b>0</b>
Impairment (reversal) recognised in the service	-	-	-	-	-	<b>0</b>
Revaluations	-	-	-	-	-	<b>0</b>
<b>Total as at 31/03/2022</b>	<b>823</b>	<b>19,228</b>	<b>91</b>	<b>0</b>	<b>0</b>	<b>20,142</b>

### Net Book Value

<b>Balance Sheet as at 31/03/21</b>	<b>43,871</b>	<b>1,817</b>	<b>3,293</b>	<b>2,410</b>	<b>31,243</b>	<b>82,634</b>
<b>Balance Sheet as at 31/03/22</b>	<b>71,147</b>	<b>1,501</b>	<b>3,524</b>	<b>2,416</b>	<b>31,373</b>	<b>109,961</b>

### Reconciliation of Additions in the year to Capital Spend

	2021/22 £000	2020/21 £000
Additions in the year (as above)	24,901	28,299
Intangible assets	56	247
Investment Properties	(5)	5
	<b>24,952</b>	<b>28,551</b>
plus CPA (not included in note 7)	214	248
Third Party Loan (Long Term Debtor)		2,705
<b>Total Capital Spend</b>	<b>25,166</b>	<b>31,504</b>

## Note 7 - Continued

### Infrastructure Assets - Policy

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

Infrastructure assets are measured at depreciated historical cost and depreciation is charged on a straight-line basis, The Government has issued a statutory instrument as an amendment to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (Regulation 30M) which considers the treatment of the amount to be derecognised where there is replacement expenditure. It allows that where a local authority in England replaces a component of an infrastructure asset, for the purposes of determining the carrying amount to be derecognised in respect of that component, the authority is able to determine that the amount to be derecognised is nil.

In accordance with the amendment to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (Regulation 30M), this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

In accordance with the temporary relief offered by the 'Update to the Code and Specifications for Future Codes For infrastructure Assets' - November 2022. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

As a result the information of the above the presentation of the net book value of infrastructure assets is shown in the tables below.

	2021/22 £'000	2020/21 £'000
<b>Net book value (modified historical cost) as at 1st April</b>	<b>1,764</b>	<b>1,995</b>
Additions	0	20
Derecognition	-	-
Depreciation	(248)	(251)
Impairment	-	-
Other movements in cost	-	-
<b>Net book value (modified historical cost) as at 31 March</b>	<b>1,516</b>	<b>1,764</b>

	2021/22 £'000	2020/21 £'000
Infrastructure assets	1,516	1,764
Other PPE assets	109,961	82,634
<b>Total PPE assets</b>	<b>111,477</b>	<b>84,398</b>

## 8. Analysis of Fixed Assets

	31 March '22	31 March '21
	Number	Number
Council Dwellings - Hostels	4	3
- Houses	2	2
Council Offices - Freehold	2	2
- Leasehold	0	0
Service Centre - Leasehold	1	1
Cash Offices	2	2
Off-Street Car Parks (incl. Leasehold)	35	35
Swimming Pools (including 3 joint-use pools)	5	5
Parks and Recreation Grounds/Open spaces	188 HA	188 HA
Public Halls/Community Centres (incl leasehold)	9	9
Commercial Property Rented Out	56 Units	56 Units
Land Awaiting Development	1 HA	1 HA
Public Convenience	3	3

## 9. Heritage Assets

In line with the 2012 Code and FRS 30, the Council has identified a number of assets that meet the definition of a heritage asset and are being preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council's policy is to maintain Heritage assets in order to preserve them for future generations because of their cultural and historical associations. The Council does not consider that a commercial value can be placed upon these assets and its policy is, therefore, not to disclose on the balance sheet. They continue to be included within community assets with a nominal value. The assets are insured in order to protect the Council's interest in the event of damage or destruction.

The Heritage assets held within Community assets at a nominal sum are as follows; there is no value held for these assets.

- The Castle Wall (ancient flint), Hertford
- Monument, remains of Church of St Mary's, Old Cross
- Community land Obelisk, Bishop's Stortford
- Flowing River Sculpture, Bishop's Stortford
- Evolution sculpture at Hartham Common
- Hertford Theatre Wall Bronze Resin Sculpture
- Civic Regalia
- Oil Painting of Wallfields, Hertford
- Chainsaw sculpture Pishiobury Park, Sawbridgeworth

## 10. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

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

Rents received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2021/22	2020/21
	£000	£000
Rental income from investment property	(844)	(882)
Direct operating expenses arising from investment property	103	125
<b>Net gain</b>	<b>(741)</b>	<b>(757)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct, enhance or develop investment property. In some cases, the Council has repairing obligations which are met through revenue expenditure.

Authorities shall account for investment property in accordance with IAS 40 Investment Property and should be valued to 'Fair Value'.

Investment property is recognised at cost, including transaction costs but excluding operational components (PPE) where these can be measured reliably. Following recognition investment property is revalued on a fair value basis reflecting market state and circumstances on a given date.

The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

The following table summarises the movement through additions and re-classification of investment properties over the year:

	2021/22 £000	2020/21 £000
Balance at start of the year	9,070	15,486
Additions: Not transferred through re-classification	(5)	5
Additions: Transferred through re-classification	-	-
Disposals : Transferred through re-classification	-	0
Net gains / (losses) from fair value adjustments	96	(6,421)
<b>Balance at end of the year</b>	<b>9,161</b>	<b>9,070</b>

In addition to arriving at the fair values for the assets, IFRS 13 seeks to increase consistency and comparability within the valuation process which has been achieved through a 'fair value hierarchy'.

### **Fair Value Hierarchy**

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

### **Valuation Techniques Used to Determine Level 2 Values for Investment Property**

The fair value of investment property has been based on the market approach using current market conditions and recent sales prices, existing lease terms and rentals and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

### **Highest and Best Use**

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

### **Valuation Process for Investment Properties**

The Council's investment property has been valued as at 31 December 2021 (with a statement of professional opinion given that there has been no material change up to 31 March 2022) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.





## 11. 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. In addition, the Council has agreed that all software will be treated as intangible assets.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation is not permitted to have an impact on the General Fund Balance. This is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software applications used by the Authority is 5 years. The movement on Intangible Asset balances during the year is as follows:

	Software £000	2021/22 Other Intangible £000	Total £000	Software £000	2020/21 Other Intangible £000	Total £000
<b>Balance at start of year:</b>						
Gross carrying amounts	5,914	-	5,914	5,667	-	5,667
Accumulated amortisation	(5,298)	-	(5,298)	(4,882)	-	(4,882)
<b>Net carrying amount at start of year</b>	<b>616</b>	<b>-</b>	<b>616</b>	<b>785</b>	<b>-</b>	<b>785</b>
Additions:						
Purchases	56	-	56	247	-	247
Amortisation for the period	(296)	-	(296)	(416)	-	(416)
<b>Net carrying amount at end of year</b>	<b>376</b>	<b>-</b>	<b>376</b>	<b>616</b>	<b>-</b>	<b>616</b>
Comprising:						
Gross carrying amounts	5,970	-	5,970	5,914	-	5,914
Accumulated amortisation	(5,594)	-	(5,594)	(5,298)	-	(5,298)
	<b>376</b>	<b>-</b>	<b>376</b>	<b>616</b>	<b>-</b>	<b>616</b>

## 12. Financial Instruments

### Financial Liabilities

Financial liabilities 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 and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at: amortised cost, fair value through profit or loss (FVPL), and fair value through other comprehensive income (FVOCI). The 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 (ie where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

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

### Soft Loans

The Code requires that a discounted interest rate be recognised as a reduction in the fair value of the asset. Potential Council loans falling within this category relate to an assisted car purchase scheme and a cycle scheme. The Council currently has no loans under its assisted car purchase scheme and the amount advanced under the cycle scheme is considered immaterial.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its 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 lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques: instruments with quoted market prices – the market price Other instruments with fixed and determinable payments – discounted cash flow analysis.

### **Financial Assets Measured at Fair Value through Other Comprehensive Income**

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of. The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

### **Financial Guarantees**

The Code includes a requirement for financial guarantees to be recognised at fair value and charged to the Comprehensive Income and Expenditure Statement (amortised over the life of the guarantee). The levels of liability assessed at March 2022 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees. The Council has determined to set aside a reserve against potential liabilities under these guarantees as set out in Note 6 to the Notes to the Core Statements.

No other financial guarantees were identified in 2021/22.

## Financial Instruments Balances

	Non-Current		Current	
	31 March '22	31 March '21	31 March '22	31 March '21
	£000	£000	£000	£000
<b>Financial Assets</b>				
<b>Investments</b>				
At amortised cost - principal amount	-	-	2,489	4,700
- accrued interest	-	-	11	2
Fair Value through other comprehensive income - designated equity instruments	24,223	20,923	-	-
- accrued interest	-	-	-	-
<b>Total Investments</b>	<b>24,223</b>	<b>20,923</b>	<b>2,500</b>	<b>4,702</b>
<b>Cash &amp; Cash Equivalents</b>				
At amortised cost - principal amount	-	-	16,987	8,900
At amortised cost - accrued interest	-	-	1	6
<b>Total Cash &amp; Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>16,988</b>	<b>8,906</b>
<b>Debtors</b>				
Financial Assets at amortised cost	5,192	5,187	10,348	19,297
Less Non Financial Instruments Assets	-	-	8,948	(9,154)
<b>Total Debtors</b>	<b>5,192</b>	<b>5,187</b>	<b>1,400</b>	<b>10,143</b>
<b>Total Financial Assets</b>	<b>29,415</b>	<b>26,110</b>	<b>20,888</b>	<b>23,751</b>
<b>Financial liabilities</b>				
<b>Borrowing</b>				
At amortised cost	(1,500)	(1,500)	20,000	-
At amortised cost - accrued interest	(22)	(22)	0	-
Creditors	-	-	26,321	(23,300)
Non Financial instruments Liabilities	-	-	9,520	9,470
<b>Total Financial liabilities</b>	<b>(1,522)</b>	<b>(1,522)</b>	<b>55,841</b>	<b>(13,830)</b>

See also Notes 35 and 36 to the Core Statements. (Investments and Borrowings)



The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current assets'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2021/22.

Available for Sale Financial Assets are measured at fair value on a recurring basis. The valuation techniques used to measure them maximise the use of relevant observable inputs and minimise the use of unobservable inputs and are categorised as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

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.

<b>Recurring fair value measurements</b>	<b>Input level in fair value hierarchy</b>	<b>Valuation technique used to measure fair value</b>	<b>2021/22 £000</b>	<b>2020/21 £000</b>
Property Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	23,646	20,427
<b>Balance at end of the year</b>			<b>23,646</b>	<b>20,427</b>

#### **Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between input levels 1 and 2 during the year

## The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price.
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Financial Liabilities - fair value	Input level in fair value hierarchy	Valuation technique used to measure fair value	2021/22 £000	2020/21 £000
Long Term Borrowing	Level 2	premature repayment rates	4,284	4,706
<b>Balance at end of the year</b>			<b>4,284</b>	<b>4,706</b>

## Financial Instrument Revaluation Reserve

For financial instruments, there is a reserve to help manage the accounting requirements, the Financial Instruments Revaluation Reserve. This records unrealised revaluation gains/losses arising from holding available-for-sale investments and any unrealised losses that have not arisen from impairment of the assets. The table below sets out the transactions for the year:

	2020/21 £000	2020/21 £000
<b>Balance at 1 April</b>	925	1,402
Upward revaluation of investments	3,299	(477)
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	-	-
Accumulated Gains on assets sold and maturing assets written out to CI&E as part of Other Investment Income	-	-
	<b>4,224</b>	<b>925</b>

See also Note 21.

### 13. Financial Instruments Gains / Losses

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

	2021/22		2020/21	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net (gains) / losses on</b>				
Financial Assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Investments in equity instruments designated at fair value through other comprehensive income	-	(3,299)	-	477
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-	-
<b>Total net (gains)/losses</b>	<b>-</b>	<b>(3,299)</b>	<b>-</b>	<b>477</b>
<b>Interest Revenue</b>				
Financial Assets measured at amortised cost	(8)	-	(171)	-
Other financial assets measured at fair value through other comprehensive income	(787)	-	(772)	-
<b>Total interest revenue</b>	<b>(795)</b>	<b>-</b>	<b>(943)</b>	<b>-</b>
<b>Interest Expense</b>				
Fee income:				
Financial assets or financial liabilities that are not at fair value through profit or loss	137	0	130	0
Fee expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	141	0	206	0
<b>Total interest expense</b>	<b>278</b>	<b>-</b>	<b>336</b>	<b>-</b>

### 14. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- Link Asset Services has provided the Fair Value Calculation for the loans and investments.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- Where the instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values are calculated as follows:

	31st March 2022		31st March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>	25,120	27,792	15,478	19,573

	31st March 2022		31st March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Loans and Receivables</b>	-	-	49,862	49,365

For financial liabilities, the fair value is more than the carrying amount because the Council's portfolio of loans comprises fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value is greater than the carrying amount due to the Council's investment in Property Funds. The Fund value per unit, less the exit fee, is higher than price paid.

## 15. Debtors

### Short Term Debtors

	31 March '22	31 March '21
	£000	£000
Central government bodies	1,589	6,980
Other local authorities	1,568	2,939
Bodies external to general government (ie all other bodies)	11,328	11,825
Bad debt provision	(2,904)	(2,447)
	<b>11,581</b>	<b>19,297</b>

### Long Term Debtors

	31 March '22	31 March '21
	£000	£000
Bodies external to general government (ie all other bodies)	5,192	5,187
	<b>5,192</b>	<b>5,187</b>

## 16. Cash and Cash Equivalents

	31 March '22	31 March '21
	£000	£000
Short-term deposits with banks	16,988	8,906
<b>Total Cash and Cash Equivalents</b>	<b>16,988</b>	<b>8,906</b>

## 17. Assets Held for Sale

There were no assets held for sale as at 31/03/2022.

<b>Assets Held for Sale</b>	<b>31 March '22</b>	<b>31 March '21</b>
	<b>£000</b>	<b>£000</b>
Additions	0	0
	<b>0</b>	<b>0</b>

## 18. Creditors

<b>Short Term Creditors</b>	<b>31 March '22</b>	<b>31 March '21</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	19,495	16,926
Other local authorities	312	955
Bodies external to general government (ie all other bodies)	6,514	5,419
	<b>26,321</b>	<b>23,300</b>

## 19. Provisions

Provisions are made where an event has taken place that gives the Authority 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 Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

The provisions held for Non Domestic Rate appeals, Council Tax and Non Domestic Rates bad debts are charged as an expense to the relevant collection fund in the first instance. This charge either reduces the Council's surplus or increases the deficit due from the collection fund. These amounts are included in the Taxation and Non-specific Grant income section on the Comprehensive Income and Expenditure Statement.

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 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 authority settles the obligation.

Proper provision has been made for various liabilities which will be incurred but for which it is uncertain as to the amounts or the dates on which they arise. The provisions required cover a range of activities with the most significant being in respect of Non Domestic Rates Valuation Appeals.

	Short Term		Long Term	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
<b>Balance at 1 April</b>	604	401	3,158	2115
Additions/Reductions	(388)	2,754	(2,276)	1043
Amounts used	(60)	(440)	(244)	0
Transferred	319	(2,111)	1,311	0
<b>Balance at 31 March</b>	<b>475</b>	<b>604</b>	<b>1,949</b>	<b>3,158</b>

## 20. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 5 Adjustments between accounting basis and funding basis under regulations and Note 6 Transfers to/from Earmarked Reserves.

## 21. Unusable Reserves

	31 March '22 £000	31 March '21 £000
Revaluation Reserve	21,788	15,983
Financial Instruments Revaluation Reserve	4,225	925
Capital Adjustment Account	76,316	78,111
Deferred Capital Receipts Reserve	145	147
Pensions Reserve	(28,511)	(37,488)
Collection Fund Adjustment Account	(4,013)	(8,874)
Accumulated Absences Account	(227)	(322)
<b>Total Unusable Reserves</b>	<b>69,723</b>	<b>48,482</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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, or
- disposed of and the gains are realised.



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

	2021/22		2020/21
	£000	£000	£000
<b>Balance at 1 April</b>		15,983	21,355
2019/20 Adjustment			-
Upward/(Downward) revaluation of assets	7,195		(4,017)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services			
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		7,195	(4,017)
Difference between fair value depreciation and historical cost depreciation	(288)		(371)
Amount written off to the capital adjustment account	(1,102)		(984)
<b>Balance at 31 March</b>		<b>21,788</b>	<b>15,983</b>

### Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains/losses made by the Council arising from increases/decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

	2021/22		2020/21
	£000	£000	£000
<b>Balance at 1 April</b>		925	1,403
Upward revaluation of investments			
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	3,299		(478)
		3,299	(478)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		-	-
<b>Balance at 31 March</b>		<b>4,224</b>	<b>925</b>

### Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2021/22		2020/21
	£000	£000	£000
<b>Balance at 1 April</b>		78,111	79,327
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
· Charges for depreciation of non current assets	(1,538)		(1,635)
· Charges for depreciation on revalued assets	288		370
· Movements in the market value of investment properties	97		(6,422)
· Revaluation/Impairment on Property, Plant and Equipment	(737)		(436)
· Amortisation of intangible assets	(296)		(416)
· Revenue expenditure funded from capital under statute	0		(248)
· Revenue grants written down to the Capital Adjustment Account	1,475		6,373
· Disposal of non-current assets	(2,742)		(284)
· Adjusting amounts written out of Revaluation Reserve	1,102		984
		(2,351)	(1,714)
Capital financing applied in the year:			
· Use of the Capital Receipts Reserve to finance new capital expenditure	556		422
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0		76
· Application of grants to capital financing from the Capital Grants Unapplied Account	-		-
· Statutory adjustment for the capital element of finance lease repayments - Refuse trucks	-		-
· Capital expenditure charged against the General Fund	-		0
		556	498
<b>Balance at 31 March</b>		<b>76,316</b>	<b>78,111</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing 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 employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the 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.

	2021/22 £000	2020/21 £000
<b>Balance at 1 April</b>	(37,488)	(24,126)
Actuarial gains or (losses) on pensions assets and liabilities	12,145	(12,016)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,800)	(3,945)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,632	2,599
<b>Balance at 31 March</b>	<b>(28,511)</b>	<b>(37,488)</b>

### Deferred Capital Receipts Reserve

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 Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2021/22 £000	2020/21 £000
<b>Balance at 1 April</b>	147	148
Transfer to the General Fund for the capital element of finance lease payments	(2)	(1)
<b>Balance at 31 March</b>	<b>145</b>	<b>147</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Non Domestic tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2021/22 £000	2020/21 £000
<b>Balance at 1 April</b>	(8,874)	997
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rate income calculated for the year in accordance with statutory requirements	4,861	(9,871)
<b>Balance at 31 March</b>	<b>(4,013)</b>	<b>(8,874)</b>

## Accumulated Absences Account

The Accumulated Absences Account 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 the Account.

	2021/22 £000	2020/21 £000
<b>Balance at 1 April</b>	(322)	(202)
Settlement or cancellation of accrual made at the end of the preceding year	322	202
Amounts accrued at the end of the current year	(228)	(322)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	94	(120)
<b>Balance at 31 March</b>	<b>(228)</b>	<b>(322)</b>

## 22. Nature of Expenses Disclosure

	2021/22 £'000	2020/21 £'000
Employee Benefits Expenses	18,307	16,329
Other Service Expenses	25,872	23,002
Housing Benefits Transfer Payments	23,965	26,317
Depreciation, amortisation and impairment	2,799	2,750
Precepts and levies	4,892	4,782
Interest payments	141	206
Changes in fair value of Investment Properties	-	6,422
Loss on disposal on non current assets	2,186	-
Net interest on the net defined benefit liability & remeasurement of the defined benefit liability for long term employee benefits	773	564
<b>Total Expenditure</b>	<b>78,935</b>	<b>80,372</b>
Fees charges and other service income	(19,373)	(12,535)
Government grants	(40,184)	(49,887)
Interest and investment income	(956)	(1,086)
Income from council tax and non-domestic rates	(13,514)	(8,046)
Gain on disposal of non current assets	-	(138)
Changes in fair value of Investment Properties	(97)	-
Recognised capital grants and contributions	(1,475)	(6,373)
<b>Total Income</b>	<b>(75,599)</b>	<b>(78,065)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>3,336</b>	<b>2,307</b>

## 23. Jointly Controlled Operations

The Council operates four services under a 'Jointly Controlled Operation' arrangement:

- Revenues and Benefits Service, with Stevenage Borough Council which commenced on 1st August 2011
- Business and Technology Services, with Stevenage Borough Council, which commenced on 1 August 2013
- Waste and Street Cleansing Service, with North Herts District Council, which commenced on 8 May 2018 and
- Hertfordshire CCTV partnership, with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmere Borough Council. Each member of the arrangement accounts for their share of the asset, liabilities and cash flows of the CCTV in their own accounts. This is considered de minimis and not included in the table below.

The Council is lead authority for the Revenues and Benefits shared service and Stevenage is lead for the Business and Technology service and North Herts is lead for the Waste and Street Cleansing service. All three arrangements are governed by separate Joint Partnership Boards comprising of Council officers. Each authority has equal representation on both Boards. These Boards report to each Authority's Executive Committee. The Revenues and Benefits Shared Service also operates a joint Committee with equal numbers of Councillors from both Authorities to scrutinise the operational management of the service.

In line with the Accounting Code of Practice this arrangement is accounted for as a jointly controlled operation. A jointly controlled operation uses the assets and resources of the two partner councils without the establishment of a separate legal entity. Under these arrangements each council accounts separately for its own transactions including use of assets, liabilities, income, expenditure and cash flows.

This note sets out details of the income & expenditure of the joint arrangements and the apportionments between the councils in accordance with the agreement entered into. For information purposes only and where relevant, other notes to the accounts show amounts relating to these arrangements.

	2021/22			2020/21		
	Waste and Street Cleansing Service £000	Business & Technical Service £000	Revenues & Benefits Service £000	Waste and Street Cleansing Service £000	Business & Technical Service £000	Revenues & Benefits Service £000
<b>Expenditure</b>						
Employees	442	1,887	4,191	412	1,617	3,528
Transport Related Expenses	22	26	13	23	21	13
Supplies and Services	14	1,537	239	17	1,366	195
Support Services		428	1,082	-	412	1,030
<b>Total Expenditure</b>	<b>478</b>	<b>3,878</b>	<b>5,525</b>	<b>452</b>	<b>3,416</b>	<b>4,766</b>
<b>Income</b>						
Stevenage Borough Council		1,910	2,000	-	1,267	2,140
East Herts District Council	223	1,969	3,525	213	2,149	2,626
North Herts District Council	255			239	-	-
<b>Total Income</b>	<b>478</b>	<b>3,878</b>	<b>5,525</b>	<b>452</b>	<b>3,416</b>	<b>4,766</b>
<b>Net Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The contribution made by the Council has been incorporated into the Comprehensive Income and Expenditure Statement in the Net Costs of Service.

Additionally the Council partnered with 7 other local authorities across Hertfordshire to create a new fully integrated building control service, which was launched in August 2016. An additional local authority joined in 2019, so eight local authorities have equal control. The Council holds 13% of the share capital (£8) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. In 2016/17 the Council made a loan to the company of £107k, which is held under Long Term Debtors on the balance sheet.

## 24. External Audit Costs

This note discloses the amounts that East Herts Council has paid to its external auditors for work carried out in performing statutory functions and in providing any additional services.

In 2020/21 East Herts Council incurred the following fees relating to external audit and inspection:

	2021/22 £000	2020/21 £000
Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor	40	44
Rebate from the PSAA in respect of audit fees*	(8)	0
Fees payable to Ernst & Young for the certification of grant claims and returns	17	44
Prior Year additional fees	26	7
	<b>75</b>	<b>95</b>

\*PSAA - Public Sector Audit Appointments

## 25. Members Allowances

The total payments made to elected Members of East Herts Council, under its Members' Allowance Scheme for the year ending 31 March, was as follows:

	2021/22 £000	2020/21 £000
Basic Allowances	268	269
Special Responsibility Allowances	129	129
Travel and Subsistence expenses	1	1
	<b>398</b>	<b>399</b>

A full disclosure of payments is available on the Council's website.



## 26. Officer Emoluments

The number of employees, excluding senior officers disclosed in note 28, whose remuneration, was £50,000 or more in bands of £5,000 are shown below. The previous year has been restated to exclude officers disclosed in note 28.

Remuneration Band	Number of Employees	
	2021/22 Total	2020/21 Total
£50,000 to £54,999	8	6
£55,000 to £59,999	5	3
£60,000 to £64,999	6	4
£65,000 to £69,999	-	2
£70,000 to £74,999	-	1
£75,000 to £79,999	1	-

## 27. Exit Packages

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

Exit package cost band (including special payments)	Number of Redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£							£	£
0-20,000	5	6	1	-	6	6	41,469	47,729
20,001-40,000	-	1	-	-	-	1	-	21,792
40,001-60,000	-	-	-	-	-	-	-	-
60,001-80,000	-	-	-	-	-	-	-	-
80,001-100,000	-	-	-	-	-	-	-	-
100,001-150,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>7</b>	<b>1</b>	<b>-</b>	<b>6</b>	<b>7</b>	<b>41,469</b>	<b>69,521</b>

## 28. Senior Officer Remuneration

An additional disclosure is required for Senior Officer's Remuneration (the Chief Executive and those reporting directly to the Chief Executive), whose salary is more than £50,000 per year:

	Salary (inc expense allowance) £	Expenses Allowances £	Compensation for Loss of Office £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
<b>2021/22</b>						
Chief Executive	134,720	-	-	134,720	23,697	158,417
Deputy Chief Executive	104,038	-	-	104,038	19,767	123,805
Head of Revenues & Benefits Shared Service	93,122	-	-	93,122	16,138	109,260
Head of HR & Organisational Development	77,276	-	-	77,276	14,682	91,958
Head of Strategic Finance & Property	84,000	-	-	84,000	14,895	98,895
Head of Communications, Strategy & Policy	75,909	-	-	75,909	14,305	90,214
Head of Legal & Democratic Services	90,329	-	-	90,329	15,153	105,482
Head of Housing & Health	77,927	-	-	77,927	14,682	92,609
Head of Operations	72,142	-	-	72,142	-	72,142
Head of Planning & Building Control	70,329	-	-	70,329	13,253	83,582
<b>2020/21</b>						
Chief Executive	121,858	243	-	122,101	23,375	145,476
Deputy Chief Executive	102,500	3	-	102,503	19,475	121,978
Head of Revenues & Benefits Shared Service	81,331	-	-	81,331	15,453	96,784
Head of HR & Organisational Development	75,947	24	-	75,971	14,430	90,401
Interim Head of Strategic Finance & Property (left end Sept 20)	87,710	-	-	87,710	-	87,710
Head of Strategic Finance & Property (started 14 Se	41,218	-	-	41,218	7,831	49,049
Head of Communications, Strategy & Policy	72,134	-	-	72,134	13,705	85,839
Head of Legal & Democratic Services	76,266	355	-	76,621	14,490	91,111
Head of Housing & Health	73,994	80	-	74,074	14,059	88,133
Head of Operations	68,555	-	-	68,555	-	68,555
Head of Planning & Building Control	66,834	-	-	66,834	12,698	79,532

## 29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

	2021/22 £000	2020/21 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax	16,053	15,457
Non-Domestic Rates	- 2,543	- 7,411
New Homes Bonus	2,244	2,832
Other Capital Grants	1,475	6,373
Sec 31 Business Rate Support **	6,084	10,608
Other Revenue Grants	672	1,811
	<b>23,985</b>	<b>29,670</b>
<b>Credited to Services</b>		
<u>Grants</u>		
DWP	24,074	27,192
DCLG	6,859	6,940
Department of Health	141	-
Cabinet Office	-	13
DEFRA	11	1
Sports England	-	311
HMRC	13	109
Herfordshire Community NHS Trust	-	2
Home Office	32	42
Office of National Statistics	1	1
Rural Protection Agency	-	12
Department of Education	19	12
	<b>31,150</b>	<b>34,635</b>
<u>Other Contributions</u>		
Contributions from Other Authorities*	3,699	2,810
Income from Other Bodies	635	677
	<b>4,334</b>	<b>3,487</b>

\* includes the contribution from Stevenage Borough Council for the Shared Revenues and Benefits Service

\*\* Sec 31 Business Rate Support Grant has increased in 2020/21 to compensate for the loss of business rate income as a result of the Covid 19 pandemic.

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 will require the monies to be returned to the funding body if not used for the purpose provided. The balances at year end are as follows:

	2021/22 £000	2020/21 £000
<b>Grants Receipts in Advance</b>		
<b>Capital</b>		
Other Capital Grants	42	74
Developer Contributions	2,043	2,415
	<b>2,085</b>	<b>2,489</b>
<b>Revenue</b>		
Developer Contributions	3,917	4,220
Other Revenue Grants	524	3,452
	<b>4,441</b>	<b>7,672</b>

## 30. Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Related parties to this authority would include:

Central government; local authorities and other bodies precepting or levying demands on the Council Tax; its members; its chief officers; and its pension fund. Members of close family, or the same household of an individual identified as a related party are also assumed to be related parties.

All significant material transactions with related parties, such as parish precepts, precepts, pension fund contributions etc, have been disclosed in the Comprehensive Income and Expenditure Statement.

The UK government exerts significant influence through legislation and grant funding, which has been disclosed in the Comprehensive Income and Expenditure Statement.

Three senior officers of the Council held a position of director at Millstream Property Investments Ltd, a wholly-owned company by East Herts. The Council transacted with this company to the value of £12.5k in 2021/22

A senior officer of the Council held a position of Director at Hertfordshire CCTV Partnership Ltd. The Council paid this company £7.2k during 2021/22

A number of District Council members are also members of Town and Parish Councils that receive funding from this Council. Precept payments are disclosed in the Comprehensive Income and Expenditure Statement. Any grants made to these bodies were made with proper consideration of declarations of interest.

Hertfordshire County Council is a related party in respect of various transactions including pension's contributions and precepts. Additionally they act as the "accountable body" for the Hertfordshire Local Area agreement.

Shown in the Balance Sheet are totals for debtors and creditors which represent amounts due to or from related parties. The principal year end balances with related parties included in these totals are shown within Notes 15 & 18.

## 31. Capital Expenditure and Capital Financing

	2021/22 £000	2020/21 £000
<b>Opening Capital Financing Requirement</b>	<b>5,185</b>	<b>(18,548)</b>
<b>Capital investment</b>		(922)
Property, Plant & Equipment	807	2,965
Infrastructure	0	19
Community Assets	231	329
Investment Property	-5	5
Intangible Assets	56	247
Assets Under Construction	23,865	25,003
Revenue Expenditure Funded from capital under Statute	214	248
Third Party Loan	0	2,706
Surplus	0	3
Assets Held For Sale	0	-
<b>Sources of finance</b>		
Capital receipts	(557)	(422)
Government grants and other contributions	(1,475)	(6,448)
Borrowing		
Sums set aside from Revenue:		
Direct revenue contributions	0	0
Loan/ finance lease principal repayments		
<b>Closing Capital Financing Requirement*</b>	<b>28,321</b>	<b>£5,185</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(23,136)	(23,733)
<b>Decrease in Surplus in Capital Resource *</b>	<b>(23,136)</b>	<b>- 23,733</b>

\* East Herts has moved from a negative Capital Financing Requirement which represented a surplus in capital resources, to a positive Capital Financing Requirement and an underlying need to borrow.

## 32. 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.

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

### The Council as a Lessor

#### 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, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and

a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are 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). Depreciation is applied in the year of acquisition.

The Council is not required to raise council tax to cover depreciation, impairment and gains and losses on revaluation arising on leased assets. Any such costs that have been charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### **Operating Leases**

Rents 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.

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

Lease rentals receivable are apportioned between:

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

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

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



Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

### **Operating Leases**

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

### **Finance leases**

As at 31 March 2022, the Council did not hold any leases that fell into the category of a finance lease.

## Council as a lessee

### Operating leases

The Council leases the Buntingford Service Centre.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March '22	31 March '21
	£000	£000
Not later than one year	210	210
Later than one year and not later than five years	840	840
Later than five years	420	420
	<b>1,470</b>	<b>1,470</b>

The expenditure charged to Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2021/22	2020/21
	£000	£000
Minimum lease payments	210	210
Lease payments receivable	-	-
	<b>210</b>	<b>210</b>

## Council as a lessor

### Finance leases

The Council leases out Pindars Lodge.

Following the introduction of IFRS 1 and this asset's transfer from an operating lease to finance lease, a lease term of 50 years from March 1997 was set.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2021/22	2020/21
	£000	£000
Finance lease debtor as at 31 March	144	145
Unearned finance income	191	203
<b>Gross investment in lease as at 31 March</b>	<b>335</b>	<b>348</b>

The gross investment in the lease which are the minimum lease payments, will be received over the following periods:

	<b>Gross investment in lease 31 March '22 £000</b>	<b>Gross investment in lease 31 March '21 £000</b>
Not later than 1 year	14	14
Later than 1 year and not later than 5 years	56	56
Later than 5 years	279	293
	<b>349</b>	<b>363</b>

### **Operating Leases**

The council receives income from a variety of properties ranging from Industrial and Commercial ground leases, to a small number of commercial premises including shops and other miscellaneous properties. Each is subject to individual agreements and reviews. The terms are dependent upon a number of criteria; the corporate priorities of the Council, options that are available, historic and legal agreements. The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>31 March '22 £000</b>	<b>31 March '21 £000</b>
Not later than one year	1,497	1,505
Later than 1 year and not later than 5 years	3,639	4,326
Later than 5 years	64,108	57,434

## **33. Pension Scheme**

As part of the terms and conditions of employment the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employee retires, the Council has a commitment to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. This is a funded defined benefit scheme which means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets in the long term. Under the Scheme members' retirement benefits are not affected by the Fund's performance.

Pension contributions are based on rates determined by the Fund's professionally qualified actuary based on triennial reviews. The most recent review was undertaken in January 2020.

## Transactions Relating to Post Employment benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against council tax is based on the cash payable in the year, the real cost of 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 Statement and the General Fund balance via the Movement in Reserves during the year.

	2021/22 £000	2020/21 £000
<b>Comprehensive Income &amp; Expenditure Statement:</b>		
<i>Service Cost comprising:</i>		
Current service cost	5,025	3,381
Past Service Cost	2	
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	773	564
<b>Total post employment benefit charged to surplus or deficit on the provision of services</b>	<b>5,800</b>	<b>3,945</b>
<i>Other post employment benefit credited to the Comprehensive Income and Expenditure Statement</i>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
Return on plan assets (excluding the amount included in net interest ex	994	20,582
Actuarial gains/(losses) arising on changes in demographic assumptions	10,599	(32,138)
Actuarial gains/(losses) arising on changes in financial assumptions	887	(1,956)
Other actuarial gains or losses	(335)	1,496
<b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>12,145</b>	<b>(12,016)</b>
<b>Movement in Reserve Statement</b>		
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code		(3,945)
<i>Actual amount charges against the general fund balance for pensions in the year:</i>		
<b>Employers contributions payable to scheme</b>	<b>2,632</b>	<b>2,599</b>

## Pensions Assets and Liabilities recognised in the Balance Sheet

	2021/22 £000	2020/21 £000
<b>Opening Fair Value of scheme assets</b>	129,341	107,197
Interest income	2,574	2,452
Remeasurement gain/(loss):		
Return on plan assets, excluding the amount included in the net interest expense	994	20,582
Contributions from employer	2,632	2,599
contributions from employees into the scheme	688	686
Benefits paid	(4,250)	(4,175)
<b>31 March</b>	<b>131,979</b>	<b>129,341</b>

### Reconciliation of present value of scheme liabilities

<b>Balance at 1 April</b>	166,829	131,323
Current service cost	5,025	3,381
Past service cost	2	0
Interest cost	3,347	3,016
Contributions by scheme participants	688	686
<i>Remeasurment (gain) and losses:</i>		0
Actuarial gains/(losses) arising on changes in demographic assumptions	(10,599)	32,138
Actuarial gains/(losses) arising on changes in financial assumptions	(887)	1,956
Other actuarial gains or losses	335	(1,496)
Benefits paid	(4,250)	(4,175)
<b>31 March</b>	<b>160,490</b>	<b>166,829</b>

	2021/22 £000	2020/21 £000
<b>Scheme history</b>		
Present value of the defined benefit obligation	(160,490)	(166,829)
Fair value of assets	131,979	129,233
<b>(Deficit) in the scheme</b>	<b>(28,511)</b>	<b>(37,596)</b>

### Impact on the net worth of the Council

Statutory arrangements for funding the deficit means that the financial position of the Council remains healthy as:

the deficit on the Local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the pension scheme by the Council in the year to 31 March 2023 is £2.622m (£2.618m to 31 March 2022).

A full breakdown of the Fund's assets including the prior financial year comparator is detailed below:

Asset Category	Period Ended 31 March 2022				Period Ended 31 March 2021			
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
	£000	£000	£000	%	£000	£000	£000	%
Equity Securities								
Consumer	1,907	-	1,907	1	1,148	-	1,148	1
Manufacturing	690	-	690	1	1,031	-	1,013	1
Energy & Utilities	0	-	-	0	-	-	-	-
Financial Institutions	684	-	684	1	828	-	828	1
Health & Care	1,233	-	1,233	1	512	-	512	-
Information Technology	2,644	-	2,644	2	2,947	-	2,947	2
Other	0	-	-	-	115	-	115	-
Debt Securities								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non investment grade)	-	-	-	-	-	-	-	-
UK Government	10,021	-	10,021	8	6,622	-	6,622	5
Other	-	3,498	3,498	3	-	2,949	2,949	2
Private Equity	-	8,750	8,750	7	-	7,768	7,768	5
Real Estate								
UK Property	-	9,479	9,479	7	-	7,151	7,151	6
Overseas Property	-	6,125	6,125	5	-	5,956	5,956	5
Investment Funds & Unit Trusts:								
Equities	51,039	-	51,039	40	59,452	-	59,452	47
Bonds	19,984	-	19,984	15	20,898	-	20,898	16
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	67	67	-	-	54	54	-
Other	1,104	7,162	8,266	6	1,196	7,038	8,234	6
Derivatives								
Foreign Exchange	-	91	91	0	-	(51)	51	-
Cash and Cash Equivalents	7,393	-	7,393	6	3,638	-	3,638	3
<b>TOTALS</b>	<b>96,699</b>	<b>35,172</b>	<b>131,871</b>	<b>100</b>	<b>98,388</b>	<b>30,865</b>	<b>129,233</b>	<b>100</b>



### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Hertfordshire County Council Fund being based on the latest full valuation of the scheme as at January 2020.

The principal assumptions used by the actuary have been:

	31 March '22	31 March '21
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.8%	2.5%
Bonds	2.8%	2.5%
Property	2.8%	2.5%
Cash	2.8%	2.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.9 years	22.1 years
Women	24.4 years	24.5 years
Longevity at 65 for future pensioners:		
Men	22.9 years	23.2 years
Women	26.0 years	26.2 years
Rate of inflation/ Pension increase	3.2%	2.9%
Rate of increase in salaries	3.6%	3.3%
Expected Return on Assets		3.0%
Discount Rate	2.7%	2.0%
Take up option to convert annual pensions into retirement lump sum for pre April 2008 service	50%	50%
Take up option to convert annual pensions into retirement lump sum for post April 2008 service	75%	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis on the following page have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes at each change that the assumption analysed changes while all the others 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 ie. on an actuarial basis using the projected cost method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period

<b>Change in assumptions as at 31 March 2022:</b>	<b>Approximate % increase to Employer Liability %</b>
Longevity (increase or decrease in 1 year)	3-5%
0.5% decrease in real discount rate	9%
0.5% increase in the salary increase rate	1%
0.5% increase in the Pension increase rate	8%

### **Impact on the Council's Cashflow**

The objectives of the scheme is to keep employer contributions at as constant a rate as possible. The Council has agreed a strategy with the schemes actuary, Hymans Robertson LLP, to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis.

## 34. Nature and Extent of Risks arising from Financial Instruments

### Key Risks

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

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

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect and maximise (given the identified level of risk) the financial resources available to fund services. The Council in the annual Treasury Management Strategy Statement provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### 1 Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2020/21 was approved by Full Council on 3rd March 2020 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions 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 Authority's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

### Accounts Receivable

The Council does not generally allow credit facilities to customers in relationship to debts.

The past due amount can be analysed by age as follows: (see policy xii)

	31 March '22	31 March '21
	£000	£000
Less than three months	809	1,650
Three months to one year	503	352
More than one year	964	444
	<b>2,276</b>	<b>2,446</b>

The Council pursues all debts in line with its established debt recovery policy.

## 2 Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (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, and the PWLB and money markets for access to longer term funds. 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.

See investment and Borrowing Note 12

## 3 Refinancing and Maturity Risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council 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 financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- 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.

## 4 Market Risk

### Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income & Expenditure Statement.

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

With low interest rates generally prevailing, the Council has an interest equalisation reserve that assists in managing interest rate fluctuations in the medium term. The balance as at 31 March 2021 is £1.98m.

Based on the current Treasury Management position at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	no variable borrowings
Increase in interest receivable on variable rate investments	371
Increase in government grant receivable for financing costs	de minimus
Surplus on the Provision of Services	de minimus

### Impact on Comprehensive I & E Statement

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

## 5 Price Risk

The Council, does not generally invest in equity shares or marketable bonds.

However, it does hold units in property funds to the value of £20m. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of the units.

To limit its exposure to price movements the council has set a property fund investment limit of £20m, at the time of investment.

These units are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1m gain or loss being recognised in the Financial Instruments Revaluation Reserve.

## 6 Foreign Exchange Risk

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

The Council also has no shareholdings or insurance investment fund, therefore has no exposure to any further risks.



## 35. Capital Commitments

At 31 March 2022, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment, these include the major commitments, listed below. The major commitments are:

- **Hartham Leisure Centre – £6.8m**
- **Northgate End MSCP – £4.2m**

## 36. Contingent Liability

The Council has identified one contingent liability which may give rise to future costs.

Following the Municipal Mutual Insurance Scheme Arrangement being “triggered” the Council has paid a total levy of £34,478 as at 31 March 2020. A contingent liability of around £103,435 remains in respect of potential further exposure against existing claims. Further claims could be notified.

Given the level of General Reserves held by the Council and the uncertainty of the value of the potential liabilities identified it has not been considered appropriate to make specific financial provision within the accounts at this stage.

