



## Hertsmere Borough Council

### Draft Statement of Accounts for the year ended 31 March 2016



**Contents:**

Statement of Responsibilities	3
Independent Auditors' Report to the Members of Hertsmere Borough Council	4
Narrative Statement	6
Movement in Reserves Statement	24
Comprehensive Income and Expenditure Statement	26
Balance Sheet	29
Cash Flow Statement	31
Notes to the Accounts	33
The Collection Fund	101
Notes to the Collection Fund	103
Group Accounts	104
Annual Governance Statement	116
Glossary of Terms	136

## Statement of Responsibilities

### The Council's Responsibilities

The Council 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 Council, that officer is the Director of Resources
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts.

### Responsibilities of the Director of Resources

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

In preparing this Statement of Accounts the Director of Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates which were reasonable and prudent.
- Complied with the local authority Code.

The Director of Resources has also:

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

### Confirmation of the Director of Resources:

**I confirm that this Statement of Accounts presents a true and fair view of the financial position of Hertsmere Borough Council at 31 March 2016 and its Income & Expenditure for the year then ended.**



**Sajida Bijle**  
Director of Resources

Date: 30 June 2016

**Independent Auditors' Report to the Members of Hertsmere Borough Council**

TO BE UPDATED

TO BE UPDATED

## Narrative Statement

### Overview from the Director of Resources

#### Introduction

I am pleased to introduce the Council's Statement of Accounts for the year 2015/16. Hertsmere Borough Council is situated to the north of London in southwest Hertfordshire and has a population of c103,000. There are approximately 43,900 dwellings in the area and 3,100 commercial properties. The Borough covers an area of 39 square miles and includes the communities of Aldenham, Bushey, Potters Bar, Radlett, Elstree and Borehamwood and is bordered by three London Boroughs. Despite its close proximity to London, 80 per cent of the Borough is Green Belt, much of which is in agricultural use.

Compared to metropolitan boroughs, Hertsmere Borough Council is a small council and is made up of distinctly individual communities and a number of smaller settlements. Although the Council is located within Hertfordshire, it faces many similar challenges to those faced by its neighbouring London boroughs. Its close proximity to the city also brings its own challenges, in particular competition for highly skilled labour in an area paying London weighted salaries that can only be offered by the larger London Boroughs.

The Comprehensive Spending Review 2015 announced as part of the Chancellor's Autumn Statement on 25 November 2015, as anticipated, confirmed the continued reduction in Central Government funding for Local Authorities. The most significant announcement was the confirmation that the Revenue Support Grant will be completely phased out by 2019/20.

The final Settlement Funding Assessment for 2016/17 was announced on 8 February 2016. It included headline figures for the four-year period to 2019/20. Since the Comprehensive Spending Review 2010 general government funding has been reducing as part of the Government's austerity measures. For Hertsmere this has resulted in a total reduction in general government grant of around £4.3m or 49% with general Government funding now representing just 31% of Hertsmere's overall funding compared to 54% back in 2010/11.

Such a challenging spending review emphasises the need for careful planning and the need to maintain robust levels of reserves to ease the transition to a self-funding council. Although the tentative early signs of a recovery in the national economy are encouraging we continue to face significant pressure to provide services against a backdrop of deep and continuous cuts in central government funding and plans to phase out government grant totally by 2020. We also face uncertainty in some of our own funding as it can be dependent on certain external drivers as well as factors at play within our own borough, e.g. impact of the EU referendum, levels of employment and business growth.

As in previous years the Council will continue to be pro-active in identifying simple yet innovative ways to manage these financial challenges. Given the significant financial pressures and the statutory requirement to set a balanced budget, whilst at the same time preserving as far as possible the current level of services, we will continue to look at ways of managing our funding pressures by;

- using participatory budgeting (already secured savings in excess of £1m)
- partnership working (saving money by sharing resources with neighbouring authorities across a range of services – this currently saves c£0.5m every year)

- promoting invest to save schemes (focus on innovative ways to procure and provide services)
- undertaking projects such as the Newberries car park development in order to generate new ongoing revenue income streams
- working our assets harder to deliver a long term revenue stream and protect vital services
- maintaining adequate levels of reserves and balances

The Council is continuing with its programme of improvement in performance and service delivery. This is underpinned by the adoption of a Corporate Governance framework which is the mechanism through which our priorities are filtered down throughout the organisation. The Council's Annual Governance Statement (on page 116) provides further details of the strategies implemented to achieve our objectives which have been developed and reviewed during the year. The Audit Committee meets quarterly and is attended by the external auditors. It works to promote and safeguard financial probity throughout the Council.

The Accounts and Audit Regulations 2015 require the Statement of Accounts to be confirmed as true and fair by the Chief Financial Officer by 30 June and approved, audited and published by 30 September each year, and then by 31 May and 31 July respectively, from 2017/18 onwards. The Annual Governance Statement which is included in this statement of accounts has been approved by the Executive, Audit and Standards committees.

The narrative statement (which replaces the explanatory Foreword following a change in requirements for 2015/16) provides information about the Council and its performance during the year as well as highlighting the key issues affecting the Council in the coming years.

It includes information on:

- Hertsmere services
- Local councillors
- Management Structure
- Aims and objectives
- Performance (financial and non-financial)
- Revenue Outturn 2015/16
- Capital Outturn 2015/16
- Finance Strategy overview
- Corporate Risks
- Council Finances
- Explanation of Core and supplementary statements

Once again I would like to take this opportunity to express my gratitude to all colleagues from the finance team and other services for their assistance in preparing these accounts, and for their support throughout the year.

If you would like to have any further information on the accounts, you can forward details of your request to the council by post using the following address:

Sajida Bijle  
Director of Resources  
Civic Offices  
Elstree Way  
Borehamwood  
Hertfordshire  
WD6 1WA

Alternatively you may wish to send your query by using our website ([www.hertsmere.gov.uk](http://www.hertsmere.gov.uk)).



## What services is Hertsmere responsible for?

Hertsmere Borough Council is responsible for providing services including street cleaning, kerbside waste and recycling collections, community safety, environmental health, housing needs, benefits, leisure and parks, licensing and planning services.

We work in partnership with other local authorities to improve the quality of life for residents but we do not have any control over services which are statutorily provided by other organisations e.g. education, children & adults social care, roads and street lights as they are the responsibility of Hertfordshire County Council. There are also five town and parish councils which operate in some areas of Hertsmere.

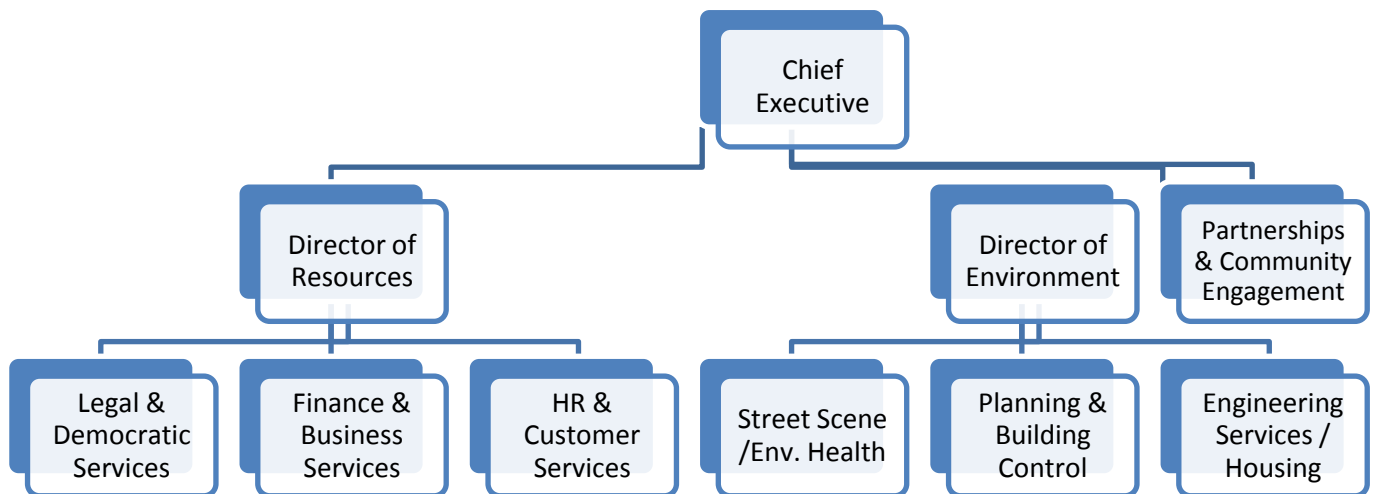
## Your local councillors

Hertsmere has 39 councillors in 15 wards who are elected to serve for four years at a time. The number of seats held by political groups is currently:

- Conservative           36
- Labour                    2
- Independent            1

## Management structure

Supporting the work of Councillors is the organisational/management structure of the council headed by the Chief Executive, Donald Graham.



The council is managed by a Chief Executive and two Directors. They each have a number of Heads of Service who report to them, covering a variety of areas of business. The council currently employs approximately 300 people in full and part time roles.

## The Council’s aim for service provision

Over the last 12 months, the Council has worked hard to achieve the promises it made to the community to deliver our objectives. In delivering these aims, the Council has set five corporate priorities which inform the performance targets of all officers of the Council.

The Council's five corporate priorities are:

- **Safer communities** - Contribute to reducing crime levels, combat anti-social behaviour and improve people's feelings of safety
- **Quality environments** - Protect and enhance both the natural and the built environments to ensure clean, green and sustainable places for our residents
- **Healthy, thriving communities** - Improve the health and wellbeing of our communities through the promotion of healthy living initiatives and leisure, sport and cultural opportunities for everyone
- **Economic wellbeing** - Encourage and support activities and opportunities that strengthen the local economy and deliver economic wellbeing to our communities
- **Decent homes** - Improve the quality of housing, promote a balanced housing market and tackle homelessness

The Council's Annual Governance Statement provides further details of the strategies implemented to achieve our objectives.

## OUR PERFORMANCE

### Non-Financial Performance

#### Safer Communities

Once again we have provided £128,000 to fund Police Community Support Officers (PCSOs) as part of our commitment to making neighbourhoods safer and to reduce crime and the fear of crime. Our contribution ensures that Hertsmere has the highest number of PCSOs in Hertfordshire.

We continue to work closely with the police and key agencies as part of the (CSP) Community Safety Partnership. The regular CSP meetings provide an opportunity to inform residents of the work ongoing in the area to reduce crime, tackle disorder and improve the area. The partnership offers on going community engagement work and initiatives throughout the year such as tool making, neighbourhood surgeries and community engagement events to offer crime prevention advice.

A new Partnership Plan 2016 – 2020 has been approved by the Local Strategic Partnership (LSP) and endorsed by full Council, it is available on the council's website. The Partnership Plan outlines the CSP strategic priorities for the next four years.

#### Quality Environments

We know that current levels of kerbside collections of recyclable waste are popular with residents and we are constantly striving for an improved recycling rate. The recycling rate for the council for 2015/16 was 43%. The council has continued its campaign to encourage dog owners to pick up after their pets. Two foot stencilled signs asking dog walkers to "clean it up,

bag it, bin it” have been temporarily sprayed on to pavements near entrances at parks in a bid to crack down on dog fouling.

A new advertising campaign hit the streets aimed at reducing litter and keeping the borough clean and tidy. The campaign coincides with the clean for the Queen campaign which is aimed at sprucing up Britain in time for the Queen’s 90<sup>th</sup> birthday in June 2016.

### Healthy, thriving communities

The lottery funded women and girls’ project, ‘We Move, She Moves’ received an award for its work in the community at an awards ceremony this year. The project which is aimed at getting women and girls aged 14 and over to participate in sport and activity across Hertsmere, picked up the Community Project Club of the Year award at the Herts Service to Sports Awards held in December.

Elstree and Borehamwood Museum marked its second anniversary of being based at 96 Shenley Road. The museum has welcomed more than 10,000 visitors since moving from Drayton Road and has held a number of successful exhibitions including the most recent exhibition celebrating Eastenders 30<sup>th</sup> anniversary.

Watford Harriers Athletic Club – a sports club set up with the support of the council, has been presented with a regional sports award. The club won the East Regional Satellite Club of the Year award thanks to its work with Bushey Meads Secondary School. The Harriers have promoted athletics in the heart of Hertsmere, targeting able and disabled participants, boys and girls, ages 11 to 16 for 90 minutes of athletics each week. 95 young people have been engaged with through the project which is triple the number of participants that are generally attracted to Satellite clubs. Satellite clubs are extensions of community sports clubs that offer a range of sports to young people who may not be regularly active, or lack confidence to join a regular sports club.

### Economic Wellbeing

Since 2009/10, in addition to allocating annual grant funding of £215,000 to the Citizens Advice Bureau, we have provided a further grant of £37,000 each year to fund a Debt Advisor to ensure residents who are struggling with managing their finances can get appropriate advice and support.

Following Black Friday and Cyber Monday, residents were encouraged to shop locally the following Saturday on Small Business Saturday to save money, energy and stress. Small Business Saturday is a nationwide event that exists to support and promote small businesses. Now entering its third year, it has become established as one of the UK’s most high profile small business campaigns. Last year’s Small Business Saturday saw 16.5 million people spending a total of £50 million with small businesses in their local areas. The council supports Small Business Saturday in line with its economic development strategy to help drive economic growth in Hertsmere.

A new café opened in Radlett earlier this quarter. Daisy’s in The Park is located on Watling Street and will provide a valuable community hub. The building, which stands on the site of a disused public toilet, has been designed and built by Hertsmere Borough Council as a revenue generating asset and is an innovative use for a building in the heart of Hertsmere.

There are 1,710 garages owned and let by the council across 110 locations in the borough with an occupancy level of 85%. There is also a programme of garage refurbishments included in the

capital programme and overseen by the Asset Management Panel. Our garages have the potential to generate up to £892k per year depending on occupancy levels.

### Decent Homes

CBL (Choice Based Lettings) provides additional choice to those living in social housing. Any available properties are advertised, households bid and they are then allocated to the person with the highest priority according to the Council's allocation policy.

There are a total of 52 properties on the PSL Scheme (Private Sector Leasing) which enabled the council to move people who approached them as homeless into these properties, without the need to use costly bed & breakfast accommodation.

In December, two properties were unveiled to provide accommodation for homeless Hertsmere families. The buildings, originally part of Shenley Hospital were transformed into two, three-bedroom homes using a £100,000 government grant and funding from Hertsmere Borough Council. The homes will provide temporary accommodation for families who live in the borough and are facing homelessness. This initiative has been funded through the government's Private Lease Agreements Converting Empties (PLACE) scheme.

## Financial Performance

### Illustrative Review of the Key Components of 2015/16

#### Revenue Funding

The Council's revenue spending is funded from various sources as illustrated below. 'Other income' includes fees, charges for services, bank interest and recharges between Council services.

▪ Rents, fees and other income	21%
▪ Housing Benefit Subsidy	58%
▪ Capital grants and contributions	1%
▪ Non ring-fenced government grants	6%
▪ Retention of Business Rates	4%
▪ Council Tax Income	10%

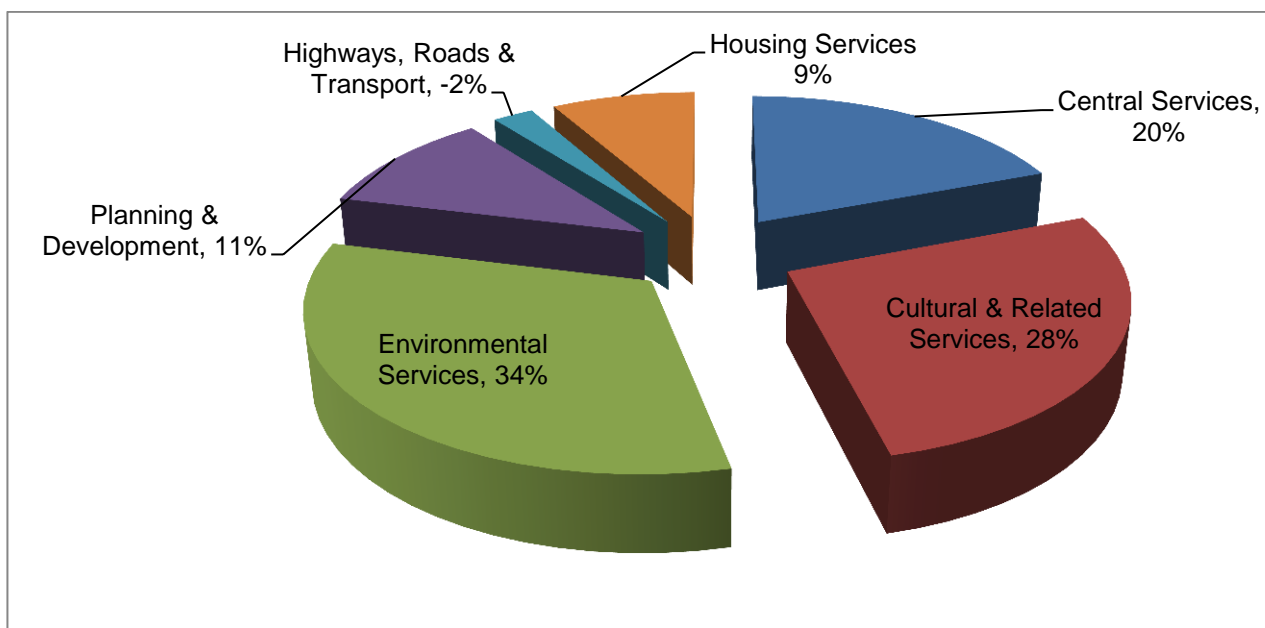
#### Revenue Expenditure

The main categories of expenditure across all Council fund services is analysed below. Running expenses include maintenance of buildings, purchases of supplies and services and gross recharges between Council services. Employee costs account for almost a quarter of total expenditure.

▪ Staff related costs	21%
▪ Depreciation and impairment	7%
▪ Housing Benefit Payments	57%
▪ Running expenses	14%
▪ Parish precepts	1%

## Services Provided

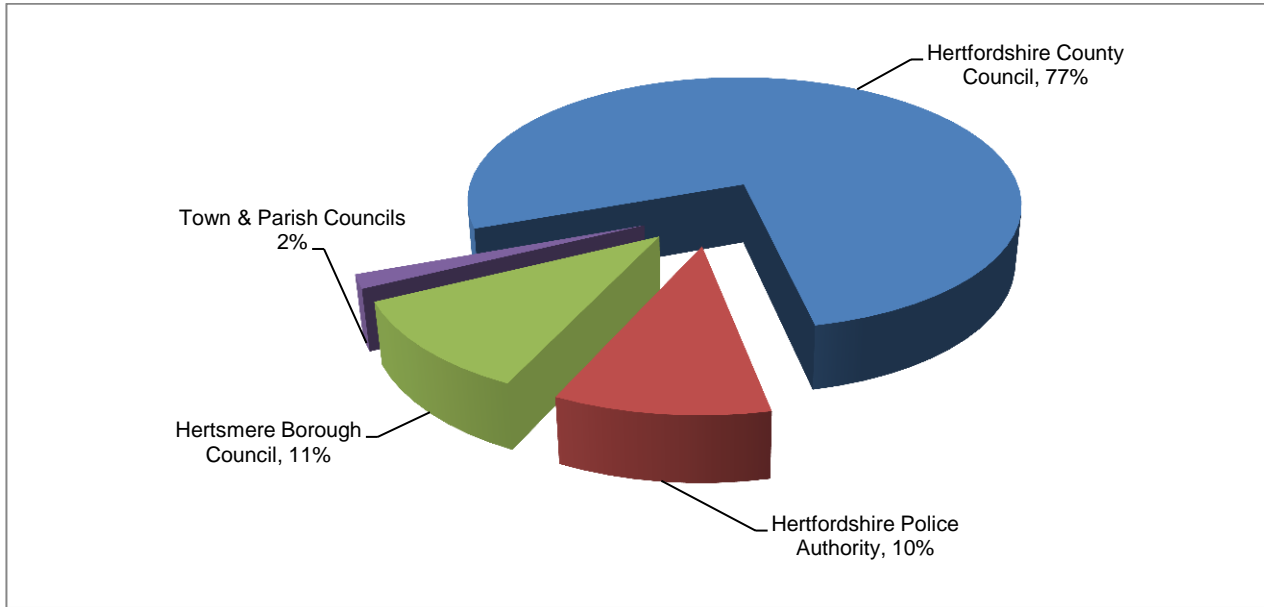
The percentage of (net) expenditure on different service areas during the year.



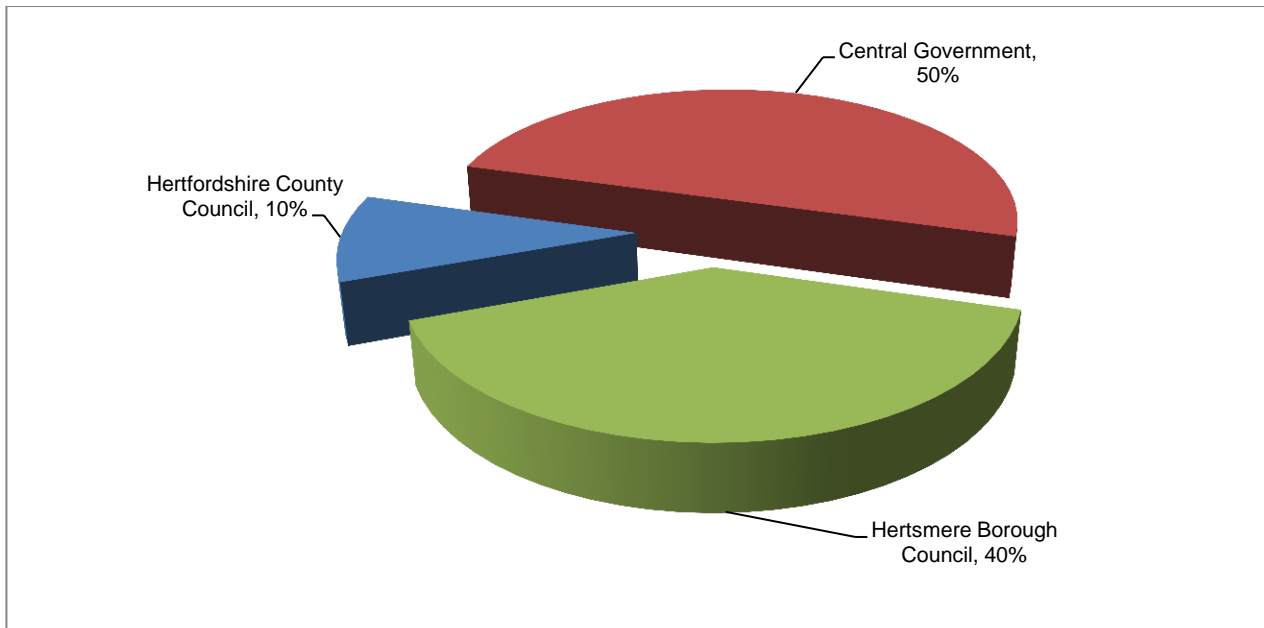
### Council Tax and Business Rates– Where the Money Goes

Hertsmere collects Council Tax and Business Rates on behalf of other precepting authorities. The charts below show how the amounts collected are split amongst these authorities.

#### Council Tax



#### Business Rates



When NNDR income is collected by the Council a 50% share is immediately payable to central government (DCLG), 10% is payable to County and 40% is retained by Hertsmere, however this is subject to a further tariff from DCLG\*.