## 37. Post Balance Sheet Event

There are no post balance sheet events as at 01 December 2022

# THE COLLECTION FUND

## INCOME AND EXPENDITURE ACCOUNT

		2021/22			2020/21 (Restated)		
		£000	£000	£000	£000	£000	£000
		Council Tax	NDR	Total	Council Tax	NDR	Total
Income collectable from Council Taxpayers	Note 2	121,520	-	121,520	114,820	-	114,820
S31 S13A(1)/ ( c ) transfer from General Fund		56	-	56	520.00	-	520.00
Income collectable from Business Ratepayers	Note 3	-	34,586	34,586	-	23,143	23,143
<b>Total Income</b>		<b>121,576</b>	<b>34,586</b>	<b>156,162</b>	<b>115,340</b>	<b>23,143</b>	<b>138,483</b>
Council Tax Precepts and Demands							
Hertfordshire County Council		90,788	-	90,788	86,651	-	86,651
East Herts Council		15,948	-	15,948	15,449	-	15,449
Hertfordshire Police		13,149	-	13,149	12,132	-	12,132
Business Rates Shares:							
Payments to Government		-	21,869	21,869	-	21,442	21,442
Payments to Hertfordshire County Council		-	4,374	4,374	-	4,288	4,288
Payment to East Herts Council		-	17,495	17,495	-	17,153	17,153
Charges to Collection Fund							
Costs of Collection		-	197	197	-	199	199
Bad Debt Provision - Increase:							
Council Tax		543	-	543	1,020	-	1,020
Non Domestic Rates		-	24	24	-	1,239	1,239
Non Domestic Rates Appeals Provision	Note 4	-	(2,717)	(2,717)	-	1,693	4,109
Transitional Protection Payment		-	(45)	(45)	-	(135)	(135)
Distribution of prior years' Fund balance			(18,413)	(18,413)	745	1,916	2,661
<b>Total Expenditure</b>		<b>120,428</b>	<b>22,784</b>	<b>143,212</b>	<b>115,997</b>	<b>47,795</b>	<b>166,208</b>
In year Movement in Fund		(1,148)	(11,802)	(12,950)	657	24,652	27,725
Balance as at 1 April		23	22,100	22,123	(634)	(2,552)	(3,186)
<b>Balance as at 31 March</b>		<b>(1,125)</b>	<b>10,298</b>	<b>9,173</b>	<b>23</b>	<b>22,100</b>	<b>24,539</b>
Allocated to :							
East Herts Council		(106)	4,119	4,013	2	8,872	9,840
Hertfordshire Police		(130)	-	(130)	3	-	3
Hertfordshire County Council		(889)	1,030	141	18	2,019	2,279
Government		-	5,149	5,149	-	11,209	12,417
<b>Total</b>		<b>(1,125)</b>	<b>10,298</b>	<b>9,173</b>	<b>23</b>	<b>22,100</b>	<b>24,539</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund.

The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.

There is no requirement for a separate Collection Fund Balance sheet, as the assets and liabilities of the fund belong to the various bodies and Government.

In 2013/14 the local government finance regime was revised with the introduction of the Retained Business Rates scheme. The main aim of the scheme is to give Council's a greater incentive to grow businesses in the district. It does, however, also increase the financial risk to the Council due to non collection and the volatility of the NDR tax base.

The retained income scheme allows the Council to retain a proportion of the total NDR income received. The Council's share is 40% with the remainder being split between Hertfordshire County Council (10%) and Government (50%).

### 2. Council Tax

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, is calculated as follows:-

The tax base for 2020/21 was approved at Full Council on 16 December 2020 and was calculated as follows:

Band	Estimated no. of taxable properties after effect of discounts	Ratio	Band D Equivalent dwellings
Disa A	0.00	5/9	0.00
A	572.42	6/9	381.61
B	4,075.00	7/9	3,169.44
C	12,378.39	8/9	11,003.01
D	14,129.38	9/9	14,129.38
E	10,387.49	11/9	12,695.82
F	7,292.53	13/9	10,533.65
G	5,371.54	15/9	8,952.57
H	777.79	18/9	1,555.58
	54,984.54		62,421.06
<b>Estimated collection rate</b>			<b>98.9%</b>
<b>2021/22 Estimated Council Tax base</b>			<b>61,734.4</b>
<b>Council Tax Collection</b>			<b>£000</b>
2021/22 estimated Council Tax due			119,885
61,734.4 x £1,941.95 (average band D charge)			
2021/22 Council Tax income			121,576
<b>Surplus</b>			<b>(1,691)</b>

### 3. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform rate (which for 2021/22 was 51.2p (2020/21 51.2p).

The total amount less certain reliefs and allowances is distributed to East Herts Council (40%), Hertfordshire County Council (10%) and Central Government (50%).

When the Retained Business Rates scheme was introduced, the Government set a baseline for each authority identifying the funding required. In order to ensure that each authority receives their base line amount, a top up or tariff amount is applied to each local authority.

East Herts is a tariff authority, which means that it doesn't keep its entire share but is subject to pay a tariff (£15.853m in 2021/22) to Central Government which is when used to fund 'top up' authorities.

The business rates retention scheme provides the opportunity for local authorities to share in the benefits of growth in the rates tax base i.e. provides an incentive for economic development and regeneration. Any income retained from growth is subject to a levy of 50%. Conversely if any Council suffers a significant drop in NNDR due to the loss of one or more major businesses, or a large number of smaller businesses, or a greater than expected loss from revaluations, then a safety net of 92.5% of the baseline applies. At the year end the total non-domestic rateable value was £118 million (£117 million for 2020/21).

### 4. Provisions

The Collection Fund account includes provisions for bad debts on arrears based on past years experience and the current years collection rate.

	2021/22			2020/21		
	£000	£000	£000	£000	£000	£000
	Council Tax	NDR	Total	Council Tax	NDR	Total
<b>Balance at 1 April</b>	(3,121)	(2,584)	<b>(5,705)</b>	(2,241)	(1,478)	<b>(3,719)</b>
Additional provisions made in year	(543)	(24)	<b>(567)</b>	(1,020)	(1,239)	<b>(2,259)</b>
Provision applied	125	134	<b>259</b>	140	133	<b>273</b>
<b>Balance at 31 March</b>	<b>(3,539)</b>	<b>(2,474)</b>	<b>(6,013)</b>	<b>(3,121)</b>	<b>(2,584)</b>	<b>(5,705)</b>

In addition, a provision has been made for NDR appeals against the rateable valuations assessed and determined by the Valuation Office Agency (VOA) which have not been settled by 31 March 2022.

	2021/22	2020/21
	£000	£000
<b>Balance at 1 April</b>	(8,776)	(7,083)
Change in provisions made	2,414	(2,133)
Provision applied in year	303	440
<b>Balance at 31 March</b>	<b>(6,059)</b>	<b>(8,776)</b>

## Group Accounts

### Introduction

In order to provide a full picture of the economic and financial activities of the Council, and its exposure to risk, the accounting statements of its subsidiary are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting, consolidating any subsidiary over which the Council exercises control or influence.

Millstream Property Investments Ltd, is a wholly owned company formed in February 2018 by the Council. There are no minority shareholders and no restrictions on the Council's ability to access or use the assets or settle the liabilities of the group. Millstream Property Investments Ltd was created to acquire, develop and refurbish homes to provide rental properties to tenants wishing to live in the private sector, but with the assurance that the accommodation is managed by a responsible landlord.

Millstream was not consolidated in 2018/19 as it's activities for that year were not material to the Council's accounts

During the year ended 31st March 2022 it was identified that there is a fundamental accounting error in the application of the calculation of the present value of the shareholder loans. The shareholder loans which were drawn by the entity in the years ended 31 March 2019, 2020 and 2021 have no interest rate. As a result upon initial recognition of the loans the fair value of loans is estimated by discounting the future loan repayments using the entity's incremental borrowing rate. When the initial calculations were performed the incorrect term was used within the calculation creating an initial understatement of equity and overstatement of liabilities. A correction of this fundamental accounting error was done within the current years financial statements restating the earliest prior period.

### Accounting Policies

Millstream Property Investments Ltd has prepared it's 2021/22 accounts using accounting policies consistent with those applied by the Council and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.

## GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (ie those that can be applied to fund expenditure or reduce taxation) and other reserves.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Share of Reserves of Subsidiaries	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>	<b>3,854</b>	<b>23,336</b>	<b>0</b>	<b>224</b>	<b>974</b>	<b>28,388</b>	<b>50,932</b>	<b>79,320</b>	<b>1,517</b>	<b>80,837</b>
<b>Movement in reserves during 2021/22</b>										
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,037)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,037)</b>	<b>22,639</b>	<b>19,602</b>	<b>(167)</b>	<b>19,435</b>
Tax expenses for Millstream Property Investment	106	0	0	0	0	106	0	106	0	106
Adjustments between group accounts and authority accou	-405	0	0	0	0	-405	0	-405	404.78199	0
Adjustments between group accounts and authority accounts	1397	0	0	0	0	1,397	-1397	0	0	0
<b>Net Increase/Decrease before Transfers</b>	<b>(1,939)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,939)</b>	<b>21,242</b>	<b>19,303</b>	<b>238</b>	<b>19,541</b>
Transfers to/(from) Earmarked Reserves	1,939	(2,030)	-	-	91	-	-	-	-	-
Increase/Decrease in Year	-	- 2,030.00	-	-	91.00	- 1,939.00	#####	19,303.00	237.79	19,540.79
<b>Balance as at 31 March 2022 carried forward</b>	<b>3,854</b>	<b>21,306</b>	<b>-</b>	<b>224</b>	<b>1,065</b>	<b>26,449</b>	<b>72,174</b>	<b>98,623</b>	<b>1,754</b>	<b>100,377</b>



## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, generally this will be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2021/22		2020/21	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Chief Executive, PA's & Directors	632	-	632	583
Communications, Strategy & Policy	2,407	903.00	1,504	1,405
Human Resources & Organisation Development	653	42.00	611	530
Strategic Finance & Property	5,939	1,872.60	4,066	4,407
Democratic & Legal Services	2,152	500.00	1,652	1,344
Housing & Health	6,051	2,597.00	3,454	3,033
Planning & Building Control	3,733	1,929.00	1,804	1,839
Operations	14,025	10,046.00	3,979	6,068
Shared Revenues & Benefits Service	33,042	31,778.00	1,264	1,010
Shared Business & Technology Services	2,207	19.00	2,188	1,788
<b>NET COST OF SERVICES</b>			<b>21,154</b>	<b>22,007</b>
Payments of precepts to parishes			4,892	4,782
Gain on disposal of non current (fixed) assets			2,186	(138)
<b>OTHER OPERATING EXPENDITURE</b>			<b>7,078</b>	<b>4,644</b>
Interest payable and similar charges			141	206
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			773	564
Interest receivable and similar income			(815)	(995)
Income from investment properties		Note 1	(1,043)	(1,005)
Direct expenditure incurred on investment properties		Note 1	231	176
Changes in Fair Value of Investment Properties			(533)	6,316
<b>FINANCING AND INVESTMENT EXPENDITURE</b>			<b>(1,247)</b>	<b>5,262</b>
Recognised capital grants and contributions			(1,475)	(6,373)
Council tax income			(16,057)	(15,457)
Non domestic rates			2,543	7,411
Non service related government grants			(9,000)	(15,251)
<b>TAXATION AND NON-SPECIFIC GRANT INCOME</b>			<b>(23,989)</b>	<b>(29,670)</b>
<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>			<b>2,996</b>	<b>2,244</b>
Millstream Capital contribution			0	(49)
Tax expenses of subsidiaries			106	29
<b>GROUP (SURPLUS)/DEFICIT</b>			<b>3,102</b>	<b>2,224</b>
(Surplus) or Deficit on revaluation of PPE assets			(7,195)	4,017
Reclassification of Grant			-	-
Remeasurements of the net defined benefit liability			(12,145)	12,016
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>(19,340)</b>	<b>16,033</b>
(Surplus) / Deficit on revaluation of financial instruments			(3,299)	477
<b>ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>(3,299)</b>	<b>477</b>
Millstream Other Operating Income			(4)	(4)
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(22,643)</b>	<b>16,506</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(19,541)</b>	<b>18,730</b>

All operations arise from continuing activities.

# GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

		31 March '22		31 March '21
		£000	£000	
Property, Plant & Equipment				
- Other land and buildings		71,647		44,371
- Vehicles, plant, furniture and equipment		1,501		1,817
- Infrastructure assets		1,516		1,764
- Community assets		3,524		3,293
- Surplus assets		2,416		2,410
- Assets under Construction		30,873		30,743
			111,477	
Investment Properties			14,762	14,232
Intangible Assets			376	616
			<b>126,615</b>	<b>99,245</b>
Long Term Investments			25,575	21,011
Long Term Debtors	Note 2		247	242
<b>TOTAL LONG TERM ASSETS</b>			<b>152,437</b>	<b>120,498</b>
Assets Held For Sale		0		0
Short Term Investments		2,500		4,702
Short Term Debtors	Note 2	10,182		19,181
Cash and Cash Equivalents		18,285		8,959
<b>CURRENT ASSETS</b>			<b>30,966</b>	<b>32,842</b>
Provisions		(496)		(604)
Short Term Creditors	Note 2	(26,338)		(23,310)
Short Term Borrowing		(20,000)		
<b>CURRENT LIABILITIES</b>			<b>(46,834)</b>	<b>(23,914)</b>
Provisions		(2,083)		(3,201)
Long Term Borrowing		(1,522)		(1,522)
Long Term Creditors	Note 2	0		-
Net Pension Liability		(26,061)		(37,485)
Grant Receipts in Advance	- Capital	(2,085)		(2,489)
	- Revenue	(4,441)		(7,672)
<b>LONG TERM LIABILITIES</b>			<b>(36,192)</b>	<b>(52,369)</b>
<b>NET ASSETS</b>			<b>100,377</b>	<b>77,058</b>
<b>USABLE RESERVES</b>				
- General Fund		3,854		3,854
- General Reserve		1,065		974
- Earmarked Reserves		21,307		23,336
- Capital Receipts Reserve		0		
- Capital grants Unapplied		224		224
- Profit and Loss Reserve	Note 3	1,754		188
			<b>28,204</b>	<b>28,576</b>
<b>UNUSABLE RESERVES</b>				
- Revaluation Reserve		22,761		15,983
- Financial Instrument Revaluation Reserve		4,225		925
- Pensions Reserve		(26,061)		(37,488)
- Capital Adjustment Account		75,343		78,111
- Deferred Capital Receipts		145		147
- Collection Fund Adjustment Account		(4,013)		(8,874)
- Short-term Accumulating Compensated Absences Account		(227)		(322)
			<b>72,173</b>	<b>48,482</b>
<b>TOTAL RESERVES</b>			<b>100,377</b>	<b>77,058</b>

## GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2021/22		2020/21
	£000	£000	£000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Council Tax receipts	(11,527)		(11,079)
NNDR Receipts	(14,116)		(8,960)
DWP grants for benefits	(24,968)		(26,960)
Other Government grants	(38,712)		(81,585)
Cash received for goods and services	(25,633)		(9,690)
Interest received	(706)		(1,050)
<b>Cash inflows generated from operating activities</b>	<b>(115,662)</b>		<b>(139,323)</b>
<b>Cash Out Flows</b>			
Cash paid to and on behalf of employees	14,551		15,427
Housing Benefit paid out	23,965		26,317
Other operating cash payments	53,942		66,114
Precepts paid to other authorities	4,892		4,782
Interest paid	(7)		306
<b>Cash outflows generated from operating activities</b>	<b>97,342</b>		<b>112,946</b>
<b>Net Cash Inflow from operating activities</b>		<b>(18,320)</b>	<b>(26,378)</b>
<b>INVESTING ACTIVITIES</b>			
- Purchase of property plant and equipment, investment property and intangible assets	26,386		31,288
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(605)		(422)
- Capital grants	(1,251)		(6,572)
- Proceeds from short-term and long-term investments	(2,202)		(17,704)
<b>Net cash inflow from investing activities</b>		<b>22,327</b>	<b>6,590</b>
<b>FINANCING ACTIVITIES</b>			
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)	(20,000)		300
- Other payments for financing activities	5,433		26,252
<b>Net cash outflow from financing activities</b>		<b>(14,567)</b>	<b>26,552</b>
Net decrease in cash and cash equivalents		(10,560)	6,764
Cash and cash equivalents at the beginning of the reporting period		(8,959)	(15,723)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(19,519)</b>	<b>(8,959)</b>

## Note 1 - Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	31 March '22			31 March '21		
	£000	£000	£000	£000	£000	£000
	East Herts District Council	Millstream Property Investments Ltd	Group total	East Herts District Council	Millstream Property Investments Ltd	Group total
Income from investment property	844	199	1,043	882	123	1,005
Direct expenditure arising from investment property	(102)	(38)	(140)	(125)	(48)	(173)

## Note 2 - Debtors and Creditors

The effect of transactions between the Council and its subsidiary Millstream Property Investments Ltd are eliminated in Group Accounts, therefore debtors and creditors between these parties have been excluded.

## Note 3 - Financial Instruments

IFRS 9 requirement is to consider whether loans are made under market terms, especially those made between related parties.

During the year Millstream Property Investments Ltd did not receive any loans from its parent company East Herts Council. However loans were advanced to Millstream by the parent company in 2019/20 and 2020/21 but were deemed at below market rate as there was no interest charged.

	31 March '22 £000
<b>Opening balance at 31 March 2021</b>	<b>188</b>
Profit or loss for 2021/22	238
Capital Contribution	1,328
<b>Closing balance at 31 March 2022</b>	<b>1,754</b>

	31 March '21 £000
<b>Opening balance at 31 March 2020</b>	<b>101</b>
Profit or loss for 2020/21	38
Capital contribution	49
<b>Closing balance at 31 March 2021</b>	<b>188</b>

## Note 4 - Summary of Financial Position of Subsidiary

Millstream Property Investments Ltd has been consolidated in the group accounts as a 100% owned subsidiary. The summary of financial position of the company is shown below:

<b>Statement of comprehensive income and expenditure</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
<b>Revenue</b>	<b>199</b>	<b>123</b>
Cost of sales	(38)	(21)
<b>Gross profit</b>	<b>162</b>	<b>102</b>
Administrative expenses	(68)	(51)
Other operating income	4	4
<b>Operating profit</b>	<b>98</b>	<b>55</b>
Interest payable	(190)	(94)
Other gains losses	436	106
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>344</b>	<b>67</b>
Tax on profit/(loss)	(106)	-29
<b>Profit/(Loss) and total comprehensive income for the financial year</b>	<b>238</b>	<b>38</b>

<b>Statement of financial position</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
<b>Non current assets</b>		
Investment properties	5,601	5,162
<b>Current assets</b>		
Trade debtor	2	3
Cash and Cash equivalents	63	53
<b>Total Assets</b>	<b>5,666</b>	<b>5,218</b>
<b>Current liabilities</b>		
Trade creditor	184	129
<b>Non current liabilities</b>		
Loans	3,593	4,858
Provision for liabilities	134	43
<b>Total liabilities</b>	<b>3,911</b>	<b>5,030</b>
<b>Net Assets/Liabilities</b>	<b>1,754</b>	<b>188</b>
<b>Equity</b>		
Share capital	0	0
Retained earnings	1,754	188
<b>Total equity</b>	<b>1,754</b>	<b>188</b>

# GLOSSARY OF FINANCIAL TERMS

## **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- Measuring bases;
- Presenting.

## **Accruals**

Accruals The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.

## **Accumulated Absences**

Accumulated Absences Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.

## **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
- the actuarial assumptions have changed

## **Amortisation**

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

## **Asset**

An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset (eg stocks or short term debtors) can readily be converted into cash.

## **Capital Expenditure**

Capital Expenditure Expenditure on the acquisition of a fixed asset or works which have a long term value to the Council, either directly to the Council or indirectly in the form of grants to other bodies.

## **Capital Financing Requirement**

It measures an authority's underlying need to borrow or finance by other long term liabilities for a capital purpose.

## **Capital Receipts**

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by government, but they cannot be used for revenue purposes.

## **CIPFA**

CIPFA Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.



## **Code of Practice on Local Authority Accounting (The Code)**

Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

### **Community Assets**

Assets that a local authority intends to hold indefinitely, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control.

### **Contingent Liability**

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.

### **Creditor**

An amount owed by the Council for work done, goods received, or services provided within the accounting period and for which payments has not been made at the Balance Sheet date.

### **Current Service Cost (Pensions)**

The increase in liabilities as a result of years of service earned this year.

### **Curtailment**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business;
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **Debtor**

Sums of money due to the Council but not yet received at the Balance Sheet date.

### **Deficit**

An excess of expenditure over income (or liabilities over assets).

### **Defined Benefit Scheme**

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

**Depreciation**

Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing.

**DEFRA**

Department for Environment, Food and Rural Affairs.

**DWP**

Department for Work & Pensions.

**Expected Rate of Return on Pensions Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Earmarked reserve**

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

**Financial Instruments**

Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local services.

**International Financial Reporting Standards**

International Financial Reporting Standards cover specific aspects of accounting practice and set out the correct accounting treatment. Compliance with them is mandatory.

**Impairment**

This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value

**Infrastructure Assets**

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

**Intangible Asset**

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.

**Interest Cost (pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Investments (non-pensions fund)**

A long term investment is one that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

**Investment properties**

Property that is used solely to earn rentals and/or for capital appreciation.

**LAA**

Local Area Agreement.

**Liquid resources**

Current asset investments that are readily disposal by the authority without disrupting its business.

**MHCLG**

Ministry of Housing, Communities and Local Government (formerly DCLG - Department for Communities and Local Government).

**MTFP**

Medium Term Financial Plan.

**NDR**

Non Domestic Rates.

**Operating Lease**

A lease whereby the ownership of the fixed asset remains with the lessor.

**Past Service Cost**

The increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years.

**Revenue Expenditure**

The day to day running costs incurred by the Council in providing its services.

**REFCUS (Revenue Expenditure Funded from Capital Under Statute)**

Capital expenditure which is allowable under statute to be funded from capital resources but which does not fall within the definition of a fixed asset. An example is a grant made to another party to finance capital investment.

**Surplus**

An excess of income over expenditure (or assets over liabilities)

# Statement of Responsibilities for the Statement of Account

## The Authority's Responsibilities

The Authority is required:

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

## The Chief Financial Officers' Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority'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 Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Make judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

**The Chief Financial Officer has also:**

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

## EAST HERTFORDSHIRE DISTRICT COUNCIL

### Certificate of Responsible Finance Officer

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2022.

*Steven Linnett*

Signed .....

Date

06/11/2024

**Steven Linnett Bsc(Hons) FCPFA**

Head of Strategic Finance and Property and Section 151 Officer  
East Hertfordshire District Council

Signed .....

Date

Chairman of Audit and Governance Committee

# DRAFT STATEMENT OF ACCOUNTS 2022-23



01279 655261

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 EastHertsDC  
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[www.eastherts.gov.uk](http://www.eastherts.gov.uk)



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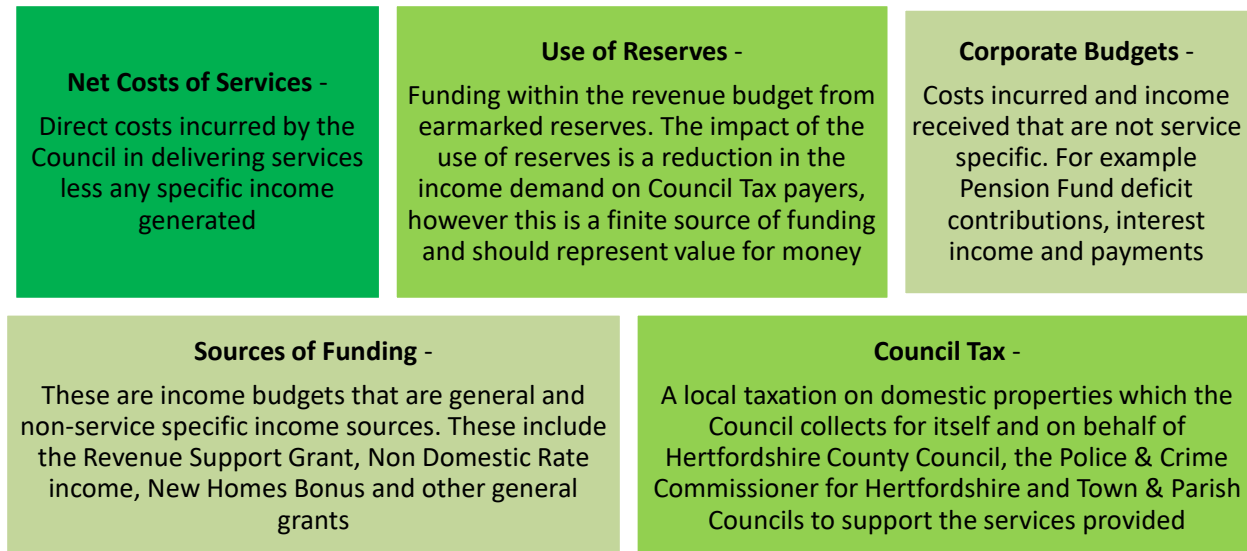
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# FINANCIAL PERFORMANCE IN 2022/23

The 2022/23 budget was set by Council in March 2022 as part of the budget report and Medium Term Financial Plan for 2022/23 to 2026/27. There are five major 'building blocks' to the Council's revenue budget. These are shown below:



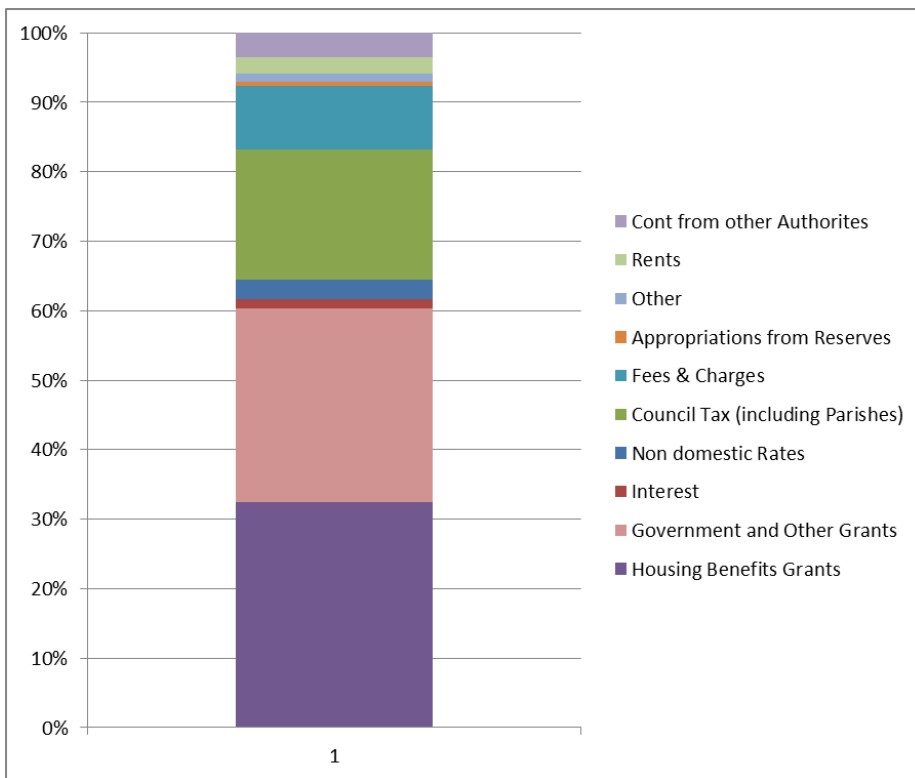
The table below details the Council's performance against the five major 'building blocks'. There was a £195k overspend in 2022/23, this has been funded from the General Fund.

	Original Budget 2022/23	2022/23 Outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	16,129	16,033	(96)
Corporate Budgets Total	333	(253)	(586)
Net Use of Reserves	265	(2,618)	(2,883)
Funding	(5,202)	(1,442)	3,760
Council Tax	(11,525)	(11,525)	0
<b>Overspend</b>	<b>-</b>	<b>195</b>	<b>195</b>

The Council's budget is monitored monthly by senior management and reported quarterly to the Executive. The Council's revenue budget was put under pressure in 2022/23 due to rising inflation and shortages in planning staff, resulting in post being filled by agency workers. The Draft 2022/23 Outturn report was presented to Audit & Governance Committee on 26th September 2023 and can be viewed on the council's website.

## 2022/23 Income streams

The chart below shows the £69.8m of income that the Council received in 2022/23. The largest source of income was Housing Benefits subsidy (from Central Government) which is used to fund the payment of Housing Benefits to claimants.

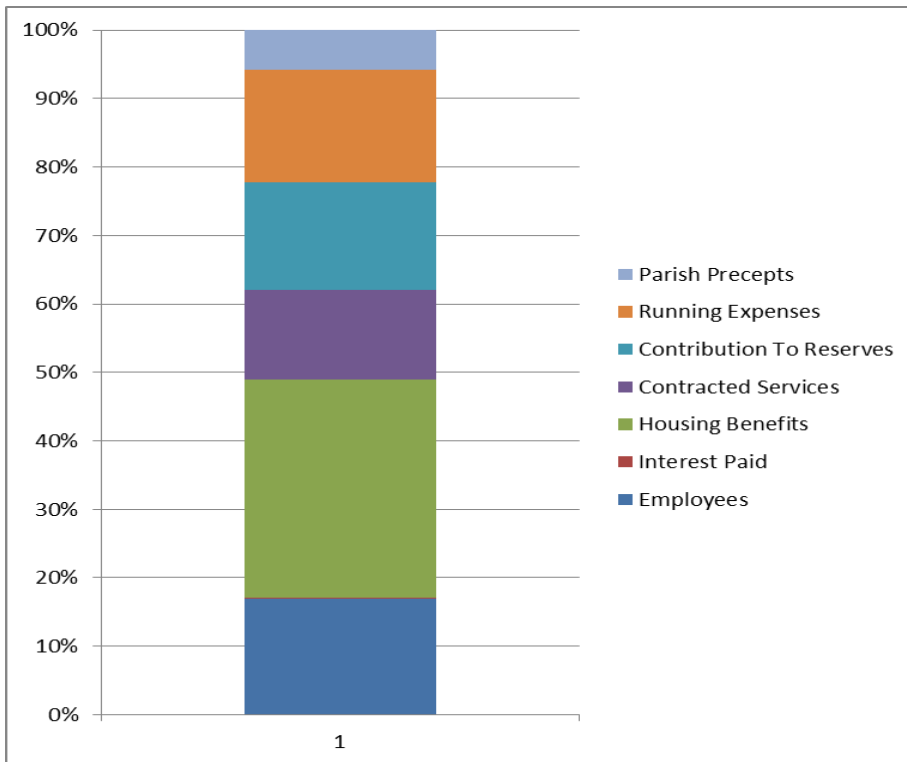


East Herts Council is the billing authority for Non Domestic Rates (Business Rates) collected from businesses across the district. This is then distributed to Central Government, East Herts Council and Hertfordshire County Council. After distribution the income attributable to East Herts totalled £1.6m in 2022/23. As the billing authority, East Herts Council collects Council Tax income from residents of the district; this is then distributed between Hertfordshire County Council, East Herts Council and the Police and Crime Commissioner. Of the income collected the Council's share in 2019/20 was £16.8m; £5.1m of which was distributed to Town and Parish Councils across the district. The remaining Council Tax income is used to fund services in the year.

The Council earned Interest and Investment income of £1.5m in 2022/23 on its portfolio of investments and holdings in property funds. This was above budget, and was used to offset increased expenditure on interest payments

## 2022/23 Expenditure

The chart below shows the £69.8m that the the Council spent in 2022/23. Housing benefits make up the largest outgoing of the Council.



Included in the Council's running expenses figure of £15.8m is the following expenditure:

- £3.4m of premises related costs, including ongoing maintenance of the Council's operational buildings, business rates, insurance and utilities costs for all the Council's buildings, car parks, theatre and leisure facilities;
- £12.4m direct costs of providing Council services throughout the year including, public and environmental health, planning, sports, leisure and parks;

The cost of the Council's main contracts are included in the contracted services figure (£9.2m) are as follows:



# FINANCIAL MANAGEMENT

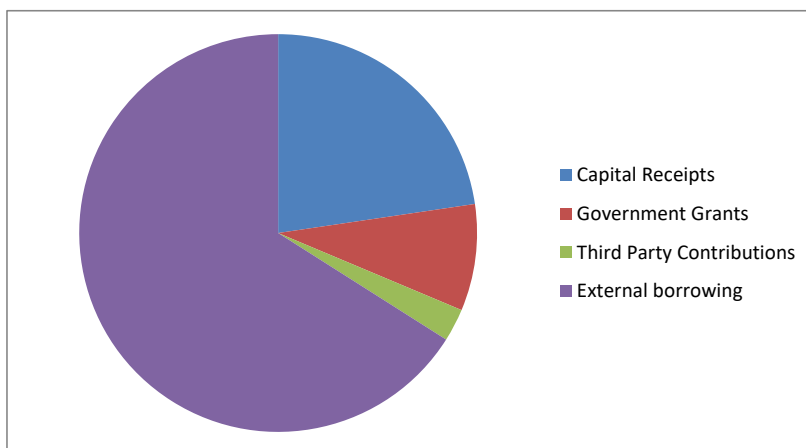
## Capital

Capital expenditure relates to the acquisition or enhancement of assets which generates a benefit for a period greater than one year. This differs to the Revenue expenditure, discussed over the previous pages, which is defined as money that the authority spends or receives in the same year that the services are delivered.

The Council has embarked on an ambitious Capital Programme over the life of the Medium Term Financial Plan, during 2022/23 the Council incurred expenditure of £15.4m on capital projects, compared with a capital programme budget of £31.1m. A total budget of £12.5m has been carried forward to 2023/24 to match ongoing schemes which didn't commence in 2022/23 or where works are ongoing. A selection of the capital schemes undertaken this year are shown below:



A combination of short term loans, capital grant income, receipts from disposal of assets, third party contributions and revenue contributions were used to fund the 2022/23 capital programme. The split is shown in the following pie chart:



## **MEDIUM TERM FINANCIAL PLAN**

East Herts' approach to setting the revenue and capital budget for the four years commencing 2022/23 was to improve the organisational financial sustainability and resilience in the forthcoming years.

The budget report sets out the proposals and outcomes that Officers and Members had arrived at to ensure that the Council maintains a sustainable budget position for the future. The 2023/24 budget was Approved at Council in March 2023 and can be found on the Council's website.

The MTFP provides the framework for the development of annual budgets in line with the aims of the Council's Corporate Strategy.

Details of the Council's earmarked reserves (set aside for a defined purpose to meet known or predicted future liabilities) and General Reserve (to manage cash flows and limit the need for temporary borrowing and to provide a contingency for unforeseeable events and emergency spending) can be found within the Statement of Accounts.



## **PENSION FUND**

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. Under current accounting standards the impact of any pension liability must be shown in the balance sheet.

The Council's liability at 31 March 2023 was £2.862m which is an decrease of £25.6m compared to the position at 31 March 2022.

Further information is given in note 33, on page 72.

# EXPLANATION OF ACCOUNTING STATEMENTS

Statement	Explanation
Movement in Reserves Statement	Shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves
Comprehensive Income & Expenditure Statement	A summary of the resources generated and consumed by the Council in the year
Balance Sheet	Sets out the financial position of the Council on 31 March 2023
Cash Flow Statement	Summarises the Council's inflows and outflows of cash for the year 2022/23
Notes to the Accounts	Provides support to the core financial statements, which informs and gives sufficient information to present a good understanding of the Council's activities. The notes include a Statement of Accounting Policies which details the legislation and principles on which the Statement of Accounts have been prepared. The purpose is to explain the basis for recognition, measurement and disclosure of transactions and other events in the Statement of Accounts
Supplementary Financial Statements – The Collection Fund	Shows the level of Non Domestic Rates and Council Tax that has been received by the Council, as billing authority, during the period
Glossary of Financial Terms	Explains some of the key terms used in the Statement of Accounts
Statement of Responsibilities for the Statement of Accounts	Identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the Chief Finance Officer to sign under a statement that the Statement of Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2023

# The Core Accounting Statements

## MOVEMENT IN RESERVES STATEMENT

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

		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>		<b>3,854</b>	<b>21,306</b>	<b>0</b>	<b>224</b>	<b>1,065</b>	<b>26,449</b>	<b>69,725</b>	<b>96,174</b>
<b>Movement in reserves during 2022/23</b>									
<b>Total Comprehensive Income and Expenditure</b>		<b>(204)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(204)</b>	<b>22,610</b>	<b>22,407</b>
Adjustments between accounting basis and funding basis under regulations	Note 5	(2,601)	-	0	0	-	(2,601)	2,601	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>(2,805)</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>(2,805)</b>	<b>25,211</b>	<b>22,407</b>
Transfers to/(from) Earmarked Reserves	Note 6	2,805	(2,618)	-	-	(187)	-	-	-
Increase/Decrease in Year		0	(2,618)	0	0	(187)	(2,805)	25,211	<b>22,407</b>
<b>Balance as at 31 March 2023 carried forward</b>		<b>3,854</b>	<b>18,688</b>	<b>0</b>	<b>224</b>	<b>878</b>	<b>23,644</b>	<b>94,936</b>	<b>118,580</b>

		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>		<b>3,854</b>	<b>23,336</b>	<b>0</b>	<b>224</b>	<b>974</b>	<b>28,388</b>	<b>48,483</b>	<b>76,871</b>
<b>Movement in reserves during 2021/22</b>									
<b>Total Comprehensive Income and Expenditure</b>		<b>(3,336)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,336)</b>	<b>22,639</b>	<b>19,303</b>
Adjustments between accounting basis and funding basis under regulations	Note 5	1,397	-	0	0	-	1,397	(1,397)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>(1,939)</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>(1,939)</b>	<b>21,242</b>	<b>19,303</b>
Transfers to/(from) Earmarked Reserves	Note 6	1,939	(2,030)	-	-	91	-	-	-
Increase/Decrease in Year		-	(2,030)	-	0	91	(1,939)	21,242	<b>19,303</b>
<b>Balance as at 31 March 2022 carried forward</b>		<b>3,854</b>	<b>21,306</b>	<b>-</b>	<b>224</b>	<b>1,065</b>	<b>26,449</b>	<b>69,725</b>	<b>96,174</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, generally this will be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2022/23		2021/22	
	Gross	Gross	Net	Net
	Expenditure	Income	Expenditure	Expenditure
	£000	£000	£000	£000
Chief Executive, PA's & Directors	643	0	643	632
Communications, Strategy & Policy	2,198	(672)	1,526	1,504
Human Resources & Organisation Development	684	(28)	656	611
Strategic Finance & Property	7,911	(2,896)	5,015	4,040
Democratic & Legal Services	2,082	(365)	1,717	1,652
Housing & Health	5,679	(2,096)	3,583	3,454
Planning & Building Control	4,434	(1,952)	2,482	1,804
Operations	15,595	(10,983)	4,612	3,979
Shared Revenues & Benefits Service	27,358	(25,934)	1,424	1,264
Shared Business & Technology Services	2,293	(16)	2,277	2,188
<b>NET COST OF SERVICES</b>			<b>23,935</b>	<b>21,128</b>
Payments of precepts to parishes			5,060	4,892
Gain on disposal of non current (fixed) assets			(1,427)	2,186
<b>OTHER OPERATING EXPENDITURE</b>			<b>3,633</b>	<b>7,078</b>
Interest payable and similar charges			596	141
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			1,024	773
Interest receivable and similar income			(1,463)	(956)
Income from investment properties ( Note 10)			(822)	(844)
Direct expenditure incurred on investment properties ( Note 10)			200	102
Changes in Fair Value of Investment Properties			(795)	(97)
<b>FINANCING AND INVESTMENT EXPENDITURE</b>			<b>(1,260)</b>	<b>(881)</b>
Recognised capital grants and contributions			(2,207)	(1,475)
Council tax income			(16,768)	(16,057)
Non domestic rates			(188)	2,543
Non service related government grants			(6,624)	(9,000)
Renewable energy			(318)	0
<b>TAXATION AND NON-SPECIFIC GRANT INCOME (Note 29)</b>			<b>(26,105)</b>	<b>(23,989)</b>
<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>			<b>203</b>	<b>3,336</b>
(Surplus) or Deficit on revaluation of Fixed assets			1,566	(7,195)
Remeasurements of the net defined benefit liability (Note 33)			(28,843)	(12,145)
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>(27,277)</b>	<b>(19,340)</b>
(Surplus) / Deficit on revaluation of financial instruments (Note 12)			4,667	(3,299)
<b>ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>4,667</b>	<b>(3,299)</b>
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(22,610)</b>	<b>(22,639)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(22,407)</b>	<b>(19,303)</b>

All operations arise from continuing activities.

## BALANCE SHEET

These financial statements are authorised by Steven Linnett - Head of Strategic Finance & S151 Officer 06/11/2024

*Steven Linnett*

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

		31 March '23		31 March '22
		£000	£000	£000
Property, Plant & Equipment	Note 7			
- Other land and buildings		88,533		71,147
- Vehicles, plant, furniture and equipment		2,280		1,501
- Infrastructure assets		1,285		1,516
- Community assets		4,900		3,524
- Surplus assets		6,093		2,416
- Assets under Construction		18,711		31,373
			121,802	
Investment Properties	Note 10	8,594		9,161
Intangible Assets	Note 11	292	8,886	376
			<b>130,688</b>	<b>121,014</b>
Long Term Investments	Note 12	19,555		24,223
Long Term Debtors	Note 15	5,190	24,745	5,192
<b>TOTAL LONG TERM ASSETS</b>			<b>155,433</b>	<b>150,429</b>
Assets Held For Sale	Note 17	409		0
Short Term Investments	Note 12	6,500		2,500
Short Term Debtors	Note 15	12,754		11,581
Cash and Cash Equivalents	Note 16	8,944		16,988
<b>CURRENT ASSETS</b>			<b>28,607</b>	<b>31,069</b>
Provisions	Note 19	(300)		(496)
Short Term Creditors	Note 18	(21,894)		(26,321)
Short Term Borrowing	Note 12	(30,000)		(20,000)
<b>CURRENT LIABILITIES</b>			<b>(52,194)</b>	<b>(46,817)</b>
Provisions	Note 19	(1,233)		(1,949)
Long Term Borrowing	Note 12	(1,522)		(1,522)
Net Pension Liability	Note 33	(2,862)		(28,511)
Grant Receipts in Advance	Note 29	(2,476)		(2,085)
- Capital				
- Revenue		(5,173)		(4,441)
<b>LONG TERM LIABILITIES</b>			<b>(13,266)</b>	<b>(38,508)</b>
<b>NET ASSETS</b>			<b>118,580</b>	<b>96,173</b>
<b>USABLE RESERVES</b>				
- General Fund	Note 20	3,854		3,854
- General Reserve	Note 20	878		1,065
- Earmarked Reserves	Note 6	18,688		21,307
- Capital Receipts Reserve	Note 20	0		0
- Capital grants Unapplied	Note 20	224		224
			<b>23,644</b>	<b>26,450</b>
<b>UNUSABLE RESERVES</b>				
- Revaluation Reserve	Note 21	20,815		22,761
- Financial Instrument Revaluation Reserve	Note 21	(443)		4,225
- Pensions Reserve	Note 21	(2,862)		(28,511)
- Capital Adjustment Account	Note 21	75,629		75,343
- Deferred Capital Receipts	Note 21	144		145
- Collection Fund Adjustment Account	Note 21	1,858		(4,013)
- Short-term Accumulating Compensated Absences Account	Note 21	(205)		(227)
			<b>94,936</b>	<b>69,723</b>
<b>TOTAL RESERVES</b>			<b>118,580</b>	<b>96,173</b>

## THE CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2022/23		2021/22
	£000	£000	£000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Council Tax receipts	(12,131)		(11,527)
NNDR Receipts	(15,704)		(14,116)
DWP grants for benefits	(22,375)		(24,968)
Other Government grants	(10,062)		(38,712)
Cash received for goods and services	(18,002)		(25,427)
Interest received	(1,463)		(847)
<b>Cash inflows generated from operating activities</b>	<b>(79,737)</b>		<b>(115,597)</b>
<b>Cash Out Flows</b>			
Cash paid to and on behalf of employees	14,895		14,551
Housing Benefit paid out	22,409		23,965
Other operating cash payments	37,884		54,980
Precepts paid to other authorities	5,060		4,892
Interest paid	320		133
<b>Cash outflows generated from operating activities</b>	<b>80,568</b>		<b>98,522</b>
<b>Net Cash Inflow from operating activities</b>		<b>831</b>	<b>(17,076)</b>
<b>INVESTING ACTIVITIES</b>			
- Purchase of property plant and equipment, investment property and intangible assets	16,620		26,386
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,427)		(605)
- Capital grants	(2,717)		(1,251)
- Proceeds from short-term and long-term investments	(4,000)		(2,202)
<b>Net cash outflow from investing activities</b>		<b>8,476</b>	<b>22,327</b>
<b>FINANCING ACTIVITIES</b>			
- Cash receipts of short and long-term borrowing	(10,000)		(20,000)
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)			
- Other payments for financing activities	4,161		5,433
<b>Net cash outflow from financing activities</b>		<b>(5,839)</b>	<b>(14,567)</b>
Net increase in cash and cash equivalents		3,468	(9,316)
Cash and cash equivalents at the beginning of the reporting period		(18,222)	(8,906)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(14,754)</b>	<b>(18,222)</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

- i.** The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Accounts and Audit Regulations 2015 require the Council to prepare the Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2022/23 and the Service Reporting Code of Practice (SeRCOP) 2020/21, 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.
- ii.** The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

### **iii. Accruals of Income & Expenditure**

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

- Income from the provision of services in the form of sales, fees, charges and rents is recognised and accounted for in the period to which they relate.
- Expenses in relation to services received (including services provided by employees, transport related, premises related and supplies and services related expenditure) are recorded as expenditure when the services are received rather than when payments are made, with the exception of quarterly utility payments where no actual apportionment is made for bills spanning two financial years.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Provision is made for doubtful debts and known uncollectable debts are written off in accordance with the Council's agreed policy.