\*Where an authority's business rates baseline exceeds its funding baseline, they pay the difference to central government as a tariff, which is used to pay for a top-up for authorities whose funding baseline is less than its business rates baseline. These tariffs and top-ups are updated each year by the business rates multiplier, normally RPI. The government's stated intention is that they will otherwise stay fixed until the reset in 2020. For 2015/16 Hertsmere's share of collectable business rates was £18.467 million less a tariff payable to DCLG of £15.091 million. (2014/15 collectable business rates £16.915 million, tariff £14.808 million).

## Financial Management

### Revenue outturn

In 2015/16 the budget for the Council's cost of services was set at £11.895 million after funding from reserves. The actual spend for the year is £11.529 million, which has resulted in an overall favourable variance of £0.366 million as follows:

<b>SUMMARY OF COUNCIL PERFORMANCE</b>	<b>BUDGET 2015/16 £</b>	<b>ACTUAL 2015/16 £</b>	<b>SURPLUS/ (DEFICIT) £</b>
Planning & Building Control	920,900	927,330	(6,430)
Housing Services	638,090	638,729	(639)
Environmental Health	878,580	868,761	9,819
Street Scene Services	4,411,580	4,294,963	116,617
Engineering Services	37,340	38,248	(908)
Asset Management	(3,090,190)	(2,935,846)	(154,344)
Partnership & Community Engagement	2,189,000	2,165,928	23,072
Finance & Business Services	2,068,640	2,039,837	28,803
Legal & Democratic Services	1,274,590	1,209,129	65,461
Human Resources & Customer Services	1,157,350	1,070,611	86,739
Audit & Assurance	106,880	110,661	(3,781)
Pay Strategy	40,000	40,000	0
General Expenses	134,120	120,135	13,985
Audit Fees, Bank Charges	158,430	113,659	44,771
Corporate Management	648,550	635,715	12,835
<b>Total Service Costs</b>	<b>11,573,860</b>	<b>11,337,860</b>	<b>236,000</b>
Central Contingency	321,280	191,000	130,280
<b>NET BUDGET REQUIREMENT</b>	<b>11,895,140</b>	<b>11,528,860</b>	<b>366,280</b>

## Reconciliation from the Financial Monitoring Report (FMR) to the Statement of Accounts

In order to arrive at the movement on the Council Fund reported in the final Statement of Accounts, a number of adjustments have been made to the year-end financial monitoring position previously reported:

£'000	2015/16
<b>Surplus per FMR before year-end adjustments</b>	<b>366</b>
<b>Monitoring adjustments:</b>	
Credited to the CIE in accordance with statutory requirements	
- Business Rates	1,301
- Council Tax	267
Business Rates Growth	312
S31 Grants	730
Transfer to reserves-Building Control	(34)
Set aside to fund one-off pension contribution	(113)
Contribution to HR strategy reserve	(194)
Contribution to Innovation and investment fund reserve	(350)
Other minor adjustments	99
<b>Total adjustments</b>	<b>2,018</b>
<b>Increase (Decrease) in the council fund for the year (note 28)</b>	<b>2,384</b>



The movement in the Council fund for the year does not equate to the deficit on provision of services of £1.499 million shown in the Comprehensive Income and Expenditure Statement on page 27. This statement, which is prepared in accordance with generally accepted accounting practice, shows the accounting cost in the year of providing services, rather than the amount to be funded from taxation.

In the Movement in Reserves Statement (or MiRS), any transactions which cannot be charged to taxation are removed; a good example is the charge for depreciation of the Council's assets. However, other transactions which statutory regulations require to be included are then charged in the MiRS, for example purchasing capital items using a contribution from revenue. The individual transactions are further broken down in note 12 and note 28.

### *Capital outturn*

The council spent £1.951 million on capital expenditure during 2015/16 and is committed to spending a total of c£6.234m over the remaining programme. The outstanding major capital commitments include car park resurfacing, development of housing, disabled facilities grants, investment in recycling and refuse equipment and the Newberries development.

Capital Programme £'000	2015/16	2016/17	2017/18	2018/19	TOTAL
	ACTUAL	ESTIMATES			
Asset Management	730	2,309	-	995	<b>3,304</b>
Engineering Services	-	4	5	-	<b>9</b>
Planning & Building Control	-	29	-	-	<b>29</b>
Environmental Health	329	369	430	430	<b>1,229</b>
Street Scene Services	865	701	820	-	<b>1,521</b>
Finance & Business Services	27	73	63	-	<b>136</b>
HR & Customer Services	-	6	-	-	<b>6</b>
<b>Capital expenditure actual &amp; estimates</b>	<b>1,951</b>	<b>3,491</b>	<b>1,318</b>	<b>1,425</b>	<b>6,234</b>
Capital Receipts	702	1,813	5	995	<b>2,813</b>
Reserves	662	978	883	-	<b>1,861</b>
Revenue	-	140	140	140	<b>420</b>
Grants	329	265	290	290	<b>845</b>
S106	258	295	-	-	<b>295</b>
<b>Capital Funding Sources</b>	<b>1,951</b>	<b>3,491</b>	<b>1,318</b>	<b>1,425</b>	<b>6,234</b>

### *Economic climate*

Since 2010 Hertsmere Borough Council has faced severe financial pressures due to the government austerity agenda. This is still ongoing and is expected to last until 2019/20 at the very least. When considered alongside the approaching UK Brexit referendum which takes

place on 23 June this macro-economic and political volatility is likely to continue to stretch public sector budgets to the limits. The Comprehensive Spending Review 2015, announced as part of the Chancellor's Autumn Statement on 25 November 2015, set out the strategic direction of travel for public expenditure. It outlined a number of announcements which could have a significant bearing on the Council's finances. These include:

- Local Government retention of 100% of business rates by 2020. However, this will come with additional responsibilities including Housing Benefit Administration, Public Health and Attendance Allowance.
- More flexibility for local authorities on the use of proceeds from the sale of assets, along with an extension of the "One Public Estate" programme.
- The New Homes Bonus funding pot is set to decrease by £800m subject to a consultation process, which will likely see the NHB payments reduce from six years to four years
- For Social Care authorities i.e. Hertfordshire County Council, there will be the ability to raise a "Social Care" precept, equal to 2% of total council tax.
- District Councils can increase Council Tax by up to £5 or 2% which-ever is greater.

### Finance Strategy

The Finance Strategy is reviewed and updated annually to assist the Director of Resources in planning the Council's financial resources in the short to medium term (3 to 5 years) with a view to deliver the Council's service priorities. It also sets out the framework and principle on which the Council plans and manages its finances. As such it forms an integral part of the Council's Budget and Policy framework.

The strategy also takes into account the national and regional context and links those with the Council's corporate goals and priorities. The Strategy has been updated to reflect ongoing reductions in Government funding and the other financial pressures noted in this statement.

### Corporate Risks

As set out in the Annual Governance Statement, the Council routinely identifies monitors and reports its risks to the Corporate Governance Group and the Audit Committee. The process of managing these risks not only controls the threats but also provides a means to identify and respond to opportunities.

The strategic risks that have been considered by the Corporate Governance Group and the Audit Committee are those that can affect the delivery of the Council's corporate goals and that relate to significant change projects.

Key corporate risks include:

- Adoption of the Housing and Planning Act 2016
- CIL & S106 agreements

- Workforce Capacity
- External Financial Pressures
- Establishment of development company
- Affordable Social Housing
- Data Protection
- Elstree Way Corridor
- Future development plans for Elstree Film Studios
- Business Continuity
- Newberries Car Park & Hotel retail development

## **The Council Finances**

### **The Council Fund**

The Council maintains an unallocated reserve, the Council Fund. The maintenance of such a fund is necessary both to cover unforeseen expenditure and to provide adequate levels of reserves for the Council's operations. As at 31 March 2016 the balance on the Council Fund is £7.698 million (2014/15 £5.314 million)

Members of the Council make every effort to maintain levels of service provision and periodically consult residents on their priorities for spending. Historically, levels of investment income provided a useful supplement to the basic budget for service provision. However, in addition to experiencing reductions in grant funding, the Council has for some years now been unable to rely on such levels of investment income given the returns available on investments that it is prudent for the Council to make; nor can it compensate for losses in grant income simply by increasing fees and charges. It is therefore vital that robust levels of reserves are maintained in order to safeguard services.

### **Earmarked reserves**

Earmarked reserves are funds generated through the revenue account that have been specifically set aside for future revenue and capital projects. The Council has once again been able to make good use of its earmarked reserves by using them to help pay for the shortfalls in income, and redirecting those that were reserved for projects no longer required or considered a priority. During the year a net £1.714 million was transferred from the Earmarked reserves. Total funds earmarked for future use at 31 March 2016 were £16.859 million. The breakdown of this sum is provided at note 28.

### **Capital expenditure programme and associated financing**

During the year the Council incurred expenditure of £1.951 million on capital projects, which can include anything from the purchase or replacement of vehicles and equipment to the refurbishment of existing assets. The most significant projects undertaken during the year included continuing enhancements to facilities at Elstree Studios and the construction of new housing for rent. The contaminated area of land behind the Studios, covering nearly 4 acres, has now been cleared and the way is open to build new revenue-enhancing facilities.

The Council also generated capital receipts of £0.686 million through mortgage repayments and Right to Buy sales of properties previously owned by the Council but transferred to local Housing Associations. The receipts went into the usable capital receipts reserve and will be

used for future capital projects. Usable capital receipts available for such projects totalled £6.267 million at the balance sheet date.

At that date the Council was committed to capital spending of £6.234 million; it is anticipated that £3.001 million of this sum will be funded through earmarked reserves or capital grants. Significant work will continue on a wide range of community facilities, the resurfacing of several car parks, the purchase of new street scene vehicles and the development of housing for affordable rents on Council-owned land.

Funds have also been committed for further structural repairs and refurbishment of the Council's many properties including the civic offices and in December 2015 Cabinet agreed to go ahead with the planning application and tender stage for a major council led retail and hotel development at Newberries car park, Radlett which should generate a further ongoing revenue stream for the Council.

Further analysis of the projects carried out during the year and those committed for the future, together with details of the associated funding, can be seen in note 12 to the accounts.

#### Pension fund liability

The Council's net pension fund deficit has decreased over the last year, from £37.253 million to £32.562 million. The value of assets held within the scheme decreased from £71.303 million to £70.991 million and the liabilities decreased from £108.556 million to £103.553 million. It should be noted that movements on the pension fund liability are not taken to the Council Fund, which is only charged with pension fund contributions actually paid by the Council. Instead they are charged or credited to the Pensions Reserve (see note 27 to the accounts) which absorbs the differences between accounting adjustments and actual charges in accordance with statute.

It is important to recognise that the pension fund liability reflects the outlook using assumptions which cover an extremely long term. The net liability reflects the valuation of assets which themselves can be subject to wide fluctuations over the long term. In common with other employers who participate in the scheme, the Council will continue to fund the scheme at the rate recommended by the actuary to enable the scheme to meet its obligations.

The last triennial valuation of the fund was carried out as at 31 March 2013 and the results were incorporated in the actuary's report, with assumptions updated where appropriate.

#### Significant changes to provisions

The Council's accounts include its share of the provision in respect of the cost of successful appeals against valuations for business rates (see note 24). At 31 March 2015 the Council's share stood at £1.412 million and after taking into account the sums utilised in 2015/16, the provision increased to £2.335 million at 31 March 2016. In estimating the amount required for the provision, the Council no longer takes into account amounts at risk of going to appeal in future because recent government legislation has ensured that such appeals will not be backdated to earlier years if successful.

## The Council's accounting policies

The Council reviews its accounting policies each year and implements any changes necessary to ensure that it complies with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The 2015/16 Code has introduced the concept and definition of current value for the measurement of property, plant and equipment. The Council has reviewed the presentation treatment of non-current asset impairment. The provision of £12.359 million at 31 March 2015 (31 March 2014: £11.274 million) has now been disclosed in note 14 as a reduction in cost or valuation instead of being grouped with depreciation as previously disclosed. Comparative figures for 2014/15 have been restated and there is no impact on the level of council fund balances.

## Statement of Accounts

The Council's financial statements for the year ended 31 March 2016 are set out following this narrative statement in pages 24 to 115. Where appropriate, figures for 2014/15 are also shown to enable comparisons between the two years.

Under provisions contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, the Statement of Accounts for 2015/16 has been made available for inspection. In addition to this report, the Council is required to meet certain statutory requirements. Details of these responsibilities and the officer responsible for the task are disclosed in the Statement of Responsibilities.

## Summary Position

Despite the economic pressures both locally and nationally, the Council's financial and non-financial performance in 2015/16 was once again strong. The revenue outturn of £11.529 million is in line with expectations and the capital investment of £1.951 million has notably, included investment in recycling equipment, car park resurfacing plus the provision of affordable housing.

The total reserves earmarked for future initiatives stands at £16.859 million and general balances have risen by 1.3% in line with inflation. The current levels of reserves provide sufficient resilience in the event of unforeseen events.

There is always a delay of up to two years in crediting or charging the Council Fund with surpluses or deficits on the Collection Fund. These sums are prevented by statute from affecting the Council Fund balance until the relevant billing authority is actually distributing or withholding the amounts in cash; this takes place over the two years following the accounting year in question.

For the purposes of monitoring the movement on general balances from one period to the next, internally, the Collection Fund Adjustment Account (CFAA) is viewed alongside the balance on the Council Fund. Without this consolidation the Council Fund can be prone to large movements' year on year, which is in fact due to the differences in estimates and actual NDR/CT as prescribed in the regulations.

The CFAA is a specific accounting mechanism used to reconcile the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement to those amounts required to be charged by statute to the General Fund. For example, a credit balance on the Account shows that more tax has been collected on

behalf of the authority than is permitted to transfer out of the Collection Fund by 31 March whilst a debit on the Account shows that less tax has been collected. The total of these two balances at 31 March 2015 was £7.926 million and at 31 March 2016 £8.031 million, an increase of £105k or 1.3% in line with RPI as specified in the current Financial Strategy.

	2014-15	2015-16	Increase / (Decrease)	
	£'000	£'000	£'000	%
General Fund Reserve	5,314	7,698	2,384	
Collection Fund Adjustment Account	2,612	333	(2,279)	
	<b>7,926</b>	<b>8,031</b>	<b>105</b>	<b>1.31%</b>

In 2015/16 the Council managed a challenging funding settlement and this trend is expected to continue through to 2019/20 as the government scales back support in the form of grant. As well as the balances noted above the council continues to identify efficiencies wherever possible and further investment in capital projects such as Newberries is expected to generate additional income to allow the council to become self-sufficient.

Together with strong governance and financial reporting procedures the council is well placed to meet the challenges for 2016/17 and beyond.

## The Core Financial 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 local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement (below). These are different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting purposes. The Net Increase/(Decrease) before transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### Comprehensive Income & 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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### Balance Sheet

The Balance Sheet shows the values as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by

the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves comprises those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to fund services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

### Cash Flow Statement

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

### Supplementary Statements

#### The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities (i.e., those that raise bills for council tax and business rates) 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 the government of council tax and business rates.

#### Group Accounts

These show the consolidated position of the Council with its 100% owned subsidiary Elstree Film Studios Limited. Group accounts are presented, in addition to the Council's single entity statements, in order to provide a full picture of the Council's economic activities and financial position. The Group Accounts comprise:

- Group Movement in Reserves Statement;
- Group Comprehensive Income and Expenditure Statement;
- Group Balance Sheet;
- Group Cash Flow Statement.

These statements, together with explanatory notes and accounting policies, are set out on pages 104 to 115.

## Movement in Reserves during 2014/15

	Council Fund Balance	Earmarked Reserves (Note 28)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 28)	Unusable Reserves (Note 29)	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2014</b>	<b>9,418</b>	<b>15,437</b>	<b>6,425</b>	<b>615</b>	<b>31,895</b>	<b>62,308</b>	<b>94,203</b>
Deficit on provision of services ( <i>page 27</i> )	(138)	-	-	-	(138)	-	(138)
Other comprehensive income and expenditure ( <i>page 28</i> )	-	-	-	-	-	1,157	1,157
<b>Total comprehensive income and expenditure</b>	<b>(138)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(138)</b>	<b>1,157</b>	<b>1,019</b>
Adjustments between accounting basis and funding basis under regulations ( <i>note 12</i> )	(830)	-	(141)	11	(960)	960	-
<b>Net increase/(decrease) before transfers to earmarked reserves</b>	<b>(968)</b>	<b>-</b>	<b>(141)</b>	<b>11</b>	<b>(1,098)</b>	<b>2,117</b>	<b>1,019</b>
Transfers to/from earmarked reserves ( <i>note 28</i> )	(3,136)	3,136	-	-	-	-	-
<b>Total Increase / (decrease) during the year</b>	<b>(4,104)</b>	<b>3,136</b>	<b>(141)</b>	<b>11</b>	<b>(1,098)</b>	<b>2,117</b>	<b>1,019</b>
<b>Balance at 31 March 2015</b>	<b>5,314</b>	<b>18,573</b>	<b>6,284</b>	<b>626</b>	<b>30,797</b>	<b>64,425</b>	<b>95,222</b>



## Movement in Reserves during 2015/16

	Council Fund Balance	Earmarked Reserves (Note 28)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 28)	Unusable Reserves (Note 29)	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015</b>	<b>5,314</b>	<b>18,573</b>	<b>6,284</b>	<b>626</b>	<b>30,797</b>	<b>64,425</b>	<b>95,222</b>
Deficit on provision of services ( <i>page 27</i> )	(1,499)	-	-	-	(1,499)	-	(1,499)
Other comprehensive income and expenditure ( <i>page 28</i> )	-	-	-	-	-	14,535	14,535
<b>Total comprehensive income and expenditure</b>	<b>(1,499)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,499)</b>	<b>14,535</b>	<b>13,036</b>
Adjustments between accounting basis and funding basis under regulations ( <i>note 12</i> )	2,169	-	(17)	299	2,451	(2,451)	-
<b>Net increase/(decrease) before transfers to earmarked reserves</b>	<b>670</b>	<b>-</b>	<b>(17)</b>	<b>299</b>	<b>952</b>	<b>12,084</b>	<b>13,036</b>
Transfers to/from earmarked reserves ( <i>note 28</i> )	1,714	(1,714)	-	-	-	-	-
<b>Total Increase / (decrease) during the year</b>	<b>2,384</b>	<b>(1,714)</b>	<b>(17)</b>	<b>299</b>	<b>952</b>	<b>12,084</b>	<b>13,036</b>
<b>Balance at 31 March 2016</b>	<b>7,698</b>	<b>16,859</b>	<b>6,267</b>	<b>925</b>	<b>31,749</b>	<b>76,509</b>	<b>108,258</b>

## Comprehensive Income &amp; Expenditure Statement

2014/15				2015/16
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000		£'000	£'000	£'000
2,750	Central Services	5,940	(2,735)	3,205
4,584	Cultural & Related Services	5,634	(1,108)	4,526
5,118	Environmental & Regulatory Services	6,945	(1,539)	5,406
1,033	Planning Services	5,557	(3,784)	1,773
360	Highways & Transport Services	1,243	(1,631)	(388)
1,532	Housing Services	44,749	(43,380)	1,369
<b>15,377</b>	<b>Net cost of services</b>	<b>70,068</b>	<b>(54,177)</b>	<b>15,891</b>

## Comprehensive Income &amp; Expenditure Statement (continued)

2014/15		Note	2015/16
Net (Income) / Expenditure £'000			Net (Income) / Expenditure £'000
	<b>Other operating income and expenditure:</b>		
(502)	(Surplus)/deficit on disposal of property, plant and equipment		(682)
916	Parish precepts		942
<b>414</b>			<b>260</b>
	<b>Finance and investment income and expenditure</b>		
22	Interest payable and similar charges		39
(385)	Interest receivable and similar income		(397)
110	(Increase)/decrease in fair value of investment property	<b>18</b>	(62)
(375)	Rental income from investment property	<b>18</b>	(366)
-	Impairment/(reversal of impairment) to financial assets		2
(59)	(Surpluses)/deficits on trading undertakings not included in net cost of services	<b>6</b>	(70)
1,387	Net interest cost on the defined benefit pension liability	<b>27</b>	1,153
<b>700</b>			<b>299</b>
	<b>Taxation and non-specific grant income:</b>		
(7,144)	Council tax income	<b>7</b>	(7,311)
(3,746)	Non-domestic rates income and expenditure	<b>7</b>	(2,838)
(4,103)	Non-ring-fenced government grants	<b>7</b>	(3,916)
(1,360)	Recognised capital grants and contributions	<b>7</b>	(886)
<b>(16,353)</b>			<b>(14,951)</b>
<b>138</b>	<b>(Surplus)/Deficit for the year on Provision of Services</b>		<b>1,499</b>

<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
(3,408)	(Surplus) arising on the revaluation of property, plant and equipment	<b>14/29</b>	(8,836)
2,251	Remeasurement of the net defined pension liability (assets)	<b>27</b>	(5,699)
<b>(1,157)</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>(14,535)</b>
<b>(1,019)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>(13,036)</b>

## Balance Sheet

<b>31 Mar 2015 £'000</b>		<b>Note</b>	<b>31 Mar 2016 £'000</b>
	<b>Non-Current Assets:</b>		
100,874	Property, plant and equipment	14	105,624
1,220	Heritage assets	17	1,198
6,390	Investment property	18	7,502
615	Intangible assets	19	458
2,949	Debtors receivable after one year	20	2,517
2	Investments	21	20
<b>112,050</b>	<b>Total non-current assets</b>		<b>117,319</b>
	<b>Current Assets:</b>		
79	Inventories		82
3,891	Debtors	20	4,049
20,019	Investments	21	30,069
17,544	Cash and cash equivalents	22	11,801
<b>41,533</b>	<b>Total current assets</b>		<b>46,001</b>
<b>153,583</b>	<b>Total assets</b>		<b>163,320</b>
	<b>Current Liabilities:</b>		
13,106	Creditors	23	10,548
1,974	Provisions	24	2,536
<b>15,080</b>	<b>Total current liabilities</b>		<b>13,084</b>
<b>138,503</b>	<b>Total assets less current liabilities</b>		<b>150,236</b>
	<b>Non-Current Liabilities:</b>		
4,207	Capital grants received in advance	25	7,793
37,253	Liability related to defined benefit pension scheme	27	32,562
1,821	Other liabilities	23	1,623
<b>43,281</b>	<b>Total non-current liabilities</b>		<b>41,978</b>
<b>95,222</b>	<b>Net assets</b>		<b>108,258</b>

## Balance Sheet (continued)

<b>31 Mar 2015 £'000</b>		<b>Note</b>	<b>31 Mar 2016 £'000</b>
	<b>Financed by:</b>		
	<b>Usable Reserves</b>		
5,314	Council fund	<b>28</b>	7,698
18,573	Earmarked reserves	<b>28</b>	16,859
6,284	Capital receipts reserve	<b>28</b>	6,267
626	Capital grants unapplied account	<b>28</b>	925
<b>30,797</b>	<b>Total usable reserves</b>		<b>31,749</b>
	<b>Unusable Reserves</b>		
32,825	Revaluation reserve	<b>29</b>	40,760
66,344	Capital adjustment account	<b>29</b>	68,086
2,612	Collection fund adjustment account	<b>29</b>	333
(37,253)	Pension reserve	<b>29</b>	(32,562)
(103)	Accumulated absences account	<b>29</b>	(108)
<b>64,425</b>	<b>Total unusable reserves</b>		<b>76,509</b>
<b>95,222</b>	<b>Total reserves</b>		<b>108,258</b>

This unaudited Statement of Accounts was issued on 30 June 2016.

**Sajida Bijle**

Chief Finance Officer



**Cllr C Goldstein**

Chairman of the Audit Committee

.....

## Cash Flow Statement

2014/15			2015/16
£'000		Note	£'000
(138)	<b>Surplus/(deficit) for the year on the provision of services</b>		(1,499)
7,335	Adjustments to deficit on the provision of services for non-cash movements	30	6,380
(1,909)	Adjustments for items included in the deficit on the provision of services that are investing and financing activities	30	(1,572)
<b>5,288</b>	<b>Net cash inflow from operating activities</b>		<b>3,309</b>
	<b>Investing Activities:</b>		
(2,010)	Purchase of property plant and equipment, investment property and intangible assets		(1,659)
(29,000)	Purchase of short-term and long-term investments		(30,020)
	<b>Proceeds from the sale of non-current assets:</b>		
503	Property plant and equipment		898
24,000	Proceeds from the redemption of short-term and long-term investments		20,000
1,204	Grants received towards the purchase of property plant and equipment		4,445
<b>(5,303)</b>	<b>Net cash (outflow) from investing activities</b>		<b>(6,336)</b>

## Cash Flow Statement (continued)

	<b>Financing Activities:</b>		
1,000	Loan from Local Enterprise Partnership		(194)
(81)	Other payments for financing activities		-
6,039	Cash inflow from agency arrangements for the collection of NNDR and council tax		(2,522)
<b>6,958</b>	<b>Net cash inflow from financing activities</b>		<b>(2,716)</b>
<b>6,943</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(5,743)</b>
10,601	Cash and cash equivalents at the beginning of the reporting period		17,544
<b>17,544</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>11,801</b>
	<b>Cash &amp; cash equivalents comprise:</b>		
17,544	Cash at bank and in hand and call deposits	<b>22</b>	11,801
<b>17,544</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>11,801</b>



## Notes to the Accounts

### 1. Accounting Policies

#### Basis of Preparation

The Statement of Accounts summarises the Council's performance for the financial year 2015/16 and its position as at 31 March 2016. The principal accounting policies applied in the preparation of the Council's accounts are set out below.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code') as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), except where these are inconsistent with specific statutory requirements.

The accounts have been prepared under the historical cost convention, as modified for the revaluation of certain non-current assets.

The accounting policies are reviewed regularly to ensure that they remain the most appropriate to the Council's particular circumstances. Any change to the accounting policies will only be made if it is judged that the new policy will result in the accounts providing reliable and more relevant information about the Council's financial position or if the change is required by the Code.

#### Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable on an accruals basis in the period in which the supply or service is delivered by the Council. Revenue includes fees, charges, rents and any other income receivable by the Council for services provided; and excludes any discounts, refunds and value added tax. Council tax is measured at the full amount receivable (net of any impairment losses).

#### Property, Plant and Equipment

##### *Basis of Recognition*

The cost of an item of property, plant and equipment is recognised (and hence capitalised) on the Council's Balance Sheet provided that the asset yields benefits to the Council, and the service it provides is for a period of more than one year. However, due to the high administrative burden that would be required if all such items were included on the asset register, a de-minimis level has been set to determine which items will be capitalised and which will be expensed in the Surplus or Deficit on the Provision of Services. The de-minimis level is applied against the collective total of project costs except for items of Vehicles, Plant & Equipment which are measured on an individual item basis.

<b>Asset Category:</b>	<b>De-minimis level:</b>
Other land & buildings	£5,000
Vehicles, plant, furniture & equipment	£5,000
Infrastructure assets	£5,000
Community assets	£1,000

Where an item of Property, Plant and Equipment has major components, the cost of which is significant in relation to the total cost of the item, the components are depreciated separately. Where such components have significantly different asset lives, the depreciation is charged over the useful economic life of each component. Where a component is replaced or restored (i.e. enhancements) the carrying amount of the old component is derecognised and the cost of the new component is reflected in the carrying amount of the asset.

### *Measurement*

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost and capitalised on an accruals basis. The cost of an asset comprises all expenditure directly attributable to bring the asset into working condition for its intended use. Assets are subsequently valued using the following basis and are carried net of accumulated depreciation and impairment.

<b>Asset Category:</b>	<b>Basis of Valuation:</b>
Other land & buildings	Current value (Existing use) except in the case of specialised assets where depreciated replacement cost is used
Vehicles, plant & equipment	Depreciated Historical Cost
Infrastructure assets	Depreciated Historical Cost
Community assets	Historical Cost
Assets under construction	Historical Cost

In the case of specialised assets, depreciated replacement cost is established using the modern equivalent asset methodology, which provides the current cost of replacing an asset with its modern equivalent, less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

The Council ensures that the carrying amount of items of property (and other land and buildings, see note 14) does not differ materially from that which would be determined using current value at the end of each reporting period. Such items are grouped for valuation purposes in a manner which ensures that each asset is revalued in full at an interval of not less than three years. All assets are reviewed annually for evidence of material changes in current value.

### *Increases and decreases on revaluation*

An increase in the carrying amount of an asset arising on revaluation is credited to the Revaluation Reserve unless the increase is reversing a previous revaluation decrease charged to the Surplus or Deficit on the Provision of Services on the same asset or reversing a previous impairment loss (see below) charged to the Surplus or Deficit on the Provision of Services on the same asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the increase that would reinstate the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years shall be treated as a revaluation gain and charged to the Revaluation Reserve.

A decrease in the carrying amount of an asset arising on revaluation is charged to the Revaluation Reserve up to the value of the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

## Depreciation

Items of property, plant and equipment (other than land, community assets to be held in perpetuity and having no determinable useful life and assets under construction) are depreciated over their expected useful economic lives on a straight line basis over the following number of years:

<b>Asset Category:</b>	<b>Depreciation Basis:</b>
Infrastructure Assets	Up to 20 Years
Other Land & Buildings	Up to 50 Years
Leisure Centres	Up to 30 Years
Council Garages	20 Years
Car Parks & Depots	20 Years
Vehicles, Plant & Other Equipment	3 to 14 Years

## Impairment

The council's assets are reviewed for any evidence of impairment (e.g., a significant decline in the asset's carrying amount which is specific to the asset, obsolescence or damage) at each balance sheet date. Any impairment loss is charged to the Revaluation Reserve up to the value of the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

## Disposals

On disposal of assets the difference between the net disposal proceeds after any fees and the carrying amount of the asset is included in the Comprehensive Income & Expenditure Statement. However such a gain or loss on de-recognition is not deemed a proper credit or charge in the Council Fund and is subsequently reported in the Movement in Reserves Statement with an amount equal to the net disposal proceeds being credited to the Capital Receipts Reserve and an amount equal to the carrying amount of the asset being charged to the Capital Adjustment Account.

## Charges to the Comprehensive Income & Expenditure Statement for the Use of Assets

Service revenue accounts, support services and trading accounts are charged with the real cost of utilising assets through depreciation, revaluation and impairment losses as disclosed above. However local government statute does not require the council to raise council tax to cover

these charges and they are subsequently transferred from the Council Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### **Heritage assets**

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Such assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for property, plant and equipment. However, some of the measurement rules are relaxed when the Council is of the view that to obtain a valuation of the asset would involve a cost disproportionate to the benefit of the user of the accounts.

Heritage assets are not subject to depreciation except where it has been determined that they have a finite useful life. The carrying amounts of such assets are reviewed when there is evidence of impairment and any such impairment is recognised and measured in accordance with the Council's accounting policies for property, plant and equipment.

The proceeds of disposal of heritage assets are accounted for in accordance with the Council's accounting policies for property, plant and equipment.

### **Investment Property**

Properties that are held solely for the purpose of earning rentals, for capital appreciation or for both purposes are classified as investment properties. Where part of an investment property is replaced, the carrying amount of the part which is replaced is derecognised and the cost of the new part is reflected in the carrying amount of the asset.

Investment properties are initially recognised at cost and are subsequently measured at fair value (market value) at the balance sheet date. A gain or loss arising from a change in the fair value of an investment property is recognised in the Comprehensive Income & Expenditure Statement. On disposal of an investment property the difference between the net disposal proceeds and the carrying amount of the property is included in the Comprehensive Income & Expenditure Statement. However such a gain or loss on de-recognition is not a proper credit or charge in the Council Fund and is subsequently reported in the Movement in Reserves Statement with an amount equal to the net disposal proceeds being credited to the Capital Receipts Reserve and an amount equal to the carrying amount of the asset being charged to the Capital Adjustment Account. Investment properties are not subject to depreciation.

### **Intangible Assets**

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only where it is probable that expected future benefits attributable to the asset will flow to the council. They are measured initially at cost and subsequently at amortised cost. Subsequent expenditure is charged to Surplus or Deficit on the Provision of Services when incurred. The depreciable amount of an intangible asset with a finite useful life is amortised on a systematic basis over its useful life, beginning when the intangible asset is available for use.

### *Internally generated intangible assets*

Internally generated assets are recognised only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or for sale
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

### *Software*

Software which is integral to the operation of hardware e.g. an operating system is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset. 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 Council.

### **Revenue Expenses Funded by Capital Under Statute**

Expenditure that may be capitalised under statutory provisions, but does not result in the creation of non-current assets, has been charged as expenditure to the relevant service revenue account in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account via the Movement in Reserves Statement then reverses out the amounts charged in the Comprehensive Income and Expenditure Statement, thereby ensuring there is no impact on the level of Council Fund Balances.

### **Grants and Other Contributions**

There are several instances whereby the Council may receive a grant or contribution towards expenditure from central government or other bodies. Where there is reasonable assurance that the grants or contributions will be received and that the Council will comply with the conditions attached to them, grants and contributions which relate to both revenue and capital expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income as follows:

- *Specific Revenue Grants*

Specific revenue grants are credited to service revenue accounts, support services, trading accounts and corporate accounts.

- *General Revenue Grants*

General revenue grants, such as the Revenue Support Grant (RSG), are credited after net operating expenses.

- *Capital Grants and Contributions*

Capital grants and contributions relate to specific capital expenditure. Where assets are capitalised, the associated grants and contributions are credited to the Comprehensive Income and Expenditure Statement

The receipt of a capital grant or contribution is not a proper credit to the Council Fund and where such a grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the Council Fund to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement.

### **Section 106**

Capital contributions received under Section 106 are recognised on receipt as a liability and are released to the Comprehensive Income and Expenditure Statement following the completion of off-site facilities related to the development in question.

### **Community Infrastructure Levy**

The Community Infrastructure Levy (CIL) was introduced by the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 and is a discretionary charge which relevant local authorities are empowered to charge on new development in their area. CIL charges will be based on a formula which relates the charge to the size of the development. Income from CIL charges, with the exception of amounts applied in accordance with the CIL regulations to meet administrative expenses, must be applied to fund infrastructure to support the development of the area.

Where CIL charges to be applied to fund capital expenditure have been received prior to the commencement date for the chargeable development, the CIL charges are transferred from the General Fund to the Capital Grants Unapplied Account until such a time that the charges are applied to capital expenditure. When CIL charges have been applied to fund capital expenditure, the CIL charges are transferred from the General Fund (or the Capital Grants Unapplied Account) to the Capital Adjustment Account.

Where CIL charges are to be applied to fund revenue expenditure (such as administration expenses), the CIL charges shall not be transferred out of the General Fund.

## Financial Assets

### *Recognition*

Financial assets are recognised in the Balance Sheet when the council becomes party to the financial instrument contract or, in the case of debtors, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred

### *Measurement*

Financial assets are classified into two types:

- Loans and receivables – assets with a fixed or determinable payments but not quoted in an active market (e.g., trade debtors, fixed term investments)
- Available for sale assets – assets with no fixed determinable payments (e.g., equity investments)

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Council has the following loans and receivables:

### **Debtors**

Debtors are carried at original invoice or contractual amount less an estimate made for impairment (below). Bad debts are written off when identified. Debtors falling due after more than one year are classified as long-term assets, which also include council house mortgages.

### **Impairment**

Where the future receipt deriving from a debtor is uncertain, allowance is made for the impairment of the asset. The Council bases such allowances on a review of all outstanding amounts at the year end, taking into account known disputes in respect of invoices, previous experience of the collection of debts, the age of any outstanding invoices and the categories of debtors.

### **Cash and Cash Equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents include investments that mature in 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value and are held for the purpose of meeting short-term cash commitments and not for investment purposes.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Council's cash management. Due to their nature and short term maturity, the fair values for debtors due within one year and cash and cash equivalents are estimated using their carrying values.

### **Investments**

The Council has investments, which may be both long and short-term, with various financial

institutions. Investments are carried at their amortised cost, which comprises their principal amount plus accrued interest at the Balance Sheet date.

The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the Balance Sheet date.

The Council currently has no available for sale assets.

## **Financial Liabilities**

### *Recognition*

Financial liabilities are recognised on the balance sheet when the Council becomes party to the contractual provisions of the financial instrument or, in the case of creditors, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

### *Measurement*

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Council has the following liabilities measured at amortised cost:

## **Creditors**

Creditors are carried at their original invoice amount.

## **Bank Overdrafts**

Bank overdrafts comprise amounts owed to banks and similar institutions, and are repayable on demand. Due to their nature and short term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.

## **Loans**

Borrowings are carried at their amortised cost, which comprises their principal amount plus accrued interest as at the Balance Sheet date. The fair value of borrowings is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same loan to a comparable institution, available at the Balance Sheet date.

## **Provisions**

Provisions are recognised when the Council has a present legal or constructive obligation as a result of a past event, it is probable that the Council will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.



## Financial guarantees

Financial guarantees are recognised when the Council enters into an agreement which requires it to make specified payments to reimburse the other party to the agreement for a loss that party incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Initial recognition of the guarantee is at fair value based on an estimate of the probability of the guarantee being called and the likely amount payable

In subsequent years the fair value of the guarantee is amortised over the period of the underlying risk exposure to the extent that the exposure is expected to fall over the life of the guarantee. Where payment of the guarantee becomes probable, the fair value of the guarantee will be deemed to be equivalent to the amount that would be determined for a provision in accordance with International Accounting Standard (IAS) 37, Provisions, Contingent Liabilities and Contingent Assets.

## Inventories

Inventories are valued at the lower of cost or net realisable value, using the first-in, first-out (FIFO) method.

## Cost of Support Services

All management, administration and central support services have been fully charged to services using appropriate apportionments as prescribed by Service Reporting Code of Practice (SERCOP). Costs of the corporate and democratic core (within Central Services) are not re-allocated. These include all executive decision processes that determine Council policies and the cost of running various executive committees.

## Contingent Assets & Liabilities

Contingent assets and liabilities arise from past events but where the future asset or obligation are uncertain and cannot be reliably ascertained. Material contingent assets and liabilities are disclosed in the Notes to the Accounts but are not provided for in the core financial statements

## Reserves

### *Usable reserves*

Usable reserves are those reserves that can be applied to fund revenue or capital expenditure or reduce local taxation. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts from the Council Fund; such transfers are reported in the Movement in Reserves Statement. When expenditure is financed from a reserve, it is charged to the appropriate service revenue account in that year, including it in the Surplus or Deficit on the Provision of Services as required under the Code. The amounts are subsequently charged to the appropriate reserve as reported in the Movement in Reserves Statement.

All other movements in usable reserves, including adjustments between accounting basis and funding basis under regulations, are reported in the Movement in Reserves Statement.

### *Unusable reserves*

Certain reserves are maintained to manage the accounting process for property, plant and equipment, financial instruments, retirement and other employee benefits and the collection of council tax / business rates and do not represent resources available to the Council. Specific details relating to these reserves are included elsewhere in these accounting policies and details on all reserves are included within the reserves note to the accounts.

### **Pensions**

The Council participates in the Hertfordshire Local Government Pension Scheme (LGPS), a defined benefit scheme operated by Hertfordshire County Council.

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method.
- Liabilities are discounted to their value at current prices, using a discount rate that is based upon the indicative rate of return on a high quality corporate bond of equivalent currency and term to the scheme's liabilities.
- The assets of the LGPS attributable to the Council are included in the Balance Sheet at their fair value.

Changes in the net pensions liability are analysed into the following components:

#### *Service Costs:*

- Current service cost – the increase in liabilities as a result of service earned during the year is charged to the Comprehensive Income and Expenditure Statement (i.e. to the services for which the employees worked);
- Past service cost - the increase in liabilities arising from a current year pension scheme amendment or a curtailment, whose effect relates to years of service earned in earlier years, is debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs; and
- Gains/losses on settlements - the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees are credited or debited to the Surplus/Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

#### *Net interest expense:*

- The change during the period in the net pension liability arising from the passage of time. It includes interest income on plan assets and interest costs on the pension liability. It is calculated by applying the discount rate used to measure the net pension obligation at the beginning of the period to the net pension liability at the beginning of the period – taking into account any changes in the net pension liability during the period as a result of contribution and benefit payments. It is charged or credited to the 'Financing and

Investment Income and Expenditure' line within the Comprehensive Income and Expenditure Statement.

#### *Re-measurements of the net pension liability*

These are recognised as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement and are charged to the Pensions Reserve. They comprise:

- Return on plan assets - interest, dividends and other income derived from the scheme's assets (excluding amounts included in net interest on the net defined benefit liability), together with realised and unrealised gains or losses on those assets, less costs of managing the assets and any taxes payable.
- Actuarial gains and losses - changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions.

#### *Contributions paid to the LGPS*

Cash paid as employer's contributions to the Pension Fund; these are not accounted for as an expense within the Comprehensive Income and Expenditure Statement. Statutory provisions restrict the amount that the Council can fund through council tax to the amounts actually payable each year, and as a result all other movements are funded by the pension reserve, by means of transfers which are reported in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

#### *Short Term Employee Benefits*

Salaries, wages and employment related payments are recognised in the period in which the service is received from employees. The cost of annual and flexible leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period. The estimation of such costs is based on records of annual and flexible leave taken and contractual entitlements to payment.

### **Leases**

The determination of whether an arrangement is, or contains, a lease is based upon the substance of the arrangement at inception date.

#### *The Council as lessee*

Finance leases, which transfer to the council substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are classified as operating leases. Payments under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of the lease.

#### *The Council as lessor*

Finance leases - the council recognises assets held under finance leases as a receivable at an amount equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal and finance income, with the interest element shown in Interest receivable and similar income on the Comprehensive Income and Expenditure Statement and the principal element reducing a long term debtor on the Balance Sheet. The finance income is calculated so as to produce a constant periodic rate of return on the net investment. The asset itself is derecognised from Property, Plant and Equipment.

Operating leases - items of property, plant and equipment let out under operating leases are presented according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term, even where this does not match the pattern of payments.

### **Interests in Companies and Other Entities**

The Council is required to produce group accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. Group accounts have been prepared for Elstree Film Studios Ltd (100% owned subsidiary) to consolidate with the Council's single entity accounts. The Group Accounts are shown in a separate section following the notes to the single entity accounts. In the Council's accounts, the interests in companies are recorded as investments.

### **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 Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **Value Added Tax**

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

## 2. Accounting Standards that have been Issued but have not yet been adopted

Amendments to the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and reports by the IFRS Interpretations committee (IFRIC) have been issued by the International Accounting Standards Board and are mandatory for the Council's accounting period beginning 1 April 2016 but have not yet been adopted. It is not anticipated that their implementation will have a material impact on the Council's Statement of Accounts.

- *Annual Improvements to IFRS 2010–2012, 2012 – 2014 Cycle*
- *Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis*
- *Changes to the format of the Pension Fund Account and the Net Assets Statement*

## 3. Critical Accounting Estimates and Judgements

The preparation of accounts in accordance with the Code requires management to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The key areas of judgement and estimation uncertainty routinely applied by management are set out in the accounting policies above and in individual notes to the accounts which support the amounts disclosed in the Council's Balance Sheet. In addition, the following critical judgements have been applied in preparing the Statement of Accounts:

- The Council has participated in the Local Authority Mortgage Scheme and has deposited £1 million with Lloyds Bank. In determining the fair value of the financial guarantee provided to Lloyds Bank (note 23), the Council has estimated a default rate of 2% over the life of the scheme (5 years ending in 2017/18).
- The Council has an obligation to meet a proportion of insurance claims paid by Mutual Municipal Insurance following the appointment of a Scheme Administrator. After considering all available information concerning the likelihood of future calls, the Council provided for 34% of the estimated liability (£1.060 million) and has to date drawn down approximately half of this sum.
- The Council is not represented on the board of Hertsmere Leisure Trust, a charitable organisation that operates the leisure facilities owned by the Council and formerly operated by the Council. Accordingly it has been determined that the Council does not have control of the Trust and that the Trust is not a subsidiary of the Council.
- The Council has considered its relationships with other entities with which it has entered into collaborative arrangements, details of which are given at note 33, and has concluded that the inclusion of such interests in a set of group financial statements should only be made where there is a material effect on the Council's financial position and its obligations and such an effect is therefore material for an understanding of its financial affairs.

- The Council has made provision in its Collection Fund of £5.837 million for the future cost of making repayments of business rates to payers who successfully appeal against the rateable value of their property as determined by the local Valuation Office at 1 April 2010 or at a later date. Note 24 to the Statement of Accounts discloses the share of this provision allocated to the Council, £2.335 million, (40% of the total). This provision is based on estimates of the likelihood of the success of appeals submitted by 31 March 2015. Government regulations state that appeals submitted after that date which are successful will not be the subject of backdating beyond the year of submission so the Council has made no further provision for the cost of future appeals.

#### 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 or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's balance sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if actual results differ from assumptions
<i>Property Plant &amp; Equipment</i>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>The valuation of certain items of Property, Plant and Equipment is based on a number of estimated factors such as remaining useful life, regularity of rent reviews and levels of repairs and maintenance. Uncertainty in such areas is mitigated by the use of professional advisors to carry out revaluations.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £109k for every year that useful lives had to be reduced</p>
<i>Pensions Liability</i>	<p>Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in mortality rates and expected returns on pension fund assets. The Council concurs with the assumptions to be applied by the independent actuary to the Hertfordshire Local Government Pension Scheme.</p>	<p>The effect on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £9.8 million. Note 27 sets out details of the assumptions made by the independent actuary to the Hertfordshire Local Government Pension Scheme together with further examples.</p>

## 5. Events after the Balance Sheet Date

No adjustment to the Statement of Accounts is required in respect of transactions which took place after the balance sheet date. Since the balance sheet date the Council made the decision to repay the Local Enterprise Plan loan owing to Hertfordshire County Council. In these accounts the liability has been disclosed in current liabilities (£199k) and non-current liabilities (£608k).

## 6. Trading Operations

The Council has established the following three trading units which the service manager is required to operate in a commercial environment and balance the unit's budget by generating income from other parts of the Council or other organisations. The following sums have not been allocated to the relevant services in the Comprehensive Income and Expenditure Statement.