### **iv. 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 no more than three weeks or less that are readily convertible to known amounts of cash with insignificant risk of change in value, and are used to meet short term liquidity requirements.

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.

**v. 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.

**vi. Charges to Revenue for Non - Current Assets  
(Property, Plant and Equipment and Intangible Assets)**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation, impairment losses and amortisations are therefore transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

**vii. 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 salaries, paid annual leave and paid sick leave, 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 and flexi time 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 the 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.

## **Post Employment Benefits (Pensions)**

The Council participates in one scheme, the Local Government Pension Scheme, which is a defined benefit final salary scheme administered by Hertfordshire County Council.

The liabilities of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit 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 future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.5%. The discount rate has been determined as the long term government bond yield plus an allowance for the average difference between the yield on corporate bonds and government bonds. This difference in yields is a result of the difference in the risk of default. This approach has been adopted as government bonds have a long enough term to match the term of the liabilities whereas corporate bonds have shorter terms.

The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unit trust and managed fund investments (including property) – current bid price and disclosed in line with the requirements of IAS19.

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost / gain – the increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited / credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the pension fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees
- debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
  
- contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the 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 are earned by employees.

In line with the requirements of the Code the past service contribution is no longer a current revenue item but is included as part of the payments to the pension fund (in accordance with pension scheme regulations) and is treated as a cash flow item which reduces the pensions liability. This is also in line with the requirements of the Code.

Further information can be found in Hertfordshire County Council’s Pension Fund’s Annual Report which is available upon request from LPP, Hertfordshire County Council, Post point CHO 033, County Hall, Pegs Lane, Hertford, SG13 8DQ.

### **viii. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted where material to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **ix. Government grants and contributions - revenue and capital**

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised in the accounts when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received.

The grant or contribution is recognised immediately within the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition relating to the initial recognition that the Council has not satisfied.

Monies received as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as a liability within the Grants Receipts in Advance Account. 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-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund expenditure.

Revenue grants specific to service provision are shown against the relevant service in the Comprehensive Income and Expenditure Statement. General grants allocated by central government directly to local authorities as additional revenue funding which are non-ring fenced are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

## **x. Minimum revenue provision**

In accordance with current legislation the minimum revenue provision (MRP) for the redemption of debt is required to be calculated on a prudent basis having regard to guidelines set out for application of the prudential code. Following the disposal of the Council's Housing stock the Council has a negative capital financing requirement and so the calculated MRP is nil.

## **xi. Overheads and support services**

As the Council does not include the recharge of overheads and support services in how they monitor and manage financial performance they are no longer included in the year end accounts.

## **xii. Provision for bad debt**

The value of receivables (debtors) shown on the Balance Sheet is adjusted for doubtful debts. The level of bad debt provision is reviewed annually. Uncollectable debts are written off against the provision. The following methods are used:

Trade Accounts Receivable	- Age and Collectability
Housing Benefits Overpayments	- Age and Collectability
National Non Domestic Rates	- Currently 100% of outstanding arrears
Council Tax	- 0.46% against the net debit due reviewed against sums written off and opening yearly balances



### **xiii. Revenue expenditure funded from Capital under Statute (REFCUS)**

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

### **xiv. Capital receipts**

Capital Receipts arise from the sale of non-current assets (Property, Plant and Equipment and Investment Properties). Further to the introduction of the Prudential Capital Finance System on 1 April 2004, capital receipts are all deemed to be “usable” and are held within the Capital Receipts Reserve.

Prior to this date, in accordance with Government legislation, a proportion of certain receipts had to be “set aside” and are retained within the Capital Adjustment Account as provision for the repayment of debt.

### **xv. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues & Customs and in most circumstances all VAT paid is recoverable from them. VAT has been included in the income and expenditure accounts only to the extent that it is irrecoverable.

### **xvi. Tax Income (Council Tax, Non-Domestic Rates (NDR)**

#### **Non Domestic Rates (NDR)**

The Council collects, administers and distributes Non Domestic Rates (NDR) for its area based on local rateable values determined by the Valuation Office Agency (VOA). The tax liability is then calculated applying a business rate which is set and uniformly applied on a national basis. In 2013/14, the administration of NDR changed following the introduction of a Business Rates Retention Scheme which aims to give Councils greater incentive to grow businesses in their locality. This regime also increased the financial risk and opportunities for local authorities, with income becoming more volatile and difficult to predict.

The regime provides for local authorities to retain a proportion of the total collectable rates due in proportion of their relevant statutory share. The proportion for East Hert is 40%, the remainder being distributed to Hertfordshire County Council (10%) and Central Government (50%).

As part of the regime the Government set up a system of 'Top ups', 'Tariffs' and 'Safety Nets' that were introduced to ensure that Councils were guaranteed a minimum level of retained NDR income, thus providing some financial certainty under the new scheme. In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and the financial impact of uncollected business rate income as at 31 March 2021. Authorities are required to make a provision for these assets and liabilities in their accounts.

The accounting arrangements for the Non Domestic Rates are summarised as follows:

- the Council's element of Retained Business Rate income, Tariffs, Top Up and Safety net is included in the CI&E Statement based on the relevant regulations.
- the NDR Collection Fund is prepared on an agency arrangement basis. Relevant proportions of the accounts Surplus/Deficit/taxpayer's Arrears and Provisions are allocated to the relevant Preceptors and Government and accounted for as Debtors/ Creditors in the Billing Authority's Accounts
- the council's cashflow statement only includes the council's share of council tax, net cash collected and precepts paid.

### **Council Tax**

The Council as billing authority acts as agent with regards to the collection and distribution of Council Tax on behalf of itself, Hertfordshire County Council, Hertfordshire Police and Town and Parish Councils. In line with these agency arrangements, and in order to reflect the risks and rewards within the Council, the following transactions are included:

- the Council's Comprehensive Income & Expenditure Statement includes only the statutory precept under regulation.
- a debtor/creditor to reflect the difference between the various preceptors share of cash collected in the year and cash paid to the preceptors on account in line with the appropriate regulations will be included in the Council's balance sheet.
- the council's cashflow statement only includes the council's share of council tax, net cash collected and precepts paid

### **xvii. Interests in Other Entities**

The Council has set up a wholly owned subsidiary called Millstream Property Investments Ltd, which has the principal activity of acquiring, developing and refurbishing properties. The Company's accounts are consolidated into the Council's accounts and the consolidated accounts are included in the Council's Statement of Accounts.

Additionally, the Council also has an interest in Hertfordshire Building Control Limited, a company which is equally owned by seven Hertfordshire authorities.

## 2. Expenditure and Funding Analysis

The object of the Expenditure and Funding Analysis is to demonstrate to Council Taxpayers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with general accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23	Net Expenditure chargeable to the General Fund		
	balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	413	230	643
Communications, Strategy & Policy	1,222	303	1,525
Human Resources & Organisation Development	558	98	656
Strategic Finance & Property	3,072	1,943	5,015
Legal & Democratic Services	1,453	264	1,717
Housing & Health	2,640	943	3,583
Planning & Building Control	2,100	382	2,482
Operations	2,478	2,134	4,612
Shared revenues & Benefits Service	649	776	1,425
Shared Business & Technology Services	2,273	4	2,277
<b>Net cost of services</b>	<b>16,858</b>	<b>7,077</b>	<b>23,935</b>
Other income and Expenditure	(13,705)	(10,028)	(23,733)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>3,153</b>	<b>(2,951)</b>	<b>202</b>
<b>Operating General Fund balance at 1 April 2022</b>	<b>26,449</b>		
Transfers to/(from) Earmarked Reserves	(2,805)		
<b>Closing General Fund Balance at 31 March 2023</b>	<b>23,644</b>		

2021/22	Net Expenditure chargeable to the General Fund		
	balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	383	249	632
Communications, Strategy & Policy	1,184	319	1,503
Human Resources & Organisation Development	502	109	611
Strategic Finance & Property	3,110	930	4,040
Legal & Democratic Services	1,371	282	1,653
Housing & Health	2,330	1,124	3,454
Planning & Building Control	1,402	402	1,804
Operations	2,603	1,376	3,979
Shared revenues & Benefits Service	451	812	1,263
Shared Business & Technology Services	2,184	4	2,188
<b>Net cost of services</b>	<b>15,520</b>	<b>5,607</b>	<b>21,127</b>
Other income and Expenditure	(13,581)	(4,210)	(17,791)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,939</b>	<b>1,397</b>	<b>3,336</b>
<b>Operating General Fund balance at 1 April 2021</b>	<b>28,388</b>		
Transfers to/(from) Earmarked Reserves	(1,939)		
<b>Closing General Fund Balance at 31 March 2022</b>	<b>26,449</b>		

# Note to the Expenditure and Funding Analysis - Adjustments between Funding and Accounting Basis

2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Chief Executive, PA's & Directors	145	87	-1	231
Communications, Strategy & Policy	37	268	-1	304
Human Resources & Organisation Development	10	88	0	98
Strategic Finance & Property	1,609	338	-4	1,943
Legal & Democratic Services	31	234	-2	263
Housing & Health	386	562	-4	944
Planning & Building Control	21	363	-2	382
Operations	1,887	248	-2	2,133
Shared Revenues & Benefits Service	44	738	-7	775
Shared Business & Technology Services	4		0	4
<b>Net cost of services</b>	<b>4,174</b>	<b>2,926</b>	<b>-23</b>	<b>7,077</b>
Other income and expenditure from the Funding Analysis	(4,427)	269	(5,870)	(10,028)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income &amp; Expenditure Statement (surplus) or deficit</b>	<b>(253)</b>	<b>3,195</b>	<b>(5,893)</b>	<b>(2,951)</b>

2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Chief Executive, PA's & Directors	163	89	-4	248
Communications, Strategy & Policy	36	289	-6	319
Human Resources & Organisation Development	17	95	-2	110
Strategic Finance & Property	591	359	-19	931
Legal & Democratic Services	30	258	-6	282
Housing & Health	560	578	-15	1,123
Planning & Building Control	19	392	-10	401
Operations	1,110	275	-9	1,376
Shared Revenues & Benefits Service	41	795	-23	813
Shared Business & Technology Services	4	-	0	4
<b>Net cost of services</b>	<b>2,571</b>	<b>3,130</b>	<b>-94</b>	<b>5,607</b>
Other income and expenditure from the Funding Analysis	615	36	(4,861)	(4,210)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income &amp; Expenditure Statement (surplus) or deficit</b>	<b>3,186</b>	<b>3,166</b>	<b>(4,955)</b>	<b>1,397</b>

## **Note 1 – Adjustments for Capital Purposes**

Adjustments for capital purposes for this column add in depreciation and impairment and revaluation gains and losses in the services line and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those asset;
- Financing and investment income and expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;
- Taxation and non-specific grant income and expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those received in the year to those receivable without conditions or for which conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions were satisfied in the year.

## **Note 2 – Net change for the pensions' adjustments**

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For Services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past services costs;
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

## **Note 3 – Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

### 3. Accounting Standards Issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the Council to disclose information relating to accounting standards that have been issued but have not yet been adopted that could have a material impact on the accounts.

For this disclosure the standards introduced by the 2022/23 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

### 4. Assumptions made about the future and other major sources of estimation 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 into account professional advice (e.g. actuarial advice), historical experience, current trends and other relevant information. Items included within the Council's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming year are as follows:

#### Pension Liability

The value of the pension liability as at 31st March 2023 is £2.9m. This liability depends on a number of factors, including discount rates, changes in retirement age, mortality rates and expected return on pension's assets. These are determined on an actuarial basis by Hymans Robertson, the actuaries for the Hertfordshire pension fund.

Change in assumptions at 31 March 2023	% increase to Defined Benefit Obligation	Approximate monetary amount (£m)
0.1% decrease in Real Discount Rate	2%	2,027
0.1% increase in the Salary Increase Rate	0%	221
0.1% increase in the Pension Increase Rate	1%	1,835



The figures in the table above give an indication of the potential impact that a change in assumptions could represent to the value of the pension liability. The figures represent key factors taken in isolation and are only indicative of the estimated impact as the assumptions interact in complex ways. The approach taken is consistent with that adopted to derive the IAS19 figures as per note 33.

## Property, Plant and Equipment

The Councils assets are shown in the accounts at either Fair Value, Fair Value (Existing Use) or Market Value (dependent on the class of asset. Further information can be found in Note 7). The valuations are carried out by our internal asset management team in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation professional standards and International Financial Reporting Standards (IFRS). These valuations are arrived at using recent comparable transactions and for specialised properties using depreciated replacement cost methodology.

The tables below show the 31 March 2022 value of the assets in the Statement of Accounts, the impact a 5% increase or decrease in asset value would have on the Balance Sheet and the depreciation charged to the Comprehensive Income and Expenditure statement.

	31/03/2023	-5%		5%	
	Value	Value	Movement	Value	Movement
	£000	£000	£000	£000	£000
Other Land & Buildings	88,533	84,106	(4,427)	92,960	4,427
Vehicles, Plant, Furniture & Equip.	2,280	2,166	(114)	2,394	114
Infrastructure	1,285	1,221	(64)	1,349	64
Community Assets	4,900	4,655	(245)	5,145	245
Surplus Assets	6,093	5,788	(305)	6,398	305
	<b>103,091</b>	<b>97,936</b>	<b>(5,155)</b>	<b>108,245</b>	<b>5,154</b>

## Depreciation

	31/03/2023	-5%		5%	
	Value	Value	Movement	Value	Movement
	£000	£000	£000	£000	£000
Other Land & Buildings	774	735	(39)	813	39
Vehicles, Plant, Furniture & Equip.	487	504	17	558	71
Infrastructure	266	253	(13)	279	13
	<b>1,527</b>	<b>1,492</b>	<b>(35)</b>	<b>1,650</b>	<b>123</b>

## Investment Properties

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. The Council's investment property has been valued as at 31 December 2022 (with a statement of professional opinion given that there has been no material change up to 31 March 2023) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### **Non Domestic Rates – Provision for outstanding appeals**

Since the Retained Business Rate scheme was introduced on 1st April 2013 Local Authorities have assumed the liability for refunding business rate payers who successfully appeal against the rateable value of their property.

Appeals against the rateable value of a property are lodged by the rate payer with the Valuation Office Agency, who provides information of all the appeals that have been lodged to the Council.

An estimate of the potential impact of successful appeals has been calculated using analysis provided from Inform (a member of the Institute of Rating, Revenues and Valuation) and local knowledge.

The carrying amount of the provision at 31 March 2023 is £3.8m, of which the Council's share of £1.5m is reflected in the accounts. Higher success rates of appeals could result in a need for a larger provision. An increase of 5% would change the required provision by £192k affecting the surplus/deficit distribution to the Council, Hertfordshire County Council and Central Government.

**Debtors** - As at 31 March 2023 the authority had a balance of short term debtors of £15.7m. A review of the age and collectability of the debts outstanding has resulted in a bad debt provision of £3m. If collection rates were to deteriorate then an additional provision would be required.

## 5. Adjustments between Accounting Basis and Funding Basis under Regulations

2022/23

### Adjustments involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Charges for depreciation of non current assets

Revaluation / Impairment on Property Plant and Equipment

Movements in the market value of Investment Properties

Amortisation of intangible assets

Capital grants and contributions applied

Revenue expenditure funded from capital under statute

Revenue grants written down to the Capital Adjustment Account

Disposal of non current assets

Disposal of investment Properties

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory adjustment relating to capital element of principal repayment for finance lease

Capital expenditure charged against the General Fund

### Adjustments involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement

Application of grants to capital financing transferred to the Capital Adjustment Account

### Adjustments involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Use of Capital Receipts Reserve to finance new capital expenditure

### Adjustments involving the Deferred Capital Receipts Reserve:

Statutory adjustment relating to capital element of principal payment for finance lease

### Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)

Employer's pensions contributions and direct payments to pensioners payable in the year

### Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

### Adjustment involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

	Usable Reserves			
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Charges for depreciation of non current assets	2,656			(2,656)
Revaluation / Impairment on Property Plant and Equipment	1,320			(1,320)
Movements in the market value of Investment Properties	(795)			795
Amortisation of intangible assets	200			(200)
Capital grants and contributions applied	(2,207)			2,207
Revenue expenditure funded from capital under statute	348			(348)
Revenue grants written down to the Capital Adjustment Account	-			-
Disposal of non current assets	1,656			(1,656)
Disposal of investment Properties	-			-
Statutory adjustment relating to capital element of principal repayment for finance lease				-
Capital expenditure charged against the General Fund				-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	3,083	3,083	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	3,083	3,083
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				0
Use of Capital Receipts Reserve to finance new capital expenditure				0
Statutory adjustment relating to capital element of principal payment for finance lease		2		(2)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	5,878			(5,878)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,683)			2,683
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,870)			5,870
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(23)			23
<b>Total Adjustments</b>	<b>(2,601)</b>	<b>0</b>	<b>0</b>	<b>2,601</b>

## 2021/22 comparative figure

### Adjustments involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Charges for depreciation of non current assets	1,538	-	-	(1,538)
Revaluation / Impairment on Property Plant and Equipment	737	-	-	(737)
Movements in the market value of Investment Properties	(97)	-	-	97
Amortisation of intangible assets	296	-	-	(296)
Capital grants and contributions applied	(1,475)	-	-	1,475
Revenue expenditure funded from capital under statute	0	-	-	0
Revenue grants written down to the Capital Adjustment Account	-	-	-	-
Disposal of non current assets	2,742	-	-	(2,742)
Disposal of investment Properties	-	-	-	-

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory adjustment relating to capital element of principal repayment for finance lease  
Capital expenditure charged against the General Fund

### Adjustments involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement

Application of grants to capital financing transferred to the Capital Adjustment Account

### Adjustments involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Use of Capital Receipts Reserve to finance new capital expenditure

### Adjustments involving the Deferred Capital Receipts Reserve:

Statutory adjustment relating to capital element of principal payment for finance lease

### Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)

Employer's pensions contributions and direct payments to pensioners payable in the year

### Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

### Adjustment involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

<b>Total Adjustments</b>	<b>1,397</b>	<b>0</b>	<b>0</b>	<b>(1,397)</b>
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Usable Reserves			
General Fund balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£000	£000	£000	£000
1,538	-	-	(1,538)
737	-	-	(737)
(97)	-	-	97
296	-	-	(296)
(1,475)	-	-	1,475
0	-	-	0
-	-	-	-
2,742	-	-	(2,742)
-	-	-	-
-	-	-	-
-	-	-	-
(557)	557	-	-
	(557)	-	557
2	-	-	(2)
5,798	-	-	(5,798)
(2,632)	-	-	2,632
(4,861)	-	-	4,861
(94)	-	-	94
<b>1,397</b>	<b>0</b>	<b>0</b>	<b>(1,397)</b>

## 6. Transfers to/from Earmarked Reserves

Amounts appropriated to / from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cashflow management.

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide funding for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Balance 1 April 2021 £000	Transfers Out/(In) 2021/22 £000	Balance 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance 31 March 2023 £000
Interest Equalisation Reserve	(1,980)	(65)	(2,045)	-	-	(2,045)
Insurance Fund	(908)	-	(908)	161	-	(747)
Emergency Planning Reserve	(36)	-	(36)	-	-	(36)
LDF/Green Belt Reserve	(62)	-	(62)	-	-	(62)
Housing Condition Survey Reserve	(90)	-	(90)	-	-	(90)
Council Elections Reserve	(28)	(35)	(63)	-	(35)	(98)
Sinking fund - Leisure Utilities / Pension Reserve	(228)	-	(228)	-	-	(228)
Performance Reward Grant Reserve	(10)	-	(10)	-	-	(10)
Waste Recycling Income Volatility Reserve	(103)	(250)	(353)	-	-	(353)
Footbridge Reserve	(150)	-	(150)	-	-	(150)
DCLG Preventing Repossessions	(18)	-	(18)	-	-	(18)
New Homes Bonus Priority Spend	(6,068)	(600)	(6,668)	113	(1,383)	(7,938)
Collection Fund Reserve	(1,963)	-	(1,963)	300	-	(1,663)
DEFRA Flood Support	(4)	-	(4)	-	-	(4)
Neighbourhood Planning	(64)	-	(64)	-	-	(64)
IER	(106)	-	(106)	26	-	(80)
MTFP Transition Funding Reserve	(413)	-	(413)	-	-	(413)
Flexible Homelessness Grant	(354)	-	(354)	-	-	(354)
Preventing Homelessness New Burdens Reserve	(31)	-	(31)	-	-	(31)
Healthy Lifestyle Promotions Reserve	(33)	-	(33)	-	-	(33)
Land Charges New Burdens	(30)	-	(30)	-	-	(30)
HB Subsidy Volatility Reserve	(50)	-	(50)	-	(50)	(100)
Section 31 NNDR	(10,607)	3,536	(7,071)	3,536	-	(3,535)
Parks & Open Spaces Reserve	-	(306)	(306)	-	-	(306)
Revs & Bens New Burdens Reserve	-	(250)	(250)	-	(50)	(300)
<b>Total</b>	<b>(23,336)</b>	<b>2,030</b>	<b>(21,306)</b>	<b>4,136</b>	<b>(1,518)</b>	<b>(18,688)</b>



Interest Equalisation Reserve	This reserve was established to assist the Council in managing the financial implications of adverse interest rate fluctuations. There has been no use of this reserve in 2022/23.
Insurance Fund	Its purpose is to support the Council's insurance and risk management process in anticipation of setting up a self-insurance fund in some areas to reduce future insurance premiums. £161k has been utilised in 2022/23.
Emergency Planning Reserve	The reserve was set up to support the work of an Emergency Planning Officer Group that has been established within the Council. There was no call on it in 2022/23.
Local Development Framework / Green Belt Reserve	This reserve was established in 2008/09 to smooth expenditure over the Council's Medium Term Financial Plan (MTFP). There has been no call on the reserve in 2022/23.
Housing Condition Survey Reserve	This reserve was established to fund House Condition Surveys. There has been no movement on the reserve in 2022/23.
Council Elections Reserve	Established to smooth the cost of Elections over the MTFP. A further £35k was added to the reserve in 2022/23 to fund the cost of future elections.
Sinking Fund – Leisure Utilities and Pension	Further to the Council awarding a new leisure contract to Sports and Leisure Management from January 2009, the Council provided guarantees in respect of utilities and employers pension costs. There was no call on it in 2022/23.
Performance Reward Grant Reserve	The Council received revenue grant funding in respect of the Local Area Agreement (Performance Reward Grant) in 2009/10. There was no call on the reserve in 2022/23.
Waste Recycling Income Volatility Reserve	The reserve has been established to manage income volatility in recycling income. There was no call on this reserve in 2022/23.
Footbridge Reserve	The Council's MTFP included setting aside £50k a year from 2010/11 to 2012/13 in order to meet any potential maintenance costs or liabilities that may arise relating to the footbridge over the River Stort. There was no call on the reserve 2022/23.
DCL Preventing Repossessions	This reserve was established from unspent Government Grant monies. There were no appropriations in 2022/23.
New Homes Bonus Priority Spend	This reserve was established from unspent New Homes Bonus monies received from DCLG and the 2014/15 GF underspend. Over the years, further amounts of New Homes Bonus monies have been transferred to this reserve with a net £1,270k added in 2022/23.

Collection Fund Reserve	As a result of a Council decision in January 2014, a Government Funding Risk Reserve was established to smooth the effect on the Council of income volatility following the new NDR funding regime. This was subsequently renamed the Collection Fund Reserve. £300k was utilised from the reserve in 2022/23.
DEFA Flood Support for Local Businesses	This reserve was established from the unspent element of a DEFRA grant received to enable the Council to support local businesses to repair damage following the flooding in 2013/14. There has been no call on this in 2022/23.
Neighbourhood Planning Grant	Created in 2014/15 from unspent Neighbourhood Planning grant received from MHCLG to fund future spend. There has been no call on this reserve in 2022/23.
IER Grant	This reserve was created from unspent grant monies received from the Cabinet Office to fund the costs of additional work involved in the Individual Electoral Registration Scheme. Further unspent grant monies were added to the reserve in 2019/20. £26k was utilised from this reserve in 2022/23.
MTFP Transition Funding Reserve	A new reserve established in 2016/17 from the Transition Grant awarded by MHCLG as part of the 2016/17 financial settlement. No movement on this reserve in 2022/23.
Flexible Homelessness Grant	Established from unspent Government Grant monies in 2017/18 specifically to prevent and deal with homelessness. Further unspent grant monies have been added in 2019/20. No call on this reserve in 2022/23.
Preventing Homelessness New Burdens	A new reserve set up in 2017/18 from unspent Government Grant to deal with Homelessness. There was no call on this in 2022/23.
Healthy Lifestyle Promotions	A new reserve created in 2018/19 from unspent grant monies received to promote healthy living. There has been no call on this in 2022/23.
Land Charges New Burdens	This reserve was created from unused government grant received to cover costs of transferring the local land charges register to HM Land Registry. There has been no call on this in 2022/23.
HB Subsidy Volatility Reserve	This reserve was created in 2018/19 to manage the financial implications of fluctuations in Housing Benefit subsidy, £50k was added to this reserve in 2020/21. A further £50k was added in 2022/23 from unspent grant monies.
NNDR Section 31 Reserve	A new reserve created in 2020/21 from Section 31 grants received in 2020/21 but for use in 2021/22 to fund NNDR Collection Fund transactions. £3,536 has been appropriated in 2022/23.
Parks & Open Spaces Reserve	A new reserve created in 2021/22 from unspent contribution to be used to fund future works. No call made on this reserve in 2022/23.
Revs & Bens New Burdens	A new reserve established in 2021/22 from unspent Government Grant monies. A further £50k added in 2022/23.

## 7. Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, 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. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational non-specialised property – fair value based on existing use value. The multi-storey car parks and surface car parks have been valued using the Existing Use Valuation method on the basis of income & expenditure, profit information;
- Operational specialised property (inc leisure centres and Hertford theatre) – depreciated replacement cost (DRC).;
- Community assets – nominal value or historical cost;
- Infrastructure and all other assets – depreciated historical cost;
- Surplus assets - fair value, estimated at highest and best use from a market participant's perspective.

In the event of a future disposal the market value at that time may realise more or less than the carrying value. Since April 2016 the Council has revalued its assets on an annual basis (formerly four year rolling basis). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The Valuations were carried out by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) on the basis of standards of professional practice set out in the guidance below:

- Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards ('The red Book')
- International Financial Reporting Standards (IFRS)
- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting ('The CIPFA Code')

The valuer has arrived at their opinion of Fair Value, Fair Value (Existing Use) and Market Value from referring to recent comparable transactions. For Specialised properties the Fair value (Existing Use) has been derived using Depreciated Replacement Cost methodology.

Where decreases in value are identified, they are accounted for:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The current asset values used in the accounts are based upon a certificate issued by the Council's Asset & Estates Manager, Anna Osborne MRICS and Lucy Smith MRICS as at 31 March 2021. Property, plant and equipment are classified in the Balance Sheet in line with current Accounting Codes of Practice.

### **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.

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

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

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

## Depreciation

All Property, Plant and Equipment, other than freehold land and Community Assets (with two exceptions being recreational facilities with a building element) are depreciated on a straight line basis over the period of the assets useful economic life. The following periods are used:

Freehold Land	No depreciation
Council Buildings	20 to 60 years
Infrastructure	10 to 20 years
Equipment, Furniture and Fittings	5 to 20 years
Community Assets	No depreciation (30 years for exceptions)
Non-operational assets	40 to 60 years
Enhancement to Leased Properties	10 to 25 years
Plant	20 to 35 years

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

## Componentisation

In line with accounting requirements the Council considers the identification of individual asset components on a prospective basis following either the enhancement of an asset or its revaluation. The Council has determined that it will adopt a de-minimis value of £1m for individual assets.

## Disposals

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

The gain or loss on disposal 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 transferred from the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account (the carrying amount of the asset) and the usable Capital Receipts Reserve (the disposal proceeds).

## Property, Plant & Equipment

Cost or Valuation	Other Land & Buildings	Vehicles, Plant, Furniture & Equip.	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>2021/22</b>							
As at 01/04/2021	75,623	20,578	8,560	3,384	2,410	31,243.00	<b>141,798</b>
Additions	655	151	0	231	-	23,864	<b>24,901</b>
Disposals	(2,742)	-	-	-	-	-	<b>(2,742)</b>
Reclassifications	23,734	-	-	-	0	(23,734)	<b>0</b>
Revaluations	6,452	-	-	-	6	0	<b>6,458</b>
<b>Total as at 31/03/2022</b>	<b>103,722</b>	<b>20,729</b>	<b>8,560</b>	<b>3,615</b>	<b>2,416</b>	<b>31,373</b>	<b>170,415</b>
<b>2022/23</b>							
As at 01/04/2022	103,722	20,729	8,560	3,615	2,416	31,373	<b>170,415</b>
Additions	61	1,266	-	1,376	-	12,210	<b>14,913</b>
Disposals	-	-	-	-	-	-	<b>0</b>
Reclassifications	21,284	-	-	-	4,542	(24,872)	<b>954</b>
Revaluations	(2,021)	-	-	-	(865)	-	<b>(2,886)</b>
<b>Total as at 31/03/2023</b>	<b>123,046</b>	<b>21,995</b>	<b>8,560</b>	<b>4,991</b>	<b>6,093</b>	<b>18,711</b>	<b>183,396</b>
<b>Depreciation &amp; Impairment</b>							
<b>2021/22</b>							
As at 01/04/2021	31,752	18,761	6,796	91	0	0	<b>57,400</b>
Charge for Year	823	467	248	-	-	-	<b>1,538</b>
Acc depreciation w/o on revaluation	-	-	-	-	-	-	<b>0</b>
Disposals	-	-	-	-	-	-	<b>0</b>
Impairment (reversal) recognised in the service	-	-	-	-	-	-	<b>0</b>
Revaluations	-	-	-	-	-	-	<b>0</b>
<b>Total as at 31/03/2022</b>	<b>32,575</b>	<b>19,228</b>	<b>7,044</b>	<b>91</b>	<b>0</b>	<b>0</b>	<b>58,938</b>
<b>2022/23</b>							
As at 01/04/2022	32,575	19,228	7,044	91	0	0	<b>58,938</b>
Charge for Year	1,938	487	231	-	-	-	<b>2,656</b>
Acc depreciation w/o on revaluation	-	-	-	-	-	-	<b>0</b>
Disposals	-	-	-	-	-	-	<b>0</b>
Impairment (reversal) recognised in the service	-	-	-	-	-	-	<b>0</b>
Revaluations	-	-	-	-	-	-	<b>0</b>
<b>Total as at 31/03/2023</b>	<b>34,513</b>	<b>19,715</b>	<b>7,275</b>	<b>91</b>	<b>0</b>	<b>0</b>	<b>61,594</b>
<b>Net Book Value</b>							
<b>Balance Sheet as at 31/03/22</b>	<b>71,147</b>	<b>1,501</b>	<b>1,516</b>	<b>3,524</b>	<b>2,416</b>	<b>31,373</b>	<b>111,477</b>
<b>Balance Sheet as at 31/03/23</b>	<b>88,533</b>	<b>2,280</b>	<b>1,285</b>	<b>4,900</b>	<b>6,093</b>	<b>18,711</b>	<b>121,802</b>

## Reconciliation of Additions in the year to Capital Spend

	2022/23	2021/22
	£000	£000
Additions in the year (as above)	14,913	24,901
Intangible assets	116	56
Investment Properties	0	(5)
	<b>15,029</b>	<b>24,952</b>
plus CERA (not included in note 7)		214
<b>Total Capital Spend</b>	<b>15,029</b>	<b>25,166</b>



## 8. Analysis of Fixed Assets

	31 March '23	31 March '22
	Number	Number
Council Dwellings - Hostels	4	4
- Houses	2	2
Council Offices - Freehold	2	2
- Leasehold	0	0
Service Centre - Leasehold	1	1
Cash Offices	2	2
Off-Street Car Parks (incl. Leasehold)	35	35
Swimming Pools (including 3 joint-use pools)	5	5
Parks and Recreation Grounds/Open spaces	188 HA	188 HA
Public Halls/Community Centres (incl leasehold)	9	9
Commercial Property Rented Out	56 Units	56 Units
Land Awaiting Development	1 HA	1 HA
Public Convenience	3	3

## 9. Heritage Assets

In line with the 2012 Code and FRS 30, the Council has identified a number of assets that meet the definition of a heritage asset and are being preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council's policy is to maintain Heritage assets in order to preserve them for future generations because of their cultural and historical associations. The Council does not consider that a commercial value can be placed upon these assets and its policy is, therefore, not to disclose on the balance sheet. They continue to be included within community assets with a nominal value. The assets are insured in order to protect the Council's interest in the event of damage or destruction.

The Heritage assets held within Community assets at a nominal sum are as follows; there is no value held for these assets.

- The Castle Wall (ancient flint), Hertford
- Monument, remains of Church of St Mary's, Old Cross
- Community land Obelisk, Bishop's Stortford
- Flowing River Sculpture, Bishop's Stortford
- Evolution sculpture at Hartham Common
- Hertford Theatre Wall Bronze Resin Sculpture
- Civic Regalia
- Oil Painting of Wallfields, Hertford
- Chainsaw sculpture Pishiobury Park, Sawbridgeworth

## 10. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

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

Rents received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2022/23	2021/22
	£000	£000
Rental income from investment property	(822)	(844)
Direct operating expenses arising from investment property	200	103
<b>Net gain</b>	<b>(622)</b>	<b>(741)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct, enhance or develop investment property. In some cases, the Council has repairing obligations which are met through revenue expenditure.

Authorities shall account for investment property in accordance with IAS 40 Investment Property and should be valued to 'Fair Value'.

Investment property is recognised at cost, including transaction costs but excluding operational components (PPE) where these can be measured reliably. Following recognition investment property is revalued on a fair value basis reflecting market state and circumstances on a given date.

The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

The following table summarises the movement through additions and re-classification of investment properties over the year:

	2022/23 £000		2021/22 £000
Balance at start of the year	9,161		9,070
Additions: Not transferred through re-classification	0	-	5
Additions: Transferred through re-classification	-		0
Disposals : Transferred through re-classification	(1,362)		0
Net gains / (losses) from fair value adjustments	795		96
<b>Balance at end of the year</b>	<b>8,594</b>		<b>9,161</b>

In addition to arriving at the fair values for the assets, IFRS 13 seeks to increase consistency and comparability within the valuation process which has been achieved through a 'fair value hierarchy'.

### **Fair Value Hierarchy**

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

### **Valuation Techniques Used to Determine Level 2 Values for Investment Property**

The fair value of investment property has been based on the market approach using current market conditions and recent sales prices, existing lease terms and rentals and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

### **Highest and Best Use**

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

### **Valuation Process for Investment Properties**

The Council's investment property has been valued as at 31 December 2022 (with a statement of professional opinion given that there has been no material change up to 31 March 2023) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 11. 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. In addition, the Council has agreed that all software will be treated as intangible assets.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation is not permitted to have an impact on the General Fund Balance. This is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software applications used by the Authority is 5 years. The movement on Intangible Asset balances during the year is as follows:

	Software	2022/23 Other Intangible	Total	Software	2021/22 Other Intangible	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at start of year:</b>						
Gross carrying amounts	5,970	-	5,970	5,914	-	5,914
Accumulated amortisation	(5,594)	-	(5,594)	(5,298)	-	(5,298)
<b>Net carrying amount at start of year</b>	<b>376</b>	<b>-</b>	<b>376</b>	<b>616</b>	<b>-</b>	<b>616</b>
Additions:						
Purchases	116	-	116	56	-	56
Amortisation for the period	(200)	-	(200)	(296)	-	(296)
<b>Net carrying amount at end of year</b>	<b>292</b>	<b>-</b>	<b>292</b>	<b>376</b>	<b>-</b>	<b>376</b>
Comprising:						
Gross carrying amounts	6,086	-	6,086	5,970	-	5,970
Accumulated amortisation	(5,794)	-	(5,794)	(5,594)	-	(5,594)
	292	-	292	376	-	376

## 12. Financial Instruments

### Financial Liabilities

Financial liabilities 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 and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at: amortised cost, fair value through profit or loss (FVPL), and fair value through other comprehensive income (FVOCI). The 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 (ie where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

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

### Soft Loans

The Code requires that a discounted interest rate be recognised as a reduction in the fair value of the asset. Potential Council loans falling within this category relate to an assisted car purchase scheme and a cycle scheme. The Council currently has no loans under its assisted car purchase scheme and the amount advanced under the cycle scheme is considered immaterial.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its 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 lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques: instruments with quoted market prices – the market price Other instruments with fixed and determinable payments – discounted cash flow analysis.

### **Financial Assets Measured at Fair Value through Other Comprehensive Income**

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of. The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

### **Financial Guarantees**

The Code includes a requirement for financial guarantees to be recognised at fair value and charged to the Comprehensive Income and Expenditure Statement (amortised over the life of the guarantee). The levels of liability assessed at March 2023 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees. The Council has determined to set aside a reserve against potential liabilities under these guarantees as set out in Note 6 to the Notes to the Core Statements.

No other financial guarantees were identified in 2022/23.

## Financial Instruments Balances

	Non-Current		Current	
	31 March '23 £000	31 March '22 £000	31 March '23 £000	31 March '22 £000
<b>Financial Assets</b>				
<b>Investments</b>				
At amortised cost - principal amount	-	-	6,450	2,489
- accrued interest	-	-	50	11
Fair Value through other comprehensive income - designated equity instruments	19,555	24,223	-	-
- accrued interest	-	-	-	-
<b>Total Investments</b>	<b>19,555</b>	<b>24,223</b>	<b>6,500</b>	<b>2,500</b>
<b>Cash &amp; Cash Equivalents</b>				
At amortised cost - principal amount	-	-	-	18,221
At amortised cost - accrued interest	-	-	-	1
<b>Total Cash &amp; Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,222</b>
<b>Debtors</b>				
Financial Assets at amortised cost	5,190	5,192	12,754	11,581
Less Non Financial Instruments Assets	-	-	9,454	(8,948)
<b>Total Debtors</b>	<b>5,190</b>	<b>5,192</b>	<b>3,300</b>	<b>2,633</b>
<b>Total Financial Assets</b>	<b>24,745</b>	<b>29,415</b>	<b>9,800</b>	<b>23,355</b>
<b>Financial liabilities</b>				
<b>Borrowing</b>				
At amortised cost	(1,500)	(1,500)	30,000	20,000
At amortised cost - accrued interest	(21)	(22)	-	-
Creditors	-	-	21,894	26,321
Non Financial instruments Liabilities	-	-	8,956	9,470
<b>Total Financial liabilities</b>	<b>(1,521)</b>	<b>(1,522)</b>	<b>60,850</b>	<b>55,791</b>

See also Notes 35 and 36 to the Core Statements. (Investments and Borrowings)



The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current assets'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2022/23.

Available for Sale Financial Assets are measured at fair value on a recurring basis. The valuation techniques used to measure them maximise the use of relevant observable inputs and minimise the use of unobservable inputs and are categorised as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

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.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	2022/23 £000	2021/22 £000
Property Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	0	23,646
<b>Balance at end of the year</b>			<b>0</b>	<b>23,646</b>

#### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year

## The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price.
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

### Financial Liabilities - fair value

	Input level in fair value hierarchy	Valuation technique used to measure fair value	2022/23 £000	2021/22 £000
Long Term Borrowing	Level 2	premature repayment rates		4,284
<b>Balance at end of the year</b>			<b>0</b>	<b>4,284</b>

### Financial Instrument Revaluation Reserve

For financial instruments, there is a reserve to help manage the accounting requirements, the Financial Instruments Revaluation Reserve. This records unrealised revaluation gains/losses arising from holding available-for-sale investments and any unrealised losses that have not arisen from impairment of the assets. The table below sets out the transactions for the year:

	2022/23 £000	2021/22 £000
<b>Balance at 1 April</b>	4,224	925
Upward revaluation of investments	4,667	3,299
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	-	-
Accumulated Gains on assets sold and maturing assets written out to CI&E as part of Other Investment Income	-	-
	<b>8,891</b>	<b>4,224</b>

### 13. Financial Instruments Gains / Losses

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

	2022/23		2021/22	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net (gains) / losses on</b>				
Financial Assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Investments in equity instruments designated at fair value through other comprehensive income	-	(4,667)	-	(3,299)
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-	-
<b>Total net (gains)/losses</b>	<b>-</b>	<b>(4,667)</b>	<b>-</b>	<b>(3,299)</b>
<b>Interest Revenue</b>				
Financial Assets measured at amortised cost	(169)	-	(8)	-
Other financial assets measured at fair value through other comprehensive income	(787)	-	(787)	-
<b>Total interest revenue</b>	<b>(956)</b>	<b>-</b>	<b>(795)</b>	<b>-</b>
<b>Interest Expense</b>				
Fee income:				
Financial assets or financial liabilities that are not at fair value through profit or loss	148	0	137	0
Fee expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	152	0	141	0
<b>Total interest expense</b>	<b>300</b>	<b>-</b>	<b>278</b>	<b>-</b>

### 14. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- Link Asset Services has provided the Fair Value Calculation for the loans and investments.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- Where the instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values are calculated as follows:

	31st March 2023		31st March 2022	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>	55,771	48,552	25,120	27,792

	31st March 2023		31st March 2022	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Loans and Receivables</b>	45,120	49,201	56,300	55,723

For financial liabilities, the fair value is more than the carrying amount because the Council's portfolio of loans comprises fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value is greater than the carrying amount due to the Council's investment in Property Funds. The Fund value per unit, less the exit fee, is higher than price paid.