2014/15 Deficit / (Surplus) £'000		Expenditure £'000	Income £'000	2015/16 Deficit / (Surplus) £'000
(54)	<b>Building Control:</b> Regulations require Local Authorities to break even in their Building Regulation Fee Earning trading account over a three-year rolling period. The cumulative (surplus) / deficit is transferred to a separate holding account.	357	(392)	(35)
111	<b>Cemeteries / Burial Grounds:</b> The Council maintains two closed cemeteries (not available for burials) and one lawn cemetery that incurs expenditure – the trading objective is to minimise the subsidy funded from council tax.	191	(92)	99
(116)	<b>Trade Refuse:</b> The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	448	(582)	(134)
(59)	<b>Net surplus on trading accounts</b>	<b>996</b>	<b>(1,066)</b>	<b>(70)</b>

## 7. Taxation and non-specific grant income

During the year, the Council credited the following items of taxation, grants and contributions to the Comprehensive Income and Expenditure Statement:

2014/15 £'000		2015/16 £'000
	<b><i>Council tax income:</i></b>	
6,019	Amount collectable from council tax	6,130
916	Amount collectable on behalf of parishes	942
209	Share of surplus on collection fund for the year	239
<b>7,144</b>		<b>7,311</b>
	<b><i>Non-domestic rates income and expenditure (see note below):</i></b>	
16,915	Amount collectable from business rates	18,467
(14,808)	Tariff payable to central government	(15,091)
2,260	Share of surplus/(deficit) on collection fund for the year	(951)
(1,268)	Growth levy payable to central government	(317)
647	Grant in respect of small business and other rates reliefs	730
<b>3,746</b>		<b>2,838</b>
	<b><i>General Government Grants:</i></b>	
2,850	Revenue support grants	2,058
(76)	Allocated to support parishes	(77)
1,329	New Homes Bonus	1,935
<b>4,103</b>		<b>3,916</b>
	<b><i>Capital grants and contributions:</i></b>	
	Recognised capital grants and contributions:	
375	Disabled facilities grant	358
62	Lottery funding	31
-	Community Infrastructure Levy	176
904	Section 106 monies utilised ( <i>note 25</i> )	258
19	Other capital contributions	63
<b>1,360</b>		<b>886</b>
	<b><i>Principal government grants credited to services:</i></b>	
	<b><i>Environmental Services:</i></b>	
206	Recycling grant	199
	<b><i>Planning Services:</i></b>	
-	Housing Zone	277
	<b><i>Housing services:</i></b>	
39,961	Housing benefit subsidy	41,010
604	Grant for the administration of housing benefits	532
<b>40,771</b>		<b>42,018</b>



Note: The total amount of business rates collected by the Council, less certain reliefs and other deductions, has been allocated amongst the Council, Hertfordshire County Council as a preceptor and DCLG. The Council's share is subject to a tariff, being the amount by which the share exceeds the funding level determined by central government as being appropriate to the borough's needs.

The Council's Comprehensive Income and Expenditure Statement includes a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any losses on collection, the Council's income falls below a threshold set by central government, a safety net grant is paid by central government. Should the Council's income exceed the threshold, a levy is payable to central government but the Council may retain a proportion of the surplus.

A deficit of £0.951 million (2014/15: surplus £2.260 million) on the collection of business rates and a levy of £0.317 million payable to central government (2014/15: a levy payable to central government £1.268 million) have been recognised in the Comprehensive Income and Expenditure Statement for the year.

## 8. Members' Allowances & Expenses

The following allowances and expenses were paid to members during the year:

2014/15		2015/16
£'000		£'000
	<b>Allowance / Expense:</b>	
214	Basic allowance	218
117	Special responsibility allowance	118
1	Travel and other allowances	1
<b>332</b>	<b>Total</b>	<b>337</b>

## 9. Employees' Remuneration

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose:

- (i) the remuneration of the council's senior employees, analysed over the following categories:

	Salary excluding allowances	Car allowance	Fees as Returning Officer	Medical Insurance	Pension- employers contribution	2014/15  Total £'000
	£'000	£'000	£'000	£'000	£'000	
Chief Executive	139	6	8	3	24	180
Director of Resources	95	6	-	-	15	116
Director of Environment	95	6	-	3	15	119
<b>Total</b>	<b>329</b>	<b>18</b>	<b>8</b>	<b>6</b>	<b>54</b>	<b>415</b>

	<b>Salary excluding allowances</b>	<b>Car allowance</b>	<b>Fees as Returning Officer</b>	<b>Medical Insurance</b>	<b>Pension- employers contribution</b>	<b>2015/16  Total £'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Chief Executive	142	6	14	-	23	<b>185</b>
Director of Resources	97	6	-	-	16	<b>118</b>
Director of Environment	97	6	-	3	16	<b>122</b>
<b>Total</b>	<b>335</b>	<b>18</b>	<b>14</b>	<b>3</b>	<b>55</b>	<b>425</b>

Employers' contributions to the pension scheme represent the amount determined at the last actuarial valuation as being required to meet the cost of future pension accrual.

- (ii) the number of employees in the accounting period, in addition to senior employees included at (i) above, whose remuneration was £50k or more in bands of £5k. For this purpose, remuneration means all amounts paid to or receivable by an employee and includes sums due by way of taxable expenses and the estimated money value of any other benefits. Pension contributions payable by the Council are excluded.

<b>2014/15</b>		<b>2015/16</b>
<b>Employees No.</b>	<b>Remuneration Band:</b>	<b>Employees No.</b>
5	£50,000 - £54,999	7
3	£55,000 - £59,999	1
1	£60,000 - £64,999	1
4	£70,000 - £74,999	3
<b>13</b>	<b>Total</b>	<b>12</b>

## 10. Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16 incurring liabilities of £63k (2014/15: £19k).

The number of contracts terminated ('exit packages') with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£'000	£'000
£0-£20,000	-	1	4	2	4	3	19	19
£40,001-£60,000	-	1	-	-	-	1	-	44
<b>Total</b>	<b>-</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>19</b>	<b>63</b>

## 11. Audit Fees

During the year the Council incurred the following fees relating to external audit and inspection:

2014/15		2015/16
£'000		£'000
	<b>Audit Fees:</b>	
59	External audit services carried out	48
32	Certification of grant claims and returns	14
2	National Fraud Initiative	-
-	Non-Audit services	-
<b>93</b>	<b>Total</b>	<b>62</b>

## 12. Adjustments Between Accounting Basis and Funding Basis under Regulation

The Comprehensive Income and Expenditure Statement show the Council's actual financial performance for the year and is measured in terms of resources consumed and generated. However, the Council is required to raise council tax on a different accounting basis with the two main differences being as follows:

- Capital investment is accounted for as it is financed rather than when the asset is consumed; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The Council Fund contains the excess to date of income over expenditure in the Income and Expenditure Account. It also takes account the use of reserves built up in the past and contributions to reserves earmarked for future specific expenditure.

The following note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Movements in earmarked reserves are set out in note 28.

2014/15	Usable Reserves			Unusable Reserves	Relevant Unusable Reserve
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:</b>					
- Pensions costs	933			(933)	Pensions Reserve
- NNDR (amount by which non- domestic rates credited to the CIES differs from council tax income in accordance with statutory requirements)	(4,118)			4,118	Collection Fund Adjustment Account
- Council Tax (amount by which tax credited to the CIES differs from council tax income in accordance with statutory requirements)	(129)			129	
- Holiday pay	(5)			5	Accumulated Absences Account
<b>Cancellation of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure</b>					
- Amortisation of intangible assets	154			(154)	Capital Adjustment Account
- Charges for depreciation and impairment	3,600			(3,600)	
- Revenue expenditure funded from capital under statute	1,339			(1,339)	
- Carrying amounts of non-current assets written off on disposal	45			(45)	
- Movements in the value of investment property	110			(110)	
- Grant income transferred to Capital Grants Unapplied	(1,360)		1,360		
<b>Transfers between revenue and capital resources</b>					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve	(548)	548			
- Payments to the Government housing receipts pool	1	(1)			
- Statutory revenue provisions for the financing of capital investment					Capital Adjustment Account
- Capital expenditure financed from revenue balances	(852)			852	
<b>Adjustments to capital resources</b>					
- Use of Capital Receipts Reserve to finance capital expenditure		(688)		688	Capital Adjustment Account
- Application of capital grants and other contributions to finance capital expenditure			(1,350)	1,350	
<b>Total Adjustments</b>	<b>(830)</b>	<b>(141)</b>	<b>11</b>	<b>961</b>	

2015/16	Usable Reserves			Unusable Reserves	Relevant Unusable Reserve
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000		
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from Increases/decreases in revenue for the year calculated in accordance with statutory requirements:</b>					
- Pensions costs	1,008			(1,008)	Pensions Reserve
- NNDR (amount by which non-domestic rates credited to the CIES differs from council tax income in accordance with statutory requirements)	2,252			(2,252)	Collection Fund Adjustment Account
- Council Tax (amount by which tax credited to the CIES differs from council tax income in accordance with statutory requirements)	27			(27)	
- Holiday pay	5			(5)	Accumulated Absences Account
<b>Cancellation of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure</b>					
- Amortisation of intangible assets	157			(157)	Capital Adjustment Account
- Charges for depreciation and impairment	4,431			(4,431)	
- Revenue expenditure funded from capital under statute	576			(576)	
- Carrying amounts of non-current assets written off on disposal	2			(2)	
- Movements in the value of investment property	(62)			62	
- Grant income transferred to Capital Grants Unapplied	(628)		628		
<b>Transfers between revenue and capital resources</b>					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve	(686)	686			
- Payments to the Government housing receipts pool	1	(1)			
- Statutory revenue provisions for the financing of capital investment	(3,998)			3,998	Capital Adjustment Account
- Capital expenditure financed from revenue balances	(663)			663	
<b>Adjustments to capital resources</b>					
- Use of Capital Receipts Reserve to finance capital expenditure		(702)		702	Capital Adjustment Account
- Application of capital grants to finance capital expenditure			(329)	329	
- Application of S106 receipts to finance capital expenditure	(258)			258	
<b>Total Adjustments</b>	<b>2,169</b>	<b>(17)</b>	<b>299</b>	<b>(2,450)</b>	

### 13. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Accounting Code of Practice.

However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across individual services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure whereas depreciation, amortisation and revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement.
- The cost of retirement benefits is based on the payment of the employer's pension contributions rather than the current service cost of benefits accrued in the year.
- Expenditure on certain support services is budgeted for centrally and not charged to services.

The income and expenditure of the Council's principal services recorded in the budget reports on a direct cost basis for the year is as follows:



<b>Year ended March 2015</b> The income and expenditure of the Council's principal services recorded in the budget report for the year as follows:	<b>Planning &amp; Building Control</b>	<b>Housing / Environmental Health</b>	<b>Street Scene / Engineering / Asset Management</b>	<b>Partnerships &amp; Community Development</b>	<b>Finance, Revenues, Benefits &amp; IS</b>	<b>Legal &amp; Democratic Services</b>	<b>Central Services</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges and other service income	(1,263)	(997)	(8,368)	(13)	(500)	(229)	(292)	<b>(11,662)</b>
Government grants *	-	(75)	-	-	(47,217)	-	-	<b>(47,292)</b>
Reserve contributions	-	-	(365)	-	(15)	-	(37)	<b>(417)</b>
<b>Total income</b>	<b>(1,263)</b>	<b>(1,072)</b>	<b>(8,733)</b>	<b>(13)</b>	<b>(47,732)</b>	<b>(229)</b>	<b>(329)</b>	<b>(59,371)</b>
Employee expenses	1,761	1,458	4,275	557	2,469	809	1,987	<b>13,316</b>
Other service expenses	384	1,198	5,835	1,659	47,353	732	655	<b>57,816</b>
Support services recharges	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>2,145</b>	<b>2,656</b>	<b>10,110</b>	<b>2,216</b>	<b>49,822</b>	<b>1,541</b>	<b>2,642</b>	<b>71,132</b>
<b>Net expenditure</b>	<b>882</b>	<b>1,584</b>	<b>1,377</b>	<b>2,203</b>	<b>2,090</b>	<b>1,312</b>	<b>2,313</b>	<b>11,761</b>
<i>*includes £40.8m DWP Housing Benefit grant</i>								
<b>Reconciliation of service income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement</b>								
Net expenditure in service analysis								11,761
Amounts in Comprehensive Income and Expenditure Statement not reported to management in the analysis								5,627
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement								(2,011)
<b>Net cost of Services in the Comprehensive Income and Expenditure Statement</b>								<b>15,377</b>

<b>Year ended March 2015</b> This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the amounts included in the deficit on the provision of services within the Comprehensive Income and Expenditure Statement	<b>Service Analysis</b>	<b>Services not in analysis</b>	<b>Amounts not reported to management</b>	<b>Amounts not included in CI&amp;E</b>	<b>Allocation of recharges</b>	<b>Cost of services</b>	<b>Corporate amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges and other service income	(11,662)	-	-	-	-	(11,662)	-	(11,662)
Interest and income from investment property	-	-	-	-	-	-	(650)	(650)
Income from council tax	-	-	-	-	-	-	(7,144)	(7,144)
Reserve contributions	(417)	-	-	-	-	(417)	-	(417)
Capital grants & contributions	-	-	-	-	-	-	(1,360)	(1,360)
Government grants and contributions	(47,292)	-	-	-	-	(47,292)	(7,849)	(55,141)
<b>Total income</b>	<b>(59,371)</b>	-	-	-	-	<b>(59,371)</b>	<b>(17,003)</b>	<b>(76,374)</b>
Employee expenses	13,316	-	1,616	(2,070)	-	12,862	-	12,862
Other service expenses	57,816	-	(230)	59	-	57,645	(59)	57,586
Support services recharges	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	-	4,241	-	-	4,241	-	4,241
Interest payments	-	-	-	-	-	-	1,409	1,409
Precepts & levies	-	-	-	-	-	-	916	916
Gain or loss on disposal of property, plant & equipment	-	-	-	-	-	-	(502)	(502)
<b>Total expenditure</b>	<b>71,132</b>	-	<b>5,627</b>	<b>(2,011)</b>	-	<b>74,748</b>	<b>1,764</b>	<b>76,512</b>
<b>Deficit on the provision of services</b>	<b>11,761</b>	-	<b>5,627</b>	<b>(2,011)</b>	-	<b>15,377</b>	<b>(15,239)</b>	<b>138</b>

<b>Year ended March 2016</b> The income and expenditure of the Council's principal services recorded in the budget report for the year as follows:	<b>Planning &amp; Building Control</b>	<b>Housing / Environmental Health</b>	<b>Street Scene / Engineering / Asset Management</b>	<b>Partnerships &amp; Community Development</b>	<b>Finance, Revenues, Benefits &amp; IS</b>	<b>Legal &amp; Democratic Services</b>	<b>Central Services</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges and other service income	(1,215)	(1,258)	(8,652)	(13)	(414)	(201)	(311)	<b>(12,064)</b>
Government grants*	-	(70)	-	-	(48,020)	(37)	-	<b>(48,127)</b>
Reserve contributions	-	(78)	(429)	(47)	(140)	(87)	-	<b>(781)</b>
<b>Total income</b>	<b>(1,215)</b>	<b>(1,406)</b>	<b>(9,081)</b>	<b>(60)</b>	<b>(48,574)</b>	<b>(325)</b>	<b>(311)</b>	<b>(60,972)</b>
Employee expenses	1,784	1,488	4,460	581	2,523	842	1,993	<b>13,671</b>
Other service expenses	358	1,426	6,018	1,645	48,091	692	600	<b>58,830</b>
Support services recharges	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>2,142</b>	<b>2,914</b>	<b>10,478</b>	<b>2,226</b>	<b>50,614</b>	<b>1,534</b>	<b>2,593</b>	<b>72,501</b>
<b>Net expenditure</b>	<b>927</b>	<b>1,508</b>	<b>1,397</b>	<b>2,166</b>	<b>2,040</b>	<b>1,209</b>	<b>2,282</b>	<b>11,529</b>
<i>*includes £41m DWP Housing Benefit grant</i>								
<b>Reconciliation of service income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement</b>								
Net expenditure in service analysis								11,529
Amounts in Comprehensive Income and Expenditure Statement not reported to management in the analysis								6,424
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement								(2,062)
<b>Net cost of Services in the Comprehensive Income and Expenditure Statement</b>								<b>15,891</b>

<b>Year ended March 2016</b> This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the amounts included in the deficit on the provision of services within the Comprehensive Income and Expenditure Statement	<b>Service Analysis</b>	<b>Services not in analysis</b>	<b>Amounts not reported to management</b>	<b>Amounts not included in CI&amp;E</b>	<b>Allocation of recharges</b>	<b>Cost of services</b>	<b>Corporate amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges and other service income	(12,064)	-	(145)	-	-	(12,209)	-	(12,209)
Interest and income from investment property	-	-	108	-	-	108	(823)	(715)
Income from council tax	-	-	-	-	-	-	(7,311)	(7,311)
Reserve contributions	(781)	-	-	-	-	(781)	-	(781)
Capital grants & contributions	-	-	-	-	-	-	(886)	(886)
Government grants and contributions	(48,127)	-	-	-	-	(48,127)	(6,754)	(54,881)
<b>Total income</b>	<b>(60,972)</b>	<b>-</b>	<b>(37)</b>	<b>-</b>	<b>-</b>	<b>(61,009)</b>	<b>(15,774)</b>	<b>(76,783)</b>
Employee expenses	13,671	-	1,992	(2,132)	-	13,531	-	13,531
Other service expenses	58,830	-	(649)	70	-	58,251	(70)	58,181
Support services recharges	-	-	(48)	-	-	(48)	-	(48)
Depreciation, amortisation and impairment	-	-	5,166	-	-	5,166	-	5,166
Interest payments	-	-	-	-	-	-	1,192	1,192
Precepts & levies	-	-	-	-	-	-	942	942
Gain or loss on disposal of property, plant & equipment	-	-	-	-	-	-	(682)	(682)
<b>Total expenditure</b>	<b>72,501</b>	<b>-</b>	<b>6,461</b>	<b>(2,062)</b>	<b>-</b>	<b>76,900</b>	<b>1,382</b>	<b>78,282</b>
<b>Deficit on the provision of services</b>	<b>11,529</b>	<b>-</b>	<b>6,424</b>	<b>(2,062)</b>	<b>-</b>	<b>15,891</b>	<b>(14,392)</b>	<b>1,499</b>

## 14. Property, plant and Equipment

2014-15	Property, Plant & Equipment						
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>At 1 April 2014</b>	<b>983</b>	<b>112,840</b>	<b>4,890</b>	<b>430</b>	<b>3,881</b>	<b>3,451</b>	<b>126,475</b>
Restated	-	(11,271)	-	-	(3)	-	(11,274)
<b>At 1 April 2014 restated</b>	<b>983</b>	<b>101,569</b>	<b>4,890</b>	<b>430</b>	<b>3,878</b>	<b>3,451</b>	<b>115,201</b>
Reclassifications	-	786	(546)	(219)	-	(21)	-
Additions	-	718	308	-	-	495	<b>1,521</b>
Impairments	-	(1,085)	-	-	-	-	<b>(1,085)</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	254	-	-	-	-	<b>254</b>
Derecognition - Disposals	-	-	(328)	(25)	(79)	-	<b>(432)</b>
<b>At 31 March 2016</b>	<b>983</b>	<b>102,242</b>	<b>4,324</b>	<b>186</b>	<b>3,799</b>	<b>3,925</b>	<b>115,459</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2015 restated</b>	<b>(40)</b>	<b>(23,441)</b>	<b>(2,943)</b>	<b>(285)</b>	<b>(198)</b>	-	<b>(26,907)</b>
Restated		11,271			3		<b>11,274</b>
<b>At 1 April 2015 restated</b>	<b>(40)</b>	<b>(12,170)</b>	<b>(2,943)</b>	<b>(285)</b>	<b>(195)</b>	-	<b>(15,633)</b>
Reclassifications	-	389	(238)	(151)	-	-	-
Depreciation charge	(19)	(2,047)	(388)	(9)	(30)	-	<b>(2,493)</b>
Depreciation written out to the Revaluation Reserve	-	3,154	-	-	-	-	<b>3,154</b>
Derecognition - Disposals	-	-	324	17	46	-	<b>387</b>
<b>At 31 March 2016</b>	<b>(59)</b>	<b>(10,674)</b>	<b>(3,245)</b>	<b>(428)</b>	<b>(179)</b>	-	<b>(14,585)</b>
<b>Net Book Value</b>							
At 31 March 2014	943	89,399	1,947	145	3,683	3,451	<b>99,568</b>
At 31 March 2015	924	91,568	1,079	(242)	3,620	3,925	<b>100,874</b>

**2015-16**

**Property, Plant & Equipment**

**Cost or Valuation**

**At 1 April 2015 restated**

Reclassifications

Additions

Impairments

Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services

Revaluation increases / (decreases) recognised in the Revaluation Reserve

Derecognition - Disposals

Assets reclassified (to) / from Investment Properties

Other movements in Cost or Valuation

**At 31 March 2016**

Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>983</b>	<b>102,242</b>	<b>4,324</b>	<b>186</b>	<b>3,799</b>	<b>3,925</b>	<b>115,459</b>
(983)	1,196	-	-	57	(270)	-
-	238	419	-	19	699	<b>1,375</b>
-	(59)	-	-	-	-	<b>(59)</b>
-	(1,785)	-	-	-	-	<b>(1,785)</b>
-	7,278	-	-	-	-	<b>7,278</b>
-	(2)	(700)	-	-	-	<b>(702)</b>
-	(1,050)	-	-	-	-	<b>(1,050)</b>
-	-	20	-	3	-	<b>23</b>
-	<b>108,058</b>	<b>4,063</b>	<b>186</b>	<b>3,878</b>	<b>4,354</b>	<b>120,539</b>

**Accumulated Depreciation and Impairment**

**At 1 April 2015 restated**

Reclassifications

Depreciation charge

Impairments

Depreciation written out to the Revaluation Reserve

Derecognition - Disposals

Other movements in Depreciation and Impairment

**At 31 March 2016**

<b>(59)</b>	<b>(11,452)</b>	<b>(2,769)</b>	<b>(126)</b>	<b>(179)</b>	<b>0</b>	<b>(14,585)</b>
59	(59)	-	-	-	-	-
-	(2,169)	(358)	(9)	(30)	-	<b>(2,566)</b>
-	1	-	-	-	-	<b>1</b>
-	1,558	-	-	-	-	<b>1,558</b>
-	-	700	-	-	-	<b>700</b>
-	-	(20)	-	(3)	-	<b>(23)</b>
-	<b>(12,121)</b>	<b>(2,447)</b>	<b>(135)</b>	<b>(212)</b>	<b>-</b>	<b>(14,915)</b>

**Net Book Value**

At 31 March 2015

At 31 March 2016

924	90,790	1,555	60	3,620	3,925	<b>100,874</b>
-	95,937	1,616	51	3,666	4,354	<b>105,624</b>

Assets included in note 14 within 'Other Land and Buildings' with a value of £26.1 million were revalued in full at 29 February 2016 (2015: £36.9 million). Valuations as at 29 February 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS) have been carried out on behalf of the Council by Messrs Wilks Head and Eve LLP, Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historical cost.

As set out in the narrative statement, the Council has reviewed the accounting presentation previously applied to Property, Plant & Equipment and has restated the comparative information provided in respect of preceding periods.