## 15. Debtors

### Short Term Debtors

	31 March '23	31 March '22
	£000	£000
Central government bodies	1,045	1,589
Other local authorities	1,237	1,568
Bodies external to general government (ie all other bodies)	13,428	11,328
Bad debt provision	(2,956)	(2,904)
	<b>12,754</b>	<b>11,581</b>

### Long Term Debtors

	31 March '23	31 March '22
	£000	£000
Bodies external to general government (ie all other bodies)	5,190	5,048
	<b>5,190</b>	<b>5,048</b>

## 16. Cash and Cash Equivalents

	31 March '23	31 March '22
	£000	£000
Short-term deposits with banks	8,944	16,988
<b>Total Cash and Cash Equivalents</b>	<b>8,944</b>	<b>16,988</b>

## 17. Assets Held for Sale

Assets Held for Sale	31 March '23	31 March '22
	£000	£000
Additions	409	0
	<b>409</b>	<b>0</b>

## 18. Creditors

Short Term Creditors	31 March '23	31 March '22
	£000	£000
Central government bodies	9,637	19,495
Other local authorities	1,725	312
Bodies external to general government (ie all other bodies)	10,532	6,514
	<b>21,894</b>	<b>26,321</b>

## 19. Provisions

Provisions are made where an event has taken place that gives the Authority 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 Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

The provisions held for Non Domestic Rate appeals, Council Tax and Non Domestic Rates bad debts are charged as an expense to the relevant collection fund in the first instance. This charge either reduces the Council's surplus or increases the deficit due from the collection fund. These amounts are included in the Taxation and Non-specific Grant income section on the Comprehensive Income and Expenditure Statement.

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 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 authority settles the obligation.

Proper provision has been made for various liabilities which will be incurred but for which it is uncertain as to the amounts or the dates on which they arise. The provisions required cover a range of activities with the most significant being in respect of Non Domestic Rates Valuation Appeals.

	Short Term		Long Term	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
<b>Balance at 1 April</b>	475	604	2,200	3158
Additions/Reductions	(350)	(388)	(1,500)	2,025
Amounts used	(25)	(60)	(100)	(244)
Transferred	200	319	633	1311
<b>Balance at 31 March</b>	<b>300</b>	<b>475</b>	<b>1,233</b>	<b>2,200</b>

## 20. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 5 Adjustments between accounting basis and funding basis under regulations and Note 6 Transfers to/from Earmarked Reserves.

## 21. Unusable Reserves

	31 March '23 £000	31 March '22 £000
Revaluation Reserve	20,815	22,761
Financial Instruments Revaluation Reserve	(443)	4,225
Capital Adjustment Account	75,628	75,343
Deferred Capital Receipts Reserve	143	145
Pensions Reserve	5,526	(28,511)
Collection Fund Adjustment Account	1,857	(4,013)
Accumulated Absences Account	(205)	(227)
<b>Total Unusable Reserves</b>	<b>103,322</b>	<b>69,723</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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, or
- disposed of and the gains are realised.

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

	2022/23		2021/22
	£000	£000	£000
<b>Balance at 1 April</b>		22,761	16,956
2019/20 Adjustment	-		-
Downward revaluation of assets	(1,566)		7,195
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services			
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		(1,566)	7,195
Difference between fair value depreciation and historical cost depreciation	(380)		(288)
Amount written off to the capital adjustment account	0		(1,102)
<b>Balance at 31 March</b>		<b>20,815</b>	<b>22,761</b>

### Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains/losses made by the Council arising from increases/decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

	2022/23		2021/22
	£000	£000	£000
<b>Balance at 1 April</b>		4,224	925
Upward revaluation of investments			
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	(4,667)		3,299
		(4,667)	3,299
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		-	-
<b>Balance at 31 March</b>		<b>(443)</b>	<b>4,224</b>

### Capital Adjustment Account

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



The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2022/23		2021/22
	£000	£000	£000
<b>Balance at 1 April</b>		75,343	77,138
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
· Charges for depreciation of non current assets	(2,656)		(1,538)
· Charges for depreciation on revalued assets	380		288
· Movements in the market value of investment properties	795		97
· Revaluation/Impairment on Property, Plant and Equipment	(1,320)		(737)
· Amortisation of intangible assets	(200)		(296)
· Revenue expenditure funded from capital under statute	(348)		0
· Revenue grants written down to the Capital Adjustment Account	2,207		1,475
· Disposal of non-current assets	(1,656)		(2,742)
· Adjusting amounts written out of Revaluation Reserve			1,102.00
		(2,798)	(2,351)
Capital financing applied in the year:			
· Use of the Capital Receipts Reserve to finance new capital expenditure	3,083		556
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing			0
· Application of grants to capital financing from the Capital Grants Unapplied Account	-		-
· Statutory adjustment for the capital element of finance lease repayments - Refuse trucks	-		-
· Capital expenditure charged against the General Fund	-		0
		3,083	556
<b>Balance at 31 March</b>		<b>75,628</b>	<b>75,343</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing 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 employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the 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.

	2022/23 £000	2021/22 £000
<b>Balance at 1 April</b>	(28,511)	(37,488)
Actuarial gains or (losses) on pensions assets and liabilities	37,236	12,145
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,879)	(5,800)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,680	2,632
<b>Balance at 31 March</b>	<b>5,526</b>	<b>(28,511)</b>

### Deferred Capital Receipts Reserve

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 Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2022/23 £000	2021/22 £000
<b>Balance at 1 April</b>	145	147
Transfer to the General Fund for the capital element of finance lease payments	(2)	(2)
<b>Balance at 31 March</b>	<b>143</b>	<b>145</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Non Domestic tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2022/23 £000	2021/22 £000
<b>Balance at 1 April</b>	(4,013)	(8,874)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rate income calculated for the year in accordance with statutory requirements	5,870	4,861
<b>Balance at 31 March</b>	<b>1,857</b>	<b>(4,013)</b>

## Accumulated Absences Account

The Accumulated Absences Account 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 the Account.

	2022/23 £000	2021/22 £000
<b>Balance at 1 April</b>	(228)	(322)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	23	94
<b>Balance at 31 March</b>	<b>(205)</b>	<b>(228)</b>

## 22. Nature of Expenses Disclosure

	2022/23 £'000	2021/22 £'000
Employee Benefits Expenses	18,942	18,307
Other Service Expenses	23,136	25,872
Housing Benefits Transfer Payments	22,409	23,965
Depreciation, amortisation and impairment	4,591	2,799
Precepts and levies	5,060	4,892
Interest payments	596	141
Changes in fair value of Investment Properties	-	0
Loss on disposal on non current assets	0	2,186
Net interest on the net defined benefit liability & remeasurement of the defined benefit liability for long term employee benefits	1,024	773
<b>Total Expenditure</b>	<b>75,758</b>	<b>78,935</b>
Fees charges and other service income	(21,054)	(19,373)
Government grants	(31,652)	(40,184)
Interest and investment income	(1,463)	(956)
Income from council tax and non-domestic rates	(16,956)	(13,514)
Gain on disposal of non current assets	(1,427)	-
Changes in fair value of Investment Properties	(795)	(97)
Recognised capital grants and contributions	(2,207)	(1,475)
<b>Total Income</b>	<b>(75,554)</b>	<b>(75,599)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>204</b>	<b>3,336</b>

## 23. Jointly Controlled Operations

The Council operates four services under a 'Jointly Controlled Operation' arrangement:

- Revenues and Benefits Service, with Stevenage Borough Council which commenced on 1st August 2011
- Business and Technology Services, with Stevenage Borough Council, which commenced on 1 August 2013
- Waste and Street Cleansing Service, with North Herts District Council, which commenced on 8 May 2018 and
- Hertfordshire CCTV partnership, with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmere Borough Council. Each member of the arrangement accounts for their share of the asset, liabilities and cash flows of the CCTV in their own accounts. This is considered de minimis and not included in the table below.

The Council is lead authority for the Revenues and Benefits shared service and Stevenage is lead for the Business and Technology service and North Herts is lead for the Waste and Street Cleansing service. All three arrangements are governed by separate Joint Partnership Boards comprising of Council officers. Each authority has equal representation on both Boards. These Boards report to each Authority's Executive Committee. The Revenues and Benefits Shared Service also operates a joint Committee with equal numbers of Councillors from both Authorities to scrutinise the operational management of the service.

In line with the Accounting Code of Practice this arrangement is accounted for as a jointly controlled operation. A jointly controlled operation uses the assets and resources of the two partner councils without the establishment of a separate legal entity. Under these arrangements each council accounts separately for its own transactions including use of assets, liabilities, income, expenditure and cash flows.

This note sets out details of the income & expenditure of the joint arrangements and the apportionments between the councils in accordance with the agreement entered into. For information purposes only and where relevant, other notes to the accounts show amounts relating to these arrangements.

	2022/23			2021/22		
	Waste and Street Cleansing Service	Business & Technical Service	Revenues & Benefits Service	Waste and Street Cleansing Service	Business & Technical Service	Revenues & Benefits Service
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Employees	502	1,930	4,275	442	1,887	4,191
Transport Related Expenses	21	25	10	22	26	13
Supplies and Services	31	1,834	230	14	1,537	239
Support Services		414	1,356		428	1,082
<b>Total Expenditure</b>	<b>554</b>	<b>4,203</b>	<b>5,870</b>	<b>478</b>	<b>3,878</b>	<b>5,525</b>
<b>Income</b>						
Stevenage Borough Council			2,069		1,910	2,000
East Herts District Council	265	2,133	3,801	223	1,969	3,525
North Herts District Council	289	2,070		255		
<b>Total Income</b>	<b>554</b>	<b>4,203</b>	<b>5,870</b>	<b>478</b>	<b>3,878</b>	<b>5,525</b>
<b>Net Expenditure</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The contribution made by the Council has been incorporated into the Comprehensive Income and Expenditure Statement in the Net Costs of Service.

Additionally the Council partnered with 7 other local authorities across Hertfordshire to create a new fully integrated building control service, which was launched in August 2016. An additional local authority joined in 2019, so eight local authorities have equal control. The Council holds 13% of the share capital (£8) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. In 2016/17 the Council made a loan to the company of £107k, which is held under Long Term Debtors on the balance sheet.

## 24. External Audit Costs

This note discloses the amounts that East Herts Council has paid to its external auditors for work carried out in performing statutory functions and in providing any additional services.

In 2022/23 East Herts Council incurred the following fees relating to external audit and inspection:

	2022/23 £000	2021/22 £000
Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor	55	40
Rebate from the PSAA in respect of audit fees*	0	(8)
Fees payable to Ernst & Young for the certification of grant claims and returns	22	17
Prior Year additional fees	0	26
	<b>77</b>	<b>75</b>

\*PSAA - Public Sector Audit Appointments

## 25. Members Allowances

The total payments made to elected Members of East Herts Council, under its Members' Allowance Scheme for the year ending 31 March, was as follows:

	2022/23 £000	2021/22 £000
Basic Allowances	271	268
Special Responsibility Allowances	132	129
Travel and Subsistence expenses	2	1
	<b>405</b>	<b>398</b>

A full disclosure of payments is available on the Council's website.

## 26. Officer Emoluments

The number of employees, excluding senior officers disclosed in note 28, whose remuneration, was £50,000 or more in bands of £5,000 are shown below. The previous year has been restated to exclude officers disclosed in note 28.

Remuneration Band	Number of Employees	
	2022/23	2021/22
	Total	Total
£50,000 to £54,999	4	8
£55,000 to £59,999	6	5
£60,000 to £64,999	10	6
£65,000 to £69,999	-	-
£70,000 to £74,999	-	-
£75,000 to £79,999	1	1

## 27. Exit Packages

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

Exit package cost band (including special payments)	Number of Redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
							£	£
£								
0-20,000		5		1		6		41,469
20,001-40,000	-	-	-	-	-	-	-	-
40,001-60,000	-	-	-	-	-	-	-	-
60,001-80,000	-	-	-	-	-	-	-	-
80,001-100,000	-	-	-	-	-	-	-	-
100,001-150,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>5</b>	-	<b>1</b>	-	<b>6</b>	-	<b>41,469</b>

## 28. Senior Officer Remuneration

An additional disclosure is required for Senior Officer's Remuneration (the Chief Executive and those reporting directly to the Chief Executive), whose salary is more than £50,000 per year:

	Salary (inc expense allowance)	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£
<b>2022/23</b>						
Chief Executive	126,645	-	-	126,645	24,063	150,708
Deputy Chief Executive	105,963	23	-	105,986	20,133	126,119
Head of Revenues & Benefits Shared Service	87,084	-	-	87,084	16,546	103,631
Head of HR & Organisational Development	79,227	-	-	79,227	15,053	94,280
Head of Strategic Finance & Property	82,240	-	-	82,240	15,626	97,866
Head of Communications, Strategy & Policy	79,227	37	-	79,264	14,864	94,129
Head of Legal & Democratic Services	83,504	341	-	83,845	15,866	99,711
Head of Housing & Health	79,227	60	-	79,287	15,053	94,340
Head of Operations	75,347	-	-	75,347	-	75,347
Head of Planning & Building Control	73,504	-	-	73,504	13,966	87,470
<b>2021/22</b>						
Chief Executive	134,720	-	-	134,720	23,697	158,417
Deputy Chief Executive	104,038	-	-	104,038	19,767	123,805
Head of Revenues & Benefits Shared Service	93,122	-	-	93,122	16,138	109,260
Head of HR & Organisational Development	77,276	-	-	77,276	14,682	91,958
Head of Strategic Finance & Property	84,000	-	-	84,000	14,895	98,895
Head of Communications, Strategy & Policy	75,909	-	-	75,909	14,305	90,214
Head of Legal & Democratic Services	90,329	-	-	90,329	15,153	105,482
Head of Housing & Health	77,927	-	-	77,927	14,682	92,609
Head of Operations	72,142	-	-	72,142	-	72,142
Head of Planning & Building Control	70,329	-	-	70,329	13,253	83,582



## 29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23 £000	2021/22 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax	16,768	16,053
Non-Domestic Rates	188	- 2,543
New Homes Bonus	1,383	2,244
Other Capital Grants	2,207	1,475
Sec 31 Business Rate Support	4,846	6,084
Other Revenue Grants	395	672
Renewable Energy	318	-
	<b>26,105</b>	<b>23,985</b>
<b>Credited to Services</b>		
<u>Grants</u>		
DWP	23,078	24,074
DCLG	1,432	6,859
Department of Health	-	141
Cabinet Office	-	-
DEFRA	9	11
Sports England	-	-
HMRC	-	13
Herfordshire Community NHS Trust	-	-
Home Office	136	32
Office of National Statistics	1	1
Rural Protection Agency	-	-
Department of Education	16	19
	<b>24,672</b>	<b>31,150</b>
<u>Other Contributions</u>		
Contributions from Other Authorities*	3,566	3,699
Income from Other Bodies	1,195	635
	<b>4,761</b>	<b>4,334</b>

\* includes the contribution from Stevenage Borough Council for the Shared Revenues and Benefits Service

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 will require the monies to be returned to the funding body if not used for the purpose provided. The balances at year end are as follows:

	2022/23 £000	2021/22 £000
<b>Grants Receipts in Advance</b>		
<b>Capital</b>		
Other Capital Grants	811	42
Developer Contributions	1,665	2,043
	<b>2,476</b>	<b>2,085</b>
<b>Revenue</b>		
Developer Contributions	4,936	3,917
Other Revenue Grants	237	524
	<b>5,173</b>	<b>4,441</b>

## 30. Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Related parties to this authority would include:

Central government; local authorities and other bodies precepting or levying demands on the Council Tax; its members; its chief officers; and its pension fund. Members of close family, or the same household of an individual identified as a related party are also assumed to be related parties.

All significant material transactions with related parties, such as parish precepts, precepts, pension fund contributions etc, have been disclosed in the Comprehensive Income and Expenditure Statement.

The UK government exerts significant influence through legislation and grant funding, which has been disclosed in the Comprehensive Income and Expenditure Statement.

Three senior officers of the Council held a position of director at Millstream Property Investments Ltd, a wholly-owned company by East Herts. The Council transacted with this company to the value of £11.9k in 2022/23

A senior officer of the Council held a position of Director at Hertfordshire CCTV Partnership Ltd. The Council paid this company £7.5k during 2022/23

A number of District Council members are also members of Town and Parish Councils that receive funding from this Council. Precept payments are disclosed in the Comprehensive Income and Expenditure Statement. Any grants made to these bodies were made with proper consideration of declarations of interest.

Hertfordshire County Council is a related party in respect of various transactions including pension's contributions and precepts. Additionally they act as the "accountable body" for the Hertfordshire Local Area agreement.

Shown in the Balance Sheet are totals for debtors and creditors which represent amounts due to or from related parties. The principal year end balances with related parties included in these totals are shown within Notes 15 & 18.

## 31. Capital Expenditure and Capital Financing

	2022/23 £000	2021/22 £000
<b>Opening Capital Financing Requirement</b>	<b>28,321</b>	<b>£5,185</b>
<b>Capital investment</b>		
Property, Plant & Equipment	1,327	807
Infrastructure	0	-
Community Assets	1,376	231
Investment Property	0	(5)
Intangible Assets	116	56
Assets Under Construction	12,210	23,865
Revenue Expenditure Funded from capital under Statute	402	214
Third Party Loan	0	-
Surplus	0	-
Assets Held For Sale	-	-
<b>Sources of finance</b>		
Capital receipts	(1,427)	(557)
Government grants and other contributions	(2,207)	(1,475)
Borrowing		
Sums set aside from Revenue:		
Direct revenue contributions	(53)	0
Loan/ finance lease principal repayments		
<b>Closing Capital Financing Requirement*</b>	<b>40,065</b>	<b>£28,321</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(11,744)	(23,136)
<b>Decrease in Surplus in Capital Resource *</b>	<b>(11,744)</b>	<b>- 23,136</b>

\* East Herts has moved from a negative Capital Financing Requirement which represented a surplus in capital resources, to a positive Capital Financing Requirement and an underlying need to borrow.

## 32. 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.

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

### The Council as a Lessor

#### 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, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and

a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are 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).

Depreciation is applied in the year of acquisition.

The Council is not required to raise council tax to cover depreciation, impairment and gains and losses on revaluation arising on leased assets. Any such costs that have been charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### **Operating Leases**

Rents 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.

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

Lease rentals receivable are apportioned between:

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

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

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

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

### **Operating Leases**

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

### **Finance leases**

As at 31 March 2023, the Council did not hold any leases that fell into the category of a finance lease.

## Council as a lessee

### Operating leases

The Council leases the Buntingford Service Centre.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March '23	31 March '22
	£000	£000
Not later than one year	210	210
Later than one year and not later than five years	840	840
Later than five years	420	420
	<b>1,470</b>	<b>1,470</b>

The expenditure charged to Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2022/23	2021/22
	£000	£000
Minimum lease payments	210	210
Lease payments receivable	-	-
	<b>210</b>	<b>210</b>

## Council as a lessor

### Finance leases

The Council leases out Pindars Lodge.

Following the introduction of IFRS 1 and this asset's transfer from an operating lease to finance lease, a lease term of 50 years from March 1997 was set.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2022/23	2021/22
	£000	£000
Finance lease debtor as at 31 March	144	144
Unearned finance income	191	191
<b>Gross investment in lease as at 31 March</b>	<b>335</b>	<b>335</b>

The gross investment in the lease which are the minimum lease payments, will be received over the following periods:

	<b>Gross investment in lease 31 March '23 £000</b>	<b>Gross investment in lease 31 March '22 £000</b>
Not later than 1 year		14
Later than 1 year and not later than 5 years		56
Later than 5 years		279
	<b>0</b>	<b>349</b>

### Operating Leases

The council receives income from a variety of properties ranging from Industrial and Commercial ground leases, to a small number of commercial premises including shops and other miscellaneous properties. Each is subject to individual agreements and reviews. The terms are dependent upon a number of criteria; the corporate priorities of the Council, options that are available, historic and legal agreements. The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>31 March '23 £000</b>	<b>31 March '22 £000</b>
Not later than one year	1,243	1,497
Later than 1 year and not later than 5 years	3,529	3,639
Later than 5 years	59,227	64,108

## 33. Pension Scheme

As part of the terms and conditions of employment the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employee retires, the Council has a commitment to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. This is a funded defined benefit scheme which means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets in the long term. Under the Scheme members' retirement benefits are not affected by the Fund's performance.

Pension contributions are based on rates determined by the Fund's professionally qualified actuary based on triennial reviews. The most recent review was undertaken in January 2022.



## Transactions Relating to Post Employment benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against council tax is based on the cash payable in the year, the real cost of 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 Statement and the General Fund balance via the Movement in Reserves during the year.

	2022/23 £000	Restated 2021/22 £000
<b>Comprehensive Income &amp; Expenditure Statement:</b>		
<i>Service Cost comprising:</i>		
Current service cost	4,855	5,025
Past Service Cost	-	2
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	1,024	773
<b>Total post employment benefit charged to surplus or deficit on the provision of services</b>	<b>5,879</b>	<b>5,800</b>
<i>Other post employment benefit credited to the Comprehensive Income and Expenditure Statement</i>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
Return on plan assets (excluding the amount included in net interest ex	(12,477)	3,055
Actuarial gains/(losses) arising on changes in demographic assumptions	58,226	9,916
Actuarial gains/(losses) arising on changes in financial assumptions	1,123	1,708
Other actuarial gains or losses	(9,636)	(10,922)
<b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>37,236</b>	<b>3,757</b>
<b>Movement in Reserve Statement</b>		
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code		
<i>Actual amount charges against the general fund balance for pensions in the year:</i>		
<b>Employers contributions payable to scheme</b>	<b>2,680</b>	<b>2,632</b>

## Pensions Assets and Liabilities recognised in the Balance Sheet

	2022/23 £000	Restated 2021/22 £000
<b>Opening Fair Value of scheme assets</b>	133,905	129,233
Interest income	3,597	2,574
Remeasurement gain/(loss):		
Other Experience	-	27
Return on plan assets, excluding the amount included in the net interest expense	(12,477)	3,055
Contributions from employer	2,680	2,632
contributions from employees into the scheme	709	688
Benefits paid	(4,615)	(4,250)
<b>31 March</b>	<b>123,799</b>	<b>133,905</b>

### Reconciliation of present value of scheme liabilities

<b>Balance at 1 April</b>	170,804	166,721
Current service cost	4,855	5,025
Past service cost	-	2
Interest cost	4,621	3,347
Contributions by scheme participants	709	688
<i>Remeasurment (gain) and losses:</i>		
Actuarial gains/(losses) arising on changes in demographic assumptions	(58,226)	(9,916)
Actuarial gains/(losses) arising on changes in financial assumptions	(1,123)	(1,708)
Other acutarial gains or losses	9,636	10,895
Benefits paid	(4,615)	(4,250)
<b>31 March</b>	<b>126,661</b>	<b>170,804</b>

	2022/23 £000	2021/22 £000
<b>Scheme history</b>		
Present value of the defined benefit obligation	(126,661)	(170,804)
Fair value of assets	123,799	133,905
<b>(Deficit) in the scheme</b>	<b>(2,862)</b>	<b>(36,899)</b>

### Impact on the net worth of the Council

Statutory arrangements for funding the deficit means that the financial position of the Council remains healthy as:

the deficit on the Local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the pension scheme by the Council in the year to 31 March 2024 is £2.624m (£2.622m to 31 March 2023).

A full breakdown of the Fund's assets including the prior financial year comparator is detailed below:

Asset Category	Period Ended 31 March 2023				Period Ended 31 March 2022			
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
	£000	£000	£000	%	£000	£000	£000	%
Equity Securities								
Consumer	1,904	-	1,904	2	1,907	-	1,907	1
Manufacturing	1,044	-	1,044	1	690	-	690	1
Energy & Utilities	0	-	-	0	-	-	-	-
Financial Institutions	711	-	711	1	684	-	684	1
Health & Care	1,037	-	1,037	1	1,233	-	1,233	-
Information Technology	2,296	-	2,296	2	2,644	-	2,644	2
Other	-	-	-	-	-	-	-	-
Debt Securities								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non investment grade)	-	-	-	-	-	-	-	-
UK Government	5,165	-	5,165	4	10,021	-	10,021	5
Other	-	3,324	3,324	3	-	3,498	3,498	2
Private Equity	-	10,963	10,963	9	-	8,750	8,750	5
Real Estate								
UK Property	-	9,157	9,157	7	-	9,479	9,479	6
Overseas Property	-	7,074	7,074	6	-	6,125	6,125	5
Investment Funds & Unit Trusts:								
Equities	46,650	-	46,650	39	51,039	-	51,039	47
Bonds	17,348	-	17,348	14	19,984	-	19,984	16
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	143	143	-	-	67	67	-
Other	1,077	7,406	8,483	7	1,104	7,162	8,266	6
Derivatives								
Foreign Exchange	-	182	182	0	-	91	91	-
Cash and Cash Equivalents	8,320	-	8,320	7	7,393	-	7,393	3
<b>TOTALS</b>	<b>85,551</b>	<b>38,249</b>	<b>123,799</b>	<b>100</b>	<b>96,700</b>	<b>35,171</b>	<b>131,871</b>	<b>100</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Hertfordshire County Council Fund being based on the latest full valuation of the scheme as at 2022.

The principal assumptions used by the actuary have been:

	31 March '23	31 March '22
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.8%	2.8%
Bonds	2.8%	2.8%
Property	2.8%	2.8%
Cash	2.8%	2.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2 years	21.9 years
Women	24.7 years	24.4 years
Longevity at 65 for future pensioners:		
Men	23.0 years	22.9 years
Women	26.2 years	26.0 years
Rate of inflation/ Pension increase	3.0%	3.2%
Rate of increase in salaries	3.5%	3.6%
Discount Rate	4.8%	2.7%
Take up option to convert annual pensions into retirement lump sum for pre April 2008 service		50%
Take up option to convert annual pensions into retirement lump sum for post April 2008 service		75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes at each change that the assumption analysed changes while all the others 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 ie. on an actuarial basis using the projected cost method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period

<b>Change in assumptions as at 31 March 2023:</b>	<b>Approximate % increase Defined Benefit Obligation %</b>
Longevity (increase or decrease in 1 year)	4%
0.1% decrease in real discount rate	2%
0.1% increase in the salary increase rate	0%
0.1% increase in the Pension increase rate	1%

### **Impact on the Council's Cashflow**

The objectives of the scheme is to keep employer contributions at as constant a rate as possible. The Council has agreed a strategy with the schemes actuary, Hymans Robertson LLP, to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis.

## 34. Nature and Extent of Risks arising from Financial Instruments

### Key Risks

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

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

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect and maximise (given the identified level of risk) the financial resources available to fund services. The Council in the annual Treasury Management Strategy Statement provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### 1 Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2020/21 was approved by Full Council on 3rd March 2020 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions 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 Authority's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

## **2 Liquidity Risk**

The Council manages its liquidity position through the risk management procedures above (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, and the PWLB and money markets for access to longer term funds. 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.

See investment and Borrowing Note 12

## **3 Refinancing and Maturity Risk**

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council 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 financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- 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.



## 4 Market Risk

### Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income & Expenditure Statement.

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

With low interest rates generally prevailing, the Council has an interest equalisation reserve that assists in managing interest rate fluctuations in the medium term. The balance as at 31 March 2021 is £1.98m.

Based on the current Treasury Management position at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	no variable borrowings
Increase in interest receivable on variable rate investments	371
Increase in government grant receivable for financing costs	de minimus
Surplus on the Provision of Services	de minimus

### Impact on Comprehensive I & E Statement

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

## 5 Price Risk

The Council, does not generally invest in equity shares or marketable bonds.

However, it does hold units in property funds to the value of £20m. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of the units.

To limit its exposure to price movements the council has set a property fund investment limit of £20m, at the time of investment.

These units are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1m gain or loss being recognised in the Financial Instruments Revaluation Reserve.

## 6 Foreign Exchange Risk

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

The Council also has no shareholdings or insurance investment fund, therefore has no exposure to any further risks.

## 35. Capital Commitments

At 31 March 2023, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment, these include the major commitments, listed below. The major commitments are:

- **Hartham Leisure Centre – £11.1m** (*This figure includes £6.2m spend to 31/03/2023*)
- **Old River Lane – £23.4m** (*This figure includes £2.6m spend to 31/03/2023*)
- **Hertford Theatre – £30.975m** (*This figure includes £17.355m spend to 31/03/2023*)

## 36. Contingent Liability

The Council has identified one contingent liability which may give rise to future costs.

Following the Municipal Mutual Insurance Scheme Arrangement being “triggered” the Council has paid a total levy of £34,478 as at 31 March 2020. A contingent liability of around £103,435 remains in respect of potential further exposure against existing claims. Further claims could be notified.

Given the level of General Reserves held by the Council and the uncertainty of the value of the potential liabilities identified it has not been considered appropriate to make specific financial provision within the accounts at this stage.

## 37. Post Balance Sheet Event

There are no post balance sheet events as at 01 December 2023

# THE COLLECTION FUND

## INCOME AND EXPENDITURE ACCOUNT

		2022/23			2020/21 (Restated)		
		£000	£000	£000	£000	£000	£000
		Council Tax	NDR	Total	Council Tax	NDR	Total
Income collectable from Council Taxpayers	Note 2	128,058	-	128,058	121,520	0.00	121,520.00
S31 S13A(1)/ ( c ) transfer from General Fund		35	-	35	56.00	0.00	56.00
Income collectable from Business Ratepayers	Note 3	-	39,580	39,580	0.00	34,586	34,586.00
<b>Total Income</b>		<b>128,093</b>	<b>39,580</b>	<b>167,673</b>	<b>121,576</b>	<b>34,586</b>	<b>156,162</b>
Council Tax Precepts and Demands							
Hertfordshire County Council		95,750	-	95,750	90,788	0.00	90,788
East Herts Council		16,586	-	16,586	15,948	0.00	15,948
Hertfordshire Police		13,962	-	13,962	13,149	0.00	13,149
Business Rates Shares:							
Payments to Government		-	19,918	19,918	0.00	21,869	21,869
Payments to Hertfordshire County Council		-	3,984	3,984	0.00	4,374	4,374
Payment to East Herts Council		-	15,934	15,934	0.00	17,495	17,495
Charges to Collection Fund							
Costs of Collection		-	199	199	0.00	197	197
Bad Debt Provision - Increase:							
Council Tax		-	-	-	543	-	543
Non Domestic Rates		704	(176)	528	0.00	24	24
Non Domestic Rates Appeals Provision	Note 4	-	(2,227)	(2,227)	0.00	(2,717)	(2,717)
Transitional Protection Payment		-	174	174	0.00	(45)	(45)
Disregarded Amounts		-	318	318	0.00	0	0
Distribution of prior years' Fund balance		1	(12,763)	(12,762)		(18,413)	(18,413)
<b>Total Expenditure</b>		<b>127,003</b>	<b>25,361</b>	<b>152,364</b>	<b>120,428</b>	<b>22,784</b>	<b>143,212</b>
In year Movement in Fund		(1,090)	(14,219)	(15,309)	(1,148)	(11,802)	(12,950)
Balance as at 1 April		(1,125)	10,298	9,173	23	22,100	22,123
<b>Balance as at 31 March</b>		<b>(2,215)</b>	<b>(3,921)</b>	<b>(6,136)</b>	<b>(1,125)</b>	<b>10,298</b>	<b>9,173</b>
Allocated to :							
East Herts Council		(288)	1,569	1,281	(106)	4,119	4,013
Hertfordshire Police		(247)	-	(247)	(130)		(130)
Hertfordshire County Council		(1,680)	392	(1,288)	(889)	1,030	141
Government		-	1,961	1,961	0.00	5,149	5,149
<b>Total</b>		<b>(2,215)</b>	<b>3,922</b>	<b>1,707</b>	<b>(1,125)</b>	<b>10,298</b>	<b>9,173</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund.

The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.

There is no requirement for a separate Collection Fund Balance sheet, as the assets and liabilities of the fund belong to the various bodies and Government.

In 2013/14 the local government finance regime was revised with the introduction of the Retained Business Rates scheme. The main aim of the scheme is to give Council's a greater incentive to grow businesses in the district. It does, however, also increase the financial risk to the Council due to non collection and the volatility of the NDR tax base.

The retained income scheme allows the Council to retain a proportion of the total NDR income received. The Council's share is 40% with the remainder being split between Hertfordshire County Council (10%) and Government (50%).

### 2. Council Tax

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, is calculated as follows:-

The tax base for 2022/23 was approved at Full Council on 15 December 2021 and was calculated as follows:

Band	Estimated no. of taxable properties after effect of discounts	Ratio	Band D Equivalent dwellings
Disa A	0.00	5/9	0.00
A	572.42	6/9	381.61
B	4,075.00	7/9	3,169.44
C	12,378.39	8/9	11,003.01
D	14,129.38	9/9	14,129.38
E	10,387.49	11/9	12,695.82
F	7,292.53	13/9	10,533.65
G	5,371.54	15/9	8,952.57
H	777.79	18/9	1,555.58
	54,984.54		62,421.06
<b>Estimated collection rate</b>			<b>98.9%</b>
<b>2021/22 Estimated Council Tax base</b>			<b>61,734.4</b>
<b>Council Tax Collection</b>			<b>£000</b>
2022/23 estimated Council Tax due			126,298
61,734.4 x £2,017.23 (average band D charge)			
2022/23 Council Tax income			128,093
<b>Surplus</b>			<b>(1,795)</b>

### 3. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform rate (which for 2021/22 was 51.2p (2020/21 51.2p).

The total amount less certain reliefs and allowances is distributed to East Herts Council (40%), Hertfordshire County Council (10%) and Central Government (50%).

When the Retained Business Rates scheme was introduced, the Government set a baseline for each authority identifying the funding required. In order to ensure that each authority receives their base line amount, a top up or tariff amount is applied to each local authority.

East Herts is a tariff authority, which means that it doesn't keep its entire share but is subject to pay a tariff (£15.853m in 2021/22) to Central Government which is when used to fund 'top up' authorities.

The business rates retention scheme provides the opportunity for local authorities to share in the benefits of growth in the rates tax base i.e. provides an incentive for economic development and regeneration. Any income retained from growth is subject to a levy of 50%. Conversely if any Council suffers a significant drop in NNDR due to the loss of one or more major businesses, or a large number of smaller businesses, or a greater than expected loss from revaluations, then a safety net of 92.5% of the baseline applies. At the year end the total non-domestic rateable value was £118 million (£117 million for 2020/21).

### 4. Provisions

The Collection Fund account includes provisions for bad debts on arrears based on past years experience and the current years collection rate.

	2022/23			2021/22		
	£000 Council Tax	£000 NDR	£000 Total	£000 Council Tax	£000 NDR	£000 Total
<b>Balance at 1 April</b>	(3,539)	(2,474)	<b>(6,013)</b>	(3,121)	(2,584)	<b>(5,705)</b>
Additional provisions made in year	(705)	177	<b>(528)</b>	(543)	(24)	<b>(567)</b>
Provision applied	232	198	<b>430</b>	125	134	<b>259</b>
<b>Balance at 31 March</b>	<b>(4,012)</b>	<b>(2,099)</b>	<b>(6,111)</b>	<b>(3,539)</b>	<b>(2,474)</b>	<b>(6,013)</b>

In addition, a provision has been made for NDR appeals against the rateable valuations assessed and determined by the Valuation Office Agency (VOA) which have not been settled by 31 March 2022.

	2022/23 £000	2021/22 £000
<b>Balance at 1 April</b>	(8,475)	(11,192)
Change in provisions made	1,877	2,414
Provision applied in year	350	303
<b>Balance at 31 March</b>	<b>(6,248)</b>	<b>(8,475)</b>

## Group Accounts

### Introduction

In order to provide a full picture of the economic and financial activities of the Council, and its exposure to risk, the accounting statements of its subsidiary are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting, consolidating any subsidiary over which the Council exercises control or influence.

Millstream Property Investments Ltd, is a wholly owned company formed in February 2018 by the Council. There are no minority shareholders and no restrictions on the Council's ability to access or use the assets or settle the liabilities of the group. Millstream Property Investments Ltd was created to acquire, develop and refurbish homes to provide rental properties to tenants wishing to live in the private sector, but with the assurance that the accommodation is managed by a responsible landlord.

Millstream was not consolidated in 2018/19 as it's activities for that year were not material to the Council's accounts

During the year ended 31st March 2022 it was identified that there is a fundamental accounting error in the application of the calculation of the present value of the shareholder loans. The shareholder loans which were drawn by the entity in the years ended 31 March 2019, 2020 and 2021 have no interest rate. As a result upon initial recognition of the loans the fair value of loans is estimated by discounting the future loan repayments using the entity's incremental borrowing rate. When the initial calculations were performed the incorrect term was used within the calculation creating an initial understatement of equity and overstatement of liabilities. A correction of this fundamental accounting error was done within the current years financial statements restating the earliest prior period.

### Accounting Policies

Millstream Property Investments Ltd has prepared it's 2022/23 accounts using accounting policies consistent with those applied by the Council and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.



## GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (ie those that can be applied to fund expenditure or reduce taxation) and other reserves.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Share of Reserves of Subsidiaries	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>	<b>3,854</b>	<b>21,306</b>	<b>0</b>	<b>224</b>	<b>1,065</b>	<b>26,449</b>	<b>72,174</b>	<b>98,623</b>	<b>1,754</b>	<b>100,377</b>
<b>Movement in reserves during 2022/23</b>										
<b>Total Comprehensive Income and Expenditure</b>		-	-	-	-	0		0		0
Tax expenses for Millstream Property Investment		0	0	0	0	0	0	0	0	0
Adjustments between group accounts and authority accounts		0	0	0	0	0	0	0		0
Adjustments between group accounts and authority accounts		0	0	0	0	0	0	0	0	0
<b>Net Increase/Decrease before Transfers</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers to/(from) Earmarked Reserves			-	-		-	-	-		
Increase/Decrease in Year	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2023 carried forward</b>	<b>3,854</b>	<b>21,306</b>	<b>-</b>	<b>224</b>	<b>1,065</b>	<b>26,449</b>	<b>72,174</b>	<b>98,623</b>	<b>1,754</b>	<b>100,377</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, generally this will be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2022/23		2021/22	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Chief Executive, PA's & Directors	643	-	643	632
Communications, Strategy & Policy	2,198	(672)	1,526	1,504
Human Resources & Organisation Development	684	(28)	656	611
Strategic Finance & Property	7,911	(2,862)	5,049	4,066
Democratic & Legal Services	2,082	(365)	1,717	1,652
Housing & Health	5,679	(2,096)	3,583	3,454
Planning & Building Control	4,434	(1,952)	2,482	1,804
Operations	15,595	(10,983)	4,612	3,979
Shared Revenues & Benefits Service	27,358	(25,934)	1,424	1,264
Shared Business & Technology Services	2,293	(16)	2,277	2,188
<b>NET COST OF SERVICES</b>			<b>23,969</b>	<b>21,154</b>
Payments of precepts to parishes			5,060	5,060
Gain on disposal of non current (fixed) assets			(1,427)	(1,427)
<b>OTHER OPERATING EXPENDITURE</b>			<b>3,633</b>	<b>3,633</b>
Interest payable and similar charges			596	596
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			1,024	1,024
Interest receivable and similar income			(1,322)	(1,322)
Income from investment properties		<i>Note 1</i>	(1,037)	(1,037)
Direct expenditure incurred on investment properties		<i>Note 1</i>	296	296
Changes in Fair Value of Investment Properties			(860)	(860)
<b>FINANCING AND INVESTMENT EXPENDITURE</b>			<b>(1,303)</b>	<b>(1,303)</b>
Recognised capital grants and contributions			(2,207)	(2,207)
Council tax income			(16,768)	(16,768)
Non domestic rates			(188)	(188)
Non service related government grants			(6,624)	(6,624)
Renewable Energy			(318)	(318)
<b>TAXATION AND NON-SPECIFIC GRANT INCOME</b>			<b>(26,105)</b>	<b>(26,105)</b>
<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>			<b>194</b>	<b>(2,621)</b>
Millstream Capital contribution				0
Tax expenses of subsidiaries			3	106
<b>GROUP (SURPLUS)/DEFICIT</b>			<b>197</b>	<b>(2,515)</b>
(Surplus) or Deficit on revaluation of PPE assets			1,566	(7,195)
Reclassification of Grant				-
Remeasurements of the net defined benefit liability			(37,236)	(12,145)
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>(35,670)</b>	<b>(19,340)</b>
(Surplus) / Deficit on revaluation of financial instruments			4,667	(3,299)
<b>ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>4,667</b>	<b>(3,299)</b>
Millstream Other Operating Income			2	(4)
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(31,001)</b>	<b>(22,643)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(30,804)</b>	<b>(25,158)</b>

All operations arise from continuing activities.

# GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

		31 March '23		31 March '22
		£000	£000	
Property, Plant & Equipment				
- Other land and buildings		88,533		71,647
- Vehicles, plant, furniture and equipment		2,280		1,501
- Infrastructure assets		1,285		1,516
- Community assets		4,900		3,524
- Surplus assets		6,093		2,416
- Assets under Construction		18,711		30,873
			121,802	
Investment Properties		14,260		14,762
Intangible Assets		292	14,552	376
			<b>136,354</b>	<b>126,615</b>
Long Term Investments		21,412		25,575
Long Term Debtors	Note 2	245	21,656	247
<b>TOTAL LONG TERM ASSETS</b>			<b>158,010</b>	<b>152,437</b>
Assets Held For Sale		409		0
Short Term Investments		6,500		2,500
Short Term Debtors	Note 2	12,601		10,182
Cash and Cash Equivalents		9,012		18,285
<b>CURRENT ASSETS</b>			<b>28,522</b>	<b>30,966</b>
Provisions		(300)		(496)
Short Term Creditors	Note 2	(21,934)		(26,338)
Short Term Borrowing		(30,000)		(20,000)
<b>CURRENT LIABILITIES</b>			<b>(52,235)</b>	<b>(46,834)</b>
Provisions		(1,347)		(2,083)
Long Term Borrowing		(1,522)		(1,522)
Long Term Creditors	Note 2	0		-
Net Pension Liability		(2,862)		(26,061)
Grant Receipts in Advance	- Capital	(2,476)		(2,085)
	- Revenue	(5,173)		(4,441)
<b>LONG TERM LIABILITIES</b>			<b>(13,379)</b>	<b>(36,192)</b>
<b>NET ASSETS</b>			<b>120,918</b>	<b>100,377</b>
<b>USABLE RESERVES</b>		3,854		
- General Fund		878		3,854
- General Reserve		18,688		1,065
- Earmarked Reserves		0		21,307
- Capital Receipts Reserve		224		0
- Capital grants Unapplied		682		224
- Profit and Loss Reserve	Note 3	352		1,754
			<b>24,678</b>	<b>28,204</b>
<b>UNUSABLE RESERVES</b>				
- Revaluation Reserve		20,815		22,761
- Financial Instrument Revaluation Reserve		(443)		4,225
- Pensions Reserve		(2,862)		(26,061)
- Capital Adjustment Account		75,629		75,343
- Deferred Capital Receipts		144		145
- Collection Fund Adjustment Account		1,858		(4,013)
- Short-term Accumulating Compensated Absences Account		(205)		(227)
			<b>94,936</b>	<b>72,173</b>
<b>TOTAL RESERVES</b>			<b>119,614</b>	<b>100,377</b>

## GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2022/23		2021/22
	£000	£000	£000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Council Tax receipts			(11,527)
NNDR Receipts			(14,116)
DWP grants for benefits			(24,968)
Other Government grants			(38,712)
Cash received for goods and services			(25,633)
Interest received			(706)
<b>Cash inflows generated from operating activities</b>	<b>0</b>		<b>(115,662)</b>
<b>Cash Out Flows</b>			
Cash paid to and on behalf of employees			14,551
Housing Benefit paid out			23,965
Other operating cash payments			53,942
Precepts paid to other authorities			4,892
Interest paid			(7)
<b>Cash outflows generated from operating activities</b>	<b>0</b>		<b>97,342</b>
<b>Net Cash Inflow from operating activities</b>		<b>0</b>	<b>(18,320)</b>
<b>INVESTING ACTIVITIES</b>			
- Purchase of property plant and equipment, investment property and intangible assets			26,386
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets			(605)
- Capital grants			(1,251)
- Proceeds from short-term and long-term investments			(2,202)
<b>Net cash inflow from investing activities</b>		<b>0</b>	<b>22,327</b>
<b>FINANCING ACTIVITIES</b>			
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)			(20,000)
- Other payments for financing activities			5,433
<b>Net cash outflow from financing activities</b>		<b>0</b>	<b>(14,567)</b>
Net decrease in cash and cash equivalents		0	(10,560)
Cash and cash equivalents at the beginning of the reporting period			(7,725)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>0</b>	<b>(18,284)</b>

## Note 1 - Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	31 March '23			31 March '22		
	£000	£000	£000	£000	£000	£000
	East Herts District Council	Millstream Property Investments Ltd	Group total	East Herts m District Council	Millstream Property Investme	Group total
Income from investment property	(822)	(215)	(1,037)	844	199	1,043
Direct expenditure arising from investment property	200	96	296	(102)	(38)	(140)

## Note 2 - Debtors and Creditors

The effect of transactions between the Council and its subsidiary Millstream Property Investments Ltd are eliminated in Group Accounts, therefore debtors and creditors between these parties have been excluded.

## Note 3 - Financial Instruments

IFRS 9 requirement is to consider whether loans are made under market terms, especially those made between related parties.

During the year Millstream Property Investments Ltd did not receive any loans from its parent company East Herts Council. However loans were advanced to Millstream by the parent company in 2019/20 and 2020/21 but were deemed at below market rate as there was no interest charged.

	31 March '23 £000
Opening balance at 31 March 2022	1754
Profit or loss for 2022/23	
Closing balance at 31 March 2023	1754

	31 March '22 £000
Opening balance at 31 March 2021	188
Profit or loss for 2021/22	238
Capital contribution	1328
Closing balance at 31 March 2022	1754

## Note 4 - Summary of Financial Position of Subsidiary

Millstream Property Investments Ltd has been consolidated in the group accounts as a 100% owned subsidiary. The summary of financial position of the company is shown below:

Statement of comprehensive income and expenditure	31 March 2023	31 March 2022
	£000	£000
<b>Revenue</b>		<b>199</b>
Cost of sales		(38)
<b>Gross profit</b>	<b>0</b>	<b>162</b>
Administrative expenses		(68)
Other operating income		4
<b>Operating profit</b>	<b>0</b>	<b>98</b>
Interest payable		(190)
Other gains losses		436
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>0</b>	<b>344</b>
Tax on profit/(loss)		(106)
<b>Profit/(Loss) and total comprehensive income for the financial year</b>	<b>0</b>	<b>238</b>

Statement of financial position	31 March 2023	31 March 2022
	£000	£000
<b>Non current assets</b>		
Investment properties		5,601
<b>Current assets</b>		
Trade debtor		2
Cash and Cash equivalents		63
<b>Total Assets</b>	<b>0</b>	<b>5,666</b>
<b>Current liabilities</b>		
Trade creditor		184
<b>Non current liabilities</b>		
Loans		3,593
Provision for liabilities		134
<b>Total liabilities</b>	<b>0</b>	<b>3,911</b>
<b>Net Assets/Liabilities</b>	<b>0</b>	<b>1,754</b>
<b>Equity</b>		
Share capital		0
Retained earnings		1,754
<b>Total equity</b>	<b>0</b>	<b>1,754</b>

# GLOSSARY OF FINANCIAL TERMS

## **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- Measuring bases;
- Presenting.

## **Accruals**

Accruals The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.

## **Accumulated Absences**

Accumulated Absences Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.

## **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
- the actuarial assumptions have changed

## **Amortisation**

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

## **Asset**

An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset ( eg stocks or short term debtors) can readily be converted into cash.

## **Capital Expenditure**

Capital Expenditure Expenditure on the acquisition of a fixed asset or works which have a long term value to the Council, either directly to the Council or indirectly in the form of grants to other bodies.

## **Capital Financing Requirement**

It measures an authority's underlying need to borrow or finance by other long term liabilities for a capital purpose.

## **Capital Receipts**

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by government, but they cannot be used for revenue purposes.

## **CIPFA**

CIPFA Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.



## **Code of Practice on Local Authority Accounting (The Code)**

Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

### **Community Assets**

Assets that a local authority intends to hold indefinitely, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control.

### **Contingent Liability**

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.

### **Creditor**

An amount owed by the Council for work done, goods received, or services provided within the accounting period and for which payments has not been made at the Balance Sheet date.

### **Current Service Cost (Pensions)**

The increase in liabilities as a result of years of service earned this year.

### **Curtailment**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business;
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **Debtor**

Sums of money due to the Council but not yet received at the Balance Sheet date.

### **Deficit**

An excess of expenditure over income (or liabilities over assets).

### **Defined Benefit Scheme**

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

**Depreciation**

Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing.

**DEFRA**

Department for Environment, Food and Rural Affairs.

**DWP**

Department for Work & Pensions.

**Expected Rate of Return on Pensions Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Earmarked reserve**

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

**Financial Instruments**

Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local services.

**International Financial Reporting Standards**

International Financial Reporting Standards cover specific aspects of accounting practice and set out the correct accounting treatment. Compliance with them is mandatory.

**Impairment**

This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value

**Infrastructure Assets**

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

**Intangible Asset**

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.

**Interest Cost (pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Investments (non-pensions fund)**

A long term investment is one that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

**Investment properties**

Property that is used solely to earn rentals and/or for capital appreciation.

**LAA**

Local Area Agreement.

**Liquid resources**

Current asset investments that are readily disposal by the authority without disrupting its business.

**MHCLG**

Ministry of Housing, Communities and Local Government (formerly DCLG - Department for Communities and Local Government).

**MTFP**

Medium Term Financial Plan.

**NDR**

Non Domestic Rates.

**Operating Lease**

A lease whereby the ownership of the fixed asset remains with the lessor.

**Past Service Cost**

The increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years.

**Revenue Expenditure**

The day to day running costs incurred by the Council in providing its services.

**REFCUS (Revenue Expenditure Funded from Capital Under Statute)**

Capital expenditure which is allowable under statute to be funded from capital resources but which does not fall within the definition of a fixed asset. An example is a grant made to another party to finance capital investment.

**Surplus**

An excess of income over expenditure (or assets over liabilities)

# Statement of Responsibilities for the Statement of Account

## The Authority's Responsibilities

The Authority is required:

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

## The Chief Financial Officers' Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority'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 Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Make judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

### The Chief Financial Officer has also:

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

## EAST HERTFORDSHIRE DISTRICT COUNCIL

### Certificate of Responsible Finance Officer

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2023.

*Steven Linnett*

Signed .....

Date

06/11/2024

**Steven Linnett Bsc(Hons) FCPFA**

Head of Strategic Finance and Property and Section 151 Officer  
East Hertfordshire District Council

Signed .....

Date

Chairman of Audit and Governance Committee

## East Herts Council Report

### Audit and Governance Committee

**Date of meeting: Tuesday 22 April 2025**

**Report by:** Brian Moldon, Head of Finance S151

**Report title:** Approval of Annual Governance Statement 2021/22 & 2022/23

**Ward(s) affected: (All Wards);**

**Summary** – The Accounts and Audit Regulations 2015 require that all authorities conduct a review of the effectiveness of the system of internal controls and prepare an Annual Governance Statement each year. The Annual Governance Statement must be considered separately from the Statement of Accounts.

The previous draft versions of the Annual Governance Statement report for 2021/22 and 2022/23 have now been updated to include observations and Statutory recommendations as required by the External Auditors (EY).

### **RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:**

- a) That Members review and comment on the Updated Annual Governance Statement for 2021/22.
- b) That Members review and comment on the Updated Annual Governance Statement for 2022/23.
- c) That Members acknowledge the Statutory Recommendations that the External Auditors (EY) have made.
- d) That Members ensure that the Statutory Recommendations are presented at a meeting of the full Council within 30 days of EY presenting the report to members of the Audit and Governance.

### **1.0 Proposal(s)**

- 1.1 That Members review and comment on the draft Annual Governance Statement (AGS) for 2021/22 and 2022/23.

## **2.0 Background**

- 2.1 The Council is responsible for preparing and publishing its Annual Governance Statement in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Page 37 Agenda Item 6 and the Society of Local Authority Chief Executive and Senior Managers (SoLACE) framework.
- 2.2 This fulfils the statutory requirement that local authorities review their governance arrangements at least once a year.
- 2.3 The Delivering Good Governance in Local Government Framework requires local authorities to be responsible for ensuring that:
- (a) their business is conducted in accordance with all relevant laws and regulations.
  - (b) public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
  - (c) there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities
- 2.4 The annual governance statement acts as a vehicle for the review of the Council's governance arrangements. The review should be reported both internally within the Council, to the Audit and Governance Committee and externally within the published accounts to provide assurances that:
- (a) Governance arrangements are adequate and operating effectively in practice.
- Or
- (b) Where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future.
- 2.5 The process of preparing the governance statement should itself add value to the corporate governance and internal controls framework of the Council.
- 2.6 It is important to recognise that the governance statement covers all significant corporate systems, processes, and controls for all the Council's activities.
- 2.7 The Annual Governance Statements are attached as Appendix A and B, for Members to review and comment on.

## **3.0 Reason(s)**

3.1 As part of a framework of good governance, it is important that management and Members can demonstrate that governance issues are acted upon, and the implementation of recommendations is monitored.

3.2 The key changes to the AGS for both years are as follows:

- The 'Internal Audit Annual Assurance Statement' from the Chief Internal Auditor has been added at Section 6 which has already been through Audit & Governance for noting previously as per the request of the auditors (EY).
- Additional governance issues been included (within Section 8) from the outcome of the External Auditors (EY) 'The Completion Report for Those Charged with Governance' report.
- Statutory recommendations from Page 72 of EY completion report are included in Section 9 of the AGS.
- Signatures on final certification page updated to be new Chief Executive and Leader of the Council.

## **4.0 Options**

4.1 Members can suggest amendments or additions to the 2021/22 AGS.

4.2 Members can suggest amendments or additions to the 2022/23 AGS.

4.3 Members can question the External Auditors to obtain a full and complete understanding of: -

- (a) Why the Statutory Recommendations have been issued by EY.
- (b) Any implications that the members need to be made aware of.

## **5.0 Risks**

5.1 The timely implementation of governance recommendations will reduce the risks to the Council.

## **6.0 Implications/Consultations**

6.1 Leadership Team have been consulted on the draft AGS and have provided confirmation that appropriate controls have been in place in their service areas throughout the year.

## **Community Safety**

No



## **Data Protection**

Part of the AGS is to consider how effectively the council is meeting its duties in relation to data protection.

## **Equalities**

Part of the AGS is to consider how effectively the council is meeting its duties in relation to equalities.

## **Environmental Sustainability**

No

## **Financial**

Part of the AGS is to consider how effectively the council is meeting its duties in relation to financial control, budgeting, and medium-term resource planning.

## **Health and Safety**

Part of the AGS is to consider how effectively the council is meeting its duties in relation to health and safety.

## **Human Resources**

Part of the AGS is to consider how the Council's Officers and members behave ethically and how the council plans its workforce over the medium term.

## **Human Rights**

No

## **Legal**

The Accounts and Audit Regulations 2015 stipulate that all authorities must conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement each financial year. Part of the AGS specifically considers how the council complies with the law.

## **Specific Wards**

No

## **7.0 Background papers, appendices and other relevant material**

7.1 Appendix A – Annual Governance Statement 2021/22

7.2 Appendix B – Annual Governance Statement 2022/23

7.3 EY's report to East Hertfordshire Council Completion Report for  
Those Charged with Governance Years ended 31 March 2022  
and 31 March 2023 (listed separately on the agenda)

**Contact Officer**

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# Annual Governance Statement 2021/22



## 1. Scope of Responsibility

East Herts 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, and used economically, efficiently and effectively. East Herts 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.

In discharging this overall responsibility, East Herts Council is responsible for ensuring arrangements are in place for the good governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

East Herts 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 2016.

This statement explains how East Herts Council has complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

## **2. The Purpose of the Governance Framework**

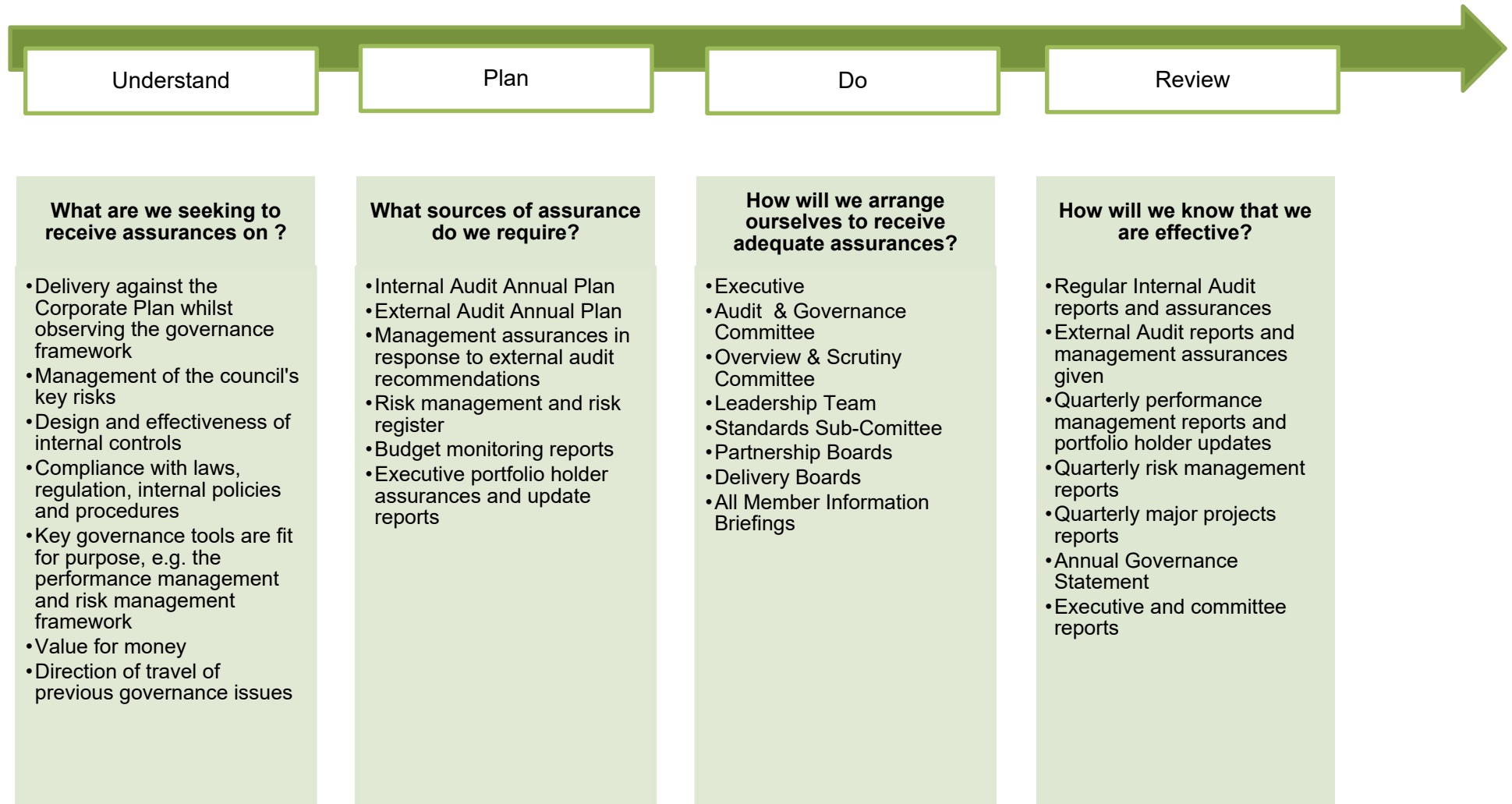
The governance framework comprises the cultures, values and systems and processes by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services and value for money. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assessment/assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Herts Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

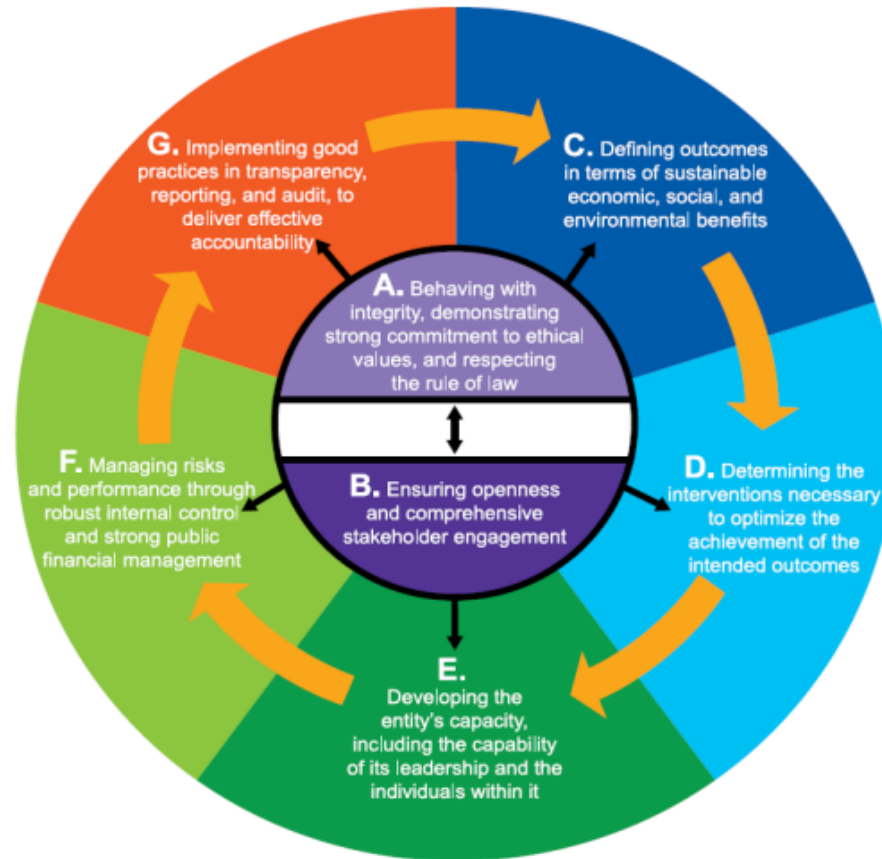
The governance framework has been in place at East Herts Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

### 3. Assurance Cycle



## 4. The Governance Framework

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Source: CIPFA 2016

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>Ensuring Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Codes of conduct for Members and Officers</li> <li>Members sign an individual commitment to comply with the Code</li> <li>Induction for new Members on the Code of Conduct and staff on standards of behaviour expected</li> <li>Performance appraisals</li> <li>Related party transaction declarations</li> <li>Action taken on Local Government Ombudsman (LGO) complaints</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan sets operating direction and organisational values approved by the Council</li> <li>Member Code of Conduct is based on Nolan Principles</li> <li>Corporate objectives cascaded down into Service Plans</li> <li>Corporate Plan and Service Plan objectives reflected in individual appraisal goals</li> </ul>
	<ul style="list-style-type: none"> <li>Leading by example and using these standard operating principles or values as a framework for decision making and other actions</li> </ul>	<ul style="list-style-type: none"> <li>Members trained on and familiar with code of conduct requirements</li> <li>Declarations are made at, and recorded, at meetings</li> <li>Meetings conducted according to values</li> <li>Standards Sub-Committee in effective operation including delivering training sessions to others to be proactive in communicating positive messages about good conduct</li> <li>Requirement for elected Members to be specifically trained before serving on Planning and/or Licensing Committees</li> </ul>
	<ul style="list-style-type: none"> <li>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>	<ul style="list-style-type: none"> <li>Anti-fraud and anti-corruption policies are working effectively</li> <li>Up-to-date register of interests (Members and staff)</li> <li>Related Party Transactions completed annually</li> <li>Up-to-date register of gifts and hospitality</li> <li>Whistleblowing policies are in place, up to date and protect individuals raising concerns</li> </ul>



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		<ul style="list-style-type: none"> <li>• Whistleblowing policy has been made available to members of the public, employees, partners and contractors</li> <li>• Complaints policy in place and reported upon annually to Executive</li> <li>• All policies are managed through corporate performance management system to ensure effective and timely review with communication of changes and provision of training as appropriate</li> <li>• Policies are published online to demonstrate openness and transparency</li> <li>• Changes/improvements as a result of complaints received and acted upon and reported in annual report to Members</li> <li>• Members and officers code of conduct refers to a requirement to declare interests</li> <li>• Minutes show declarations of interest were sought and appropriate declarations made</li> <li>• Relevant recommendations from LGO incorporated into future working practices and procedures</li> <li>• Legal implications identified in all Executive and committee reports</li> </ul>
	<p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation's ethical standards and performance</li> </ul>	<ul style="list-style-type: none"> <li>• Good ethical governance is championed by Members, particularly through Executive, the Standards Sub-Committee, the Monitoring Officer and Leadership Team</li> <li>• Audit &amp; Governance Committee takes the lead in overseeing and promoting good governance</li> <li>• Clear mechanisms in place for reporting / referral to Monitoring Officer</li> </ul>
	<ul style="list-style-type: none"> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of ethical awareness training including thorough Code of Conduct training</li> <li>• Standards Sub-Committee takes the lead in promoting this</li> </ul>

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	<ul style="list-style-type: none"> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Appraisal process in place</li> <li>• Procurement policy and approach include good governance and ethical conduct</li> <li>• Requirement to declare conflicts of interest</li> <li>• Robust processes with checks and balances to ensure that procurement is undertaken in accordance with the principles of transparency, fairness and equal treatment.</li> <li>• Partnership Guidelines and reviews</li> <li>• Procurement Strategy showing commitment to local businesses and SMEs</li> <li>• Adhering to Bribery and Anti-Corruption policies as required by the Council</li> <li>• Ensuring confidentiality of information throughout the process</li> <li>• Data protection requirements specifically built into contract specification</li> </ul>
	<p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• Ensuring Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>• Creating the conditions to ensure that the statutory officers, other key post holders and Members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Statutory guidance and provisions are followed</li> <li>• These are assessed through internal and external audit</li> <li>• Audit &amp; Governance Committee oversee this</li> <li>• Legal implications identified in all Executive and committee reports</li> <li>• Job description/specifications</li> <li>• Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016). The Council's arrangements conform to these governance requirements with the CFO reporting directly to the Chief Executive</li> <li>• Legal implications identified in all Executive and committee reports</li> <li>• The Monitoring Officer routinely attends Leadership Team meetings.</li> <li>• The CFO routinely attends Leadership Team. In addition, the CFO has access to (and regularly attends) the Audit &amp; Governance Committee and to the internal and external auditors. In performing the role, the CFO is able to bring influence to bear on all material decisions of the</li> </ul>

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	<ul style="list-style-type: none"> <li>• Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions effectively</li> <li>• Ensuring corruption and misuse of power are dealt with effectively</li> </ul>	<p>Council through advice and guidance on all corporate reports. As part of that role, the CFO leads on the budget monitoring reports, financial strategy reports and is able to promote to the organisation the delivery of good financial management. In discharging this role, the CFO is supported by a team of officers, including a deputy, and these arrangements ensure that the CFO has adequate resources to support the design and maintenance of sound financial governance arrangements.</p> <ul style="list-style-type: none"> <li>• Executive reports / decision making reports all document legal advice / implications</li> <li>• Where appropriate, make use of general power of competence e.g. Millstream or the power to charge for discretionary services</li> <li>• Monitoring Officer takes lead role in ethical governance and ensuring compliance with the law</li> <li>• Decision making process incorporates this</li> <li>• Legal team provide in-house advice and guidance</li> <li>• Statutory teams familiar with and operating effectively to deliver on their statutory duties</li> <li>• Effective anti-fraud and anti-corruption policies and procedures are in place and are regularly updated and incorporated into all contracts</li> <li>• Assurance mapping exercise to be completed by Internal Audit will improve likelihood of detection</li> <li>• Grievance and disciplinary code for officers</li> <li>• Monitoring Officer at senior level within the organisation</li> <li>• Mature and experienced Standards Sub-Committee</li> <li>• 360 appraisal of managers acts as an additional layer of challenge</li> <li>• Annual appraisal review assesses competencies and behaviours.</li> </ul>
<p><b>B Ensuring openness and comprehensive stakeholder engagement</b> Local government is run for the public good; organisations therefore should ensure</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly performance reports to record performance against Corporate Plan</li> <li>• Freedom of Information publication scheme</li> <li>• Information Governance Team input to all FOI requests to ensure that exemptions are not unreasonably applied</li> <li>• Data Protection Information Charter</li> </ul>

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<p>openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders</p>		<ul style="list-style-type: none"> <li>• Compliance with the General Data Protection Regulation 2016 and Data Protection Act 2018</li> <li>• Transparency web pages</li> <li>• Website publishes clear and accessible information</li> <li>• Public inspection of accounts</li> <li>• Annual publication of accounts</li> <li>• Public consultation on new policies and individual development applications.</li> <li>• Webcasting of all Committee meetings since the COVID 19 Pandemic</li> </ul>
	<ul style="list-style-type: none"> <li>• Making decisions that are open about actions, plans, use of resources, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided in accordance with rules governing e.g. exemptions.</li> </ul>	<ul style="list-style-type: none"> <li>• Record of decision making and supporting materials</li> <li>• Publish decisions by Members and Officers in accordance with the Constitution, Scheme of Delegation, Financial Procedure Rules and Contract Procedure Rules.</li> <li>• Forward Plan promotes community interest in democracy by publishing report schedule</li> </ul>
	<ul style="list-style-type: none"> <li>• Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</li> </ul>	<ul style="list-style-type: none"> <li>• Decision making protocols</li> <li>• Report template including requirement to obtain professional advice in key areas</li> <li>• Meeting reports show details of advice given</li> <li>• Discussion between Members and officers on the information needs of Members to support decision making</li> <li>• Committee work programmes</li> <li>• Agreement on the information that will be provided and timescales</li> <li>• Calendar of dates for submitting, publishing and distributing timely reports is adhered to</li> </ul>
	<ul style="list-style-type: none"> <li>• Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</li> </ul>	<ul style="list-style-type: none"> <li>• Community Engagement Strategy</li> <li>• Annual budget consultation</li> <li>• Consultation on Master Plan options</li> <li>• All Member Information sessions</li> <li>• Online consultation exercises</li> </ul>

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	<p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> </ul>	<ul style="list-style-type: none"> <li>Communications Strategy and specific communications strategies for major projects</li> <li>Local ward Member communication networks</li> <li>Specific consultation with underrepresented groups through Equalities Strategy</li> <li>Community Engagement Strategy</li> <li>Statement of Community Involvement for District Plan</li> </ul>
	<ul style="list-style-type: none"> <li>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> </ul>	<ul style="list-style-type: none"> <li>Online databases of residents who register to be kept informed / consulted about matters e.g. planning policy</li> <li>Significant partnership working e.g. Harlow &amp; Gilston Garden Town, Hertfordshire Growth Board</li> <li>Shared services for Revenues &amp; Benefits, ICT, Waste and Recycling Services, Building Control, CCTV and Equalities. The Council is also part of the Hertfordshire Emergency Resilience Partnership.</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>Trust</li> <li>a shared commitment to change</li> <li>a culture that promotes and accepts challenge among partners</li> <li>and that the added value of partnership working is explicit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Shared services for Revenues &amp; Benefits, ICT, Waste and Recycling Services, Building Control, CCTV and Equalities</li> <li>Joint Committee/Joint Member Boards/Officer Boards as appropriate with a shared commitment to improvement, cost reduction and value for money</li> <li>Open culture of challenge between partners to seek improvement</li> </ul>
	<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p> <ul style="list-style-type: none"> <li>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve</li> </ul>	<ul style="list-style-type: none"> <li>Online record of public consultations</li> <li>Feedback reports on public consultations</li> <li>Consultation responses included in relevant Executive reports e.g. budget</li> <li>Service user satisfaction surveys</li> </ul>

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	<p>individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <ul style="list-style-type: none"> <li>• Ensuring that communication methods are effective and that Members and officers are clear about their roles with regard to community engagement</li> <li>• Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</li> <li>• Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account</li> <li>• Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li> <li>• Taking account of the interests of future generations of tax payers and service users</li> </ul>	<ul style="list-style-type: none"> <li>• Communications Strategy</li> <li>• Monitoring reports on the effectiveness of our communications output including regular reports on the effectiveness of East Herts Council's Social Media Usage</li> <li>• Communications and media training for Members and Senior Leadership Team</li> <li>• Communications Strategy</li> <li>• Community Engagement Strategy</li> <li>• Resident Satisfaction Survey as part of budget consultation</li> <li>• Themed consultation exercises</li> <li>• Feedback included online in response to consultations</li> <li>• Reports to Executive include feedback on consultation e.g. budget report</li> <li>• Extensive use of East Herts Council's social media to interact with communities</li> <li>• Corporate Equalities Objectives</li> <li>• Equalities Policy and Action Plan</li> <li>• Consultation with specific underrepresented groups within our community</li> <li>• Corporate Plan</li> <li>• Executive / Scrutiny reports</li> <li>• Strategic Housing Needs Assessment</li> <li>• Harlow &amp; Gilston Garden Town</li> </ul>
<p><b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p>	<p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>• Having a clear vision which is an agreed formal statement of the organisation's purpose and intended</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Published performance indicators</li> <li>• MTFP and Capital Programme to fund ambitions</li> <li>• Commercial Strategy development</li> </ul>

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<p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions</p>	<ul style="list-style-type: none"> <li>• Performance management report</li> <li>• Pentana performance management system</li> <li>• Statement of organisational values</li> </ul>
	<ul style="list-style-type: none"> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Community engagement</li> <li>• Consultation strategy</li> <li>• Service plans</li> </ul>
	<ul style="list-style-type: none"> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly budget reports</li> <li>• Quarterly performance monitoring reports</li> <li>• Medium Term Financial Plan</li> <li>• Capital Programme</li> <li>• Commercial Strategy development</li> </ul>
	<ul style="list-style-type: none"> <li>• Identifying and managing risks to the achievement of outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management report</li> <li>• Risk management training</li> <li>• Risk assessments for specific projects</li> <li>• External Audit report giving assurance that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources</li> </ul>
	<ul style="list-style-type: none"> <li>• Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</li> </ul>	<ul style="list-style-type: none"> <li>• Service plans</li> <li>• Performance indicators</li> <li>• Executive reports identify issues of competing community demands</li> <li>• How your Council Tax is Spent information issued with annual Council Tax bills</li> </ul>
	<p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision</li> </ul>	<ul style="list-style-type: none"> <li>• Capital programme</li> <li>• Medium Term Financial Plan</li> <li>• Treasury management strategy</li> <li>• Corporate Plan</li> <li>• Commercial Strategy</li> </ul>



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	<ul style="list-style-type: none"> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>• Ensuring fair access to services</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate plan with four year time horizon</li> <li>• Medium Term Financial Plan</li> <li>• Reports on decision making</li> <li>• Mandatory training (e.g. for the Development Management Committee)</li> <li>• Consultation and community engagement strategy</li> <li>• Consultation and community engagement diary</li> <li>• Customer service strategy</li> <li>• 24/7 Website offering online services</li> <li>• Transparency webpages</li> <li>• Clear policies explaining the Council's processes and what customers can expect from the Council e.g. housing allocations</li> </ul>
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b> Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making</p>	<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>• Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided</li> </ul> <p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills,</p>	<ul style="list-style-type: none"> <li>• Options appraisals within key decision reports</li> <li>• All Executive reports available for consideration at Overview &amp; Scrutiny</li> <li>• Reports to Audit &amp; Governance Committee</li> <li>• Legal, Financial and HR implications considered as part of every decision and evidenced within committee reports</li> <li>• Individual risk assessment on larger projects</li> <li>• Consultation outcomes incorporated within key Executive / Council reports</li> <li>• Specific consultation part of the annual budgeting process</li> <li>• Complaints process</li> </ul>

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mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.	land and assets and bearing in mind future impacts.	
	<b>Planning interventions</b> <ul style="list-style-type: none"> <li>• Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> </ul>	<ul style="list-style-type: none"> <li>• Calendar of meetings</li> <li>• Annual work programmes for Audit &amp; Governance and Overview &amp; Scrutiny Committees</li> <li>• Executive Forward Plan</li> </ul>
	<ul style="list-style-type: none"> <li>• Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> </ul>	<ul style="list-style-type: none"> <li>• Communication strategy</li> <li>• East Herts Together</li> </ul>
	<ul style="list-style-type: none"> <li>• Considering and monitoring risks facing each partner when working collaboratively including shared risks</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management report</li> <li>• Risk identified within Executive reports</li> <li>• Risk register for specific projects</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• Report cycles allow flexibility to respond to changing priorities</li> </ul>
	<ul style="list-style-type: none"> <li>• Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan KPIs in place</li> <li>• Service plan KPIs established</li> <li>• Financial performance regularly measured through quarterly budget meetings and report</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring capacity exists to generate the information required to review service quality regularly</li> </ul>	<ul style="list-style-type: none"> <li>• Pentana is the Council's online performance management system</li> <li>• Quarterly performance management reports</li> <li>• Members have on-line access to Pentana</li> </ul>
	<ul style="list-style-type: none"> <li>• Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan</li> </ul>	<ul style="list-style-type: none"> <li>• Clear alignment between corporate objectives and resources</li> <li>• Regular budget monitoring analysis and reporting across all Council Services</li> </ul>
	<ul style="list-style-type: none"> <li>• Informing medium and long term resource planning by drawing up realistic estimates of revenue and</li> </ul>	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Capital Strategy – reports to Executive / Audit and Governance Committee on performance / progress</li> </ul>

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	capital expenditure aimed at developing a sustainable funding strategy	
	<b>Optimising achievement of intended outcomes</b> <ul style="list-style-type: none"> <li>• Ensuring the Medium Term Financial Plan integrates and balances service priorities, affordability and other resource constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Annual budget consultation</li> <li>• Audit and Governance Committee Reports</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> </ul>	<ul style="list-style-type: none"> <li>• Full and detailed budgeting exercise, both capital and revenue, over the medium term</li> <li>• Internal and External Audit review</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring the Medium Term Financial Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</li> </ul>	<ul style="list-style-type: none"> <li>• MTFP identifies plan for savings</li> <li>• Transformation Programme business case predicts a minimum amount of £1 million of savings from changes to the customer service model and moving the financial system to the cloud. Further budget reductions will come from additional income following the Fees and Charges Policy and the Commercial Strategy.</li> <li>• External auditor report gives assurance</li> <li>• Quarterly budget reporting</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community over and above the direct purchasing of goods, services and outcomes"</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement strategy identifies social value</li> <li>• Social value assessed as part of award process under procurement</li> </ul>
<b>E. Developing the entity's capacity, including the</b>	<b>Developing the entity's capacity</b>	<ul style="list-style-type: none"> <li>• Assets Strategy</li> <li>• Asset Management Group – regular review of assets</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p><b>capability of its leadership and the individuals within it</b> Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the</p>	<ul style="list-style-type: none"> <li>• Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial Strategy</li> </ul>
	<ul style="list-style-type: none"> <li>• Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently</li> </ul>	<ul style="list-style-type: none"> <li>• Benchmarking</li> <li>• LGA Peer Review on services</li> <li>• External Audit Use of Resources Statement</li> <li>• Local benchmarking exercise at Service level</li> </ul>
	<ul style="list-style-type: none"> <li>• Recognising the benefits of partnerships and collaborative working where added value can be achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Significant commitment to partnership working</li> <li>• Joint working / shared services</li> </ul>
	<ul style="list-style-type: none"> <li>• Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul>	<ul style="list-style-type: none"> <li>• Review of workforce development plan and strategy</li> <li>• Commitment to apprenticeships</li> </ul>
	<p><b>Developing the capability of the entity's leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>• Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution contains job descriptions for lead Members</li> <li>• Officer Job descriptions</li> <li>• Shared understanding of roles between Leader and CE</li> <li>• Officer Member protocol</li> </ul>
	<ul style="list-style-type: none"> <li>• Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Scheme of Delegation</li> <li>• Financial Procedure Rules</li> <li>• Individual reports for major projects set out decision making basis so that this is open and transparent, particularly for new projects</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring the Leader and the Chief Executive have clearly defined and</li> </ul>	<ul style="list-style-type: none"> <li>• Job description for Chief Executive</li> <li>• Role profile for Leader in Constitution</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
structure and diversity of communities.	<p>distinctive leadership roles within a structure whereby the Chief Executive leads the council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority</p>	
	<ul style="list-style-type: none"> <li>• Developing the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> <li>• ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• ensuring personal, organisational and system-wide development</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings between Executive and Leadership Team</li> <li>• Senior Leadership Training &amp; Development - ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• Induction programme for both staff and Members</li> <li>• Annual staff appraisal</li> <li>• Annual training programme for Members</li> <li>• Commitment to apprenticeships including those at a higher level and support for appropriate professional qualifications</li> <li>• Bespoke training at committees including presentations by service departments to Audit and Governance Committee</li> <li>• Community Leadership is discussed and led by Portfolio Holder</li> <li>• Member support through Democratic Services</li> <li>• Member training programme</li> <li>• Officer training e.g. professional training, continuing professional development, management and leadership training</li> <li>• Internal Audit reports on governance to Audit and Governance Committee</li> <li>• Workforce monitoring reports to Executive through Portfolio Holder</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<p>through shared learning, including lessons learnt from governance weaknesses both internal and external</p>	
	<ul style="list-style-type: none"> <li>Ensuring that there are structures in place to encourage public participation</li> </ul>	<ul style="list-style-type: none"> <li>Community Engagement Strategy</li> <li>Residents' satisfaction survey</li> <li>Regular user satisfaction surveys</li> <li>The Council also has a Statement of Community Involvement (SCI) - a document that sets out what consultation will take place when the Council is developing and reviewing its planning policy documents (including the District Plan) and when determining planning applications.</li> </ul>
	<ul style="list-style-type: none"> <li>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</li> </ul>	<ul style="list-style-type: none"> <li>Publish member attendance records</li> <li>Annual training plan</li> <li>Participation in appropriate Peer Reviews</li> </ul>
	<ul style="list-style-type: none"> <li>Holding staff to account through regular performance reviews which take account of training or development needs</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance appraisals and probationary appraisals</li> <li>Staff development plan within appraisal process</li> <li>Capability procedure</li> <li>Sickness procedure</li> <li>Routine Service Team Meetings and 1:1 Meetings</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>Conditions of Service</li> <li>Health and Safety policies</li> <li>Employee Assistance Programme – Confidential Helpline</li> <li>Mental Health First Aiders</li> <li>Workplace Health Scheme Monthly Programme</li> <li>Council policies which support employees e.g. bereavement</li> </ul>
<b>F. Managing risks and performance through robust internal control and strong public financial management</b>	<b>Managing risk</b> <ul style="list-style-type: none"> <li>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</li> </ul>	<ul style="list-style-type: none"> <li>Risk management specifically reported to Executive and Audit and Governance Committee on a quarterly basis</li> <li>Risk assessments on larger projects</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision-making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and</p>	<ul style="list-style-type: none"> <li>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> </ul>	<ul style="list-style-type: none"> <li>Risk management strategy and policy</li> <li>Annual internal audit plan</li> <li>Risk management within individual project plans e.g. elections</li> <li>Emergency plan and Business Continuity Plan and the review of risks specific to emergencies such as the Covid-19 pandemic</li> <li>Regular exercises to test the Emergency Plan, Business Continuity Plan ,Disaster Recovery and Cyber Security</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul>	<ul style="list-style-type: none"> <li>Risks assigned with responsible owners</li> <li>Named officers for e.g. Health and Safety, Data Protection, Emergency Planning, Business Continuity</li> </ul>
	<p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> </ul>	<ul style="list-style-type: none"> <li>Departmental service plans which are reviewed regularly</li> <li>Senior Leadership ownership of specific Corporate Plan outcomes.</li> <li>Performance monitoring</li> <li>Benchmarking</li> <li>Transparency pages on website</li> <li>Report format strengthening consideration of implications</li> </ul>
	<ul style="list-style-type: none"> <li>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> </ul>	<ul style="list-style-type: none"> <li>Report template to Executive / Committees includes specific sections for analysis, options, risk, finance, and other relevant considerations</li> <li>Agendas published at least 5 days in advance</li> <li>Decision notices and minutes published after meetings</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</li> </ul>	<ul style="list-style-type: none"> <li>Constitution defines roles and responsibilities of Overview &amp; Scrutiny Committee and Audit and Governance Committee</li> <li>Annual work programmes for those committees</li> <li>Regular training sessions for committee members pertinent to that committee and the wider business and functions of the council</li> </ul>
	<ul style="list-style-type: none"> <li>Providing members and senior management with regular reports on</li> </ul>	<ul style="list-style-type: none"> <li>Annual timetable / calendar of meetings</li> <li>Work programmes / forward plan for Executive and Committees</li> <li>Senior Leadership ownership of specific Corporate Plan outcomes.</li> </ul>



Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>service delivery plans and on progress towards outcome achievement</p>	<ul style="list-style-type: none"> <li>• Annual Budget and Tax Setting report to Executive</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Procedure Rules</li> <li>• Annual accounts and Statement of Accounts</li> <li>• External auditor reports</li> </ul>
	<p><b>Robust internal control</b></p> <ul style="list-style-type: none"> <li>• Aligning the risk management strategy and policies on internal control with achieving the objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Plan</li> <li>• Regular reports from Internal Audit to Audit and Governance Committee</li> </ul>
	<ul style="list-style-type: none"> <li>• Evaluating and monitoring the authority's risk management and internal control on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly risk management reports</li> <li>• Risk management training for Members and officers</li> <li>• Internal Audit Review of Effectiveness</li> <li>• Annual Governance Statement</li> <li>• External Audit Annual Report</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring effective counter fraud and anti-corruption arrangements are in place</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-fraud and anti-corruption policy</li> <li>• Whistleblowing policy</li> <li>• Shared Anti-Fraud Service</li> <li>• Acquisition and use of specialist data analysis software to detect fraud and corruption</li> <li>• Regular reports to Audit and Governance Committee on counter fraud activity</li> <li>• Shared Anti-Fraud Service fraud risk evaluation of all business grants applied for as a consequence of Covid-19</li> </ul>
	<p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</li> </ul>	<ul style="list-style-type: none"> <li>• Clear links between Corporate Plan, Medium Term Financial Plan and subsequent reporting on outcomes</li> <li>• Asset Management Strategy</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</li> </ul>	<ul style="list-style-type: none"> <li>• Embedded financial management process covering process from beginning to end</li> <li>• Review of that process through External Audit</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>  Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</li> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</li> </ul>	<ul style="list-style-type: none"> <li>• Publication of all reports and decisions on website</li> <li>• Transparency pages on website</li> <li>• Consistent, accessible, reporting style used with supporting evidence providing more detail for those who require it. Web pages give key information and ability to drill down to specific documents and background papers for those requiring detail.</li> <li>• Annual performance report</li> <li>• Regular internal audit reports to Audit and Governance Committee</li> </ul>
	<p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and the stewardship of its resources</li> </ul>	<ul style="list-style-type: none"> <li>• Annual performance report that supplements quarterly performance and budget reports</li> <li>• Annual reports from External Auditor</li> <li>• Value for money opinion</li> <li>• Statement of Accounts</li> <li>• Internal audit reports also comment on Value for Money implications where applicable</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring Members and senior management own the results</li> </ul>	<ul style="list-style-type: none"> <li>• Clearly defined roles for Executive portfolio holder, Audit and Governance Committee and Overview and Scrutiny Committee</li> <li>• Portfolio holders present reports at Executive</li> <li>• Each portfolio holder has regular briefings with officers</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• Assurance mapping exercise planned for 2021/22</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> <li>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Shared service legal agreements</li> <li>Annual Governance Statement</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking</li> <li>Quarterly performance reports to Executive and Overview &amp; Scrutiny Committee including end of year performance.</li> </ul>
	<p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>Ensuring that recommendations for corrective action made by external audit are acted upon</li> <li>Ensuring an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon`</li> </ul>	<ul style="list-style-type: none"> <li>Management comments / response is incorporated as part of the reports from both Internal and External Audit</li> <li>Annual Opinion on the Control Environment report from Internal Audit</li> <li>Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2019)</li> <li>Compliance with Public Sector Internal Audit Standards</li> <li>Annual review of effectiveness of internal audit reported to Audit and Governance Committee</li> <li>Annual Governance Statement Action Plan and follow up</li> </ul>
	<ul style="list-style-type: none"> <li>Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> </ul>	<ul style="list-style-type: none"> <li>Executive report on outcomes and recommendations / action plan arising from review</li> <li>Self-challenging through entry for various awards and nomination as finalist</li> </ul>
	<ul style="list-style-type: none"> <li>Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</li> </ul>	<ul style="list-style-type: none"> <li>Annual Governance Statement</li> <li>Risk management report</li> <li>Performance report</li> <li>Requirement for performance information to management is specified in contract specification.</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met</li> </ul>	<ul style="list-style-type: none"> <li>Proportionate governance arrangements in place for partnership working</li> <li>Service Level Agreements for some community grants ensuring that outcomes are measurable and delivered.</li> </ul>

## **5. Review of Effectiveness**

East Herts 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 the Leadership Team, the Monitoring officer, the Chief Finance Officer (Head of Financial Services), and the Head of Business Services who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates. The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

### **Council**

Council is responsible for approving the budget and policy framework, which includes the Corporate Plan and the Constitution.