## 15. Capital Expenditure and Financing Statement

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

2014/15		2015/16
£'000		£'000
9,930	<b>Opening Capital Financing Requirement</b>	9,930
	<b>Capital Investment:</b>	
1,521	Property plant and equipment	1,375
29	Intangible assets	-
1,339	Revenue expenditure funded by capital under statute	576
<b>2,889</b>	<b>Total Capital Investment</b>	<b>1,951</b>
	<b>Sources of Finance:</b>	
(1,349)	Government grants and other contributions	(587)
(688)	Capital receipts	(702)
(852)	Revenue contribution to capital expenditure	(662)
<b>(2,889)</b>	<b>Total Sources of Finance</b>	<b>(1,951)</b>

## Capital Expenditure and Financing Statement (continued)

-	Revenue provision for the repayment of debt	(3,998)
-	<b>Minimum Revenue Provision</b>	<b>(3,998)</b>
<b>9,930</b>	<b>Closing Capital Financing Requirement</b>	<b>5,932</b>
	<b>Explanation of movements in the year</b>	
-	(Decrease) / Increase in the underlying need to borrow	<b>(3,998)</b>

**Commitments under Capital Contracts****2016/17  
onwards****£'000**

Car park resurfacing	522
Civic offices: access system	100
Civic offices: perimeter fan coils	205
Development of housing for affordable rents	863
Disability access grants	1,230
Enhance sports pitches and pavilions	238
Enhancements to facilities at Elstree Film Studios	237
Enhancements to finance systems	136
Newberries Car Park Project	398
Refurbishment of council owned properties	381
Replacement of refuse and recycling vehicles	751
Wyllyott's Centre improvements	995
Other projects	178
<b>Total</b>	<b>6,234</b>

**To be funded from:**

Earmarked reserves	1,861
Other grants and contributions	1,140
Revenue contribution	420
Usable capital receipts	2,813
<b>Total</b>	<b>6,234</b>



## 16. Leases

### *The Council as Lessee*

#### Operating Leases

The Council uses webcasting equipment financed under the terms of an individual operating lease. Printing devices leased in prior years have been replaced by purchased equipment. The future minimum lease payments due under non-cancellable leases in future years are:

2014/15		2015/16
£'000		£'000
10	Not later than one year	10
10	Later than one year and not later than five years	-
<b>20</b>	<b>Total</b>	<b>10</b>

Minimum lease payments totalling £10k (2014/15:£10k) in respect of such leases have been charged to the Central Services line in the Comprehensive Income and Expenditure Statement.

### *The Council as Lessor*

#### Operating Leases

The council has a license fee arrangement with Elstree Film Studios Limited (EFS), a 100% owned subsidiary company, under which the council receives income for use of premises occupied by EFS. The amount received in 2015/16 was in £1,363k (2014/15: £1,060k).

## 17. Heritage assets

### *Heritage assets held by the authority*

Heritage assets comprise the restored Grade II listed Rose Garden in Herkomer Road, Bushey and the Borough's war memorials. In addition, the Council holds a small number of paintings and other artefacts and four sets of civic regalia. The collective value of these assets is not considered to be material.

### *Carrying value*

The following table summarises the movement in the carrying value of heritage assets over the year:

2014/15 £'000		2015/16 £'000
	<b>Cost</b>	
1,353	<b>At 1 April</b>	1,353
-	Additions in year	-
1,353	<b>At 31 March</b>	1,353
	<b>Depreciation</b>	
(111)	<b>At 1 April</b>	(133)
(22)	Charged in year	(22)
(133)	<b>At 31 March</b>	(155)
1,220	<b>Net Carrying Amount</b>	1,198

## 18. Investment Property

Rental income from investment property of £366k (2014/15: £375k) has been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment property over the year:

2014/15 £'000		2015/16 £'000
6,500	<b>At 1 April</b>	6,390
-	Additions in year	-
-	Assets reclassified (to) / from Property, Plant & Equipment	1,050
-	Disposals	-
(110)	Net gains / (losses) from fair value adjustments	62
6,390	<b>At 31 March</b>	7,502

**19. Intangible Assets**

The movement on Intangible Asset balances during the year is as follows:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
	<b>Gross Carrying Amount</b>	
<b>1,069</b>	<b>At 1 April</b>	<b>1,098</b>
29	Additions in year	-
<b>1,098</b>	<b>At 31 March</b>	<b>1,098</b>
	<b>Amortisation</b>	
<b>(329)</b>	<b>At 1 April</b>	<b>(483)</b>
(154)	Charged in year	(157)
<b>(483)</b>	<b>At 31 March</b>	<b>(640)</b>
<b>615</b>	<b>Net Carrying Amount</b>	<b>458</b>

**20. Debtors**

2014/15		2015/16
£'000		£'000
	<b>Amounts Receivable Within One Year:</b>	
	<i>Financial assets</i>	
2,582	Sundry debtors & accrued income	2,021
2	Council house mortgages	-
34	Employee car loans	28
150	Loans to subsidiary undertakings	-
<b>2,768</b>	<b>Total financial assets</b>	<b>2,049</b>
	<i>Non-financial assets and statutory debts</i>	
205	Council tax	199
297	Business rates	348
169	HM Revenue & Customs	159
-	Due from government departments and other authorities	735
167	Housing Benefit overpaid	216
285	Prepayments	343
<b>3,891</b>	<b>Total amounts receivable within one year</b>	<b>4,049</b>
	<b>Amounts Receivable After One Year:</b>	
	<i>Financial assets</i>	
2,016	Local Authority Mortgage Scheme	2,000
4	Council house mortgages	-
58	Employee car loans	38
506	Loans to subsidiary undertakings	250
365	Other loans	229
<b>2,949</b>	<b>Total amounts receivable after one year</b>	<b>2,517</b>

The amount receivable under the Local Authority Mortgage Scheme represents the sum deposited at Lloyds Bank and includes £1 million (2015: £1.08 million) deposited on behalf of Hertfordshire County Council (note 23).

#### Credit Risk

Included in the above debtors are the following balances which the Council considers impaired and for which an allowance for impairment has been made:

31-Mar-15			31-Mar-16	
Debtor £'000	Allowance £'000	Impaired Financial Assets:	Debtor £'000	Allowance £'000
3,281	1,917	Council fund	3,111	2,260
808	306	Council's share of collection fund items	892	345
<b>4,089</b>	<b>2,223</b>	<b>Total</b>	<b>4,003</b>	<b>2,605</b>

The debtors included on the balance sheet are net of the above allowances for impairment.

Concentration of credit risk on these balances is limited due to the Council's large and unrelated customer base. On this basis the Council believes there is no further recognition of credit risk required in addition to the allowances for impairment already made.

The ageing of the impaired balances due in respect of Council fund balances may be analysed as follows:

31-Mar-15		31-Mar-16
£'000		£'000
1,286	Less than three months	915
163	Three months to six months	222
1,832	Greater than six months	1,974
<b>3,281</b>	<b>Total</b>	<b>3,111</b>

## 21. Investments

Investments were held as follows:

<b>31-Mar-15</b>		<b>31-Mar-16</b>
<b>£'000</b>		<b>£'000</b>
<i>Amortised Cost</i>		<i>Amortised Cost</i>
	<b>Long Term Investments:</b>	
2	Investments in subsidiaries	-
-	Other	20
<b>2</b>	<b>Total long term investments</b>	<b>20</b>
	<b>Short Term Investments:</b>	
20,019	Banks and local authorities	30,069
<b>20,019</b>	<b>Total short term investments</b>	<b>30,069</b>

The Council's investment in subsidiaries comprises 100 ordinary shares of £1 each in Hertsmere Developments Limited which had not commenced trading as at 31 March 2016 and 1 ordinary share of £1 each in Elstree Film Studios Limited which is further disclosed in the Group Accounts section. Both companies are 100% owned by the Council. Disclosure relating to investments previously held in Bushey Country Club Limited and Elstree Film & Television Studios Limited is made in note 33 Related Party Transactions. In addition, the Council held 14 (14%) of the ordinary shares of £1 each issued by Hertfordshire CCTV Partnership Limited (note 33) at 31 March 2016. (2015: 14%).

Other long term investments comprise 20,000 shares of £0.01 each in UK Municipal Bonds Agency PLC.

All investments are financial assets. The average interest rate received on core investments during the year was 0.81% (2014/15:0.74%). Short-term investments are held for periods of one year or less.

### *Credit Risk*

Credit risk arises from deposits with banks and financial institutions. The risk is minimised through the Council's Treasury Management Strategy. The Council has adopted the CIPFA Code of Practice on Treasury Management in Public Services. In assessing credit risk, the Council uses the creditworthiness service provided by Capita Treasury Services which

combines assessments of credit ratings, credit watches, credit outlooks and credit default swap spreads to provide a weighted scoring system.

As well as using the matrix produced by Capita Treasury Services, the Council limits its exposure to any one particular institution or group of banks and uses Fitch long-term ratings (or equivalent) to determine the amount of funds placed with each institution as follows (limits effective in 2015/16):

The Council's Treasury Management Strategy reduces credit risk further by limiting the term of investments depending on the credit criteria of the financial institution and by limiting the amounts that may be invested in any one country (other than the UK).

<b>Long Term</b>	<b>Maximum Investment</b>	<b>Investments as at 31 March 16</b>	<b>Call deposits at 31 March 2016 (included in cash and cash equivalents)</b>
<b>AAA to AA-</b>	£8m	2 deposits not exceeding £8M	2 deposits not exceeding £8M
<b>A+, A</b>	£4m	8 deposits not exceeding £4M	
<b>DMO, UK Government and Local Authorities</b>	£10m		
<b>Part nationalised banks (50%+) and equivalents</b>	£10m	2 deposits not exceeding £10M	1 deposit not exceeding £10M

The Council's Treasury Management Strategy reduces credit risk further by limiting the term of investments depending on the credit criteria of the financial institution and by limiting the amounts that may be invested in any one country (other than the UK).

#### Debt Management Office and Local & Public Authorities

Although not rated by Fitch Rating Services, the Government's Debt Management Office and other local and public authorities meet the criteria for the highest counterparty credit limit which permits the council to invest with them up to £10m.

The Council's only historic experience of default on its investments is in respect of Heritable Bank plc. The shortfall in the bank's recovery was approximately 1% which equates to 0.03% of the average investments held during the year, including amounts placed at call. Whilst it is likely that further payments to reduce the shortfall will be received, the Council considers 0.15% of its total portfolio to be a fair estimate of its maximum exposure to default which based on its investments, including amounts placed on call at 31 March 2016 equates to £62k (2015: £55k).

## 22. Cash and Cash Equivalents

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

<b>31-Mar-15</b>		<b>31-Mar-16</b>
<b>£'000</b>		<b>£'000</b>
3	Cash held by the Council	3
1,037	Bank current accounts	686
16,504	Call deposit accounts and money market funds	11,112
<b>17,544</b>	<b>Total</b>	<b>11,801</b>



**23. Creditors**

<b>31-Mar-15</b>		<b>31-Mar-16</b>
<b>£'000</b>		<b>£'000</b>
	<b>Amounts payable within one year:</b>	
	<i>Financial Liabilities</i>	
3	Mortgage overpayments	-
207	Local Enterprise Partnership	199
2,361	Sundry creditors	2,008
<b>2,571</b>	<b>Total financial liabilities</b>	<b>2,207</b>
	<i>Non-financial liabilities and statutory debts</i>	
103	Accrual for accumulated absences (note 29)	109
325	HM Revenue & Customs: payroll taxes	205
9,460	Due to government departments and other authorities	6,915
647	Receipts in advance	1,112
<b>13,106</b>	<b>Total included in current liabilities</b>	<b>10,548</b>
	<b>Included in non-current liabilities:</b>	
	<i>Financial liabilities</i>	
	Local Authority Mortgage Scheme:	
1,008	Contribution made by Hertfordshire County Council	1,008
796	Local Enterprise Partnership	608
	<i>Non-financial liabilities</i>	
11	Financial guarantee (below)	7
6	Deferred receipts	-
<b>1,821</b>	<b>Total included in non-current liabilities</b>	<b>1,623</b>

## Financial guarantee

The financial guarantee relates to the Local Authority Mortgage Scheme and has been calculated by reference to the Council's potential liability to reimburse Lloyd's Bank in the event of the bank incurring a shortfall on the sale of a property where the mortgagor has defaulted. A default rate of 2% throughout the initial period of the scheme (five years) has been assumed. The guarantee is being amortised over the period of the scheme.

**24. Provisions**

<b>31-Mar-15</b>		<b>31-Mar-16</b>
<b>£'000</b>		<b>£'000</b>
	<b>Provision in respect of support for Bushey Country Club as a going concern prior to transfer to Hertsmere Leisure Trust (note 33)</b>	
<b>424</b>	<b>At 1 April</b>	<b>424</b>
-	Contribution to provision	2
-	Applied to write off of investment in Bushey Country Club (note 33)	(426)
<b>424</b>	<b>At 31 March</b>	<b>-</b>
	<b>Provision in respect of the Council's liabilities under the Municipal Mutual Insurance Scheme of Arrangement</b>	
<b>138</b>	<b>At 1 April</b>	<b>138</b>
-	Charge to Comprehensive Income and Expenditure Statement - increase in levy payable	63
<b>138</b>	<b>At 31 March</b>	<b>201</b>
	<b>Provision in respect of the Council's share of the cost of successful appeals against valuations for business rates</b>	
<b>2,307</b>	<b>At 1 April</b>	<b>1,412</b>
(849)	Released to the Collection Fund	(444)
(46)	Contribution to /(release from) provision	1,367
<b>1,412</b>	<b>At 31 March</b>	<b>2,335</b>
<b>1,974</b>	<b>Total</b>	<b>2,536</b>

## 25. Capital Grants Received in Advance

The Council has received a number of grants and contributions, known as Section 106 receipts that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the giver in the event of non-compliance with the conditions. Pending application to the relevant projects, these grants are held on the balance sheet as capital grants received in advance.

Section 106 receipts are amounts paid to the Council by developers as a result of the granting of planning permission where improvement or new facility works are required as part of the condition of granting the planning permission. The responsibility to carry out the works is with the Council, however the monies are restricted to being spent only in accordance with the agreement concluded with the developer and are repayable in the event that there are surplus funds remaining following completion of the contract or that the project is ceased following the agreement of both parties.

A summary of the major Section 106 balances held as at 31 March 2016 is as follows:

31-Mar-15 £'000		Receipts £'000	Utilised £'000	31-Mar-16 £'000
173	Oakland College	1	-	174
-	Horizon One	2,013	(2)	2,011
-	Isopad House	271	-	271
-	Rossway Drive	227	-	227
109	Allum Lane, Elstree	1	-	110
-	Watling St	196	-	196
-	3 London Rd	112	-	112
144	Blackwell House	1	-	145
356	Gemini House	1	(111)	246
114	Sparrow Herne	630	(41)	703
1,448	International University	7	-	1,455
428	Elder Court	2	(11)	419
1,435	Other balances below £100k	463	(174)	1,724
<b>4,207</b>	<b>Total</b>	<b>3,925</b>	<b>(339)</b>	<b>7,793</b>

Receipts include interest of £27k (2014/15: £19k) allocated to the balances whilst they are held on deposit by the Council.

## 26. Financial Instruments

### *Financial Instruments by Category*

The financial assets and liabilities included on the Balance Sheet comprise the following categories of financial instruments:

31-Mar-15 £'000		31-Mar-16 £'000
	<b>Financial Assets by Class:</b>	
	<i>Loans and Receivables</i>	
2,768	Debtors due within one year ( <i>note 20</i> )	2,049
2,949	Debtors due after one year ( <i>note 20</i> )	2,517
2	Long term investments ( <i>note 21</i> )	20
20,019	Short term investments ( <i>note 21</i> )	30,069
17,544	Cash and cash equivalents ( <i>note 22</i> )	11,801
43,282	<i>Total loans and receivables</i>	46,456
<b>43,282</b>	<b>Total financial assets</b>	<b>46,456</b>
	<b>Financial Liabilities by Class:</b>	
	<i>Financial liabilities at amortised cost</i>	
2,571	Creditors payable within one year ( <i>note 23</i> )	2,207
1,804	Creditors payable after one year ( <i>note 23</i> )	1,616
4,375	<i>Total other liabilities at amortised cost</i>	3,823
<b>4,375</b>	<b>Total financial liabilities</b>	<b>3,823</b>

*Fair Value of Financial Assets and Liabilities*

Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. The fair value can be assessed by calculating the present value of their future cash flows.

The fair values of the Council's financial instruments, together with the carrying amounts included on the Balance Sheet are analysed as follows:

31 March 2015			31 March 2016	
Carrying Value	Fair Value		Carrying Value	Fair Value
£'000	£'000		£'000	£'000
		<b>Financial Assets:</b>		
		<i>Loans and receivables</i>		
5,717	5,717	Total debtors	4,566	4,566
20,021	20,039	Total investments	30,089	30,122
17,544	17,544	Cash and equivalents	11,801	11,801
<b>43,282</b>	<b>43,300</b>	<b>Total</b>	<b>46,456</b>	<b>46,489</b>
		<b>Financial Liabilities:</b>		
		<i>Financial liabilities at amortised cost</i>		
4,375	4,352	Total creditors	3,823	3,822
<b>4,375</b>	<b>4,352</b>	<b>Total</b>	<b>3,823</b>	<b>3,822</b>

## Assumptions in Calculating Fair Values

### *Debtors / Creditors / Cash and Equivalents*

Due to their nature and short term maturity, fair values have been estimated to approximate their carrying value.

### *Investments / Loans*

Fair values have been determined by discounting future cash flows using relevant market rates of interest comparable to the rate for the same instrument from comparable institutions. The relevant market rates used were obtained from the market as at 31 March 2016 using bid prices where applicable.

### *Financial Instruments Gains and Losses*

During the year the total investment income receivable relating to financial assets amounted to £397k (2014/15: £385k). During the year there were impairment losses relating to financial assets of £2k (2014/15: £nil).

During the year the total interest payable relating to financial liabilities amounted to £39k (2014/15: £22k).

### *Liquidity Risk*

As the majority of its investments are short term deposits, which are available at relatively short notice, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

### *Interest Rate Risk*

The Council only invests in fixed rate investment products in order to minimise its exposure to interest rate risk.

## **27. Defined Benefit Pension Scheme**

### *Participation in Pension Schemes*

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

The Council participates in the Hertfordshire Local Government Pension Scheme which is administered by Hertfordshire County Council. This is a funded defined benefit scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

**Discretionary Post-retirement Benefits**

Discretionary post-retirement benefits on early retirement may be awarded. This is an unfunded defined benefit arrangement under which liabilities are recognised when the award is made. No plan assets build up to meet these liabilities.

**Transactions Relating to Post-employment Benefits**

The Council has recognised the cost of retirement benefits in the reported cost of services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the Council Fund via the Movement in Reserves Statement.

The following transactions have been included within the Comprehensive Income and Expenditure Statement and the Council Fund via the Movement in Reserves Statement during the year:

2014/15 £'000	Comprehensive Income and Expenditure Statement	2015/16 £'000
	<b>Cost of Services:</b>	
	Service cost comprising:	
1,616	Current service cost	1,987
	Finance and investment income and expenditure:	
1,387	Net interest expense	1,153
<b>3,003</b>	<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,140</b>
	<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	
	Remeasurement of the net defined liability comprising:	
(6,296)	Return on plan assets (excluding the amount included in the net interest expense)	1,121
9,475	Actuarial gains and losses arising on changes in financial assumptions	(5,369)
-	Actuarial gains and losses arising on changes in demographic assumptions	-
(928)	Other experience (gains) and losses	(1,451)
<b>2,251</b>	<b>Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement</b>	<b>(5,699)</b>

2014/15 £'000	Movement in Reserves Statement	2015/16 £'000
(3,003)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,140)
	<i>Actual amount charged against the Council Fund for pensions for the year:</i>	
2,070	Employer's contributions payable to the scheme	2,132

#### *Pensions Assets and Liabilities Recognised in the Balance Sheet*

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

31-Mar-15 £'000		31-Mar-16 £'000
(108,556)	Present value of defined benefit obligations	(103,553)
71,303	Fair value of scheme assets	70,991
<b>(37,253)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(32,562)</b>



The following table reconciles the present value of the scheme's defined benefit obligations and the fair value of the scheme assets:

<b>31-Mar-15</b>		<b>31-Mar-16</b>
<b>£'000</b>		<b>£'000</b>
	<b>Present Value of Defined Benefit Obligations:</b>	
<b>(97,619)</b>	<b>As at 1 April</b>	<b>(108,556)</b>
(1,616)	Current cost of services	(1,987)
-	Past service gain	-
(3,968)	Interest cost	(3,342)
(477)	Contributions by scheme members	(501)
-	Gains / (losses) on curtailments	-
	<i>Remeasurement gains and (losses):</i>	
-	Actuarial gains and losses arising on changes in demographic assumptions	-
(9,475)	Actuarial gains and losses arising on changes in financial assumptions	5,369
928	Other experience gains and losses	1,451
3,671	Benefits paid	4,013
<b>(108,556)</b>	<b>As at 31 March</b>	<b>(103,553)</b>
	<b>Fair Value of Scheme Assets:</b>	
<b>63,550</b>	<b>As at 1 April</b>	<b>71,303</b>
2,581	Interest Income	2,189
477	Contributions by scheme members	501
2,070	Contributions by employer	2,132
	<i>Remeasurement gains and (losses):</i>	
6,296	Return on plan assets (excluding the amount included in the net interest expense)	(1,121)
(3,671)	Benefits paid	(4,013)
<b>71,303</b>	<b>As at 31 March</b>	<b>70,991</b>

The fair values of scheme assets are made up of the following types of investments by proportion of total assets held:

31-Mar-15			31-Mar-15	
£'000	%		£'000	%
1,880	3	<b>Cash and cash equivalents</b>	2,256	3
		<b>Equity instruments:</b>		
		<i>By industry type:</i>		
6,296	9	Consumer	5,767	8
7,459	11	Manufacturing	5,262	7
2,058	3	Energy & Utilities	1,233	2
6,408	9	Financial Institutions	5,395	8
1,057	1	Health & Care	940	1
4,428	6	Information Technology	3,357	5
526	1	Other	164	-
<b>28,232</b>	<b>40</b>	<b>Sub-total equity instruments</b>	<b>22,118</b>	<b>31</b>
2,954	4	<b>Private Equity</b>	3,047	4
		<b>Property:</b>		
-	-	UK Property	3,171	4
-	-	Overseas Property	1,853	3
-	-	<b>Sub-total property</b>	<b>5,024</b>	<b>7</b>
		<b>Investment Funds and Unit Trusts:</b>		
10,245	14	Equities	14,411	21
19,019	27	Bonds	19,438	28
309	-	Commodities	335	-
64	-	Infrastructure	91	-
8,754	12	Other	4,531	6
<b>38,391</b>	<b>53</b>	<b>Sub-total investment funds and unit trusts</b>	<b>38,806</b>	<b>55</b>
(154)	-	<b>Derivatives: foreign exchange</b>	(260)	-
<b>71,303</b>	<b>100</b>	<b>Total assets</b>	<b>70,991</b>	<b>100</b>

All scheme assets, other than private equity, property assets and foreign exchange derivatives, have quoted prices in active markets.

### Basis for Estimating Assets and Liabilities

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

The estimated liabilities are based on a formal valuation as at 31 March 2013 and are updated to the current year by Hymans Robertson, the independent actuary to Hertfordshire Local Government Pension Scheme.

The principal assumptions used by the actuary are as follows:

31-Mar-15		31-Mar-16
	<b>Financial assumptions:</b>	
2.1%	Rate of increase in inflation / pension cost	2.1%
3.5%	Rate of increase in salaries	3.6%
3.1%	Expected return on investments	3.4%
3.1%	Rate for discounting scheme obligations	3.4%
50%	Take up of option to receive lump sum on retirement (service pre April 2008)	50%
75%	Take up of option to receive lump sum on retirement (service post April 2008)	75%
	<b>Mortality assumptions:</b>	
	Longevity at 65 for current pensioners	
22.3	Men	22.3
24.5	Women	24.5
	Longevity at 65 for future pensioners	
24.3	Men	24.3
26.7	Women	26.7

In accordance with the provisions of International Accounting Standard (IAS) 19 *Employee Benefits (June 2011 Amendments)*, the long term expected rate of return on assets in the scheme has been calculated as equivalent to the rate for discounting scheme obligations.

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

<b>Approximate Impact on the Defined Benefit Obligation in the Scheme</b>		
	<b>Percentage Increase to Employer Liability</b>	<b>Monetary Increase to Employer Liability</b>
	<b>%</b>	<b>£'000</b>
Longevity (increase by 1 year)	3	3,107
Rate of increase in salaries (increase by 0.5%)	2	2,166
Rate of increase in pensions (increase by 0.5%)	7	7,618
Rate for discounting scheme liabilities (decrease by 0.5%)	10	9,871

## Impact on the Council's Cash Flows

The objectives of the scheme include that of keeping the employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The Council is participating in this strategy in order to contribute to meeting the scheme deficit while maintaining contribution rates at their current levels at least until the next triennial valuation as at 31 March 2016. Meanwhile funding levels are monitored on an annual basis.

The scheme will take into account the national changes implemented by the Public Pensions Services Act 2013. Under the Act, existing public services schemes may not provide benefits in relation to service after 31 March 2015 comparable to those at present provided. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to public servants.

It is estimated that the Council will contribute approximately £2.130 million to the Local Government Pension Scheme during the year ending 31 March 2017.

The weighted average duration of the defined benefit obligation for all scheme members (i.e., active, deferred and pensioner) is 16.5 years (2014/15: 16.5 years).

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>As at 31 March</b>	<b>2016</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
(85,845)	(98,349)	(97,619)	(108,556)	Present value of defined benefit obligations	(103,553)
52,475	59,652	63,550	71,303	Fair value of employer assets	70,991
<b>(33,370)</b>	<b>(38,697)</b>	<b>(34,069)</b>	<b>(37,253)</b>	<b>Deficit in the scheme</b>	<b>(32,562)</b>

The defined benefit obligations show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability has a substantial negative impact on the net worth of the Council as recorded in the Balance Sheet; however, the short term effect of this liability will be minimal as statutory arrangements permit the Council to reduce the deficit by making increased contributions over the remaining working life of employees, as assessed by the scheme's Actuary.

**28. Usable Reserves***Council Fund*

The Council Fund represents resources available to finance future running costs of the Council. Any surplus or deficit arising during the year from ordinary activities is transferred to the reserve, which subsequently may be used for future revenue or capital financing. The movements in the reserve during the year are summarised below and on the Movement in Reserves Statement.

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>9,418</b>	<b>As at 1 April</b>	<b>5,314</b>
(138)	Surplus/(deficit) on provision of services	(1,499)
(830)	Adjustments between accounting basis and funding basis under regulation ( <i>note 12</i> )	2,169
(3,136)	Net transfer to Earmarked Reserves ( <i>see below</i> )	1,714
<b>5,314</b>	<b>As at 31 March</b>	<b>7,698</b>

*Earmarked Reserves*

Earmarked Reserves represents funds retained voluntarily for use on specific projects or causes. A summary of the movement in the reserves during the year is as follows:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
	<b>Earmarked Reserves</b>	
<b>15,437</b>	<b>As at 1 April</b>	<b>18,573</b>
3,136	Net transfer from the Council Fund ( <i>above</i> )	(1,714)
<b>18,573</b>	<b>Total earmarked reserves carried forward</b>	<b>16,859</b>

**A brief description of those significant reserves disclosed is shown below:**

Earmarked Reserve	Description
- <b>Council Contribution to Pension Fund</b>	To meet any future shortfall in pension fund deficit and any strain in pension fund and one off costs resulting from any possible staff restructuring.
- <b>Land Drainage</b>	To fund land drainage and flood related costs.
- <b>Information Services Infrastructure Replacement</b>	Funds major Information Technology projects.
- <b>Parking Repairs &amp; Renewals</b>	Covers the cost of car park resurfacing, machines and equipment replacement.
- <b>Leisure Sinking Fund</b>	Set aside to meet any structural repairs, maintenance and replacement of certain leisure assets. During 2015/16 all of this reserve was applied to fund historical unfinanced capital expenditure.
- <b>Building Maintenance</b>	To fund repairs & ongoing maintenance of council owned properties.
- <b>Local Authority Business Growth</b>	Set aside to encourage local economic prosperity and business growth.
- <b>Area Based</b>	Government grants for initiatives such as cohesion and climate change.
- <b>Homelessness Initiatives</b>	Used for homeless prevention schemes.
- <b>New Homes Bonus</b>	NHB which has been ring-fenced for planning projects.
- <b>Housing &amp; Council Tax Benefit Equalisation Account</b>	To fund any shortfall in government grant for benefits.
- <b>Building Regulations</b>	Accumulated surpluses relating to the Building Control trading account.
- <b>Innovation and Investment fund</b>	To fund invest to save projects.
- <b>Housing Initiatives</b>	Funds housing initiatives such as the rent deposit scheme.
- <b>Waste Services Vehicles Replacement</b>	Used to fund the replacement of the Street Scene service vehicles.

- **Waste Services Refuse Bin Replacement** Used to fund the replacement of the Street Scene service waste containers.
- **Recycling Initiatives** Reserve to fund recycling initiatives such as the introduction of recycling into flats.
- **Human Resources strategy** To fund redundancy payments or any unusual staffing costs.
- **Non-recurring Items** Allocated to fund schemes such as Disabled Facilities Grants.
- **Future capital programme reserve** Reserve to fund future capital projects.
- **Parks Play Equipment** To cover the cost of the replacement of play equipment.
- **Local Plan Inquiry** Reserve to fund the Local Development Framework.
- **Court costs planning** To meet the cost of any award of costs.
- **Litigation and associated costs** Funds set aside to for possible costs claimed against Land Charges following court ruling.
- **Finance, Revenue and Benefits Systems** One off items of expenditure relating to the finance and revenues system.
- **Business rates equalisation** To fund shortfalls in business rates generation.
- **Minor revenue grants** A miscellany of grants carried forward to fund minor revenue projects.
- **Environment Initiatives** Used to implement environmental initiatives such as noise patrols and vehicle replacement.
- **Uninsured Losses** Amounts set aside to cover any self- insured position.
- **EWC Housing Zone** Government funding to deliver the Elstree Way Corridor housing zone.
- **New Homes Bonus Equalisation Reserve** To guard the revenue budget against declining government grants
- **Civic Offices Sinking Fund** Property & equipment replacement reserve for the Civic Offices.



The table below shows the reserve balances held at **31 March 2016** and the amounts transferred from / to the Council Fund in order to meet future / current expenditure.

<b>2014/15 £'000</b>		<b>Increase £'000</b>	<b>Decrease £'000</b>	<b>Net £'000</b>	<b>2015/16 £'000</b>
	<b>Project / Cause &gt; £100k:</b>				
887	Council Contribution to Pension Fund	113	0	113	<b>1,000</b>
1,665	Land Drainage	102	(524)	(422)	<b>1,243</b>
465	Information Services - Infrastructure Replacement	180	(53)	127	<b>592</b>
156	Public Transport Development	0	(156)	(156)	<b>0</b>
220	Parking Repairs & Renewals	486	(221)	265	<b>485</b>
3,998	Leisure Sinking Fund	242	(4,240)	(3,998)	<b>0</b>
325	Building Maintenance	32	(272)	(240)	<b>85</b>
77	Local Authority Business Growth Incentive	0	(73)	(73)	<b>4</b>
173	Area Based Grant	0	(47)	(47)	<b>126</b>
372	Initiatives for the Prevention of Homelessness	70	(202)	(132)	<b>240</b>
444	New Homes Bonus (Planning)	0	(244)	(244)	<b>200</b>
241	Housing & Council Tax Benefit Equalisation Account	214	0	214	<b>455</b>
136	Building Regulations	34	0	34	<b>170</b>
1,441	Innovation and Investment fund	3,577	(2)	3,575	<b>5,016</b>
151	Housing Initiatives	62	0	62	<b>213</b>
1,394	Waste Services Vehicles Replacement	305	(420)	(115)	<b>1,279</b>
231	Waste Services Refuse Bin Replacement	15	(246)	(231)	<b>0</b>
309	Recycling Initiatives	279	(66)	213	<b>522</b>
225	Investment Income Equalisation	121	(346)	(225)	<b>0</b>
328	Human Resources strategy	219	(47)	172	<b>500</b>
636	Non-recurring Items	140	(291)	(151)	<b>485</b>
1,050	Future capital programme reserve	450	(1,500)	(1,050)	<b>0</b>
228	Parks Play Equipment	20	(10)	10	<b>238</b>
160	Local Plan Inquiry	0	(34)	(34)	<b>126</b>
110	Court costs: planning	0	(110)	(110)	<b>0</b>
189	Litigation and associated costs	57	(207)	(150)	<b>39</b>
137	Finance, Revenue and Benefits Systems	0	(26)	(26)	<b>111</b>
1,064	Business rates equalisation	91	(140)	(49)	<b>1,015</b>
864	Minor revenue grants	321	(316)	5	<b>869</b>
101	Environment Initiatives	8	0	8	<b>109</b>
119	Uninsured losses	27	(65)	(38)	<b>81</b>
0	EWC Housing Zone	277	0	277	<b>277</b>
0	New Homes Bonus Equalisation Reserve	968	0	968	<b>968</b>
55	Civic Offices Sinking Fund	55	0	55	<b>110</b>
622	Other < £100k	139	(460)	(321)	<b>301</b>
<b>18,573</b>	<b>Total</b>	<b>8,604</b>	<b>(10,318)</b>	<b>(1,714)</b>	<b>16,859</b>

**Capital Receipts Reserve**

The Capital Receipts Reserve represents proceeds from the sale of property, plant and equipment, which are restricted in order to finance future capital investment. A summary of the movement in the reserve during the year is as follows:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>6,425</b>	<b>As at 1 April</b>	<b>6,284</b>
548	Receipts during the year from sale of non-current assets	686
(688)	Receipts applied during the year to fund capital expenditure	(702)
(1)	Contribution to finance the payments to the Government capital receipts pool	(1)
<b>6,284</b>	<b>As at 31 March</b>	<b>6,267</b>

**Capital Grants Unapplied Account**

The balance on the Capital Grants Unapplied Account represents grants and contributions received by the Council for the purpose of funding capital expenditure but not yet utilised. The grants in question have been recognised as income as they have no conditions attached to them that may require the monies to be returned to the giver. A summary of the movement in the account during the year is as follows:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>615</b>	<b>As at 1 April</b>	<b>626</b>
1,360	Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	628
(1,349)	Application of grants to capital financing transferred to the Capital Adjustment Account	(329)
<b>626</b>	<b>As at 31 March</b>	<b>925</b>

## 29. Unusable Reserves

### Revaluation Reserve

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

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

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account. A summary of the movement in the reserve during the year is as follows:

2014/15 £'000		2015/16 £'000
29,864	<b>As at 1 April</b>	32,825
3,408	Upward revaluation of non-current assets	8,836
-	Accumulated gains on non-current assets disposed of	(31)
(447)	Difference between current value depreciation over historical cost depreciation	(870)
<b>32,825</b>	<b>As at 31 March</b>	<b>40,760</b>

### *Capital Adjustment Account*

The Capital Adjustment Account (CAA) 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 current value figures to a historical cost basis). During the year a minimum revenue provision of £3,998k (2014/15 £nil) was made towards reducing the Council's capital financing requirement which is further disclosed in note 15.

The account contains accumulated gains and losses on investment property and gains recognised on donated assets 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 12 provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve (above). A summary of the movement in the account during the year is as follows:

2014/15 £'000		2015/16 £'000
68,256	<b>As at 1 April</b>	66,344
	<b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>	
	<b>- Charges for depreciation, impairment and amortisation of non-current assets:</b>	
(3,720)	Property, plant and equipment	(4,412)
(22)	Heritage assets	(23)
(154)	Intangible assets	(157)
142	Reversal of impairment charges recognised in the Surplus or Deficit on provision of Services: property, plant and equipment	-
(1,339)	Revenue expenditure funded from capital under statute:	(576)
	<b>- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement:</b>	
(45)	Property, plant and equipment	(2)
(110)	Movements in the market value of investment property credited/(charged) to the Comprehensive Income and Expenditure Statement	62
	<b>Insertion of items not debited or credited to the comprehensive income and expenditure statement</b>	
	<b>- Capital expenditure charged against the Council Fund balance:</b>	
-	Statutory provision for the financing of capital investment charged against the General Fund	3,998
852	Use of Revenue to fund capital expenditure	662
904	Use of S106 to finance new capital expenditure	258
	<b>- Adjustments involving the capital grants unapplied account:</b>	
445	Use of the capital grants to finance new capital expenditure	329
	<b>- Adjustments involving the capital receipts reserve:</b>	
688	Use of the capital receipts reserve to finance new capital expenditure	702
	<b>- Adjustments involving the revaluation reserve:</b>	
-	Accumulated gains on non-current assets disposed of	31
447	Difference between current value depreciation over historic cost depreciation: property, plant and equipment	870
<b>66,344</b>	<b>Total Adjustments</b>	<b>68,086</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 payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>233</b>	<i>Council tax</i> <b>As at 1 April</b>	<b>362</b>
129	Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(27)
<b>362</b>	<b>As at 31 March</b>	<b>335</b>
<b>(1,868)</b>	<i>Non-domestic rates</i> <b>As at 1 April</b>	<b>2,250</b>
4,118	Amount by which non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements	(2,252)
<b>2,250</b>	<b>As at 31 March</b>	<b>(2)</b>
<b>2,612</b>	<b>Total</b>	<b>333</b>

*Pension Reserve*

The Pension 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 the Hertfordshire Local Government Pension Scheme.

The debit balance on the Pensions 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. A summary of the movement in the reserve during the year is as follows:

2014/15 £'000		2015/16 £'000
<b>(34,069)</b>	<b>As at 1 April</b>	<b>(37,253)</b>
(2,251)	Remeasurement of the net defined pension liability (note 27)	5,699
(3,003)	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (note 12 & 27)	(3,140)
2,070	Employers contribution payable to scheme (note 27)	2,132
<b>(37,253)</b>	<b>As at 31 March</b>	<b>(32,562)</b>

#### *Accumulated Absences Account*

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council 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 Council Fund balance is neutralised by transfers to or from the account.

2014/15 £'000		2015/16 £'000
<b>(108)</b>	<b>Settlement of accrual made at the end of the preceding year</b>	<b>(103)</b>
5	Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(5)
<b>(103)</b>	<b>Amounts accrued at the end of the current year</b>	<b>(108)</b>

**30. Cash Flow Statement – operating activities**

2014/15 £'000		2015/16 £'000
	<b>Adjustments for Non-cash movements:</b>	
	<i>Charges for depreciation, impairment and amortisation of non-current assets:</i>	
3,720	Property, plant and equipment	4,413
22	Heritage assets	23
154	Intangible assets	157
(142)	Reversal of impairment charges recognised in the Surplus or Deficit on provision of Services: property, plant and equipment	(4)
-	Impairment of investments	2
110	Movements in the value of investment properties	(62)
	<i>Carrying amount of non-current assets sold:</i>	
45	Property, plant and equipment	2
933	Non cash pension costs	1,008
(4)	Movement in respect of financial guarantee	(4)
-	Movement in respect of internal interest	27
8	(Increase)/decrease in inventories	(3)
2,178	(Increase)/decrease in revenue debtors	9
311	Increase in revenue creditors & provisions	812
<b>7,335</b>		<b>6,380</b>
	<b>Adjustments for items that are investing or financing activities:</b>	
(1,361)	Capital grants credited to deficit on the provision of services	(887)
(548)	Proceeds from the sale of non-current assets:	(685)
<b>(1,909)</b>		<b>(1,572)</b>
	<b>The cash flows for operating activities include the following:</b>	
271	Interest received	344



### **31. Contingent Assets**

#### *Proceeds of Right to Buy*

In 1994, the Council sold its housing stock to two Housing Associations at below the market value as tenants were still occupying the homes. The agreement signed between the Council and the Housing Associations stipulates that any sale of these properties (right to buy) results in part of the proceeds reverting to the Council. However, the quantum of any future revenue cannot be reasonably determined as the Council is not aware of the number of properties that will be sold in the future.

#### *Claim against HMRC*

The Council has applied for the payment of compound interest on the repayments of output VAT made in prior years as a result of the 'Fleming Case'. This is contingent on a decision by the Supreme Court in the matter of HMRC's liability to make such payments.

### **32. Contingent Liabilities**

#### *Financial Guarantees*

The Council has committed itself to providing lending to its wholly-owned subsidiary, Elstree Film Studios Limited, if required.

#### *Other contingent liabilities*

The Council is in receipt of a claim in respect of personal injury to a former employee of a body to which the Council is a successor. The fact of the Council's liability in this matter has not been established and accordingly any amount cannot be quantified nor any potential date of resolution determined.

The Council is liable for the costs relating to a small number of planning and housing issues. The precise amounts cannot be quantified nor the date of resolution determined but the sums involved are not considered material to the Council's accounts and have not been provided.

### **33. Related Party Transactions**

The Council is required to disclose all material related party transactions included within this Statement of Accounts. Related parties of the Council include:

- Central Government
- Other Local Authorities and other bodies precepting or levying demands on council tax
- The Council's Members and Chief Officers
- Subsidiary and associated companies
- Other entities with which the Council carries on any form of collaborative venture

### *Central Government*

Central Government has the effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a major proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of principal transactions with government departments are set out in note 7.

### *Other local authorities and other bodies' precepting or levying demands on the council tax*

Details of the amounts precepted and demanded are set out in the council's Collection Fund Statement.

### *Members*

Members of the council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2015/16 is shown in note 8.

Thirty-five members represent the Council on the governing bodies of voluntary and community organisations. Grants totalling £395k (2014/15: £385k) were made to such organisations by the council in the year. Details of the interests of members in external organisations are maintained in the Register of Members' Interests. There were no material transactions with organisations that members had disclosed an interest in.

### *Chief Officers*

Chief Officers are entitled to receive car loans from the Council. During the year no loans were made to chief officers (2014/15: £10k), repayments of £3k (2014/15: £5k) were received and £7k was receivable at 31 March 2016 (2014/15: £10k).

### *Pension Fund*

Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 27.

### *Bushey Country Club Limited*

Bushey Country Club Limited which was a wholly (100%) owned subsidiary of the Council was dissolved on the 10 November 2015.

### *Elstree Film Studios Limited*

Elstree Film Studios Limited is a wholly owned subsidiary of the Council which began trading on 1 April 2007. The accounts for Elstree Film Studios Limited are consolidated with the Council's

accounts and summarised accounts for the company are disclosed in the Group Accounts section.

The company occupies premises owned by the Council and included in the Council's balance sheet at a net book value of £12.3 million (2015: £12.7 million). In addition, the Council has carried out further development of the site occupied by the company for commercial activity, which is included in the Council's balance sheet as an asset under construction at a cost of £3.8 million (2015: £3.6 million). The arrangement with the Studios consists of a license fee payable to the Council by the company for the use of the site. During the year the Council received £1,363k (2014/15 £1,060k).

The amount due to Hertsmere Borough Council from Elstree Film Studios Limited of £724k (2015: £506k) includes a loan, accrued interest and rental income.

#### *Elstree Film and Television Studios Limited*

The Council applied for dissolution of the above company prior to 31 March 2016. During the year, the Council received a final dividend from the company in the sum of £2k (2015:£109k). The previous carrying value of the Council's investment of £2k was written off during 2015/16.

#### *Hertsmere Leisure Trust*

Hertsmere Leisure Trust was the successful bidder when the contract to manage the Council's leisure services was re-awarded in 2011. The contract included management of leisure centres and community centres as before and in addition took over the activities previously managed by the Council's subsidiary Bushey Country Club Limited, together with the delivery of the play, 50 plus and parks events programmes previously provided by the Council itself.

The contract is for an initial 10 years from 1 February 2012 with an option to extend by a further five years. The contract stipulates that the Council should receive income of £257,000 per annum over the initial 10 years. Hertsmere Leisure Trust is also responsible for carrying out all repairs and maintenance during that period; this expenditure was previously budgeted at £254,000 per annum by the Council. The leisure contract has generated significant budget savings for the Council and is regarded as a contract which will deliver value for money for Hertsmere's residents.

At the end of the contract, the premises, plant and machinery will be returned to the Council in the same condition. This ensures that the service delivery capability of the facilities is maintained and enhanced throughout the 10 year period and possibly beyond.

#### *West Herts Crematorium*

The Council is represented on the Joint Committee, or governing body, of West Herts Crematorium. Each of the four Hertfordshire boroughs represented is required to contribute to any deficit incurred by the operations of the crematorium. The Council made no such

contribution in the year (2015: £nil). The Joint Committee is required to return to the councils any surpluses arising after financing of capital expenditure, repayment of debt and transfers to reserves. During the year, the Council received a share of such surpluses in the sum of £50k (2015: £50k).

#### *Hertfordshire CCTV Partnership*

The Council participates in the Hertfordshire CCTV Partnership in conjunction with three other boroughs. The lead partner is Stevenage Borough Council, on whose premises the control and monitoring room is located. A limited company (Hertfordshire CCTV Partnership Limited, registration number 09295528) was formed in November 2014; the Council holds 14% of the share capital (£14) and is represented on the board. The company commenced trading on 1 April 2015. Its purpose is to enable the partnership to pursue commercial trading by providing services to third parties.

#### *Hertsmere Developments Limited*

Hertsmere Developments Limited has been established as a general commercial company limited by shares. The registered office is the Council's Civic Offices. The company has issued share capital of 100 shares with a face value of £1.00 each all of which are owned by Hertsmere Borough Council. The company will take forward the development of land within the Borough with a view to generate future income streams.