### **Executive**

Executive has approved the Council's performance management framework. Executive also approves the risk management policy and receives quarterly reports on risk management, performance monitoring and budget monitoring.

### **Audit and Governance Committee**

This Committee undertakes the core functions of an Audit Committee and approves the annual Internal Audit Plan, receives quarterly monitoring reports updating them on progress against that plan. It also receives the external auditor's annual audit letter, annual governance report, annual plan and grant claim certification report. It approves the risk management policy and receives quarterly reports on risk management. The Committee has lead oversight responsibility for corporate governance, risk management and other internal control issues. It also leads the cross Member scrutiny and consideration of the budget. The Audit & Governance Committee also reviews the Constitution.

### **Standards Sub-Committee**

This Sub-Committee undertakes a proactive role in relation to the promotion of the ethical conduct framework. It has also published documents to inform the public about its role, the importance of good ethical conduct in the area, and the high standards of conduct evident in the District. A new framework for dealing with ethical governance has been adopted by the county and the district and borough councils in Hertfordshire in order to maintain a level of consistency across the geographical area, particularly in relation to twin-hatted Members. The Standards Sub-Committee has put in place arrangements for dealing with complaints, conduct investigations and hearing allegations.

## **Overview & Scrutiny Committee**

The Overview & Scrutiny Committee reviews performance across all services delivered by the Council and partner organisations, and the impact they have on the District and its communities.

## **Chief Finance Officer (Head of Strategic Finance & Property)**

The Chief Finance Officer (CFO) has been designated as the s151 Officer. That officer maintains the statutory powers to report to Executive or Council on any proposals, decision or omission that gives rise to any unlawful expenditure. The CFO also has clearly defined responsibilities for Risk Management, Internal Control, and systems and processes for financial administration and control, which are set out in the Financial Procedure Rules.

## **Monitoring Officer**

The Head of Legal & Democratic Services has been designated as the Monitoring Officer. The Monitoring Officer has the specific duty, contained within Section 5 of the Local Government and Housing Act 1989, to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The role of the Monitoring Officer is:

- To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
- To be responsible for matters relating to the conduct of Councillors and officers; and
- To be responsible for monitoring and reviewing the operation of the Constitution, to ensure that the aims and principles of our Constitution are given full effect.

## **Internal Audit**

The internal control system comprises the whole network of systems established within the Council to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data
- Effective monitoring systems and optimum use of performance management information

## **6. Internal Audit Annual Assurance Statement 2021/22**

Extracted from Section 2 of the SIAS 2021/22 Annual Assurance Statement and Internal Audit Annual Report.

- The full report went to Audit and Governance committee on Tuesday 5<sup>th</sup> April 2022 – 7pm

### **Scope of responsibility**

6.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

### **Control environment.**

6.2 The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to completely eliminate it.

6.3 A robust control environment helps ensure that the Council's policies, priorities, and objectives are achieved.

#### Review of effectiveness

6.4 The Client Audit Manager must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.

6.5 As part of our Quality Assurance and Improvement Programme, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency and effectiveness of internal audit across the public sector. They also highlight the importance of robust, independent and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.

6.6 The PSIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This review was completed in June 2021 (the previous review being undertaken in 2015/16), with the result of the assessment reported to the Audit & Governance Committee in November 2021.

6.7 The EQA outcomes concluded that SIAS 'partially conforms' to the PSIAS. The findings that led to this conclusion largely related to defining the role of the Chief Audit Executive, the Audit Committee, and reflecting this in the Audit Charter. Associated recommendations made in the peer review were subsequently addressed in year, permitting SIAS to 'generally conform' to the Standards. 'generally conforms' is the highest opinion within the scale of three ratings, and the peer review also identified areas of good practice and high standards.

6.8 Within the EQA report, the assessors provided ratings of 'generally conforms' (the highest rating) for 36 of the 43 PSIAS standards, and 'partially conforms' for the remaining seven standards. The assessors concluded that revisions to Audit Charter would address the three relevant areas of partial conformance that would allow SIAS to self-assess as generally conforms. The revisions to the Audit Charter were



completed, presented to, and approved by the Audit & Governance Committee in November 2021.

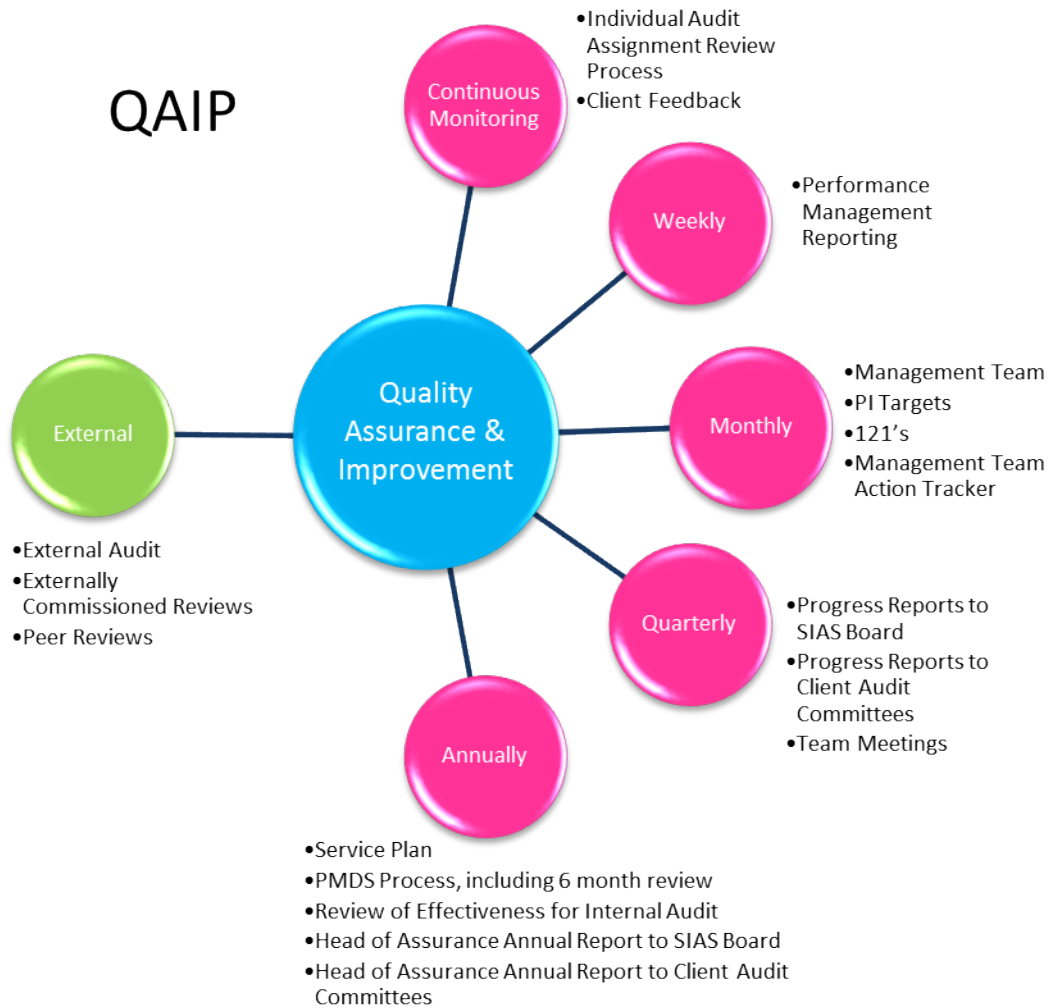
6.9 In respect of the remaining four areas of partial conformance, these were not deemed material by the assessors to the overall assessment rating, but nevertheless were identified as areas for further development. These have been addressed in year by SIAS as part of our service plan activities.

6.10 Based on the results of the 2022/23 PSIAS self-assessment, the Client Audit Manager has concluded that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective.

6.11 The self-assessment identified two areas of agreed non-conformance, these reflecting the unique nature of a partnership arrangement and are not considered material. These are detailed in Appendix C. There are no significant deviations from the Standards which warrant inclusion in the Council's Annual Governance Statement.

6.12 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement.

The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.



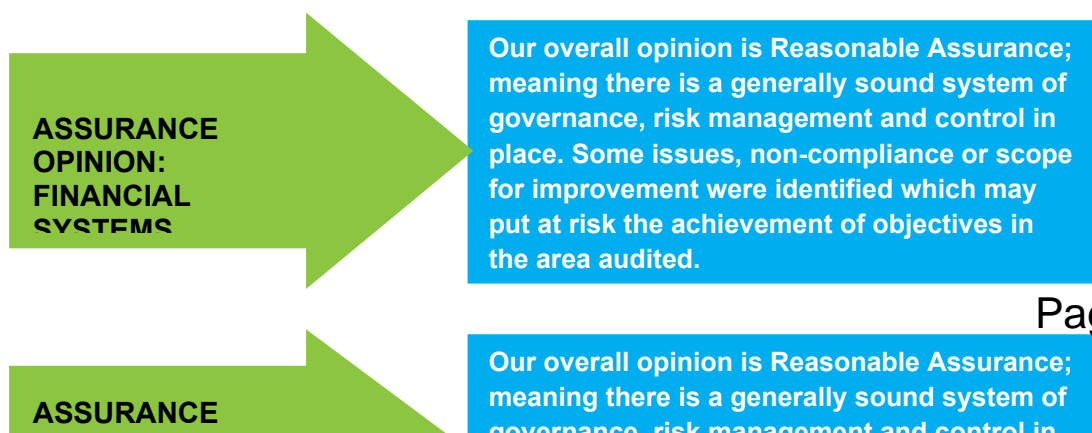
**Confirmation of independence of internal audit and assurance on limitations**

6.13 The Client Audit Manager confirms that during the year: No matters threatened SIAS’s independence; and SIAS was not subject to any inappropriate scope or resource limitations.

**Annual Assurance Statement for 2021/22**

**Assurance opinion on internal control**

6.14 Based on the internal audit work undertaken at the Council in 2021/22, SIAS can provide the following opinion on the adequacy and effectiveness of the Council’s control environment, broken down between financial and non-financial systems.



### ***Assurance opinion on Corporate Governance and Risk Management***

6.15 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2021/22 and the specific reviews of Risk Management and Corporate Governance carried out by SIAS during the year.

## 7. Governance Issues – Progress from last year

Key Improvement Area	Lead Officer	Update
<p><u>Full implementation of high priority recommendations related to IT</u></p> <p>The implementation of some recommendations has had to be re-scheduled. Management is actively monitoring these issues and full implementation should be achieved during 2020/21</p>	Helen Standen	<p><b>In progress.</b> Network upgrade completed and substantial improvement in network reliability. Upgrade to Windows 10 and Microsoft 365 on target to be completed by December 2022. Laptop roll out to staff and Members 75% complete and due for completion by December 2022.</p>
<p><u>Procurement</u></p> <p>The Procurement Strategy requires updating to reflect the new national procurement strategy and the enhanced profile of social value as well as reflecting net zero ambitions.</p> <p>The council should produce an annual procurement programme as well as a 3 year “procurement pipeline” in order that local businesses can see what opportunities are coming up and to encourage them to bid. The council requires a social value policy to inform potential bidders of the social value priorities of the council</p> <p>The council should produce an annual procurement report showing: savings or costs</p>	Steven Linnett	<p><b>In progress.</b> The National Procurement Strategy has been delayed therefore work on the Procurement Strategy has been paused pending its approval.</p> <p>See above</p> <p><b>Completed</b></p>

Key Improvement Area	Lead Officer	Update
<p>avoided; social value gained; contracts awarded to local businesses by size; contracts awarded to SMEs; and the contribution from procurement to net zero targets.</p>		<p><b>Will follow from approval of new procurement strategy.</b></p>
<p><u>Assurance Mapping</u></p> <p>The Audit &amp; Governance Committee should have an assurance map of all the major financial systems within the council. This provides:</p> <ul style="list-style-type: none"> <li>• Factual high level summary of the state of assurance</li> <li>• Enables better decision making, e.g. how better to use internal audit and other assurance providers against risk and where there are gaps</li> <li>• Creates better evidence to support assurances provided to the Council on the state of internal control</li> <li>• Supports public reports on governance and statement of internal control</li> </ul>	<p>Steven Linnett / Simon Martin (SIAS)</p>	<p><b>Completed for all the major financial systems</b> Other systems will be mapped over a period of years when they are due for review in the Internal Audit Plan.</p>
<p><u>Asset Strategy</u></p> <p>The asset strategy requires updating to ensure the council's strategy is up to date and meets best practice.</p>	<p>Steven Linnett</p>	<p><b>In progress.</b> To be completed as part of the 2023/24 MTFP process.</p>

Key Improvement Area	Lead Officer	Update
The council would benefit from the establishment of a cross service officer group to discuss asset management issues and also review assets and identify assets for disposal		<b>In progress.</b> The cross service officer group is expected to be established following approval of the asset strategy.
<u>Commercial Strategy</u>  The council would benefit from a commercial strategy setting out its attitude to risk and expectations about return on investment and its attitude towards services that could be provided on a trading basis as well as services where spare capacity could be sold under the Local Authorities (Goods & Services) Act	Steven Linnett	<b>Completed</b>
<u>ICT Resilience</u>  An external review of the ICT Strategy and delivery vehicle has been commissioned by the partner councils and recommendations arising from that will need to be taken forwards	Helen Standen	<b>In progress.</b> SOCITM review completed and recommendations being implemented. New Joint Committee established with Member oversight of Joint ICT Service now in place to ensure delivery of improved ICT Service. Business systems being progressively migrated to the cloud to increase resilience and single points of failure in current infrastructure
<u>Workforce Plan</u>  Following changes to working practices as a result of COVID 19 and anticipated changes	Simon O'Hear	<b>In progress.</b> The workforce plan will be fully developed once changes associated with Service Reviews, new customer service model and Finance in the cloud are implemented.

Key Improvement Area	Lead Officer	Update
from the Transformation Programme the council would benefit from a workforce plan that analyses its workforce and determines the steps it must take to prepare for future staffing needs. These future skill needs can be met by recruiting, by training or by outsourcing the work.		

## 8. Governance Issues

The following governance issues have been identified as needing addressing during 2022/23.

Key Improvement Area	Lead Officer	Update
<p>1. With the district council elections in 2023 we will concentrate on the following principles of good governance:</p> <ul style="list-style-type: none"> <li>• Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law; and</li> <li>• Developing the council's capacity, including the capability of its leadership and the individuals within it.</li> </ul> <p>It is anticipated that with a number of longstanding Members retiring at the next election officers will need to work with the newly elected council to ensure that the new council can move forward within very tight</p>	Richard Cassidy / Helen Standen / James Ellis / Steven Linnett	<p><b>Completed</b></p> <p><b>Ongoing</b></p> <p><b>In progress</b> -restructuring of the Leadership Team is progressing.</p> <p><b>Completed</b></p>



Key Improvement Area	Lead Officer	Update
financial constraints and operate at full capacity as soon as possible after the election.		

The following governance issues, comments and recommendations have been extracted from the External Auditors (EY) report 'The Completion Report for Those Charged with Governance Years ended 31 March 2022 and 31 March 2023'

Key Improvement Area	Comments/Recommendations	Lead Officer	Update
2. Delays in Financial Reporting:	<p>The council has failed to publish draft financial statements within the regulatory timeframe for multiple years.</p> <p>The 2021/22 draft financial statements were published on 11 December 2023, significantly after the statutory deadline of 31 July 2022.</p> <p>The 2022/23 draft financial statements were not published until 6 November 2024, again missing the statutory deadline of 31 May 2023.</p> <p>The 23/24 draft financial statements have yet to be published (as of 18<sup>th</sup> March 2025) and have not included the required notices on the website.</p>	CFO (S151 Officer)	<ul style="list-style-type: none"> <li>• The 2021/22 and 2022/23 going to Audit &amp; Governance on 22 April for sign off.</li> <li>• It is anticipated that the 2023/24 accounts will be completed and published on the Council's website by the end of April 2025.</li> <li>• Plans have been put in place by the new S151 Officer to ensure that the 2024/25 Statement of Accounts are completed and published on time.</li> </ul>

Key Improvement Area	Comments/Recommendations	Lead Officer	Update
3. Completeness and Accuracy	The draft accounts published for inspection did not include the Annual Governance Statement (AGS) and contained outdated information, i.e the Statement of Responsibilities from the 2020/21 accounts.	CFO (S151 Officer)	The new S151 Officer will look to put more controls in place to ensure adequate time is given for reviews to be undertaken prior to publication.
4. Finance Team Capacity	<p>The finance team has experienced significant capacity issues, leading to delays in completing financial statements and supporting the external audit process.</p> <p>This has impacted on the Council's ability to provide timely, sufficient, and appropriate audit evidence to support the external audit.</p>	CFO (S151 Officer)	<p>The new S151 Officer started on 1 April 2025. A review of the Finance team will be undertaken in their first six months to propose a new structure that will address:</p> <ul style="list-style-type: none"> <li>• potential 'single point of failure';</li> <li>• capability and capacity of the team to ensure it is fit for purpose;</li> <li>• Individuals have the necessary skills needed to deliver in line with all deadlines.</li> <li>• Tasks are clearly defined and delivered on time.</li> </ul>
5. Single point of Failure	<p>The report by the External Auditors identifies a significant risk associated with the current structure of the finance team, specifically pointing out a single point of failure.</p> <p>This issue arises from the over-reliance on one individual for critical financial tasks and responsibilities.</p>	CFO (S151 Officer)	See above point

Key Improvement Area	Comments/Recommendations	Lead Officer	Update
	<p>The report emphasises that this concentration of duties in one person not only increases the risk of errors and delays but also poses a substantial threat to the continuity of financial operations in the event of that individual's absence or departure.</p>		

## 9. Statutory Recommendations – By the External Auditors (EY)

Contained in the External Auditors report titled 'The Completion Report for Those Charged with Governance Years ended 31 March 2022 and 31 March 2023'.

Statutory Recommendation	
1. Finance Function Workflow Review:	<p>Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks.</p> <p>Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p>
2. Quality Assurance Issues:	<p>Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers.</p> <p>Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers.</p> <p>Monitor adherence to this process and report performance to the Audit and Governance Committee</p>
3. Finance Team Capacity:	<p>The Council should re-assess roles, responsibilities, and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) regulations 2024.</p>

## **10. Certification**

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified in Section 7. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for the improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Cllr Ben Crystal**  
**Leader of the Council**

**Date:**

**Helen Standen**  
**Chief Executive**

**Date:**

# Annual Governance Statement 2022/23



## 1. Scope of Responsibility

East Herts 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, and used economically, efficiently and effectively. East Herts 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.

In discharging this overall responsibility, East Herts Council is responsible for ensuring arrangements are in place for the good governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

East Herts 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 2016.

This statement explains how East Herts Council has complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

## **2. The Purpose of the Governance Framework**

The governance framework comprises the cultures, values and systems and processes by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services and value for money. The overall aim is to ensure that:

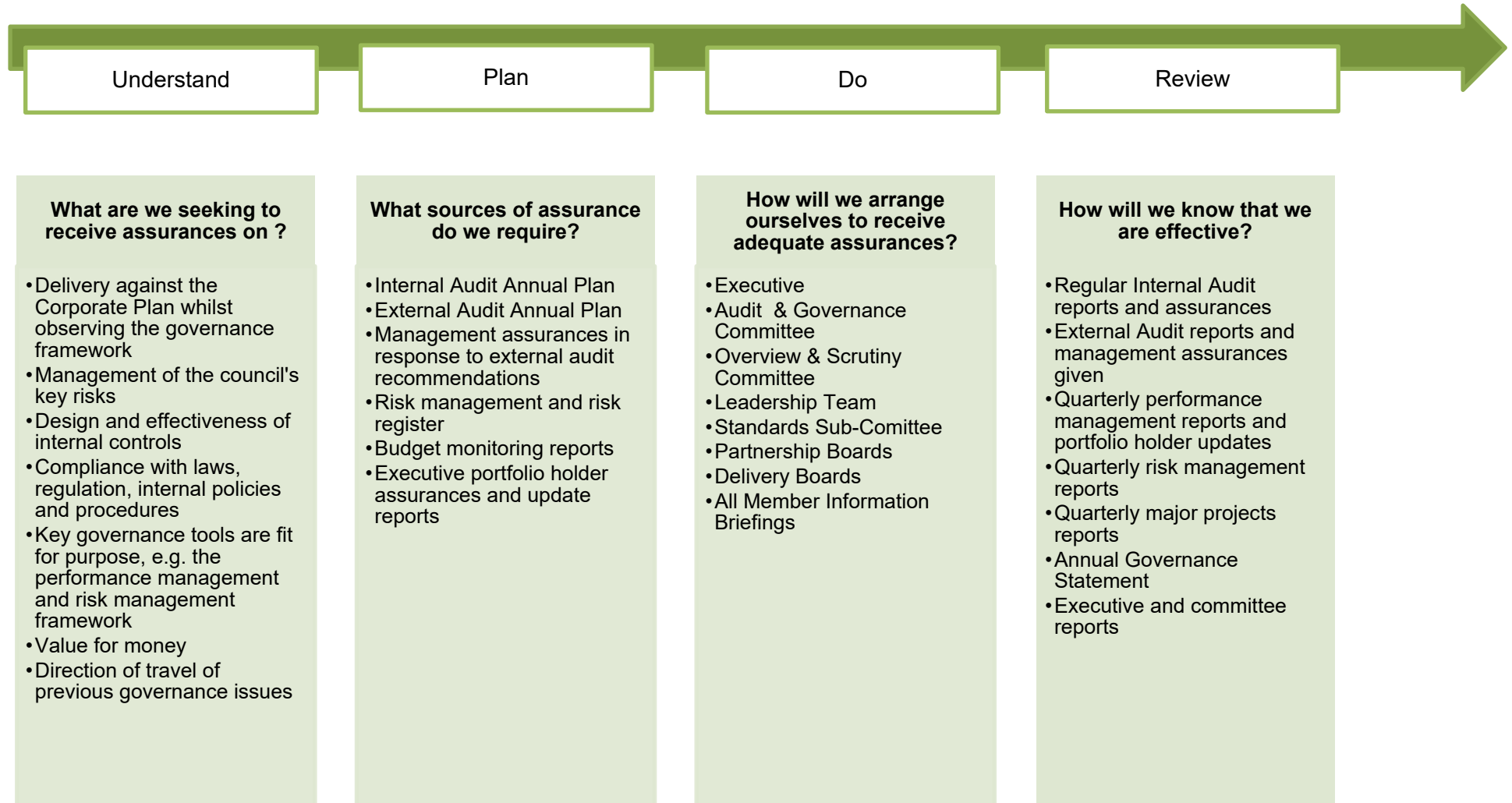
- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assessment/assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Herts Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at East Herts Council for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

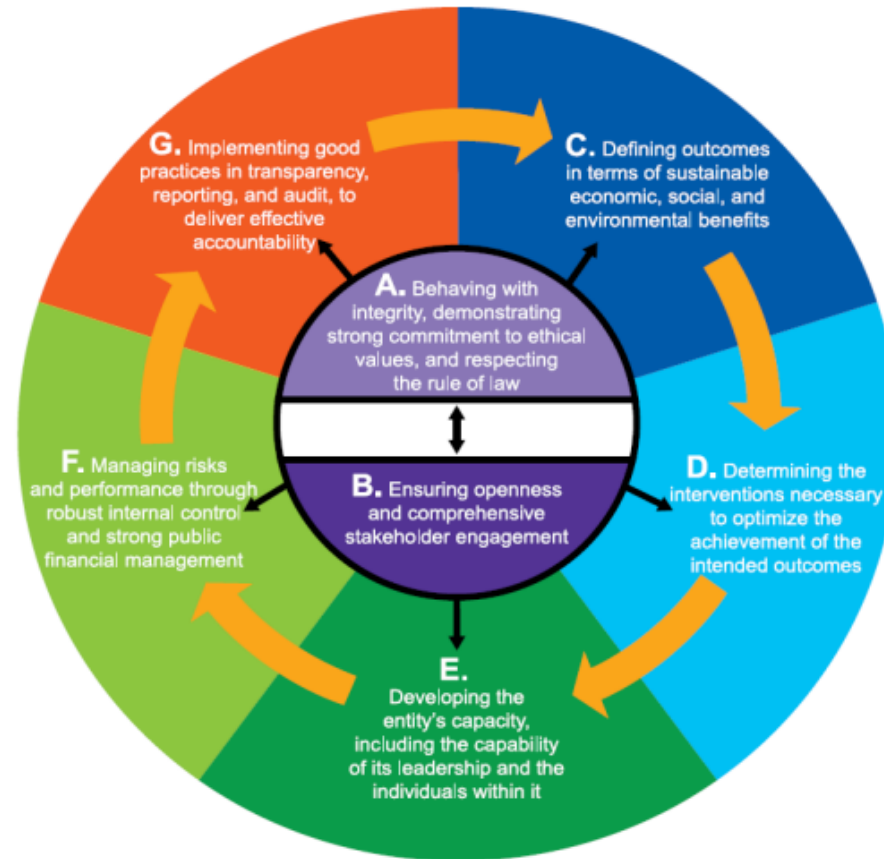


### 3. Assurance Cycle



## 4. The Governance Framework

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Source: CIPFA 2016

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>Ensuring Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Codes of conduct for Members and Officers</li> <li>Members sign an individual commitment to comply with the Code</li> <li>Induction for new Members on the Code of Conduct and staff on standards of behaviour expected</li> <li>Performance appraisals</li> <li>Related party transaction declarations</li> <li>Action taken on Local Government Ombudsman (LGO) complaints</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan sets operating direction and organisational values approved by the Council</li> <li>Member Code of Conduct is based on Nolan Principles</li> <li>Corporate objectives cascaded down into Service Plans</li> <li>Corporate Plan and Service Plan objectives reflected in individual appraisal goals</li> </ul>
	<ul style="list-style-type: none"> <li>Leading by example and using these standard operating principles or values as a framework for decision making and other actions</li> </ul>	<ul style="list-style-type: none"> <li>Members trained on and familiar with code of conduct requirements</li> <li>Declarations are made at, and recorded, at meetings</li> <li>Meetings conducted according to values</li> <li>Standards Sub-Committee in effective operation including delivering training sessions to others to be proactive in communicating positive messages about good conduct</li> <li>Requirement for elected Members to be specifically trained before serving on Planning and/or Licensing Committees</li> </ul>
	<ul style="list-style-type: none"> <li>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>	<ul style="list-style-type: none"> <li>Anti-fraud and anti-corruption policies are working effectively</li> <li>Up-to-date register of interests (Members and staff)</li> <li>Related Party Transactions completed annually</li> <li>Up-to-date register of gifts and hospitality</li> <li>Whistleblowing policies are in place, up to date and protect individuals raising concerns</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
		<ul style="list-style-type: none"> <li>• Whistleblowing policy has been made available to members of the public, employees, partners and contractors</li> <li>• Complaints policy in place and reported upon annually to Executive</li> <li>• All policies are managed through corporate performance management system to ensure effective and timely review with communication of changes and provision of training as appropriate</li> <li>• Policies are published online to demonstrate openness and transparency</li> <li>• Changes/improvements as a result of complaints received and acted upon and reported in annual report to Members</li> <li>• Members and officers code of conduct refers to a requirement to declare interests</li> <li>• Minutes show declarations of interest were sought and appropriate declarations made</li> <li>• Relevant recommendations from LGO incorporated into future working practices and procedures</li> <li>• Legal implications identified in all Executive and committee reports</li> </ul>
	<p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation's ethical standards and performance</li> </ul>	<ul style="list-style-type: none"> <li>• Good ethical governance is championed by Members, particularly through Executive, the Standards Sub-Committee, the Monitoring Officer and Leadership Team</li> <li>• Audit &amp; Governance Committee takes the lead in overseeing and promoting good governance</li> <li>• Clear mechanisms in place for reporting / referral to Monitoring Officer</li> </ul>
	<ul style="list-style-type: none"> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of ethical awareness training including thorough Code of Conduct training</li> <li>• Standards Sub-Committee takes the lead in promoting this</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Appraisal process in place</li> <li>• Procurement policy and approach include good governance and ethical conduct</li> <li>• Requirement to declare conflicts of interest</li> <li>• Robust processes with checks and balances to ensure that procurement is undertaken in accordance with the principles of transparency, fairness and equal treatment.</li> <li>• Partnership Guidelines and reviews</li> <li>• Procurement Strategy showing commitment to local businesses and SMEs</li> <li>• Adhering to Bribery and Anti-Corruption policies as required by the Council</li> <li>• Ensuring confidentiality of information throughout the process</li> <li>• Data protection requirements specifically built into contract specification</li> </ul>
	<p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• Ensuring Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>• Creating the conditions to ensure that the statutory officers, other key post holders and Members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Statutory guidance and provisions are followed</li> <li>• These are assessed through internal and external audit</li> <li>• Audit &amp; Governance Committee oversee this</li> <li>• Legal implications identified in all Executive and committee reports</li> <li>• Job description/specifications</li> <li>• Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016). The Council's arrangements conform to these governance requirements with the CFO reporting directly to the Chief Executive</li> <li>• Legal implications identified in all Executive and committee reports</li> <li>• The Monitoring Officer routinely attends Leadership Team meetings.</li> <li>• The CFO routinely attends Leadership Team. In addition, the CFO has access to (and regularly attends) the Audit &amp; Governance Committee and to the internal and external auditors. In performing the role, the CFO is able to bring influence to bear on all material decisions of the</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> <li>• Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions effectively</li> <li>• Ensuring corruption and misuse of power are dealt with effectively</li> </ul>	<p>Council through advice and guidance on all corporate reports. As part of that role, the CFO leads on the budget monitoring reports, financial strategy reports and is able to promote to the organisation the delivery of good financial management. In discharging this role, the CFO is supported by a team of officers, including a deputy, and these arrangements ensure that the CFO has adequate resources to support the design and maintenance of sound financial governance arrangements.</p> <ul style="list-style-type: none"> <li>• Executive reports / decision making reports all document legal advice / implications</li> <li>• Where appropriate, make use of general power of competence e.g. Millstream or the power to charge for discretionary services</li> <li>• Monitoring Officer takes lead role in ethical governance and ensuring compliance with the law</li> <li>• Decision making process incorporates this</li> <li>• Legal team provide in-house advice and guidance</li> <li>• Statutory teams familiar with and operating effectively to deliver on their statutory duties</li> <li>• Effective anti-fraud and anti-corruption policies and procedures are in place and are regularly updated and incorporated into all contracts</li> <li>• Assurance mapping exercise to be completed by Internal Audit will improve likelihood of detection</li> <li>• Grievance and disciplinary code for officers</li> <li>• Monitoring Officer at senior level within the organisation</li> <li>• Mature and experienced Standards Sub-Committee</li> <li>• 360 appraisal of managers acts as an additional layer of challenge</li> <li>• Annual appraisal review assesses competencies and behaviours.</li> </ul>
<p><b>B Ensuring openness and comprehensive stakeholder engagement</b> Local government is run for the public good; organisations therefore should ensure</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly performance reports to record performance against Corporate Plan</li> <li>• Freedom of Information publication scheme</li> <li>• Information Governance Team input to all FOI requests to ensure that exemptions are not unreasonably applied</li> <li>• Data Protection Information Charter</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders</p>		<ul style="list-style-type: none"> <li>• Compliance with the General Data Protection Regulation 2016 and Data Protection Act 2018</li> <li>• Transparency web pages</li> <li>• Website publishes clear and accessible information</li> <li>• Public inspection of accounts</li> <li>• Annual publication of accounts</li> <li>• Public consultation on new policies and individual development applications.</li> <li>• Webcasting of all Committee meetings since the COVID 19 Pandemic</li> </ul>
	<ul style="list-style-type: none"> <li>• Making decisions that are open about actions, plans, use of resources, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided in accordance with rules governing e.g. exemptions.</li> </ul>	<ul style="list-style-type: none"> <li>• Record of decision making and supporting materials</li> <li>• Publish decisions by Members and Officers in accordance with the Constitution, Scheme of Delegation, Financial Procedure Rules and Contract Procedure Rules.</li> <li>• Forward Plan promotes community interest in democracy by publishing report schedule</li> </ul>
	<ul style="list-style-type: none"> <li>• Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</li> </ul>	<ul style="list-style-type: none"> <li>• Decision making protocols</li> <li>• Report template including requirement to obtain professional advice in key areas</li> <li>• Meeting reports show details of advice given</li> <li>• Discussion between Members and officers on the information needs of Members to support decision making</li> <li>• Committee work programmes</li> <li>• Agreement on the information that will be provided and timescales</li> <li>• Calendar of dates for submitting, publishing and distributing timely reports is adhered to</li> </ul>
	<ul style="list-style-type: none"> <li>• Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</li> </ul>	<ul style="list-style-type: none"> <li>• Annual budget consultation</li> <li>• Consultation on Master Plan options</li> <li>• All Member Information sessions</li> <li>• Online consultation exercises and face to face consultations</li> <li>• A Listening Council Strategy</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> </ul>	<ul style="list-style-type: none"> <li>Communications Strategy and specific communications strategies for major projects</li> <li>Local ward Member communication networks</li> <li>Specific consultation with underrepresented groups through Equalities Strategy</li> <li>Community Engagement Strategies for specific projects (eg. Harlow and Gilston Garden Town)</li> <li>Statement of Community Involvement for District Plan</li> <li>Community Forums for specific sites</li> </ul>
	<ul style="list-style-type: none"> <li>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> </ul>	<ul style="list-style-type: none"> <li>Online databases of residents who register to be kept informed / consulted about matters e.g. planning policy</li> <li>Significant partnership working e.g. Harlow &amp; Gilston Garden Town, Hertfordshire Growth Board</li> <li>Shared services for Revenues &amp; Benefits, ICT, Waste and Recycling Services, Building Control, CCTV and Equalities. The Council is also part of the Hertfordshire Emergency Resilience Partnership.</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>Trust</li> <li>a shared commitment to change</li> <li>a culture that promotes and accepts challenge among partners</li> <li>and that the added value of partnership working is explicit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Shared services for Revenues &amp; Benefits, ICT, Waste and Recycling Services, Building Control, CCTV and Equalities</li> <li>Joint Committee/Joint Member Boards/Officer Boards as appropriate with a shared commitment to improvement, cost reduction and value for money</li> <li>Open culture of challenge between partners to seek improvement</li> </ul>
	<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p> <ul style="list-style-type: none"> <li>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve</li> </ul>	<ul style="list-style-type: none"> <li>Online record of public consultations</li> <li>Feedback reports on public consultations</li> <li>Consultation responses included in relevant Executive reports e.g. budget</li> <li>Service user satisfaction surveys</li> </ul>



Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<p>individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <ul style="list-style-type: none"> <li>• Ensuring that communication methods are effective and that Members and officers are clear about their roles with regard to community engagement</li> <li>• Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</li> <li>• Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account</li> <li>• Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li> <li>• Taking account of the interests of future generations of tax payers and service users</li> </ul>	<ul style="list-style-type: none"> <li>• Communications Strategy</li> <li>• Monitoring reports on the effectiveness of our communications output including regular reports on the effectiveness of East Herts Council's Social Media Usage</li> <li>• Communications and media training for Members and Senior Leadership Team</li> <li>• Communications Strategy</li> <li>• Resident Satisfaction Survey as part of budget consultation</li> <li>• Themed consultation exercises (eg. Parking to inform objectives in the Parking Strategy)</li> <li>• Feedback included online in response to consultations</li> <li>• Reports to Executive include feedback on consultation e.g. budget report</li> <li>• Extensive use of East Herts Council's social media to interact with communities</li> <li>• Corporate Equalities Objectives</li> <li>• Equalities Policy and Action Plan</li> <li>• Consultation with specific underrepresented groups within our community</li> <li>• Corporate Plan</li> <li>• Executive / Scrutiny reports</li> <li>• Strategic Housing Needs Assessment</li> <li>• Harlow &amp; Gilston Garden Town</li> </ul>
<b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	<b>Defining outcomes</b> <ul style="list-style-type: none"> <li>• Having a clear vision which is an agreed formal statement of the organisation's purpose and intended</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Published performance indicators</li> <li>• MTFP and Capital Programme to fund ambitions</li> <li>• Commercial Strategy development</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions</p>	<ul style="list-style-type: none"> <li>• Performance management report</li> <li>• Viva Goals performance management system</li> <li>• Statement of organisational values</li> </ul>
	<ul style="list-style-type: none"> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Community engagement</li> <li>• Consultation strategy</li> <li>• Service plans</li> </ul>
	<ul style="list-style-type: none"> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly budget reports</li> <li>• Quarterly performance monitoring reports</li> <li>• Medium Term Financial Plan</li> <li>• Capital Programme</li> <li>• Commercial Strategy development</li> </ul>
	<ul style="list-style-type: none"> <li>• Identifying and managing risks to the achievement of outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management report</li> <li>• Risk management training</li> <li>• Risk assessments for specific projects</li> <li>• External Audit report giving assurance that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources</li> </ul>
	<ul style="list-style-type: none"> <li>• Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</li> </ul>	<ul style="list-style-type: none"> <li>• Service plans</li> <li>• Performance indicators</li> <li>• Executive reports identify issues of competing community demands</li> <li>• How your Council Tax is Spent information issued with annual Council Tax bills</li> </ul>
	<p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision</li> </ul>	<ul style="list-style-type: none"> <li>• Capital programme</li> <li>• Medium Term Financial Plan</li> <li>• Treasury management strategy</li> <li>• Capital Strategy</li> <li>• Asset Management Plan</li> <li>• Corporate Plan</li> <li>• Commercial Strategy</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>• Ensuring fair access to services</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate plan with four year time horizon</li> <li>• Medium Term Financial Plan</li> <li>• Capital Strategy</li> <li>• Asset Management Plan</li> <li>• Reports on decision making</li> <li>• Mandatory training (e.g. for the Development Management Committee)</li> <li>• Consultation and community engagement diary</li> <li>• Communications Strategy</li> <li>• Customer service strategy</li> <li>• 24/7 Website offering online services</li> <li>• Reception / walk in offer in both Hertford and Bishop's Stortford at specific times</li> <li>• Transparency webpages</li> <li>• Clear policies explaining the Council's processes and what customers can expect from the Council e.g. housing allocations</li> </ul>
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b> Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They</p>	<p><b>Determining interventions</b> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Thus, ensuring best value is achieved however services are provided</p> <p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills,</p>	<ul style="list-style-type: none"> <li>• Options appraisals within key decision reports</li> <li>• All Executive reports available for consideration at Overview &amp; Scrutiny</li> <li>• Reports to Audit &amp; Governance Committee</li> <li>• Legal, Financial and HR implications considered as part of every decision and evidenced within committee reports</li> <li>• Individual risk assessment on larger projects</li> <li>• Consultation outcomes incorporated within key Executive / Council reports</li> <li>• Specific consultation part of the annual budgeting process</li> <li>• Complaints process</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.</p>	<p>land and assets and bearing in mind future impacts.</p>	
	<p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>• Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> </ul>	<ul style="list-style-type: none"> <li>• Calendar of meetings</li> <li>• Annual work programmes for Audit &amp; Governance and Overview &amp; Scrutiny Committees</li> <li>• Executive Forward Plan</li> </ul>
	<ul style="list-style-type: none"> <li>• Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> </ul>	<ul style="list-style-type: none"> <li>• Communication strategy</li> <li>• East Herts Together</li> </ul>
	<ul style="list-style-type: none"> <li>• Considering and monitoring risks facing each partner when working collaboratively including shared risks</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management report</li> <li>• Risk identified within Executive reports</li> <li>• Risk register for specific projects</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• Report cycles allow flexibility to respond to changing priorities</li> </ul>
	<ul style="list-style-type: none"> <li>• Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan KPIs in place</li> <li>• Service plan KPIs established</li> <li>• Financial performance regularly measured through quarterly budget meetings and report</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring capacity exists to generate the information required to review service quality regularly</li> </ul>	<ul style="list-style-type: none"> <li>• Viva Goals is the Council's online performance management system</li> <li>• Quarterly performance management reports</li> </ul>
	<ul style="list-style-type: none"> <li>• Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan</li> </ul>	<ul style="list-style-type: none"> <li>• Clear alignment between corporate objectives and resources</li> <li>• Regular budget monitoring analysis and reporting across all Council Services</li> </ul>
	<ul style="list-style-type: none"> <li>• Informing medium and long term resource planning by drawing up realistic estimates of revenue and</li> </ul>	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Capital Strategy – reports to Executive / Audit and Governance Committee on performance / progress</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	capital expenditure aimed at developing a sustainable funding strategy	
	<b>Optimising achievement of intended outcomes</b> <ul style="list-style-type: none"> <li>• Ensuring the Medium Term Financial Plan integrates and balances service priorities, affordability and other resource constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Annual budget consultation</li> <li>• Audit and Governance Committee Reports</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> </ul>	<ul style="list-style-type: none"> <li>• Full and detailed budgeting exercise, both capital and revenue, over the medium term</li> <li>• Internal and External Audit review</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring the Medium Term Financial Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</li> </ul>	<ul style="list-style-type: none"> <li>• MTFP identifies plan for savings</li> <li>• Transformation Programme business case predicts a minimum amount of £1 million of savings from changes to the customer service model and moving the financial system to the cloud. Further budget reductions will come from additional income following the Fees and Charges Policy and the Commercial Strategy.</li> <li>• External auditor report gives assurance</li> <li>• Quarterly budget reporting</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community over and above the direct purchasing of goods, services and outcomes"</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement strategy identifies social value</li> <li>• Social value assessed as part of award process under procurement</li> <li>• Social Value Policy and Priority Themes, Outputs and Measures set.</li> </ul>
<b>E. Developing the entity's capacity, including the</b>	<b>Developing the entity's capacity</b>	<ul style="list-style-type: none"> <li>• Assets Strategy</li> <li>• Asset Management Group – regular review of assets</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p><b>capability of its leadership and the individuals within it</b> Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the</p>	<ul style="list-style-type: none"> <li>Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Commercial Strategy</li> </ul>
	<ul style="list-style-type: none"> <li>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking</li> <li>LGA Peer Review on services</li> <li>External Audit Use of Resources Statement</li> <li>Local benchmarking exercise at Service level</li> </ul>
	<ul style="list-style-type: none"> <li>Recognising the benefits of partnerships and collaborative working where added value can be achieved</li> </ul>	<ul style="list-style-type: none"> <li>Significant commitment to partnership working</li> <li>Joint working / shared services</li> </ul>
	<ul style="list-style-type: none"> <li>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul>	<ul style="list-style-type: none"> <li>Review of workforce development plan and strategy</li> <li>Commitment to apprenticeships</li> </ul>
	<p><b>Developing the capability of the entity's leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> </ul>	<ul style="list-style-type: none"> <li>Constitution contains job descriptions for lead Members</li> <li>Officer Job descriptions</li> <li>Shared understanding of roles between Leader and CE</li> <li>Officer Member protocol</li> </ul>
	<ul style="list-style-type: none"> <li>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</li> </ul>	<ul style="list-style-type: none"> <li>Constitution</li> <li>Scheme of Delegation</li> <li>Financial Procedure Rules</li> <li>Individual reports for major projects set out decision making basis so that this is open and transparent, particularly for new projects</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring the Leader and the Chief Executive have clearly defined and</li> </ul>	<ul style="list-style-type: none"> <li>Job description for Chief Executive</li> <li>Role profile for Leader in Constitution</li> </ul>

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<p>structure and diversity of communities.</p>	<p>distinctive leadership roles within a structure whereby the Chief Executive leads the council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority</p>	
	<ul style="list-style-type: none"> <li>• Developing the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:               <ul style="list-style-type: none"> <li>• ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• ensuring personal, organisational and system-wide development</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings between Executive and Leadership Team</li> <li>• Senior Leadership Training &amp; Development - ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• Induction programme for both staff and Members</li> <li>• Annual staff appraisal</li> <li>• Annual training programme for Members</li> <li>• Commitment to apprenticeships including those at a higher level and support for appropriate professional qualifications</li> <li>• Bespoke training at committees including presentations by service departments to Audit and Governance Committee</li> <li>• Community Leadership is discussed and led by Portfolio Holder</li> <li>• Member support through Democratic Services</li> <li>• Member training programme</li> <li>• Officer training e.g. professional training, continuing professional development, management and leadership training</li> <li>• Internal Audit reports on governance to Audit and Governance Committee</li> <li>• Workforce monitoring reports to Executive through Portfolio Holder</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<p>through shared learning, including lessons learnt from governance weaknesses both internal and external</p> <ul style="list-style-type: none"> <li>• Ensuring that there are structures in place to encourage public participation</li> <li>• Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</li> <li>• Holding staff to account through regular performance reviews which take account of training or development needs</li> <li>• Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>• Residents' satisfaction survey</li> <li>• Regular user satisfaction surveys</li> <li>• The Council also has a Statement of Community Involvement (SCI) - a document that sets out what consultation will take place when the Council is developing and reviewing its planning policy documents (including the District Plan) and when determining planning applications.</li> <li>• Publish member attendance records</li> <li>• Annual training plan</li> <li>• Participation in appropriate Peer Reviews</li> <li>• Annual performance appraisals and probationary appraisals</li> <li>• Staff development plan within appraisal process</li> <li>• Capability procedure</li> <li>• Sickness procedure</li> <li>• Routine Service Team Meetings and 1:1 Meetings</li> <li>• Conditions of Service</li> <li>• Health and Safety policies</li> <li>• Employee Assistance Programme – Confidential Helpline</li> <li>• Mental Health First Aiders</li> <li>• Workplace Health Scheme Monthly Programme</li> <li>• Council policies which support employees e.g. bereavement</li> </ul>
<b>F. Managing risks and performance through robust internal control and strong public financial management</b>	<b>Managing risk</b> <ul style="list-style-type: none"> <li>• Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management specifically reported to Executive and Audit and Governance Committee on a quarterly basis</li> <li>• Risk assessments on larger projects</li> </ul>



Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision-making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and</p>	<ul style="list-style-type: none"> <li>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> </ul>	<ul style="list-style-type: none"> <li>Risk management strategy and policy</li> <li>Annual internal audit plan</li> <li>Risk management within individual project plans e.g. elections</li> <li>Emergency plan and Business Continuity Plan and the review of risks specific to emergencies such as the Covid-19 pandemic</li> <li>Regular exercises to test the Emergency Plan, Business Continuity Plan ,Disaster Recovery and Cyber Security</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul>	<ul style="list-style-type: none"> <li>Risks assigned with responsible owners</li> <li>Named officers for e.g. Health and Safety, Data Protection, Emergency Planning, Business Continuity</li> </ul>
	<p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> </ul>	<ul style="list-style-type: none"> <li>Departmental service plans which are reviewed regularly</li> <li>Senior Leadership ownership of specific Corporate Plan outcomes.</li> <li>Performance monitoring</li> <li>Benchmarking</li> <li>Transparency pages on website</li> <li>Report format strengthening consideration of implications</li> </ul>
	<ul style="list-style-type: none"> <li>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> </ul>	<ul style="list-style-type: none"> <li>Report template to Executive / Committees includes specific sections for analysis, options, risk, finance, and other relevant considerations</li> <li>Agendas published at least 5 days in advance</li> <li>Decision notices and minutes published after meetings</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</li> </ul>	<ul style="list-style-type: none"> <li>Constitution defines roles and responsibilities of Overview &amp; Scrutiny Committee and Audit and Governance Committee</li> <li>Annual work programmes for those committees</li> <li>Regular training sessions for committee members pertinent to that committee and the wider business and functions of the council</li> </ul>
	<ul style="list-style-type: none"> <li>Providing members and senior management with regular reports on</li> </ul>	<ul style="list-style-type: none"> <li>Annual timetable / calendar of meetings</li> <li>Work programmes / forward plan for Executive and Committees</li> <li>Senior Leadership ownership of specific Corporate Plan outcomes.</li> </ul>

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<p>successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>service delivery plans and on progress towards outcome achievement</p>	<ul style="list-style-type: none"> <li>• Annual Budget and Tax Setting report to Executive</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Procedure Rules</li> <li>• Annual accounts and Statement of Accounts</li> <li>• External auditor reports</li> </ul>
	<p><b>Robust internal control</b></p> <ul style="list-style-type: none"> <li>• Aligning the risk management strategy and policies on internal control with achieving the objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Plan</li> <li>• Regular reports from Internal Audit to Audit and Governance Committee</li> </ul>
	<ul style="list-style-type: none"> <li>• Evaluating and monitoring the authority's risk management and internal control on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly risk management reports</li> <li>• Risk management training for Members and officers</li> <li>• Internal Audit Review of Effectiveness</li> <li>• Annual Governance Statement</li> <li>• External Audit Annual Report</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring effective counter fraud and anti-corruption arrangements are in place</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-fraud and anti-corruption policy</li> <li>• Whistleblowing policy</li> <li>• Shared Anti-Fraud Service</li> <li>• Acquisition and use of specialist data analysis software to detect fraud and corruption</li> <li>• Regular reports to Audit and Governance Committee on counter fraud activity</li> <li>• Shared Anti-Fraud Service fraud risk evaluation of all business grants applied for as a consequence of Covid-19</li> </ul>
	<p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</li> </ul>	<ul style="list-style-type: none"> <li>• Clear links between Corporate Plan, Medium Term Financial Plan and subsequent reporting on outcomes</li> <li>• Asset Management Strategy</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</li> </ul>	<ul style="list-style-type: none"> <li>• Embedded financial management process covering process from beginning to end</li> <li>• Review of that process through External Audit</li> </ul>

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<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>  Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</li> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</li> </ul>	<ul style="list-style-type: none"> <li>• Publication of all reports and decisions on website</li> <li>• Transparency pages on website</li> <li>• Consistent, accessible, reporting style used with supporting evidence providing more detail for those who require it. Web pages give key information and ability to drill down to specific documents and background papers for those requiring detail.</li> <li>• Annual performance report</li> <li>• Regular internal audit reports to Audit and Governance Committee</li> </ul>
	<p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and the stewardship of its resources</li> </ul>	<ul style="list-style-type: none"> <li>• Annual performance report that supplements quarterly performance and budget reports</li> <li>• Annual reports from External Auditor</li> <li>• Value for money opinion</li> <li>• Statement of Accounts</li> <li>• Internal audit reports also comment on Value for Money implications where applicable</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring Members and senior management own the results</li> </ul>	<ul style="list-style-type: none"> <li>• Clearly defined roles for Executive portfolio holder, Audit and Governance Committee and Overview and Scrutiny Committee</li> <li>• Portfolio holders present reports at Executive</li> <li>• Each portfolio holder has regular briefings with officers</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• Assurance mapping exercise planned for 2021/22</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> <li>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Shared service legal agreements</li> <li>Annual Governance Statement</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking</li> <li>Quarterly performance reports to Executive and Overview &amp; Scrutiny Committee including end of year performance.</li> </ul>
	<p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>Ensuring that recommendations for corrective action made by external audit are acted upon</li> <li>Ensuring an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon`</li> </ul>	<ul style="list-style-type: none"> <li>Management comments / response is incorporated as part of the reports from both Internal and External Audit</li> <li>Annual Opinion on the Control Environment report from Internal Audit</li> <li>Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2019)</li> <li>Compliance with Public Sector Internal Audit Standards</li> <li>Annual review of effectiveness of internal audit reported to Audit and Governance Committee</li> <li>Annual Governance Statement Action Plan and follow up</li> </ul>
	<ul style="list-style-type: none"> <li>Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> </ul>	<ul style="list-style-type: none"> <li>Executive report on outcomes and recommendations / action plan arising from review</li> <li>Self-challenging through entry for various awards and nomination as finalist</li> </ul>
	<ul style="list-style-type: none"> <li>Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</li> </ul>	<ul style="list-style-type: none"> <li>Annual Governance Statement</li> <li>Risk management report</li> <li>Performance report</li> <li>Requirement for performance information to management is specified in contract specification.</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met</li> </ul>	<ul style="list-style-type: none"> <li>Proportionate governance arrangements in place for partnership working</li> <li>Service Level Agreements for some community grants ensuring that outcomes are measurable and delivered.</li> </ul>

## **5. Review of Effectiveness**

East Herts 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 the Leadership Team, the Monitoring officer, the Chief Finance Officer (Head of Financial Services), and the Head of Business Services who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates. The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

### **Council**

Council is responsible for approving the budget and policy framework, which includes the Corporate Plan and the Constitution.

### **Executive**

Executive has approved the Council's performance management framework. Executive also approves the risk management policy and receives quarterly reports on risk management, performance monitoring and budget monitoring.

### **Audit and Governance Committee**

This Committee undertakes the core functions of an Audit Committee and approves the annual Internal Audit Plan, receives quarterly monitoring reports updating them on progress against that plan. It also receives the external auditor's annual audit letter, annual governance report, annual plan and grant claim certification report. It approves the risk management policy and receives quarterly reports on risk management. The Committee has lead oversight responsibility for corporate governance, risk management and other internal control issues. It also leads the cross Member scrutiny and consideration of the budget. The Audit & Governance Committee also reviews the Constitution.

### **Standards Sub-Committee**

This Sub-Committee undertakes a proactive role in relation to the promotion of the ethical conduct framework. It has also published documents to inform the public about its role, the importance of good ethical conduct in the area, and the high standards of conduct evident in the District. A new framework for dealing with ethical governance has been adopted by the county and the district and borough councils in Hertfordshire in order to maintain a level of consistency across the geographical area, particularly in relation to twin-hatted Members. The Standards Sub-Committee has put in place arrangements for dealing with complaints, conduct investigations and hearing allegations.

The Overview & Scrutiny Committee reviews performance across all services delivered by the Council and partner organisations, and the impact they have on the District and its communities.

### **Chief Finance Officer (Head of Strategic Finance & Property)**

The Chief Finance Officer (CFO) has been designated as the s151 Officer. That officer maintains the statutory powers to report to Executive or Council on any proposals, decision or omission that gives rise to any unlawful expenditure. The CFO also has clearly defined responsibilities for Risk Management, Internal Control, and systems and processes for financial administration and control, which are set out in the Financial Procedure Rules.

### **Monitoring Officer**

The Head of Legal & Democratic Services has been designated as the Monitoring Officer. The Monitoring Officer has the specific duty, contained within Section 5 of the Local Government and Housing Act 1989, to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The role of the Monitoring Officer is:

- To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
- To be responsible for matters relating to the conduct of Councillors and officers; and
- To be responsible for monitoring and reviewing the operation of the Constitution, to ensure that the aims and principles of our Constitution are given full effect.

## **Internal Audit**

The internal control system comprises the whole network of systems established within the Council to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data
- Effective monitoring systems and optimum use of performance management information

## **6. Internal Audit Annual Assurance Statement 2022/23**

Extracted from Section 2 of the SIAS 2022/23 Annual Assurance Statement and Internal Audit Annual Report.

### ***Scope of responsibility***

6.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

### ***Control environment.***

6.2 The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to eliminate it.

6.3 A robust control environment helps ensure that the Council's policies, Priorities, and objectives are achieved.

### ***Review of effectiveness***

6.4 The Client Audit Manager must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.

6.5 As part of our Quality Assurance and Improvement Programme, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency, and effectiveness of internal audit across the public sector. They also highlight the importance of robust, independent, and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.

6.6 The PSIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This review was last completed in June 2021, with the result of the assessment reported to the Audit & Governance Committee in November 2021.

6.7 The EQA outcomes concluded that SIAS 'partially conforms' to the PSIAS. The findings that led to this conclusion largely related to defining the role of the Chief Audit Executive, the Audit Committee, and reflecting this in the Audit Charter. Associated recommendations made in the peer review were subsequently addressed in year, permitting SIAS to 'generally conform' to the Standards. 'Generally, conforms' is the highest opinion within the scale of three ratings, and the peer review also identified areas of good practice and high standards.

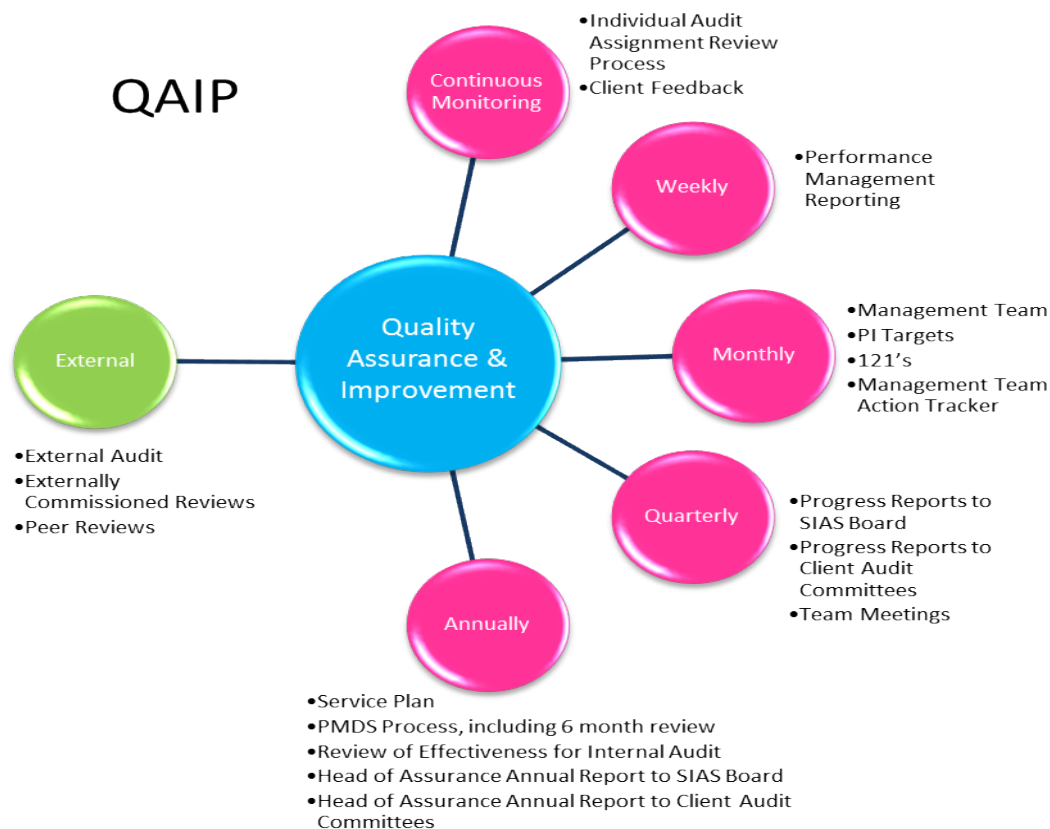
6.8 Based on the results of the 2023/24 PSIAS self-assessment, the Client Audit Manager has concluded that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

6.9 The self-assessment identified 2 areas of agreed non-conformance, these reflecting the unique nature of a partnership arrangement and are not considered material. These are detailed in Appendix C. There are no significant deviations from the Standards which warrant inclusion in the Council's Annual Governance Statement.

6.10 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor



and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.



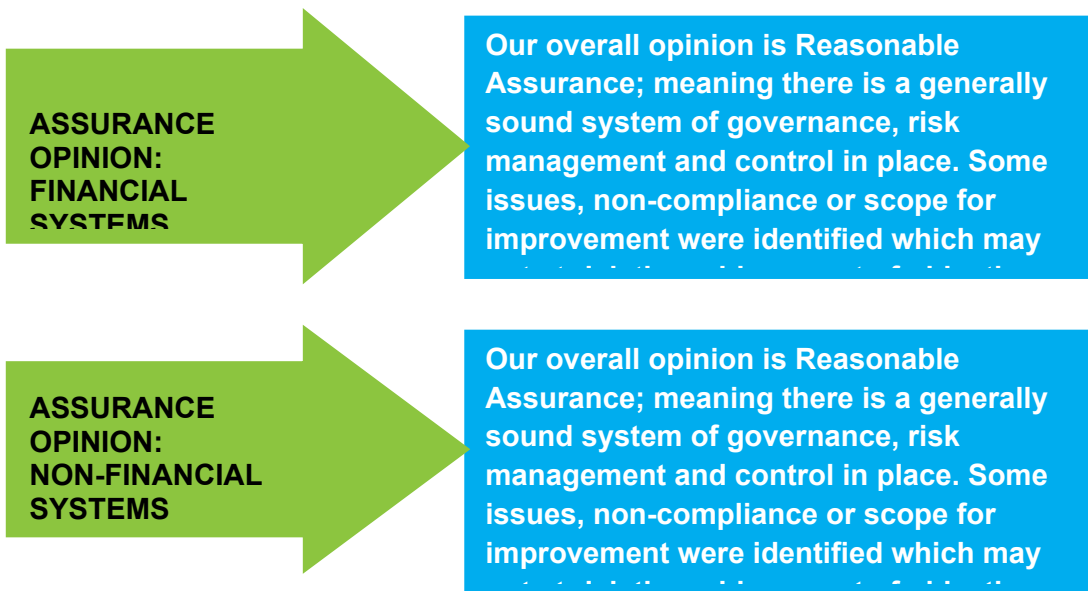
**Confirmation of independence of internal audit and assurance on limitations**

- 6.11 The Client Audit Manager confirms that during the year:
- No matters threatened SIAS's independence; and
  - SIAS was not subject to any inappropriate scope or resource limitations.

## Annual Assurance Statement for 2022/23

### Assurance opinion on internal control

6.12 Based on the internal audit work undertaken at the Council in 2022/23, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems.



### Assurance opinion on Corporate Governance and Risk Management

6.13 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2022/23 and the specific reviews of Risk Management and Corporate Governance carried out by SIAS during the year.

**Client Audit Manager**

**May 2023**

## 7. Governance Issues – Progress from last year

Key Improvement Area	Lead Officer	Update
<p><u>Full implementation of high priority recommendations related to IT</u></p>	Helen Standen	<b>Completed.</b>
<p><u>Procurement</u> The Procurement Strategy requires updating to reflect the new national procurement strategy and the enhanced profile of social value as well as reflecting net zero ambitions.</p> <p>The council should produce an annual procurement programme as well as a 3 year “procurement pipeline” in order that local businesses can see what opportunities are coming up and to encourage them to bid.</p> <p>The council should produce an annual procurement report showing: savings or costs avoided; social value gained; contracts awarded to local businesses by size; contracts awarded to SMEs; and the contributions from procurement to net zero targets.</p>	Steven Linnett	<p><b>In progress.</b> The National Procurement Strategy has been delayed pending Royal Assent to the Procurement Bill therefore work on the Procurement Strategy has been paused and it is intended to produce a Strategy as part of the 2024/25 budget round.</p> <p><b>In progress.</b> This is proposed be implemented as part of the 2024/25 budget round.</p> <p><b>Will follow from approval of the above.</b></p>

Key Improvement Area	Lead Officer	Update
<p><u>Asset Management Plan</u></p> <p>The asset management plan requires updating to ensure the council's strategy is up to date and meets best practice.</p> <p>The council would benefit from the establishment of a cross service officer group to discuss asset management issues and also review assets and identify assets for disposal</p>	Steven Linnett	<p>In 2021/22 – this was described as Asset Strategy – it has been updated and is now the Asset management Plan.</p> <p><b>Completed</b></p> <p><b>Completed</b></p>
<p><u>ICT Resilience</u></p> <p>An external review of the ICT Strategy and delivery vehicle has been commissioned by the partner councils and recommendations arising from that will need to be taken forwards</p>	Helen Standen	<p><b>In progress.</b> SOCITM review completed and recommendations being implemented. New Joint Committee established with Member oversight of Joint ICT Service now in place to ensure delivery of improved ICT Service.</p>

Key Improvement Area	Lead Officer	Update
<p><u>Workforce Plan</u></p> <p>Following changes to working practices as a result of COVID 19 and anticipated changes from the Transformation Programme the council would benefit from a workforce plan that analyses its workforce and determines the steps it must take to prepare for future staffing needs. These future skill needs can be met by recruiting, by training or by outsourcing the work.</p>	<p>Head of Human Resources and Organisational Development</p>	<p><b>In progress.</b> The workforce plan will be developed once changes associated with Service Reviews, new customer service model and Finance in the cloud are implemented.</p>
<p>1. With the district council elections in 2023 we will concentrate on the following principles of good governance:</p> <ul style="list-style-type: none"> <li>• Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law; and</li> <li>• Developing the council's capacity, including the capability of its leadership and the individuals within it.</li> </ul> <p>It is anticipated that with a number of longstanding Members retiring at the next election officers will need to work with the newly elected council to ensure that the new council can move forward within very tight financial constraints and operate at full capacity as soon as possible after the election.</p>	<p>Richard Cassidy / Helen Standen / James Ellis / Steven Linnett</p>	<p><b>Completed</b></p> <p><b>Ongoing</b></p> <p><b>In progress</b> -restructuring of the Leadership Team is progressing.</p> <p><b>Completed</b></p>

## 8. Governance Issues

The following governance issues have been identified as needing addressing during 2023/24.

Key Improvement Area	Lead Officer	Update
<p><u>Communications Strategy</u></p> <p>The Communications Strategy now requires revision to reflect changes in technology, social media, and the further decline of printed media and to separate consultation from communication.</p>	<p>Ben Wood</p>	<p><b>Completed.</b> The communications strategy was refreshed following Council's adoption of the LEAF priorities. The strategy is an internal document approved by Executive Members and Leadership Team as a means to prioritise and target key messages. Leadership Team and Executive (at the Joint Administration Steering Group) receive quarterly reports on communications metrics.</p>

Key Improvement Area	Lead Officer	Update
<p><u>Consultation Strategy</u></p> <p>The council would benefit from a separate Consultation Strategy which sets out how and when the council will consult. This accords with the priorities of the new Joint Administration.</p>	Ben Wood	<p><b>Completed.</b> The Council adopted “A Listening Council” strategy in November 2023: <a href="#">A Listening Council   East Herts District Council</a></p> <p>This sets out the principles upon which consultation will be conducted, particularly focusing on face to face engagement. Two major consultations have taken place since then, including on the Parking Strategy and Old River Lane public space. Both included substantial face to face engagement, alongside the planning community forums which have also focused on face-to-face engagement with residents.</p>
<p><u>Member Officer Protocol for working in a no overall control council.</u></p> <p>At the elections in May 2023 the council moved to being under no overall control by a single political party. There is a need to set out expectations concerning information, briefings and policy development that more appropriately meet the needs of the political groups in a no overall control council.</p>	Richard Cassidy	<b>Completed</b>

Key Improvement Area	Lead Officer	Update
<p><u>Contract Procedure Rules</u></p> <p>Contract Procedure Rules are in need of review and updating, particularly as they reflect the transition under Brexit and not the final position under the Procurement Bill, which is in its final stage before anticipated Royal Assent and amendments introduced under the Public Procurement (International Trade Agreements) (Amendment) Regulations 2023 and this will be undertaken alongside the development of the Procurement Strategy to ensure that they are properly aligned.</p>	<p>Steven Linnett/James Ellis</p>	<p><b>Completed</b></p>



The following governance issues, comments and recommendations have been extracted from the External Auditors (EY) report 'The Completion Report for Those Charged with Governance Years ended 31 March 2022 and 31 March 2023'

Key Improvement Area	Comments/Recommendations	Lead Officer	Update
Delays in Financial Reporting:	<p>The council has failed to publish draft financial statements within the regulatory timeframe for multiple years.</p> <p>The 2021/22 draft financial statements were published on 11 December 2023, significantly after the statutory deadline of 31 July 2022.</p> <p>The 2022/23 draft financial statements were not published until 6 November 2024, again missing the statutory deadline of 31 May 2023.</p> <p>The 23/24 draft financial statements have yet to be published (as of 18<sup>th</sup> March 2025) and have not included the required notices on the website.</p>	CFO (S151 Officer)	<ul style="list-style-type: none"> <li>• The 2021/22 and 2022/23 going to Audit &amp; Governance on 22 April for sign off.</li> <li>• It is anticipated that the 2023/24 accounts will be completed and published on the Council's website by the end of April 2025.</li> <li>• Plans have been put in place by the new S151 Officer to ensure that the 2024/25 Statement of Accounts are completed and published on time.</li> </ul>
Completeness and Accuracy	The draft accounts published for inspection did not include the Annual Governance Statement (AGS) and contained outdated information, i.e the Statement of Responsibilities from the 2020/21 accounts.	CFO (S151 Officer)	The new S151 Officer will look to put more controls in place to ensure adequate time is given for reviews to be undertaken prior to publication.
Finance Team Capacity	The finance team has experienced significant capacity issues, leading to delays in completing financial statements and supporting the external audit process.	CFO (S151 Officer)	The new S151 Officer started on 1 April 2025. A review of the Finance team will be

Key Improvement Area	Comments/Recommendations	Lead Officer	Update
	<p>This has impacted on the Council's ability to provide timely, sufficient, and appropriate audit evidence to support the external audit.</p>		<p>undertaken in their first six months to propose a new structure that will address:</p> <ul style="list-style-type: none"> <li>• potential 'single point of failure';</li> <li>• capability and capacity of the team to ensure it is fit for purpose;</li> <li>• Individuals have the necessary skills needed to deliver in line with all deadlines.</li> </ul> <p>Tasks are clearly defined and delivered on time.</p>
<p>Single point of Failure</p>	<p>The report by the External Auditors identifies a significant risk associated with the current structure of the finance team, specifically pointing out a single point of failure.</p> <p>This issue arises from the over-reliance on one individual for critical financial tasks and responsibilities.</p> <p>The report emphasises that this concentration of duties in one person not only increases the risk of errors and delays but also poses a substantial threat to the continuity of financial operations in the event of that individual's absence or departure.</p>	<p>CFO (S151 Officer)</p>	<p>See above point</p>



## 9. Statutory Recommendations – By the External Auditors (EY)

Contained in the External Auditors report titled ‘The Completion Report for Those Charged with Governance Years ended 31 March 2022 and 31 March 2023’.

Statutory Recommendation	
1. Finance Function Workflow Review:	<p>Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks.</p> <p>Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p>
2. Quality Assurance Issues:	<p>Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers.</p> <p>Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers.</p> <p>Monitor adherence to this process and report performance to the Audit and Governance Committee</p>
3. Finance Team Capacity:	<p>The Council should re-assess roles, responsibilities, and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) regulations 2024.</p>

## **10. Certification**

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year except for those areas identified in Sections 7, 8 and 9. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for

The improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Cllr Ben Crystal**

**Leader of the Council**

**Date:**

**Helen Standen**

**Chief Executive**

**Date:**

## East Herts Council Report

### Audit and Governance Committee

**Date of meeting: Tuesday 22 April 2025**

**Report by:** Brian Moldon, Head of Finance S151

**Report title:** Draft Annual governance Statement 2023/24

**Ward(s) affected: (All Wards);**

**Summary** – The Accounts and Audit Regulations 2015 require that all authorities conduct a review of the effectiveness of the system of internal controls and prepare an Annual Governance Statement each year. The Annual Governance Statement must be considered separately from the Statement of Accounts.

The Draft Annual Governance Statement report for 2023/24 is being presented for consideration – it is anticipated that the observations and Statutory Recommendations contained in the 2021/22 and 2022/23 completion report from EY (Previous Auditors), will also be included in the 2023/24 completion report from Azets (the new External Auditors).

### RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE

- a) That Members review and comment on the Draft Annual Governance Statement for 2023/24.
- b) That Members Note that it is anticipated that when the Completion report is presented for 2023/24 by the new External Auditors (Azets), it will also include the same Statutory Recommendations that have been included in the Completion report covering 2021/22 and 2022/23 by EY, and that the 2023/24 completion report will also have to be presented at a meeting of the full Council within 30 days of Azets providing/presenting the report.

### 1.0 Proposal(s)

- 1.1 That Members review and comment on the draft Annual Governance Statement (AGS) for 2023/24.

## 2.0 Background

- 2.1 The Council is responsible for preparing and publishing its Annual Governance Statement in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Page 37 Agenda Item 6 and the Society of Local Authority Chief Executive and Senior Managers (SoLACE) framework.
- 2.2 This fulfils the statutory requirement that local authorities review their governance arrangements at least once a year.
- 2.3 The Delivering Good Governance in Local Government Framework requires local authorities to be responsible for ensuring that:
  - (a) their business is conducted in accordance with all relevant laws and regulations.
  - (b) public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
  - (c) there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities
- 2.4 The annual governance statement acts as a vehicle for the review of the Council's governance arrangements. The review should be reported both internally within the Council, to the Audit and Governance Committee and externally within the published accounts to provide assurances that:
  - (a) Governance arrangements are adequate and operating effectively in practice.Or
  - (b) Where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future.
- 2.5 The process of preparing the governance statement should itself add value to the corporate governance and internal controls framework of the Council.
- 2.6 It is important to recognise that the governance statement covers all significant corporate systems, processes, and controls for all the Council's activities.
- 2.7 The Draft Annual Governance Statement is attached as Appendix A, for Members to review and comment on.

## 3.0 Reason(s)

- 3.1 As part of a framework of good governance, it is important that management and Members can demonstrate that governance issues are acted upon, and the implementation of recommendations is monitored.

## **4.0 Options**

- 4.1 Members can suggest amendments or additions to the 2023/24 Annual Governance Statement

## **5.0 Risks**

- 5.1 The timely implementation of governance recommendations will reduce the risks to the Council.

## **6.0 Implications/Consultations**

- 6.1 Leadership Team have been consulted on the draft AGS and have provided confirmation that appropriate controls have been in place in their service areas throughout the year.

## **Community Safety**

No

## **Data Protection**

Part of the AGS is to consider how effectively the council is meeting its duties in relation to data protection.

## **Equalities**

Part of the AGS is to consider how effectively the council is meeting its duties in relation to equalities.

## **Environmental Sustainability**

No

## **Financial**

Part of the AGS is to consider how effectively the council is meeting its duties in relation to financial control, budgeting, and medium-term resource planning.

## **Health and Safety**

Part of the AGS is to consider how effectively the council is meeting its duties in relation to health and safety.

## **Human Resources**



Part of the AGS is to consider how the Council's Officers and members behave ethically and how the council plans its workforce over the medium term.

## **Human Rights**

No

## **Legal**

The Accounts and Audit Regulations 2015 stipulate that all authorities must conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement each financial year. Part of the AGS specifically considers how the council complies with the law.

## **Specific Wards**

No

## **7.0 Background papers, appendices and other relevant material**

### **7.1 Appendix A – Annual Governance Statement 2023/24**

## **Contact Officer**

Brian Moldon, Head of Finance S151 Officer

[brian.moldon@eastherts.gov.uk](mailto:brian.moldon@eastherts.gov.uk)

## **Report Author**

Mathew Crosby, Brian Moldon, Alison Street,  
Interim Head of Strategic Finance, Head of  
Finance, Financial Planning Manager

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[alison.street@eastherts.gov.uk](mailto:alison.street@eastherts.gov.uk)

# Draft - Annual Governance Statement 2023/24



## 1. Scope of Responsibility

East Herts 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, and used economically, efficiently and effectively. East Herts 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.

In discharging this overall responsibility, East Herts Council is responsible for ensuring arrangements are in place for the good governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

East Herts 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 2016.

This statement explains how East Herts Council has complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

## **2. The Purpose of the Governance Framework**

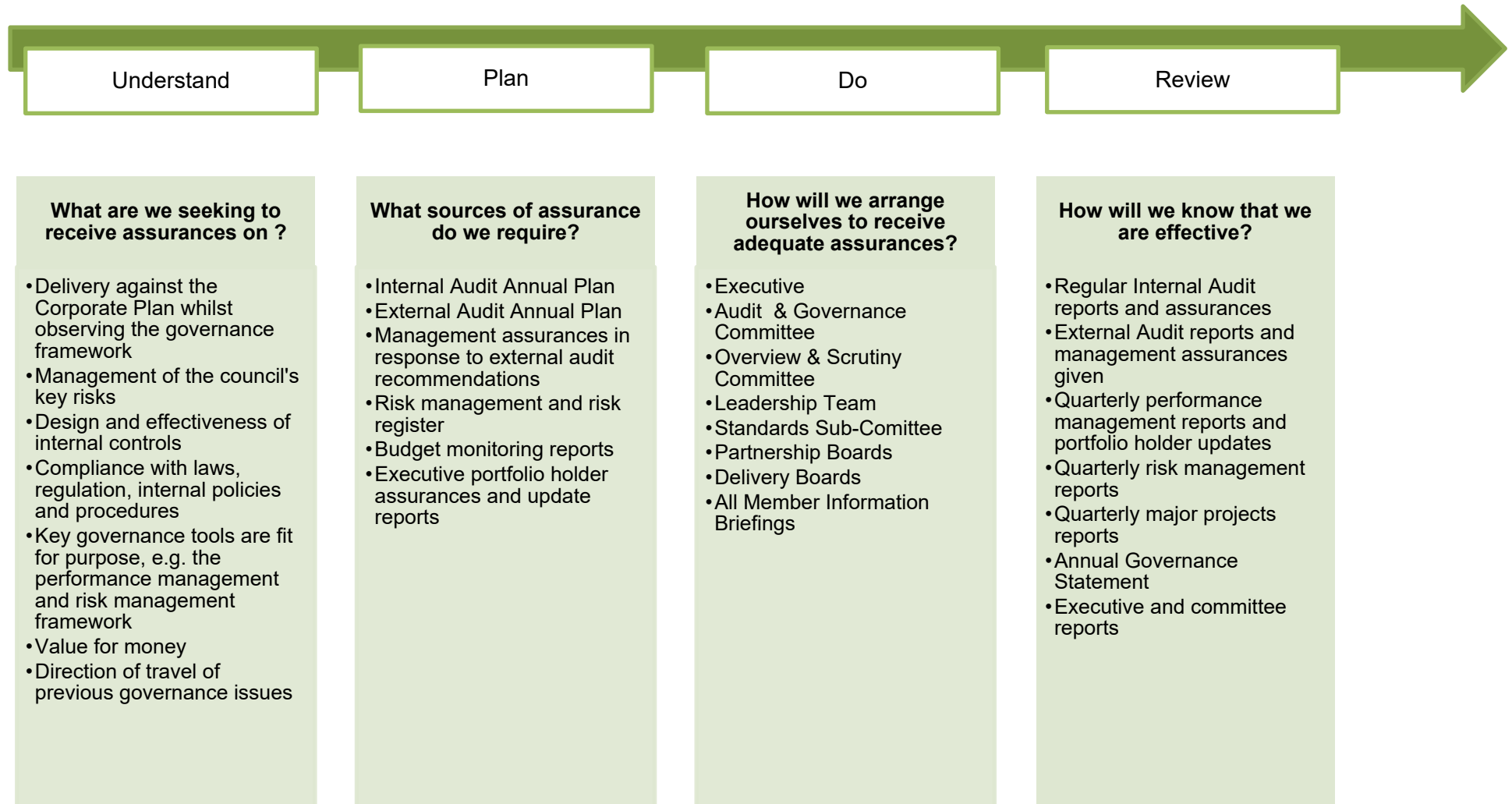
The governance framework comprises the cultures, values and systems and processes by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services and value for money. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities.
- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assessment/assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Herts Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

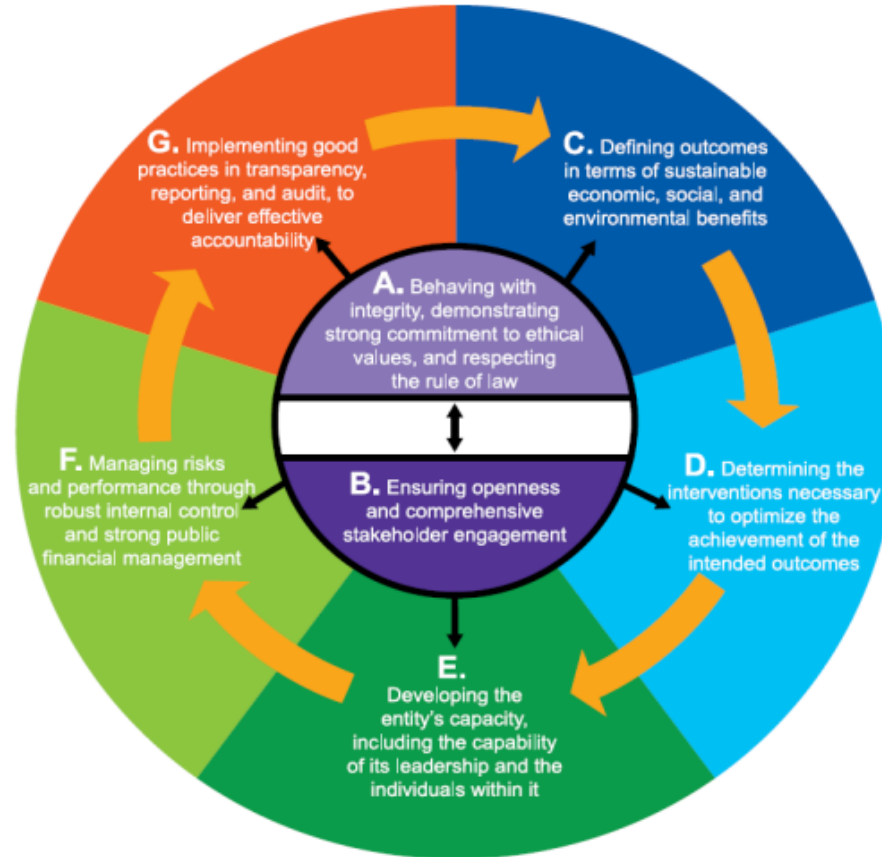
The governance framework has been in place at East Herts Council for the year ended 31 March 2024 and up to the date of approval of the statement of accounts.

### 3. Assurance Cycle



## 4. The Governance Framework

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Source: CIPFA 2016

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>Ensuring Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Codes of conduct for Members and Officers</li> <li>Members sign an individual commitment to comply with the Code</li> <li>Induction for new Members on the Code of Conduct and staff on standards of behaviour expected</li> <li>Performance appraisals</li> <li>Related party transaction declarations</li> <li>Action taken on Local Government Ombudsman (LGO) complaints</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan sets operating direction and organisational values approved by the Council</li> <li>Member Code of Conduct is based on Nolan Principles</li> <li>Corporate objectives cascaded down into Service Plans</li> <li>Corporate Plan and Service Plan objectives reflected in individual appraisal goals</li> </ul>
	<ul style="list-style-type: none"> <li>Leading by example and using these standard operating principles or values as a framework for decision making and other actions</li> </ul>	<ul style="list-style-type: none"> <li>Members trained on and familiar with code of conduct requirements</li> <li>Declarations are made at, and recorded, at meetings</li> <li>Meetings conducted according to values</li> <li>Standards Sub-Committee in effective operation including delivering training sessions to others to be proactive in communicating positive messages about good conduct</li> <li>Requirement for elected Members to be specifically trained before serving on Planning and/or Licensing Committees</li> </ul>
	<ul style="list-style-type: none"> <li>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>	<ul style="list-style-type: none"> <li>Anti-fraud and anti-corruption policies are working effectively</li> <li>Up-to-date register of interests (Members and staff)</li> <li>Related Party Transactions completed annually</li> <li>Up-to-date register of gifts and hospitality</li> <li>Whistleblowing policies are in place, up to date and protect individuals raising concerns</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
		<ul style="list-style-type: none"> <li>• Whistleblowing policy has been made available to members of the public, employees, partners and contractors</li> <li>• Complaints policy in place and reported upon annually to Executive</li> <li>• All policies are managed through corporate performance management system to ensure effective and timely review with communication of changes and provision of training as appropriate</li> <li>• Policies are published online to demonstrate openness and transparency</li> <li>• Changes/improvements as a result of complaints received and acted upon and reported in annual report to Members</li> <li>• Members and officers code of conduct refers to a requirement to declare interests</li> <li>• Minutes show declarations of interest were sought and appropriate declarations made</li> <li>• Relevant recommendations from LGO incorporated into future working practices and procedures</li> <li>• Legal implications identified in all Executive and committee reports</li> </ul>
	<p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation's ethical standards and performance</li> </ul>	<ul style="list-style-type: none"> <li>• Good ethical governance is championed by Members, particularly through Executive, the Standards Sub-Committee, the Monitoring Officer and Leadership Team</li> <li>• Audit &amp; Governance Committee takes the lead in overseeing and promoting good governance</li> <li>• Clear mechanisms in place for reporting / referral to Monitoring Officer</li> </ul>
	<ul style="list-style-type: none"> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of ethical awareness training including thorough Code of Conduct training</li> <li>• Standards Sub-Committee takes the lead in promoting this</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Appraisal process in place</li> <li>• Procurement policy and approach include good governance and ethical conduct</li> <li>• Requirement to declare conflicts of interest</li> <li>• Robust processes with checks and balances to ensure that procurement is undertaken in accordance with the principles of transparency, fairness and equal treatment.</li> <li>• Partnership Guidelines and reviews</li> <li>• Procurement Strategy showing commitment to local businesses and SMEs</li> <li>• Adhering to Bribery and Anti-Corruption policies as required by the Council</li> <li>• Ensuring confidentiality of information throughout the process</li> <li>• Data protection requirements specifically built into contract specification</li> </ul>
	<p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• Ensuring Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>• Creating the conditions to ensure that the statutory officers, other key post holders and Members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Statutory guidance and provisions are followed</li> <li>• These are assessed through internal and external audit</li> <li>• Audit &amp; Governance Committee oversee this</li> <li>• Legal implications identified in all Executive and committee reports</li> <li>• Job description/specifications</li> <li>• Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016). The Council's arrangements conform to these governance requirements with the CFO reporting directly to the Chief Executive</li> <li>• Legal implications identified in all Executive and committee reports</li> <li>• The Monitoring Officer routinely attends Leadership Team meetings.</li> <li>• The CFO routinely attends Leadership Team. In addition, the CFO has access to (and regularly attends) the Audit &amp; Governance Committee and to the internal and external auditors. In performing the role, the CFO is able to bring influence to bear on all material decisions of the</li> </ul>



Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> <li>• Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions effectively</li> <li>• Ensuring corruption and misuse of power are dealt with effectively</li> </ul>	<p>Council through advice and guidance on all corporate reports. As part of that role, the CFO leads on the budget monitoring reports, financial strategy reports and is able to promote to the organisation the delivery of good financial management. In discharging this role, the CFO is supported by a team of officers, including a deputy, and these arrangements ensure that the CFO has adequate resources to support the design and maintenance of sound financial governance arrangements.</p> <ul style="list-style-type: none"> <li>• Executive reports / decision making reports all document legal advice / implications</li> <li>• Where appropriate, make use of general power of competence e.g. Millstream or the power to charge for discretionary services</li> <li>• Monitoring Officer takes lead role in ethical governance and ensuring compliance with the law</li> <li>• Decision making process incorporates this</li> <li>• Legal team provide in-house advice and guidance</li> <li>• Statutory teams familiar with and operating effectively to deliver on their statutory duties</li> <li>• Effective anti-fraud and anti-corruption policies and procedures are in place and are regularly updated and incorporated into all contracts</li> <li>• Assurance mapping exercise to be completed by Internal Audit will improve likelihood of detection</li> <li>• Grievance and disciplinary code for officers</li> <li>• Monitoring Officer at senior level within the organisation</li> <li>• Mature and experienced Standards Sub-Committee</li> <li>• 360 appraisal of managers acts as an additional layer of challenge</li> <li>• Annual appraisal review assesses competencies and behaviours.</li> </ul>
<p><b>B Ensuring openness and comprehensive stakeholder engagement</b> Local government is run for the public good; organisations therefore should ensure</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly performance reports to record performance against Corporate Plan</li> <li>• Freedom of Information publication scheme</li> <li>• Information Governance Team input to all FOI requests to ensure that exemptions are not unreasonably applied</li> <li>• Data Protection Information Charter</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders</p>		<ul style="list-style-type: none"> <li>• Compliance with the General Data Protection Regulation 2016 and Data Protection Act 2018</li> <li>• Transparency web pages</li> <li>• Website publishes clear and accessible information</li> <li>• Public inspection of accounts</li> <li>• Annual publication of accounts</li> <li>• Public consultation on new policies and individual development applications.</li> <li>• Webcasting of all Committee meetings since the COVID 19 Pandemic</li> </ul>
	<ul style="list-style-type: none"> <li>• Making decisions that are open about actions, plans, use of resources, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided in accordance with rules governing e.g. exemptions.</li> </ul>	<ul style="list-style-type: none"> <li>• Record of decision making and supporting materials</li> <li>• Publish decisions by Members and Officers in accordance with the Constitution, Scheme of Delegation, Financial Procedure Rules and Contract Procedure Rules.</li> <li>• Forward Plan promotes community interest in democracy by publishing report schedule</li> </ul>
	<ul style="list-style-type: none"> <li>• Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</li> </ul>	<ul style="list-style-type: none"> <li>• Decision making protocols</li> <li>• Report template including requirement to obtain professional advice in key areas</li> <li>• Meeting reports show details of advice given</li> <li>• Discussion between Members and officers on the information needs of Members to support decision making</li> <li>• Committee work programmes</li> <li>• Agreement on the information that will be provided and timescales</li> <li>• Calendar of dates for submitting, publishing and distributing timely reports is adhered to</li> </ul>
	<ul style="list-style-type: none"> <li>• Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</li> </ul>	<ul style="list-style-type: none"> <li>• Listening Council Strategy which clearly lays out the council's principles for consulting residents and stakeholders and taking into account their views during decision-making</li> <li>• Annual budget consultation</li> <li>• Consultation on Master Plan options</li> <li>• All Member Information sessions</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
		<ul style="list-style-type: none"> <li>• Online consultation exercises and face to face consultations</li> </ul>
	<p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>• Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> </ul>	<ul style="list-style-type: none"> <li>• Communications Strategy and specific communications strategies for major projects</li> <li>• Local ward Member communication networks</li> <li>• Specific consultation with underrepresented groups through Equalities Strategy</li> <li>• Community Engagement Strategies for specific projects (eg. Harlow and Gilston Garden Town)</li> <li>• Statement of Community Involvement for District Plan</li> <li>• Regular meeting with government advisors regarding, for example, homelessness and rough sleeping prevention</li> </ul>
	<ul style="list-style-type: none"> <li>• Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> </ul>	<ul style="list-style-type: none"> <li>• Online databases of residents who register to be kept informed / consulted about matters e.g. planning policy</li> <li>• Significant partnership working e.g. Harlow &amp; Gilston Garden Town, Hertfordshire Growth Board, Hertfordshire Climate Change and Sustainability Partnership</li> <li>• Shared services for Revenues &amp; Benefits, ICT, Waste and Recycling Services, Building Control, CCTV and Equalities. The Council is also part of the Hertfordshire Emergency Resilience Partnership.</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>• Trust</li> <li>• a shared commitment to change</li> <li>• a culture that promotes and accepts challenge among partners</li> <li>• and that the added value of partnership working is explicit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Shared services for Revenues &amp; Benefits, ICT, Waste and Recycling Services, Building Control, CCTV and Equalities</li> <li>• Joint Committee/Joint Member Boards/Officer Boards as appropriate with a shared commitment to improvement, cost reduction and value for money</li> <li>• Open culture of challenge between partners to seek improvement</li> <li>• Production and reviews of terms of reference where appropriate, for example, for the multi-agency Community Safety Partnership Board</li> </ul>
	<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p> <ul style="list-style-type: none"> <li>• Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and</li> </ul>	<ul style="list-style-type: none"> <li>• Online record of public consultations</li> <li>• Feedback reports on public consultations</li> <li>• Consultation responses included in relevant Executive reports e.g. budget</li> <li>• Service user satisfaction surveys</li> </ul>

<b>Principles of good governance</b>	<b>Sub-principles and behaviours and actions that demonstrate good governance in practice</b>	<b>East Herts Council's Compliance &amp; Supporting Evidence</b>
	<p>other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p>	
	<ul style="list-style-type: none"> <li>Ensuring that communication methods are effective and that Members and officers are clear about their roles with regard to community engagement</li> </ul>	<ul style="list-style-type: none"> <li>Communications Strategy</li> <li>Monitoring reports on the effectiveness of our communications output including regular reports on the effectiveness of East Herts Council's Social Media Usage</li> <li>Communications and media training for Members and Senior Leadership Team</li> </ul>
	<ul style="list-style-type: none"> <li>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</li> </ul>	<ul style="list-style-type: none"> <li>Communications Strategy</li> <li>Resident Satisfaction Survey as part of budget consultation</li> <li>Themed consultation exercises (eg. Parking to inform objectives in the Parking Strategy)</li> </ul>
	<ul style="list-style-type: none"> <li>Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account</li> </ul>	<ul style="list-style-type: none"> <li>Feedback included online in response to consultations</li> <li>Reports to Executive include feedback on consultation e.g. budget report</li> <li>Extensive use of East Herts Council's social media to interact with communities</li> </ul>
	<ul style="list-style-type: none"> <li>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Equalities Objectives</li> <li>Equalities Policy and Action Plan</li> <li>Consultation with specific underrepresented groups within our community</li> </ul>
	<ul style="list-style-type: none"> <li>Taking account of the interests of future generations of tax payers and service users</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Executive / Scrutiny reports</li> <li>Strategic Housing Needs Assessment</li> <li>Harlow &amp; Gilston Garden Town</li> </ul>
<b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	<b>Defining outcomes</b> <ul style="list-style-type: none"> <li>Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Published performance indicators</li> <li>MTFP and Capital Programme to fund ambitions</li> <li>Commercial Strategy development</li> <li>Performance management report</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions</p>	<ul style="list-style-type: none"> <li>• Viva Goals performance management system</li> <li>• Statement of organisational values</li> </ul>
	<ul style="list-style-type: none"> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Community engagement</li> <li>• Consultation strategy</li> <li>• Service plans</li> </ul>
	<ul style="list-style-type: none"> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly budget reports</li> <li>• Quarterly performance monitoring reports</li> <li>• Medium Term Financial Plan</li> <li>• Capital Programme</li> <li>• Commercial Strategy development</li> </ul>
	<ul style="list-style-type: none"> <li>• Identifying and managing risks to the achievement of outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management report</li> <li>• Risk management training</li> <li>• Risk assessments for specific projects</li> <li>• External Audit report giving assurance that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources</li> </ul>
	<ul style="list-style-type: none"> <li>• Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</li> </ul>	<ul style="list-style-type: none"> <li>• Service plans</li> <li>• Performance indicators</li> <li>• Executive reports identify issues of competing community demands</li> <li>• How your Council Tax is Spent information issued with annual Council Tax bills</li> </ul>
	<p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision</li> </ul>	<ul style="list-style-type: none"> <li>• Capital programme</li> <li>• Medium Term Financial Plan</li> <li>• Treasury management strategy</li> <li>• Capital Strategy</li> <li>• Asset Management Plan</li> <li>• Corporate Plan</li> <li>• Commercial Strategy</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>• Ensuring fair access to services</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate plan with four year time horizon</li> <li>• Medium Term Financial Plan</li> <li>• Capital Strategy</li> <li>• Asset Management Plan</li> <li>• Reports on decision making</li> <li>• Mandatory training (e.g. for the Development Management Committee)</li> <li>• Consultation and community engagement diary</li> <li>• Communications Strategy</li> <li>• Customer service strategy</li> <li>• 24/7 Website offering online services</li> <li>• Reception / walk in offer in both Hertford and Bishop's Stortford at specific times</li> <li>• Transparency webpages</li> <li>• Clear policies explaining the Council's processes and what customers can expect from the Council e.g. housing allocations</li> </ul>
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b> Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They</p>	<p><b>Determining interventions</b> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Thus, ensuring best value is achieved however services are provided</p> <p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills,</p>	<ul style="list-style-type: none"> <li>• Options appraisals within key decision reports</li> <li>• All Executive reports available for consideration at Overview &amp; Scrutiny</li> <li>• Reports to Audit &amp; Governance Committee</li> <li>• Legal, Financial and HR implications considered as part of every decision and evidenced within committee reports</li> <li>• Individual risk assessment on larger projects</li> <li>• Consultation outcomes incorporated within key Executive / Council reports</li> <li>• Specific consultation part of the annual budgeting process</li> <li>• Complaints process</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.</p>	<p>land and assets and bearing in mind future impacts.</p>	
	<p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> </ul>	<ul style="list-style-type: none"> <li>Calendar of meetings</li> <li>Annual work programmes for Audit &amp; Governance and Overview &amp; Scrutiny Committees</li> <li>Executive Forward Plan</li> <li>Internal audit programme delivered by the Shared Internal Audit Service, with findings reported to Audit &amp; Governance Committee and Leadership Team</li> </ul>
	<ul style="list-style-type: none"> <li>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> </ul>	<ul style="list-style-type: none"> <li>Communication strategy</li> <li>East Herts Together</li> </ul>
	<ul style="list-style-type: none"> <li>Considering and monitoring risks facing each partner when working collaboratively including shared risks</li> </ul>	<ul style="list-style-type: none"> <li>Risk management report</li> <li>Risk identified within Executive reports</li> <li>Risk register for specific projects</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances</li> </ul>	<ul style="list-style-type: none"> <li>Report cycles allow flexibility to respond to changing priorities</li> </ul>
	<ul style="list-style-type: none"> <li>Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan KPIs in place</li> <li>Service plan KPIs established</li> <li>Financial performance regularly measured through quarterly budget meetings and report</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring capacity exists to generate the information required to review service quality regularly</li> </ul>	<ul style="list-style-type: none"> <li>Online performance management system</li> <li>Quarterly performance management reports</li> <li>Members have on-line access to performance data</li> </ul>
	<ul style="list-style-type: none"> <li>Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan</li> </ul>	<ul style="list-style-type: none"> <li>Clear alignment between corporate objectives and resources</li> <li>Regular budget monitoring analysis and reporting across all Council Services</li> </ul>

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	<ul style="list-style-type: none"> <li>Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</li> </ul>	<ul style="list-style-type: none"> <li>Medium Term Financial Plan</li> <li>Capital Strategy – reports to Executive / Audit and Governance Committee on performance / progress</li> </ul>
	<p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>Ensuring the Medium Term Financial Plan integrates and balances service priorities, affordability and other resource constraints</li> </ul>	<ul style="list-style-type: none"> <li>Annual budget consultation</li> <li>Audit and Governance Committee Reports</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> </ul>	<ul style="list-style-type: none"> <li>Full and detailed budgeting exercise, both capital and revenue, over the medium term</li> <li>Internal and External Audit review</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring the Medium Term Financial Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</li> </ul>	<ul style="list-style-type: none"> <li>MTFP identifies plan for savings</li> <li>Transformation Programme business case predicts a minimum amount of £1 million of savings from changes to the customer service model and moving the financial system to the cloud. Further budget reductions will come from additional income following the Fees and Charges Policy and the Commercial Strategy.</li> <li>External auditor report gives assurance</li> <li>Monthly tracking of savings and budgets</li> <li>Quarterly budget reporting to elected members</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community over and above the direct purchasing of goods, services and outcomes"</li> </ul>	<ul style="list-style-type: none"> <li>Procurement strategy identifies social value. Revised in 2025</li> <li>Social value assessed as part of award process under procurement</li> <li>Social Value Policy and Priority Themes, Outputs and Measures set.</li> </ul>
<p><b>E. Developing the entity's capacity, including the</b></p>	<p><b>Developing the entity's capacity</b></p>	<ul style="list-style-type: none"> <li>Assets Strategy</li> <li>Asset Management Group – monthly review of assets and identify of disposal and/or investment options</li> </ul>



Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p><b>capability of its leadership and the individuals within it</b> Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the</p>	<ul style="list-style-type: none"> <li>Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Commercial Strategy</li> </ul>
	<ul style="list-style-type: none"> <li>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking</li> <li>LGA Peer Review on services</li> <li>External Audit Use of Resources Statement</li> <li>Local benchmarking exercise at Service level</li> </ul>
	<ul style="list-style-type: none"> <li>Recognising the benefits of partnerships and collaborative working where added value can be achieved</li> </ul>	<ul style="list-style-type: none"> <li>Significant commitment to partnership working</li> <li>Joint working / shared services</li> </ul>
	<ul style="list-style-type: none"> <li>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul>	<ul style="list-style-type: none"> <li>Review of workforce development plan and strategy</li> <li>Commitment to apprenticeships</li> </ul>
	<p><b>Developing the capability of the entity's leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> </ul>	<ul style="list-style-type: none"> <li>Constitution contains job descriptions for lead Members</li> <li>Officer Job descriptions</li> <li>Shared understanding of roles between Leader and CE</li> <li>Officer Member protocol</li> </ul>
	<ul style="list-style-type: none"> <li>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</li> </ul>	<ul style="list-style-type: none"> <li>Constitution</li> <li>Scheme of Delegation</li> <li>Financial Procedure Rules</li> <li>Individual reports for major projects set out decision making basis so that this is open and transparent, particularly for new projects</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive</li> </ul>	<ul style="list-style-type: none"> <li>Job description for Chief Executive</li> <li>Role profile for Leader in Constitution</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
structure and diversity of communities.	<p>leads the council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority</p> <ul style="list-style-type: none"> <li>• Developing the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> <li>• ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings between Executive and Leadership Team</li> <li>• Senior Leadership Training &amp; Development - ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• Induction programme for both staff and Members</li> <li>• Annual staff appraisal</li> <li>• Annual training programme for Members</li> <li>• Commitment to apprenticeships including those at a higher level and support for appropriate professional qualifications</li> <li>• Bespoke training at committees including presentations by service departments to Audit and Governance Committee</li> <li>• Community Leadership is discussed and led by Portfolio Holder</li> <li>• Member support through Democratic Services</li> <li>• Member training programme</li> <li>• Officer training e.g. professional training, continuing professional development, management and leadership training</li> <li>• Internal Audit reports on governance to Audit and Governance Committee</li> <li>• Workforce monitoring reports to Executive through Portfolio Holder</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> <li>Ensuring that there are structures in place to encourage public participation</li> </ul>	<ul style="list-style-type: none"> <li>Listening Council Strategy</li> <li>Residents' satisfaction survey</li> <li>Regular user satisfaction surveys</li> <li>The Council also has a Statement of Community Involvement (SCI) - a document that sets out what consultation will take place when the Council is developing and reviewing its planning policy documents (including the District Plan) and when determining planning applications.</li> </ul>
	<ul style="list-style-type: none"> <li>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</li> </ul>	<ul style="list-style-type: none"> <li>Publish member attendance records</li> <li>Annual training plan</li> <li>Participation in appropriate Peer Reviews</li> </ul>
	<ul style="list-style-type: none"> <li>Holding staff to account through regular performance reviews which take account of training or development needs</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance appraisals and probationary appraisals</li> <li>Staff development plan within appraisal process</li> <li>Capability procedure</li> <li>Sickness procedure</li> <li>Routine Service Team Meetings and 1:1 Meetings</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>Conditions of Service</li> <li>Health and Safety policies</li> <li>Employee Assistance Programme – Confidential Helpline</li> <li>Mental Health First Aiders</li> <li>Workplace Health Scheme Monthly Programme</li> <li>Council policies which support employees e.g. bereavement</li> </ul>
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management</p>	<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</li> <li>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> </ul>	<ul style="list-style-type: none"> <li>Risk management specifically reported to Executive and Audit and Governance Committee on a quarterly basis</li> <li>Risk assessments on larger projects</li> <li>Risk management strategy and policy</li> <li>Annual internal audit plan</li> <li>Risk management within individual project plans e.g. elections</li> <li>Emergency plan and Business Continuity Plan and the review of risks specific to emergencies such as the Covid-19 pandemic</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision-making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<ul style="list-style-type: none"> <li>Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul>	<ul style="list-style-type: none"> <li>Regular exercises to test the Emergency Plan, Business Continuity Plan ,Disaster Recovery and Cyber Security</li> </ul>
	<p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> </ul>	<ul style="list-style-type: none"> <li>Risks assigned with responsible owners</li> <li>Named officers for e.g. Health and Safety, Data Protection, Emergency Planning, Business Continuity</li> </ul>
	<ul style="list-style-type: none"> <li>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> </ul>	<ul style="list-style-type: none"> <li>Departmental service plans which are reviewed regularly</li> <li>Senior Leadership ownership of specific Corporate Plan outcomes.</li> <li>Performance monitoring</li> <li>Benchmarking</li> <li>Transparency pages on website</li> <li>Report format strengthening consideration of implications</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</li> </ul>	<ul style="list-style-type: none"> <li>Report template to Executive / Committees includes specific sections for analysis, options, risk, finance, and other relevant considerations</li> <li>Agendas published at least 5 days in advance</li> <li>Decision notices and minutes published after meetings</li> </ul>
	<ul style="list-style-type: none"> <li>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> </ul>	<ul style="list-style-type: none"> <li>Constitution defines roles and responsibilities of Overview &amp; Scrutiny Committee and Audit and Governance Committee</li> <li>Annual work programmes for those committees</li> <li>Regular training sessions for committee members pertinent to that committee and the wider business and functions of the council</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>Annual timetable / calendar of meetings</li> <li>Work programmes / forward plan for Executive and Committees</li> <li>Senior Leadership ownership of specific Corporate Plan outcomes.</li> <li>Annual Budget and Tax Setting report to Executive</li> <li>Financial Procedure Rules</li> <li>Annual accounts and Statement of Accounts</li> <li>External auditor reports</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<b>Robust internal control</b> <ul style="list-style-type: none"> <li>Aligning the risk management strategy and policies on internal control with achieving the objectives</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit Plan</li> <li>Regular reports from Internal Audit to Audit and Governance Committee</li> </ul>
	<ul style="list-style-type: none"> <li>Evaluating and monitoring the authority's risk management and internal control on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly risk management reports</li> <li>Risk management training for Members and officers</li> <li>Internal Audit Review of Effectiveness</li> <li>Annual Governance Statement</li> <li>External Audit Annual Report</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring effective counter fraud and anti-corruption arrangements are in place</li> </ul>	<ul style="list-style-type: none"> <li>Anti-fraud and anti-corruption policy</li> <li>Whistleblowing policy</li> <li>Shared Anti-Fraud Service</li> <li>Acquisition and use of specialist data analysis software to detect fraud and corruption</li> <li>Regular reports to Audit and Governance Committee on counter fraud activity</li> <li>Shared Anti-Fraud Service fraud risk evaluation of all business grants applied for as a consequence of Covid-19</li> </ul>
	<b>Strong public financial management</b> <ul style="list-style-type: none"> <li>Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</li> </ul>	<ul style="list-style-type: none"> <li>Clear links between Corporate Plan, Medium Term Financial Plan and subsequent reporting on outcomes</li> <li>Asset Management Strategy</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</li> </ul>	<ul style="list-style-type: none"> <li>Embedded financial management process covering process from beginning to end</li> <li>Review of that process through External Audit</li> </ul>
<b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b> Accountability is about ensuring that those making decisions and delivering services are	<b>Implementing good practice in transparency</b> <ul style="list-style-type: none"> <li>Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</li> </ul>	<ul style="list-style-type: none"> <li>Publication of all reports and decisions on website</li> <li>Transparency pages on website</li> <li>Consistent, accessible, reporting style used with supporting evidence providing more detail for those who require it. Web pages give key information and ability to drill down to specific documents and background papers for those requiring detail.</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
<p>answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<ul style="list-style-type: none"> <li>Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance report</li> <li>Regular internal audit reports to Audit and Governance Committee</li> </ul>
	<p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>Reporting at least annually on performance, value for money and the stewardship of its resources</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance report that supplements quarterly performance and budget reports</li> <li>Annual reports from External Auditor</li> <li>Value for money opinion</li> <li>Statement of Accounts</li> <li>Internal audit reports also comment on Value for Money implications where applicable</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring Members and senior management own the results</li> </ul>	<ul style="list-style-type: none"> <li>Clearly defined roles for Executive portfolio holder, Audit and Governance Committee and Overview and Scrutiny Committee</li> <li>Portfolio holders present reports at Executive</li> <li>Each portfolio holder has regular briefings with officers</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)</li> </ul>	<ul style="list-style-type: none"> <li>Annual Governance Statement</li> <li>Assurance mapping exercise planned for 2021/22</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Shared service legal agreements</li> <li>Annual Governance Statement</li> </ul>
	<ul style="list-style-type: none"> <li>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking</li> <li>Quarterly performance reports to Executive and Overview &amp; Scrutiny Committee including end of year performance.</li> </ul>

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	East Herts Council's Compliance & Supporting Evidence
	<p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>• Ensuring that recommendations for corrective action made by external audit are acted upon</li> <li>• Ensuring an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon`</li> </ul>	<ul style="list-style-type: none"> <li>• Management comments / response is incorporated as part of the reports from both Internal and External Audit</li> <li>• Annual Opinion on the Control Environment report from Internal Audit</li> <li>• Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2019)</li> <li>• Compliance with Public Sector Internal Audit Standards</li> <li>• Annual review of effectiveness of internal audit reported to Audit and Governance Committee</li> <li>• Annual Governance Statement Action Plan and follow up</li> </ul>
	<ul style="list-style-type: none"> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• Executive report on outcomes and recommendations / action plan arising from review</li> <li>• Self-challenging through entry for various awards and nomination as finalist</li> </ul>
	<ul style="list-style-type: none"> <li>• Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• Risk management report</li> <li>• Performance report</li> <li>• Requirement for performance information to management is specified in contract specification.</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met</li> </ul>	<ul style="list-style-type: none"> <li>• Proportionate governance arrangements in place for partnership working</li> <li>• Service Level Agreements for some community grants ensuring that outcomes are measurable and delivered.</li> </ul>

## **5. Review of Effectiveness**

East Herts 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 the Leadership Team, the Monitoring officer, the Chief Finance Officer (Head of Financial Services), and the Head of Business Services who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates. The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

### **Council**

Council is responsible for approving the budget and policy framework, which includes the Corporate Plan and the Constitution.

### **Executive**

Executive has approved the Council's performance management framework. Executive also approves the risk management policy and receives quarterly reports on risk management, performance monitoring and budget monitoring.

### **Audit and Governance Committee**

This Committee undertakes the core functions of an Audit Committee and approves the annual Internal Audit Plan, receives quarterly monitoring reports updating them on progress against that plan. It also receives the external auditor's annual audit letter, annual governance report, annual plan and grant claim certification report. It approves the risk management policy and receives quarterly reports on risk management. The Committee has lead oversight responsibility for corporate governance, risk management and other internal control issues. It also leads the cross Member scrutiny and consideration of the budget. The Audit & Governance Committee also reviews the Constitution.

### ***Standards Sub-Committee***

This Sub-Committee undertakes a proactive role in relation to the promotion of the ethical conduct framework. It has also published documents to inform the public about its role, the importance of good ethical conduct in the area, and the high standards of conduct evident in the District. A new framework for dealing with ethical governance has been adopted by the county and the district and borough councils in Hertfordshire in order to maintain a level of consistency across the geographical area, particularly in relation to twin-hatted Members. The Standards Sub-Committee has put in place arrangements for dealing with complaints, conduct investigations and hearing allegations.

### ***Overview & Scrutiny Committee***



The Overview & Scrutiny Committee reviews performance across all services delivered by the Council and partner organisations, and the impact they have on the District and its communities.

### **Chief Finance Officer (Head of Finance)**

The Chief Finance Officer (CFO) has been designated as the s151 Officer. That officer maintains the statutory powers to report to Executive or Council on any proposals, decision or omission that gives rise to any unlawful expenditure. The CFO also has clearly defined responsibilities for Risk Management, Internal Control, and systems and processes for financial administration and control, which are set out in the Financial Procedure Rules.

### **Monitoring Officer**

The Head of Legal & Democratic Services has been designated as the Monitoring Officer. The Monitoring Officer has the specific duty, contained within Section 5 of the Local Government and Housing Act 1989, to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The role of the Monitoring Officer is:

- To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
- To be responsible for matters relating to the conduct of Councillors and officers; and
- To be responsible for monitoring and reviewing the operation of the Constitution, to ensure that the aims and principles of our Constitution are given full effect.

## **Internal Audit**

The internal control system comprises the whole network of systems established within the Council to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data
- Effective monitoring systems and optimum use of performance management information

## **6. Internal Audit Annual Assurance Statement 2023/24**

Extracted from Section 2 of the SIAS 2023/24 Annual Assurance Statement and Internal Audit Annual Report.

- The full report went to Audit and Governance committee on Wednesday 29<sup>th</sup> May 2024 – 7pm – Item 8 of the agenda.

### **Scope of responsibility**

6.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

### **Control environment.**

6.2 The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to eliminate it.

6.3 A robust control environment helps ensure that the Council's policies, Priorities, and objectives are achieved.

### **Review of effectiveness**

6.4 The Client Audit Manager must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.

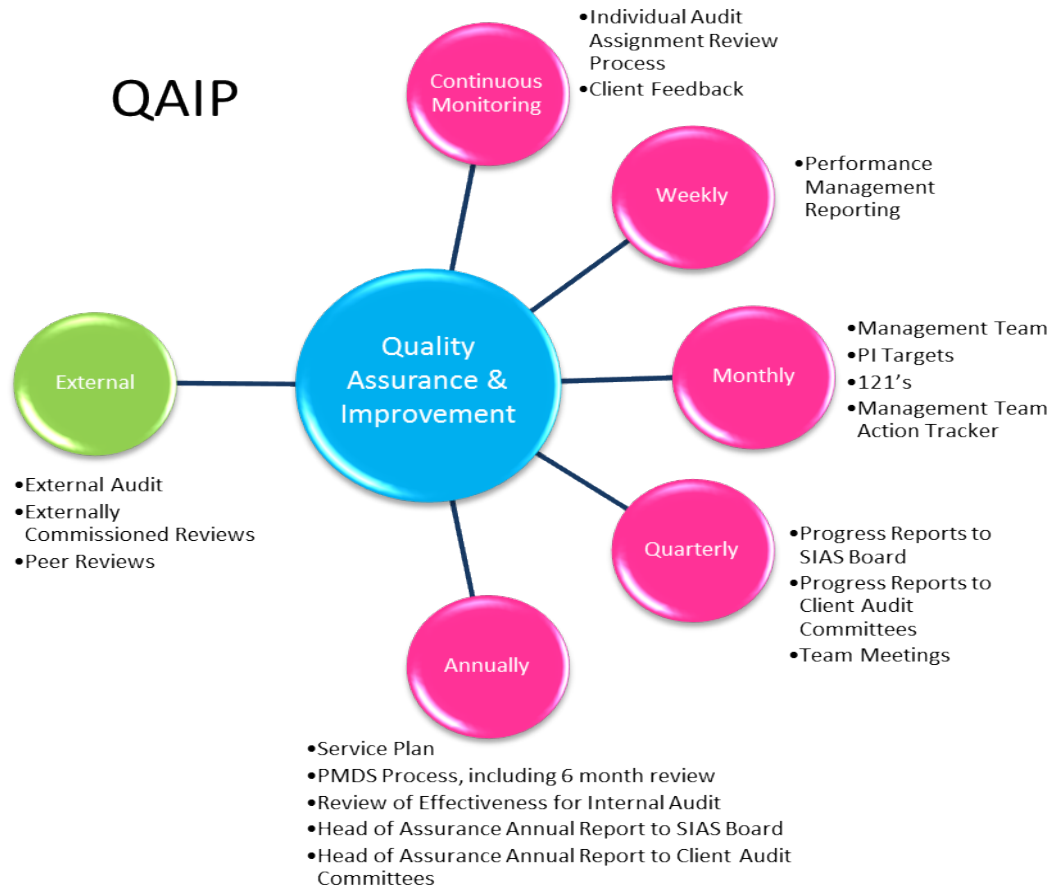
6.5 As part of our Quality Assurance and Improvement Programme, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency, and effectiveness of internal audit across the public sector. They also highlight the importance of robust, independent, and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.

6.6 The PSIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This review was last completed in June 2021, with the result of the assessment reported to the Audit & Governance Committee in November 2021.

6.7 Based on the results of the 2024/25 PSIAS self-assessment, the Client Audit Manager has concluded that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

6.8 The self-assessment identified 2 areas of agreed non-conformance, these reflecting the unique nature of a partnership arrangement and are not considered material. These are detailed in Appendix C. There are no significant deviations from the Standards which warrant inclusion in the Council's Annual Governance Statement.

6.9 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.



***Confirmation of independence of internal audit and assurance on limitations***

- 6.10 The Client Audit Manager confirms that during the year:
- No matters threatened SIAS's independence; and
  - SIAS was not subject to any inappropriate scope or resource limitations.

## Annual Assurance Statement for 2023/24

### Assurance opinion on internal control

6.11 Based on the internal audit work undertaken at the Council in 2023/24, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems.



### Assurance opinion on Corporate Governance and Risk Management

6.12 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2023/24 and the specific reviews of Risk Management and Corporate Governance carried out by SIAS during the year.

Client Audit Manager

May 2024

## 7. Governance Issues – Progress from last year

Key Improvement Area	Lead Officer	Update
<p><u>Procurement</u></p> <p>The Procurement Strategy requires updating to reflect the new national procurement strategy and the enhanced profile of social value as well as reflecting net zero ambitions.</p> <p>The council should produce an annual procurement programme as well as a 3 year “procurement pipeline” in order that local businesses can see what opportunities are coming up and to encourage them to bid.</p> <p>The council should produce an annual procurement report showing savings or costs avoided; social value gained; contracts awarded to local businesses by size; contracts awarded to SMEs; and the contributions from procurement to net zero targets.</p>	<p>S151 Officer</p>	<p><b>Complete.</b></p> <p><b>In progress.</b> Ongoing, expected to be in place Q3 2025/26</p> <p><b>Will follow from approval of the above.</b></p>

Key Improvement Area	Lead Officer	Update
<p><u>ICT Resilience</u></p> <p>An external review of the ICT Strategy and delivery vehicle has been commissioned by the partner councils and recommendations arising from that will need to be taken forwards</p>	<p>Helen Standen</p>	<p><b>In progress.</b> SOCITM review completed and recommendations being implemented. New Joint Committee established with Member oversight of Joint ICT Service now in place to ensure delivery of improved ICT Service.</p>
<p><u>Workforce Plan</u></p> <p>Following changes to working practices as a result of COVID 19 and anticipated changes from the Transformation Programme the council would benefit from a workforce plan that analyses its workforce and determines the steps it must take to prepare for future staffing needs. These future skill needs can be met by recruiting, by training or by outsourcing the work.</p>	<p>Head of Human Resources and Organisational Development</p>	<p><b>In progress.</b> The workforce plan will be developed once changes associated with Service Reviews, new customer service model and Finance in the cloud are implemented.</p>

Key Improvement Area	Lead Officer	Update
<p>1. With the district council elections in 2023 we will concentrate on the following principles of good governance:</p> <ul style="list-style-type: none"> <li>• Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law; and</li> <li>• Developing the council's capacity, including the capability of its leadership and the individuals within it.</li> </ul> <p>It is anticipated that with a number of longstanding Members retiring at the next election officers will need to work with the newly elected council to ensure that the new council can move forward within very tight financial constraints and operate at full capacity as soon as possible after the election.</p>	<p>Richard Cassidy / Helen Standen / James Ellis / Steven Linnett</p>	<p><b>Completed.</b></p> <p><b>Ongoing.</b></p> <p><b>In progress.</b></p> <p><b>Completed.</b></p>
<p><u>Communications Strategy</u></p> <p>The Communications Strategy now requires revision to reflect changes in technology, social media, and the further decline of printed media and to separate consultation from communication.</p>	<p>Ben Wood</p>	<p><b>Completed.</b> The communications strategy was refreshed following Council's adoption of the LEAF priorities. The strategy is an internal document approved by Executive Members and Leadership Team as a means to prioritise and target key messages. Leadership Team and Executive (at the Joint Administration Steering Group) receive quarterly reports on communications metrics.</p>



Key Improvement Area	Lead Officer	Update
<p><u>Consultation Strategy</u></p> <p>The council would benefit from a separate Consultation Strategy which sets out how and when the council will consult. This accords with the priorities of the new Joint Administration.</p>	Ben Wood	<p><b>Completed.</b> The Council adopted “A Listening Council” strategy in November 2023: <a href="#">A Listening Council   East Herts District Council</a></p> <p>This sets out the principles upon which consultation will be conducted, particularly focusing on face to face engagement. Two major consultations have taken place since then, including on the Parking Strategy and Old River Lane public space. Both included substantial face to face engagement, alongside the planning community forums which have also focused on face-to-face engagement with residents.</p>
<p><u>Member Officer Protocol for working in a no overall control council.</u></p> <p>At the elections in May 2023 the council moved to being under no overall control by a single political party. There is a need to set out expectations concerning information, briefings and policy development that more appropriately meet the needs of the political groups in a no overall control council.</p>	Richard Cassidy	<b>Completed.</b>

Key Improvement Area	Lead Officer	Update
<p><u>Contract Procedure Rules</u></p> <p>Contract Procedure Rules are in need of review and updating, particularly as they reflect the transition under Brexit and not the final position under the Procurement Bill, which is in its final stage before anticipated Royal Assent and amendments introduced under the Public Procurement (International Trade Agreements) (Amendment) Regulations 2023 and this will be undertaken alongside the development of the Procurement Strategy to ensure that they are properly aligned.</p>	S151 Officer/James Ellis	<b>Completed.</b>

## 8. Governance Issues

The following governance issues have been identified as needing addressing during 2024/25

Key Improvement Area	Lead Officer	Update
During 2023/24 the working relationship between the CEO and S151 became fractured. The extent of the breakdown in communication was not formally communicated or disclosed to the wider Leadership Team, SIAS and others.	Helen Standen	<b>Completed</b> - Following the departure of both officers this has now been resolved' A new Chief Executive been appointed and a new Chief Finance Officer appointed on 1 April 2025.

The following governance issues, comments and recommendations have been extracted from the External Auditors (EY) report 'The Completion Report for Those Charged with Governance Years ended 31 March 2022 and 31 March 2023'.

It is anticipated the same issues will be included in the new External Auditors (Azets) completion report for the year ended 31<sup>st</sup> March 2024.

Key Improvement Area	Comments/Recommendations	Lead Officer	Update
Delays in Financial Reporting:	<p>The council has failed to publish draft financial statements within the regulatory timeframe for multiple years.</p> <p>The 2021/22 draft financial statements were published on 11 December 2023, significantly after the statutory deadline of 31 July 2022.</p> <p>The 2022/23 draft financial statements were not published until 6 November 2024, again missing the statutory deadline of 31 May 2023.</p> <p>The 23/24 draft financial statements have yet to be published (as of 18<sup>th</sup> March 2025) and have not included the required notices on the website.</p>	CFO (S151 Officer)	<ul style="list-style-type: none"> <li>• The 2021/22 and 2022/23 going to Audit &amp; Governance on 22 April for sign off.</li> <li>• It is anticipated that the 2023/24 accounts will be completed and published on the Council's website by the end of April 2025.</li> </ul> <p>Plans have been put in place by the new S151 Officer to ensure that the 2024/25 Statement of Accounts are completed and published on time.</p>
Completeness and Accuracy	The draft accounts published for inspection did not include the Annual Governance Statement (AGS) and contained outdated information, i.e the Statement of Responsibilities from the 2020/21 accounts.	CFO (S151 Officer)	The new S151 Officer will look to put more controls in place to ensure adequate time is given for reviews to be undertaken prior to publication.

Key Improvement Area	Comments/Recommendations	Lead Officer	Update
Finance Team Capacity	<p>The finance team has experienced significant capacity issues, leading to delays in completing financial statements and supporting the external audit process.</p> <p>This has impacted on the Council's ability to provide timely, sufficient, and appropriate audit evidence to support the external audit.</p>	CFO (S151 Officer)	<p>The new S151 Officer started on 1 April 2025. A review of the Finance team will be undertaken in their first six months to propose a new structure that will address:</p> <ul style="list-style-type: none"> <li>• potential 'single point of failure';</li> <li>• capability and capacity of the team to ensure it is fit for purpose;</li> <li>• Individuals have the necessary skills needed to deliver in line with all deadlines.</li> </ul> <p>Tasks are clearly defined and delivered on time.</p>
Single point of Failure	<p>The report by the External Auditors identifies a significant risk associated with the current structure of the finance team, specifically pointing out a single point of failure.</p> <p>This issue arises from the over-reliance on one individual for critical financial tasks and responsibilities.</p> <p>The report emphasises that this concentration of duties in one person not only increases the risk of errors and</p>	CFO (S151 Officer)	See above point

Key Improvement Area	Comments/Recommendations	Lead Officer	Update
	delays but also poses a substantial threat to the continuity of financial operations in the event of that individual's absence or departure.		

## 9. Statutory Recommendations – By the External Auditors (Azets)

It is expected that the same Statutory Recommendations that had been Contained in the previous External Auditors report by EY - titled 'The Completion Report for Those Charged with Governance Years ended 31 March 2022 and 31 March 2023'., will be replicated in the Completion report for 31<sup>st</sup> March 2024.

Statutory Recommendation	
1. Finance Function Workflow Review:	<p>Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks.</p> <p>Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p>
2. Quality Assurance Issues:	<p>Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers.</p> <p>Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers.</p> <p>Monitor adherence to this process and report performance to the Audit and Governance Committee</p>
3. Finance Team Capacity:	<p>The Council should re-assess roles, responsibilities, and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) regulations 2024.</p>

## **10. Certification**

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year except for those areas identified in Sections 7, 8 and 9. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for

The improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Cllr Ben Crystal**

**Leader of the Council**

**Date:**

**Helen Standen**

**Chief Executive**

**Date:**