<b>COLLECTION FUND 2014/15</b>	<b>Business Rates</b>	<b>Council Tax</b>	<b>Total</b>
	£'000	£'000	£'000
<b>INCOME</b>			
Council Tax Receivable	-	57,567	<b>57,567</b>
Business Rates Receivable	48,134	-	<b>48,134</b>
Transitional Protection Payments receivable	(70)	-	<b>(70)</b>
	<b>48,064</b>	<b>57,567</b>	<b>105,631</b>
<b>EXPENDITURE</b>			
<b>Precepts, Demands and Shares</b>			
DCLG	(21,144)	-	<b>(21,144)</b>
Hertsmere Borough Council	(16,915)	(6,935)	<b>(23,850)</b>
Hertfordshire County Council	(4,229)	(42,821)	<b>(47,050)</b>
Hertfordshire Police & Crime Commissioner	-	(5,657)	<b>(5,657)</b>
	<b>(42,288)</b>	<b>(55,413)</b>	<b>(97,701)</b>
<b>Charges to Collection Fund</b>			
Write offs of uncollectable amounts	-	-	-
Increase (-) / Decrease in Impairment Allowance	(90)	(458)	<b>(548)</b>
Increase (-) / Decrease in Provision for Appeals	113	-	<b>113</b>
Cost of Collection	(148)	-	<b>(148)</b>
	<b>(125)</b>	<b>(458)</b>	<b>(583)</b>
<b>Surplus / (Deficit) for the year</b>	<b>5,651</b>	<b>1,696</b>	<b>7,347</b>
<b>Apportionment of Previous Year Deficit</b>			
DCLG	2,323	-	<b>2,323</b>
Hertsmere Borough Council	1,858	(79)	<b>1,779</b>
Hertfordshire County Council	464	(382)	<b>82</b>
Hertfordshire Police & Crime Commissioner	-	(55)	<b>(55)</b>
	<b>4,645</b>	<b>(516)</b>	<b>4,129</b>
<b>Surplus / Deficit (-) arising during the year</b>	<b>10,296</b>	<b>1,180</b>	<b>11,476</b>
<b>Surplus / Deficit (-) brought forward 1st April</b>	<b>(4,671)</b>	<b>1,741</b>	<b>(2,930)</b>
<b>Surplus / Deficit (-) carried forward 31st March</b>	<b>5,625</b>	<b>2,921</b>	<b>8,546</b>
- Hertsmere Borough Council ( <i>included in reserves</i> )	2,250	362	<b>2,612</b>
- Precepting authorities ( <i>included in current assets or liabilities</i> )	3,375	2,559	<b>5,934</b>
	<b>5,625</b>	<b>2,921</b>	<b>8,546</b>

<b>COLLECTION FUND 2015/16</b>	<b>Business Rates</b>	<b>Council Tax</b>	<b>Total</b>
	£'000	£'000	£'000
<b>INCOME</b>			
Council Tax Receivable	-	59,326	<b>59,326</b>
Business Rates Receivable	47,573	-	<b>47,573</b>
Transitional Protection Payments receivable	(111)	-	<b>(111)</b>
	<b>47,462</b>	<b>59,326</b>	<b>106,788</b>
<b>EXPENDITURE</b>			
<b>Precepts, Demands and Shares</b>			
DCLG	(23,083)	-	<b>(23,083)</b>
Hertsmere Borough Council	(18,467)	(7,073)	<b>(25,540)</b>
Hertfordshire County Council	(4,617)	(44,475)	<b>(49,092)</b>
Hertfordshire Police & Crime Commissioner	-	(5,761)	<b>(5,761)</b>
	<b>(46,167)</b>	<b>(57,309)</b>	<b>(103,476)</b>
<b>Charges to Collection Fund</b>			
Write offs of uncollectable amounts	-	-	-
Increase (-) / Decrease in Impairment Allowance	(107)	(117)	<b>(224)</b>
Increase (-) / Decrease in Provision for Appeals	(3,417)	-	<b>(3,417)</b>
Cost of Collection	(150)	-	<b>(150)</b>
	<b>(3,674)</b>	<b>(117)</b>	<b>(3,791)</b>
<b>Surplus / (Deficit) for the year</b>	<b>(2,379)</b>	<b>1,900</b>	<b>(479)</b>
<b>Apportionment of Previous Year Surplus</b>			
DCLG	(1,626)	-	<b>(1,626)</b>
Hertsmere Borough Council	(1,301)	(266)	<b>(1,567)</b>
Hertfordshire County Council	(325)	(1,647)	<b>(1,972)</b>
Hertfordshire Police & Crime Commissioner	-	(218)	<b>(218)</b>
	<b>(3,252)</b>	<b>(2,131)</b>	<b>(5,383)</b>
<b>Surplus / Deficit (-) arising during the year</b>	<b>(5,631)</b>	<b>(231)</b>	<b>(5,862)</b>
<b>Surplus / Deficit (-) brought forward 1st April</b>	<b>5,625</b>	<b>2,921</b>	<b>8,546</b>
<b>Surplus / Deficit (-) carried forward 31st March</b>	<b>(6)</b>	<b>2,690</b>	<b>2,684</b>
- Hertsmere Borough Council ( <i>included in reserves</i> )	(2)	335	<b>333</b>
- Precepting authorities ( <i>included in current assets or liabilities</i> )	(4)	2,355	<b>2,351</b>
	<b>(6)</b>	<b>2,690</b>	<b>2,684</b>

## Notes to the Collection Fund

### 1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. It shows the transactions of the Council in relation to non-domestic rates and the council tax, which the council collects as agents for its preceptors (note 2 below). It illustrates the way in which these sums have been distributed to preceptors and the Council. The Collection Fund is consolidated with other accounts of the Council and is prepared on an accruals basis.

### 2. Provision for Irrecoverable Debts

During the year the provision for irrecoverable council tax was increased by £85k (2014/15: decrease £87k) and £32k (2014/15: £545k) irrecoverable debts were written off. The provision for irrecoverable business rates was increased by £63k (2014/15: decrease £306k) and £44k (2014/15: £396k) irrecoverable debts were written off.

### 3. Income from Business Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. During the year the rate with Small Business Relief was 48.0p (2014/15: 47.1p) and 49.3p (2014/15: 48.2p) with no relief. The total rateable value of properties at the year end amounted to £114.1m (2015: £115.2m). The total amount, less certain reliefs and other deductions, is allocated amongst the Council, Hertfordshire County Council as a preceptor and DCLG (see notes 1 and 2 above). The Council's share is paid into the General Fund.

### 4. Precepts and Demands

During the year the following authorities made precepts or demands on the Collection Fund of the Council.

Precepts, Demands and Shares	Business Rates £'000	Council Tax £'000	Total £'000
DCLG	(23,083)	-	<b>(23,083)</b>
Hertsmere Borough Council	(18,467)	(6,131)	<b>(24,598)</b>
Hertfordshire County Council	(4,617)	(44,475)	<b>(49,092)</b>
Hertfordshire PCC	-	(5,761)	<b>(5,761)</b>
Aldenham Parish Council	-	(565)	<b>(565)</b>
Elstree & Borehamwood Town Council	-	(303)	<b>(303)</b>
Shenley Parish Council	-	(64)	<b>(64)</b>
South Mimms	-	(10)	<b>(10)</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 a material 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 material subsidiary, associate or joint venture entities over which the Council exercises control or influence.

Elstree Film Studios Ltd (EFS), is a company formed in April 2007, since when the Council has owned 100% of shares (purchased for a cash consideration of £1), and so has been consolidated as a subsidiary. The arrangement with EFS consists of a license fee payable to the Council by the company for the use of the site.

EFS provide film and television studio space and related production and back office units for hire within the media industry.

### *Accounting Policies*

EFS has prepared the financial statements under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015) and these accounts were signed off by their auditors Berg Kaprow Lewis LLP on 20<sup>th</sup> June 2016. The Council has reviewed the accounting policies applied by EFS and has concluded that there are no material adjustments required to align accounting policies. Both entities have a financial year end of 31 March.

As a subsidiary, the accounts of EFS have been consolidated with those of the Council on a line by line basis, and any balances and transactions between the parties have been eliminated in full. EFS's expenditure and income, adjusted for transactions with the Council, is included in the relevant service lines in the Comprehensive Income and Expenditure Statement; and balance sheet values are similarly incorporated into the relevant headings of the Balance Sheet, removing balances owed between the two parties.



## Group movement in reserves statement

### Movement in Reserves during 2014/15

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (HBC)	Usable Reserves Elstree Film Studio	Total Usable Reserves (Group)	Unusable Reserves (HBC)	Unusable Reserves Elstree Film Studio	Total Unusable Reserves (Group)	Total Reserves (Group)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2014</b>	9,418	15,437	6,425	615	31,895	95	31,990	62,308	-	62,308	94,298
Deficit on provision of services	(138)	-	-	-	(138)	91	(47)	-	-	-	(47)
Other comprehensive income and expenditure	-	-	-	-	-	(3)	(3)	1,157	-	1,157	1,154
<b>Total comprehensive income and expenditure</b>	<b>(138)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(138)</b>	<b>88</b>	<b>(50)</b>	<b>1,157</b>	<b>-</b>	<b>1,157</b>	<b>1,107</b>
Adjustments between accounting basis and funding basis under regulations	(830)	-	(141)	11	(960)	-	(960)	960	-	960	-
<b>Net increase/(decrease) before transfers to earmarked reserves</b>	<b>(968)</b>	<b>-</b>	<b>(141)</b>	<b>11</b>	<b>(1,098)</b>	<b>88</b>	<b>(1,010)</b>	<b>2,117</b>	<b>-</b>	<b>2,117</b>	<b>1,107</b>
Transfers to/from earmarked reserves	(3,136)	3,136	-	-	-	-	-	-	-	-	-
<b>Total Increase / (decrease) during the year</b>	<b>(4,104)</b>	<b>3,136</b>	<b>(141)</b>	<b>11</b>	<b>(1,098)</b>	<b>88</b>	<b>(1,010)</b>	<b>2,117</b>	<b>-</b>	<b>2,117</b>	<b>1,107</b>
						-					
<b>Balance at 31 March 2015</b>	<b>5,314</b>	<b>18,573</b>	<b>6,284</b>	<b>626</b>	<b>30,797</b>	<b>183</b>	<b>30,980</b>	<b>64,425</b>	<b>-</b>	<b>64,425</b>	<b>95,405</b>

**Group movement in reserves statement**

## Movement in Reserves during 2015/16

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (HBC)	Usable Reserves Elstree Film Studio	Total Usable Reserves (Group)	Unusable Reserves (HBC)	Unusable Reserves Elstree Film Studio	Total Unusable Reserves (Group)	Total Reserves (Group)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015</b>	5,314	18,573	6,284	626	30,797	183	30,980	64,425	-	64,425	95,405
Deficit on provision of services	(1,499)	-	-	-	(1,499)	16	(1,483)	-	-	-	(1,483)
Other comprehensive income and expenditure	-	-	-	-	-	35	35	14,535	-	14,535	14,570
<b>Total comprehensive income and expenditure</b>	<b>(1,499)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,499)</b>	<b>51</b>	<b>(1,448)</b>	<b>14,535</b>	<b>-</b>	<b>14,535</b>	<b>13,087</b>
Adjustments between accounting basis and funding basis under regulations	2,169	-	(17)	299	2,451	-	2,451	(2,451)	-	(2,451)	-
<b>Net increase/(decrease) before transfers to earmarked reserves</b>	<b>670</b>	<b>-</b>	<b>(17)</b>	<b>299</b>	<b>952</b>	<b>51</b>	<b>1,003</b>	<b>12,084</b>	<b>-</b>	<b>12,084</b>	<b>13,087</b>
Transfers to/from earmarked reserves	1,714	(1,714)	-	-	-	-	-	-	-	-	-
<b>Total Increase / (decrease) during the year</b>	<b>2,384</b>	<b>(1,714)</b>	<b>(17)</b>	<b>299</b>	<b>952</b>	<b>51</b>	<b>1,003</b>	<b>12,084</b>	<b>-</b>	<b>12,084</b>	<b>13,087</b>
<b>Balance at 31 March 2016</b>	<b>7,698</b>	<b>16,859</b>	<b>6,267</b>	<b>925</b>	<b>31,749</b>	<b>234</b>	<b>31,983</b>	<b>76,509</b>	<b>-</b>	<b>76,509</b>	<b>108,492</b>

## Group Comprehensive Income &amp; Expenditure Statement

2014/15				2015/16	
Net Expenditure £'000	Continuing Operations	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
2,751	Central Services	5,940	(2,734)	3,206	
4,584	Cultural & Related Services	5,634	(1,108)	4,526	
5,136	Environmental & Regulatory Services	6,945	(1,539)	5,406	
801	Planning Services	8,352	(6,736)	1,616	
360	Highways & Transport Services	1,243	(1,631)	(388)	
1,532	Housing Services	44,749	(43,380)	1,369	
<b>15,164</b>	<b>Net cost of services</b>	<b>72,863</b>	<b>(57,128)</b>	<b>15,735</b>	

## Group Comprehensive Income &amp; Expenditure Statement (continued)

2014/15	Continuing Operations	2015/16
Net (Income) / Expenditure £'000		Net (Income) / Expenditure £'000
	<b>Other operating income and expenditure:</b>	
(502)	(Surplus)/deficit on disposal of property, plant and equipment	(682)
916	Parish precepts	942
<b>414</b>		<b>260</b>
	<b>Finance and investment income and expenditure</b>	
22	Interest payable and similar charges	39
(360)	Interest receivable and similar income	(378)
110	(Increase)/decrease in fair value of investment property	(62)
-	Surplus on sale of investment property	-
(375)	Rental income from investment property	(366)
-	Impairment/(reversal of impairment) to financial assets	2
(59)	(Surpluses)/deficits on trading undertakings not included in net cost of services	(70)
1,354	Net interest cost on the defined benefit pension liability	1,122
<b>692</b>		<b>287</b>
	<b>Taxation and non-specific grant income:</b>	
(7,144)	Council tax income	(7,311)
(3,631)	Non-domestic rates income and expenditure	(2,721)
(4,103)	Non-ring-fenced government grants	(3,916)
(1,360)	Recognised capital grants and contributions	(886)
<b>(16,238)</b>		<b>(14,834)</b>
(3)	Group company pension surplus not recognised	28
18	Tax expense of subsidiary	7
<b>47</b>	<b>(Surplus)/Deficit for the year on Provision of Services</b>	<b>1,483</b>

## Group Comprehensive Income &amp; Expenditure Statement (continued)

2014/15	Continuing Operations	2015/16
Net (Income) / Expenditure £'000		Net (Income) / Expenditure £'000
	<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>	
(3,408)	(Surplus) arising on the revaluation of property, plant and equipment	(8,836)
2,254	Remeasurement of the net defined pension liability (assets)	(5,734)
<b>(1,154)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(14,570)</b>
<b>(1,107)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(13,087)</b>

<b>31 Mar 2015 £'000</b>		<b>31 Mar 2016 £'000</b>
	<b>Non-Current Assets:</b>	
101,494	Property, plant and equipment	106,218
1,220	Heritage assets	1,198
6,390	Investment property	7,502
615	Intangible assets	458
2,443	Debtors receivable after one year	2,267
2	Investments	20
<b>112,164</b>	<b>Total non-current assets</b>	<b>117,663</b>
	<b>Current Assets:</b>	
79	Inventories	82
-	Assets held for sale	-
3,968	Debtors	3,988
20,019	Investments	30,069
18,416	Cash and cash equivalents	12,628
<b>42,482</b>	<b>Total current assets</b>	<b>46,767</b>
<b>154,646</b>	<b>Total assets</b>	<b>164,430</b>
	<b>Current Liabilities:</b>	
13,951	Creditors	11,411
1,974	Provisions	2,536
<b>15,925</b>	<b>Total current liabilities</b>	<b>13,947</b>
<b>138,721</b>	<b>Total assets less current liabilities</b>	<b>150,483</b>
	<b>Non-Current Liabilities:</b>	
4,207	Capital grants received in advance	7,793
37,253	Liability related to defined benefit pension scheme	32,562
1,856	Other liabilities	1,636
<b>43,316</b>	<b>Total non-current liabilities</b>	<b>41,991</b>
<b>95,405</b>	<b>Net assets</b>	<b>108,492</b>

## Group Balance Sheet (continued)

<b>31 Mar</b>			<b>31 Mar</b>
<b>2015</b>			<b>2016</b>
<b>£'000</b>	<b>Financed by:</b>		<b>£'000</b>
30,980	Usable Reserves		31,983
64,425	Unusable Reserves		76,509
<b>95,405</b>	<b>Total reserves</b>		<b>108,492</b>

## Group Cash Flow Statement

2014/15		2015/16
£'000		£'000
(47)	<b>Surplus/(deficit) for the year on the provision of services</b>	(1,483)
7,499	Adjustments to deficit on the provision of services for non-cash movements	6,555
(1,909)	Adjustments for items included in the deficit on the provision of services that are investing and financing activities	(1,572)
<b>5,543</b>	<b>Net cash inflow from operating activities</b>	<b>3,500</b>
	<b>Investing Activities:</b>	
(2,179)	Purchase of property plant and equipment, investment property and intangible assets	(1,895)
(29,000)	Purchase of short-term and long-term investments	(30,020)
	<b>Proceeds from the sale of non-current assets:</b>	
503	Property plant and equipment	898
24,000	Proceeds from the redemption of short-term and long-term investments	20,000
1,204	Grants received towards the purchase of property plant and equipment	4,445
<b>(5,472)</b>	<b>Net cash (outflow) from investing activities</b>	<b>(6,572)</b>
	<b>Financing Activities:</b>	
1,000	Loan from Local Enterprise Partnership ( <i>note 23</i> )	(194)
(81)	Other payments for financing activities	-
6,039	Cash inflow from agency arrangements for the collection of NNDR and council tax	(2,522)
<b>6,958</b>	<b>Net cash inflow from financing activities</b>	<b>(2,716)</b>
<b>7,029</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(5,788)</b>
11,387	Cash and cash equivalents at the beginning of the reporting period	18,416
<b>18,416</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>12,628</b>



2014/15		2015/16
£'000		£'000
	<b>Cash &amp; cash equivalents comprise:</b>	
18,416	Cash at bank and in hand and call deposits	12,628
<b>18,416</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>12,628</b>

## Notes to the Group Accounts

The notes below give information on the areas that have materially changed on the consolidation of the group entities into the Council's individual accounts.

### 1. Summary Financial Position of Subsidiary

Elstree Film Studios Ltd has been consolidated in the group accounts as a 100% owned subsidiary. The summary financial position of the company is shown below

2014/15	Profit and Loss Account	2015/16
£'000		£'000
3,744	Turnover	4,315
(2,087)	Cost of sales	(2,496)
<b>1,657</b>	<b>Gross Profit</b>	<b>1,819</b>
(1,559)	Administrative expenses	(1,781)
-	Interest receivable and similar income	1
(25)	Interest payable and similar charges	(19)
33	Other finance income	31
<b>106</b>	<b>Profit before taxation</b>	<b>51</b>
(18)	Taxation	(7)
<b>88</b>	<b>Profit for the year</b>	<b>44</b>
<b>(3)</b>	<b>Actuarial gain related to pension scheme</b>	<b>35</b>
3	Pension surplus not recognised	(28)
<b>88</b>	<b>Recognised gains for the year</b>	<b>51</b>

31-Mar-15 £'000	Balance Sheet	31-Mar-16 £'000
620	Tangible Fixed Assets	594
	<u>Current Assets</u>	
435	Debtors	709
872	Cash	827
	<u>Current Liabilities</u>	
(1,209)	Creditors due within one year	(1,633)
	<u>Non-Current Liabilities</u>	
(500)	Creditors due after more than one year	(250)
(35)	Provision for deferred tax	(13)
<b>183</b>	<b>Net Assets</b>	<b>234</b>
	<u>Capital and Reserves</u>	
0	Called up share capital	-
183	Profit and Loss Account	234
<b>183</b>	<b>Shareholders' Funds</b>	<b>234</b>

## **2. Debtors and Creditors**

With the elimination of transactions between the Council and Elstree Film Studios Ltd as its subsidiary, debtors and creditors between these parties are excluded.

# **ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2015/16**

This Annual Governance Statement covers the 2015/16 financial year and up to the date of the approval of the audited accounts.

### **SCOPE OF RESPONSIBILITY**

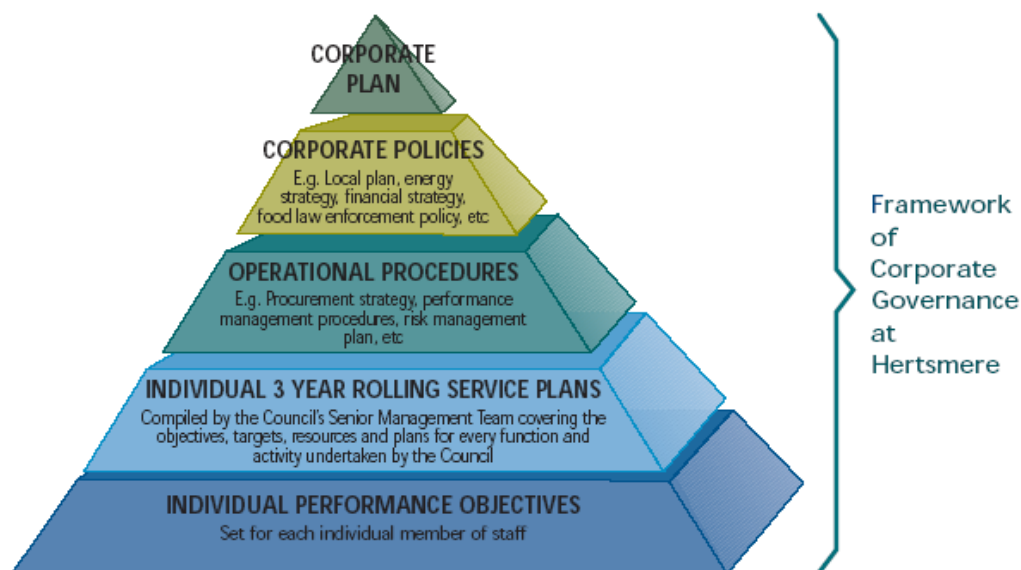
1. Hertsmere Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
2. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
3. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
4. This Governance Statement explains how the Council has maintained sound governance during the financial year 2015/16 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

5. The governance framework, which has been in place for the financial year 2015/16, comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.
6. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
8. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

## **THE GOVERNANCE FRAMEWORK**

9. The diagram below shows how the Council's plans and strategies link together. The model recognises the external influence of the Community Strategy as well as internal business planning processes:-



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

### **General**

11. The Council has adopted the Leader and Cabinet style of political management under the Local Government Act 2000 and has a comprehensive Constitution to govern its actions and decision-making.
12. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's website and intranet.
13. The Council has an approved Local Code of Governance, which sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website and intranet.
14. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.

- 15. The Chief Officers’ Board and the Senior Management Team are aware of the financial and other procedures and controls outlined in the Constitution, and each Director and each Head of Service is required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
- 16. Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as on an annual basis.

**Identifying and communicating the Council’s vision of its purpose and intended outcomes for citizens and service users / translating the vision into objectives for the authority and its partnerships**

- 17. The Council and its partner agencies in the Local Strategic Partnership (LSP) Hertsmere Together have prepared a refreshed Sustainable Community Strategy which is underpinned by the Council’s Corporate Plan. The Community Strategy was reviewed during 2012 and the revised strategy 2013 – 2016 was launched at the LSP in March 2013 and adopted by the Council in 2013.
- 18. The Community Strategy and Corporate Plan ensure that the Council’s strategic plans, priorities and targets are robustly developed in consultation with local communities and other key stakeholders.
- 19. The Corporate Plan 2009-2013 was approved in November 2009 and it sets out clear and robust objectives for the Council that show what the Council is doing, and how this relates to the local community’s needs. It has been agreed that the priorities in the strategy remain relevant and to therefore rollover the current Corporate Plan until it is refreshed after the all-out elections in 2015. Work has commenced on refreshing the Corporate Plan for adoption in 2016. In the meantime, the Council’s emerging Enterprising Council approach is focusing on ways of working to prepare the organisation for further revenue cuts in future years.
- 20. The existing Corporate Plan goals are closely allied to the strategic objectives in the Community Strategy to ensure an integrated approach to delivering services that meet community needs:

<p><b>Local Strategic Partnership “Community Strategy” Strategic Objectives</b></p>	<p><b>Hertsmere Borough Council Corporate Plan Goals</b></p>
<p>Safer Communities</p> <ul style="list-style-type: none"> <li>• To create safer environments by tackling crime (particularly dwelling burglary and vehicle crime), antisocial behaviour and alcohol related disorder.</li> <li>• To improve lives by reducing harm caused to communities by drugs,</li> <li>• To reduce offending and</li> </ul>	<p>Safer Communities</p> <p>Contribute to reducing crime levels, combat anti-social behaviour and improve people’s feelings of safety</p>

<b>Local Strategic Partnership “Community Strategy” Strategic Objectives</b>	<b>Hertsmere Borough Council Corporate Plan Goals</b>
manage offender behaviour. <ul style="list-style-type: none"> <li>• To build community confidence and increase feelings of safety.</li> </ul>	
<b>Healthier Communities</b> <ul style="list-style-type: none"> <li>• To promote healthy weight and increase physical activity.</li> <li>• To improve mental health and emotional wellbeing.</li> <li>• To create a healthy culture across all services, all communities and all workplaces.</li> </ul>	<b>Healthy Thriving Communities</b> Improve the health and wellbeing of our communities through the promotion of healthy living initiatives and leisure, sport and cultural opportunities for everyone
<b>Thriving Communities</b> <ul style="list-style-type: none"> <li>• To provide accessible opportunities to skills development and financial advice</li> <li>• To increase community involvement and cohesion so people feel empowered and that they belong</li> <li>• To enable people to take part in decision making processes, increasing pride in communities and assisting ideas to thrive.</li> <li>• To support the development of volunteering, social enterprise and business opportunities.</li> </ul>	
	<b>Economic Wellbeing</b> Encourage and support activities and opportunities that strengthen the local economy and deliver economic wellbeing to our communities
	<b>Decent Homes</b> Improve the quality of housing, promote a balanced housing market and tackle homelessness
	<b>Quality Environments</b> Protect and enhance both the natural and the built environments to ensure clean, green and sustainable places for our residents



**Reviewing the Council's vision and its implications for the Council's governance arrangements**

20. The Council's Corporate Plan has been subject to ongoing review, particularly in the light of the results of two surveys (the Place Survey and the Residents' Survey), which have provided significant information from service users and residents to input to the re-assessment of priorities and targets. The fully revised Corporate Plan was presented to the Council in November 2009. In 2015, the process of reviewing the Corporate Plan will commence and the existing vision, values and corporate priorities will be subject to review and public consultation.
21. The Corporate Plan will always form part of the Council's governance arrangements as, together with the Community Strategy, they fully encompass Council and community priorities for the Borough and they are used to inform other key documents such as the Council's Medium Term Financial Strategy.
22. The Council publishes an Annual Statement of Accounts, which show its activities, achievements, financial position and performance.

**Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources**

23. The Corporate Plan provides the benchmarks for performance within the Council, and the Annual Statement of Accounts shows the achievements against the Plan. The Council allocates resources based on its priorities, as set out in the Plan as well as in other Policy Framework Documents and the Communications Strategy and Residents' Survey.
24. The Council has made proper arrangements for monitoring and reporting performance through the Executive Performance Management Panel and Scrutiny Committees, and has sound systems to provide management and financial information. Where performance does not meet the planned levels, the Panel requests that a remedial action plan is produced and monitors progress with the improvement work.
25. The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (i.e. Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the website.
26. The Council aims to use its resources efficiently, effectively and economically – the Constitution provides specific guidance in this.
27. The Council has entered into a number of shared service initiatives, e.g. with Hertfordshire County Council, North Herts District Council, East Herts Council, Stevenage Borough Council, Broxbourne Borough Council and Welwyn Hatfield Borough Council as well as the Hertfordshire Constabulary.

**Defining and documenting the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

28. The Council's Constitution sets out the roles and responsibilities of both Members and officers. It also commits the Council to provide clear leadership to the community. It aims to enhance the involvement of citizens in decision-making and make the decision-making process efficient, effective and transparent and those involved in it accountable.
29. There are regular meetings of the Council, the Executive, the Management Board, the Chief Officers' Board and the Senior Management Team.
30. In addition, there are regular meetings of the following Committees:  
Planning, Licensing, Operations Review, Policy Review, Personnel, Standards and Audit  
Each having clear terms of reference covering the business they respectively conduct.
31. There is a realistic level of delegation in place, which permits the Council's business to be conducted as effectively as possible.
32. Committee terms of reference and levels of delegation are kept under review to ensure that there is a clear demarcation of roles between the Council, Executive and various Committees, and between the Committees and officers. These boundaries are understood in order to manage reputational and uninsurable risks that are contrary to the best interests of the Council, and it is advisable to have regular training in respect of these roles.
33. The Council's Forward Plan and publication of minutes provides the Operations Review Committee and the Policy Review Committee with proposed and recently made executive decisions including key decisions, which are used to determine items for call-in or scrutiny.
34. In addition the Council has created a list of policies and strategies, which identifies the responsible officer and when the policy is due for review. This document is used by councillors wishing to raise items on the scrutiny agenda.
35. The Constitution includes roles and responsibilities of the three statutory officers, and the Chief Officers, as well as Proper Officer Functions. In addition each Head of Service has an up to date Scheme of Delegation which is reviewed annually. Roles and responsibilities of officers are further defined in the job descriptions for each post.
36. The Constitution also provides a Protocol for Member/Officer Relations and Codes of Conduct, which define the standard of behaviour that the Council requires of both Members and Officers. These also ensure that Members and Officers are not influenced by prejudice, bias or conflict of interest in their work.

**Developing, communicating and embedding Codes of Conduct, defining the standards of behaviour for Members and officers**

37. The Council's Constitution sets out:
- Code of Conduct for Members – this includes General Provisions, Interests and the Register of Members' Interests, including Gifts and Hospitality. The Register entries are renewed annually and when Members are elected or re-elected. Members are regularly advised to keep their entries accurate and up to date. The Register is

subject to review by both Management and SIAS. Members are also required to declare the existence and nature of interests at meetings and these are recorded in the minutes of the meeting.

- Local Code of Guidance for Members and Officers involved in Planning Matters – this includes conduct of Members and officers, Procedures for Committees considering Planning Matters, Site Visits by Members and by the Planning Control Committee
  - Officers' Code of Conduct – this includes Duties, Disclosure of Information, Political Neutrality, Outside Commitments, Personal Interests, Interests of Officers in Contracts, Gifts and Hospitality, Appointment and other employment matters, Use of Financial Resources and Disciplinary Rules. Officers are regularly reminded to record any offers of gifts and hospitality.
  - Protocol on Member Officer Relations – this includes the Principles underlying Member Officer Relations, the roles of Members and Officers, the relationships between the Mayor and officers, the Leader and Members of the Cabinet and officers, the Chairmen and Members of Committees and officers, Officer relationships with Party Groups, etc.
38. Copies of the Council's Constitution are available to all on the Council's website and at Council Offices (including the Members' Room), libraries and other appropriate locations.
39. In addition, Induction Training is provided to all newly elected Members and new employees and the Council has been awarded the Elected Members' Development Charter. In a digital world, there is also an emphasis on responsible use of social media.

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks**

40. The Constitution and the decision-making structures (both Members and officers) are regularly reviewed to ensure that they up-to-date, relevant, in line with good practice and fit for purpose.
41. The Constitution sets out the Council's Policy Framework which includes at Article 4 the following plans and policies:
- Community Strategy
  - Corporate Plan
  - Community Safety Partnership Plan
  - Creative Hertsmere Economic Development Strategy
  - Financial Strategy
  - Gambling Policy
  - Housing Strategy
  - Local Development Documents which include the Local Development Framework; the Local Plan Core Strategy and Site Allocation and Development Management Development Plan Document
  - Risk Management Strategy

- The Local Code of Governance
42. The Council has an approved Risk Management Strategy, which sets out:
- the key features of its risk management system
  - roles and responsibilities with regard to risk management
  - its overall approach to the management of risk
  - actions to embed the process in future periods
42. The Council's Risk Register is recorded on Covalent the Council's Performance and Risk management software. This includes both Strategic and Operational risks. The Risk Management Strategy provides an introduction to the risk management framework, definitions and how to identify assess and manage risks. The use of a risk matrix enables the assessment level of the risks to be readily identified.

### **Undertaking the core functions of an Audit Committee**

43. The Audit Committee has Terms of Reference, which are included in the Council's Constitution and are regularly reviewed to ensure compliance with recognised best practice - the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities and Police". Responsibilities arising from the Bribery Act were added. From April 2016, the Audit Committee will also be the nominated body responsible for the scrutiny of the Treasury Management function.
44. It is recognised that, in order to discharge these responsibilities, the Audit Committee may require any officer to attend meetings of the Committee so it may receive explanations regarding any matter that it is considering.
45. At the beginning of each financial year, the Committee establishes a Work Programme, as well as a Training and Development Programme, and at each Committee, it receives a report from officers setting out its performance against both Programmes.
46. The Audit Committee Chairman presents a report on the work of the Committee to the Full Council.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

47. The Council has a full range of relevant policies and procedures and places emphasis on compliance with these, as well as with the law and other external regulations. Compliance is achieved through the following mechanisms:

Members - Code of Conduct, Role Descriptions, Training and Development and Declaration of Interests

Employees - Code of Conduct, Job / Person Specification, Appraisals, Team Meetings and Training & Development

Other -

- The Constitution and other policies and procedures are available on the Council's website, intranet and as hard copy
- Officers prepare timely reports to all of the Council's decision-making bodies (including the Executive, the Audit Committee and the Chief Officers' Board) on statutory requirements and proposals regarding their implementation
- Standard report formats require officers to consider the implications of Corporate Policy, Finance, Health and Safety, Legal, Personnel and Risk Management
- Two Officer Groups, the Corporate Policy Network and the Governance Group met at least quarterly to review policy and track changes in legislation
- The work of the Council's external auditors, who report to members, officers and the Council's stakeholders if they have been required to issue a report in the public interest or exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014, including applying to the court for a declaration that an item of account is contrary to law.

### **Whistle-blowing and receiving and investigating complaints from the public**

48. The Council's Whistle-blowing Policy is available on the Council's Website and Intranet. The Policy covers any malpractice or wrongdoing by:
- Any Member of the Council
  - Any employee of the Council
  - Any contractor, supplier, consultant or partner of the Council in the course of their work for the Council
49. The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (i.e. Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the website.

### **Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by the appropriate training**

50. On taking up office, all Members are required to attend a comprehensive Members' Induction Course. The Constitution states that the Council's Standards Committee is responsible for "advising, training or arranging to train Councillors and co-opted members on matters relating to the Members' Code of Conduct".
51. The Constitution also states that "All Members appointed to the Planning Committee (and all other Members who may from time to time consider a planning application) must receive training in planning procedures. Induction training in planning procedures shall be provided to all Members, either before serving on the Committee or within two months of appointment."
52. As stated in Para 38 above, the Council has been awarded the Elected Members' Development Charter.
53. Senior Officers' training needs are identified (and regularly monitored) as part of the Council's Continuous Performance Review Scheme (appraisals). In addition to the Corporate Training Programme and various professional development courses, seminars

and conferences, a variety of Management Development Courses, Project Planning and mentoring facilities have been delivered to senior managers.

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

54. Opinion Research Services was commissioned by the Council to undertake a survey in which the Council wished to examine residents' views on a range of services. Overall the result was very positive for the Council, showing improvements in key areas. The chart below shows the response to key questions from each year the survey was carried out since 1999. The most recent survey was conducted in 2014.

	1999	2002	2005	2008	2011	2014
% Satisfaction with the area as a place to live	82	82	82	84	91	90
% Satisfaction with the way the Council is run	62	64	66	65	74	89
% Agree the Council provides value for money	45	45	39	52	61	65
% Agree treats all areas of the borough fairly	29	31	28	35	65	70

55. The Council's official magazine "Hertsmere News" is published three times a year and delivered throughout the Borough.
56. Residents and property / business owners in the Borough are able to submit relevant questions in writing for consideration and response at Council meetings.
57. There is a facility for Council to receive petitions – should a group of residents feel strongly about an issue that relates to or affects the Council's functions or the Council has an interest in or involvement with.
58. Meetings of the Council and the Executive are web-cast.
59. Members of the public are also able to speak at a Planning Committee on any application being considered at that meeting – by prior arrangement only.
60. The last Participatory Budgeting process was carried out in July 2013 and resulted in ongoing annual savings of £348,000, which assisted the Council in balancing the 2014/15 budget and in addressing the continuing reduction in funding from Central Government.
61. The Council is subject to the requirements of the Freedom of Information Act 2003 and the Local Government Transparency Code 2014, the approaches of which are to provide demand-led, open, honest, timely and transparent information to all stakeholders without compromising confidentiality.
62. The Council has established clear channels of communication with its staff, e.g. regular briefings from the Chief Executive, regular Directorate meetings and weekly 'All Staff' e-mails.

**Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)**

63. The Council can confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government.

**Incorporating good governance arrangements in respect of partnerships and other joint working and reflecting these in the Council's overall governance arrangements**

64. The Council is committed to improving and supporting collaborative working of all kinds, although the wide range of partnership models do make it very difficult to prescribe a single set of arrangements. However, partnership working should not result in diminished accountability to the public.
65. Accordingly, there are individual Service Level Agreements in place and there are regular meetings with partners to monitor the performance of the work carried out by the partnership. All Service Level Agreements are subject to an annual review.
66. The Local Strategic Partnership is the forum for all of the Council's partners – meetings are chaired by the Leader and are supported by the Chief Executive and senior managers.

**REVIEW OF EFFECTIVENESS**

67. The Council has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
68. This review is informed by those Members and officers, who have the responsibility for the development and maintenance of the governance environment.
- the work of Members at Council, Executive, Overview and Scrutiny Committees, the Audit Committee, the Standards Committee and Financial Monitoring Panel
  - the work of the Corporate Governance Group
  - the annual Management Assurance Statements prepared by the Directors, Heads of Service and Senior Managers relating to internal controls, performance and risk management within their areas of activity
  - the Head of SIAS's Annual Assurance Statement and Annual Report as well as the individual audit reports
  - Reports made by the Council's External Auditors and any other review agencies and inspectorates.

## **Reviewing the effectiveness of the authority's decision-making framework**

### **69. The Council**

The full Council comprises 39 Members, who as a collective, approve the Council's annual Revenue and Capital Budgets, set the Council Tax, approve the Policy Framework and take decisions that are contrary to, or not in accordance with, the Budget or the Policy Framework. Full Council also takes a range of decisions that are reserved to it such as approving the Council's Constitution, electing or removing an Executive Leader (in Hertsmere called the Leader of the Council), establishing a number of committees to discharge the Council's regulatory, scrutiny and non-executive functions, approving an Officers Scheme of Delegations, making bye-laws or making a Scheme of Allowances for Members.

At the Annual Meeting (held in June 2015), the Council elected a Mayor and Deputy Mayor, appointed a Leader of the Council for the four year electoral cycle and noted the appointment by the Leader to the Executive of a Deputy Leader and five other portfolio-holders. Council also appointed members to the standing Committees in accordance with the requirements of political balance and appointed a number of members to represent the Council on a range of outside bodies for the coming municipal year.

Each Council meeting has been open to the public, who are entitled to submit a question or petition to any ordinary meeting of Council.

The Council met eight times during the last financial year – Agendas, Supporting Papers and Minutes are available on the Council's website.

### **70. The Executive**

The Executive comprises the Leader of the Council and six other members appointed by him, one of whom is also appointed as Deputy Leader. The Executive is responsible for developing the annual budget, for the development and implementation of Council policy, for the delivery of the Council's corporate plan priorities, for ensuring that the officers team have sufficient resources to effectively discharge all the Council's statutory and discretionary functions and for setting and monitoring service standards and service delivery performance indicators.

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

The dates of all executive meeting are pre-published and all executive decisions have been taken in public apart from a small number of reports which were considered and determined after the press and public has been lawfully excluded (for example, to protect personal or commercially sensitive information or to receive confidential legal advice). Agendas, open reports and the minutes of the meetings are available on the Council's web site and all background documents can be inspected by the public for six year after the date of the decision.

The Executive are unable to take key decision that have not been published in the Forward Plan unless the general exception or urgency procedures are followed and



officers are unable to implement key decisions until the five day 'call-in' period has elapsed – except for those decisions taken under urgency procedures.

#### 71. The Overview Committees

At the Annual Meeting in 2015, Council appointed two Overview and Scrutiny Committees. These were the Operations Review Committee and the Policy Review Committee whose role is to scrutinise the decisions and performance of the Executive and the Council as a whole, to call-in unimplemented executive decisions for re-consideration and to undertake policy development and review work. Both Committees have the power to require executive member and officers to appear before them to give account and have extensive rights of access to Council records and information to enable them to effectively discharge their functions. It is important to maintain the clear demarcation between the conduct of executive functions and the scrutiny of executive decisions as part of democratic accountability.

The Operations Review Committee has responsibility for reviewing all aspects of the Council's operational business and met ten times last year. It set and monitored its own work plan and major achievements included a cross departmental income generation and resilience review, the recommendations of which are currently under consideration by the Executive.

The Policy Review Committee has responsibility for keeping the Council's strategies and plans under review, for reviewing the draft budget and financial performance of the Council and for overseeing the enterprise and regeneration agenda of the Council. It met five times this year and its work plan included a review of the Council's Corporate Plan.

#### 72. Member Panels

There has been a number of cross-party Member Panels to scrutinise the various areas of Council activity, e.g. Asset Management Panel, Financial Monitoring Panel, Leisure Panel, the Performance Management Panel and the Resilience and Income Generation Panel.

#### 73. The Standards Committee

The Standards Committee's Terms of Reference were amended to take account of the revised purpose of this Committee following the enactment of the Localism Act 2011. One of its functions remains the promotion and maintenance of high standards of conduct by Members and co-opted Members.

The Committee comprises five Borough Councillors and an Independent Person who regularly attends.

The Standards Committee held four meetings during the year. These are supplemented as required by further meetings to consider complaints about individual members. Agendas, supporting papers and minutes are available on the Council's website.

#### 74. Members' and Officers' Allowances and Expenses

**Members' Allowances:** During 2013-14 these were reviewed by an Independent Remuneration Panel, which is made up of three independent members who are assisted by the Democratic Services Manager. The report and recommendations of the Independent Remuneration Panel was approved by the Full Council for publication and these are published on the Council's website. The Panel also recommended that Members' allowances were increased for the next three years by the level of the officer's pay award and, accordingly, Members' allowances were increased by 2% in 2015/16. In addition the Independent Remuneration Panel met to consider and recommend special responsibility allowances for the Chairmen of the Operations Review Committee and Policy Review Committee and these were agreed by Council. The Independent Remuneration Panel also considered the remuneration of Members serving on the Elstree Studios Board.

**Officers' Allowances  
& Expenses:**

Allowances are stipulated by individual employment contracts, whereby the Human Resources Team instructs the Payroll Team as to the payment to be made.

Officers' Expenses are authorised for payment by employees' line managers and reimbursed via payroll. Senior officer pay is disclosed in the Statement of Accounts and the Pay Policy Statement. These are also published on the Council's website.

Both Members' and Officers' Allowances and Expenses are subject to periodic review by the SIAS Team to ensure that the internal controls in operation are both adequate and effective.

#### 75. Senior Management

There are three Council officers who are statutory appointments – the Chief Executive's role as the Head of Paid Service, the Director of Resources' role as the Section 151 Officer and the Head of Legal and Democratic Services as the Monitoring Officer.

The Chief Executive and the Directors of Environment and Resources comprise the Chief Officers' Board, which meets on a weekly basis.

The Chief Officers' Board, together with the Heads of Partnerships and Community Engagement, Finance and Business Services, HR & Customer Services, Street Scene and Legal and Democratic Services as well as the SIAS Audit Manager, Housing Services Manager, Engineering & Asset Manager, Planning and Building Control Managers and the Chief Environmental Health Officer comprise the Senior Management Team, which meets on a monthly basis.

Each Director, Head of Service and Senior Manager has completed and signed off a Management Assurance Statement. These Management Assurance Statements have been designed to require each officer to certify the effective operation of the control environment in their service area – including arrangements for performance management

and risk management. As a consequence, these Statements are key supporting documents in identifying any Significant Governance Issues.

#### 76. Governance Group

The Governance Group has been chaired by the Chief Executive, in his capacity as the Council's Head of Corporate Governance.

The Group has met four times during the financial year and received reports and updates covering Ethics and Standards, New Legislation, Officer and Member Issues, Internal Control, Counter-fraud and Corruption, Partnerships and Performance Management and Risk Management, Shared Learning and other current governance matters.

The Group has co-ordinated the preparation of this Annual Governance Statement – as part of this process. The Group has also monitored the progress of the Action Plan which was put in place to address the Significant Governance Issues identified in the Annual Governance Statement (see Appendix A).

#### 77. Performance Management

The Performance Strategy remains a key link between the Community Strategy, the Corporate Plan, Service Plans and individual Key Result Areas – “the golden thread”.

Local Performance Indicators have been regularly collected, analysed, risk managed and reported to Members and senior management – the process is facilitated by a software package, Covalent.

An Executive-led Performance Management Panel, which comprises key Members and Chief Officers, was re-established under the new Portfolio Holder for Planning in Quarter 3 of the financial year. It has met to consider selected performance indicators and where the performance of any indicator was deteriorating or below target, the Panel called the relevant Head of Service and Portfolio Holder to account.

However, in early 2015, given the duplication of membership of the Performance Panel, Financial Monitoring Panel and membership of the Overview and Performance Committee, it had been agreed to not hold the Executive Performance Panel in favour of reporting directly to Scrutiny Committee with the Portfolio Holder in attendance. This has eliminated duplication of meetings and enabled timelier reporting to the Scrutiny committee and Executive. In 2015, the approach was reviewed following appointments to key roles and committees and the Panel was re-established in Q3 of the financial year.

The Financial Monitoring Panel, the members of which also sit on the Performance Management Panel, has met on a monthly basis to scrutinise the Council's financial performance. The financial performance is reported and scrutinised in detail on quarterly basis by the Panel and reported back to the Overview and Performance Committee.

#### 78. Procurement

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

The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and

ethical manner. This documentation includes the Procurement Strategy, Contract Procedure Rules and the Procurement Handbook. These documents are regularly reviewed to reflect changes in local requirements and EU policy and legislation.

To ensure compliance with these rules, an expenditure report is run on a six monthly basis and mapped against the contract list. An exception list is then produced and, where possible, non-compliance is highlighted. Officers are then required to provide an explanation of this non-compliance and then put into place an action plan to address this.

The Council has a full e-tendering package that provides a secure and auditable method of issuing and receiving tenders.

### **Undertaking the core functions of an audit committee, as identified in the CIPFA's 'Audit Committees: Practical Guidance for Local Authorities'**

#### 79. The Audit Committee

The Audit Committee's Terms of Reference have been kept under regular review to ensure that its role complies with those prescribed by the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities".

The Audit Committee has comprised five non-Executive Members (as required) and has met four times during the financial year – agendas, supporting papers and minutes are available on the Council's website.

It substantially completed its Planned Work Programme, regularly receiving reports from:

- The Council's External Auditors – Progress Reports, Annual Governance Report, Annual Audit Letter, Audit Plan and Certification Report on Claims and Returns
- The Anti-Fraud Unit – Progress Reports and Annual Report
- The SIAS Team – Progress Reports, Draft Annual Governance Statement, Annual Assurance Statement and Annual Report, and Annual Audit Plan
- The Risk Manager – Progress Reports
- The Head of Finance and Business Services – Statement of Accounts.

From April 2016, the Audit Committee will also receive reports on Treasury Management in its capacity as the nominated body responsible for the scrutiny of the Treasury Management function as approved by Full Council in February 2016.

### **Ensuring the authority's assurance arrangements conform with governance requirements**

#### 80. Internal Audit

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

The Council joined six other districts (East Herts DC, North Herts DC, Stevenage BC, Welwyn Hatfield BC, Watford BC and Three Rivers DC) and Hertfordshire County

Council in 2011/12 to deliver a shared internal audit service to provide efficiency and resilience.

The SIAS Team has undertaken a work programme during the financial year, which was approved by the Audit Committee, and has sought to operate in accordance with the national Public Sector Internal Audit Standards (PSIAS), which have replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

In line with the PSIAS, an Annual Assurance Statement and Internal Audit Annual Report has been compiled and presented to the Audit Committee (at its meeting in July 2016), which:

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

The Annual Assurance Statement and Internal Audit Annual Report is a key source document for the Council's Annual Governance Statement. The Head of SIAS's overall opinion on the internal control environment for 2015/16 is Substantial for both Key Financial Systems and Non-Financial Systems.

Individual SIAS Reports state whether or not there are any implications for the Annual Governance Statement. All reports issued have stated that there are no implications for the Annual Governance Statement.

All recommendations made by the SIAS Team to strengthen the internal control environment and agreed by management are kept under review by the Audit Committee and Governance Group to ensure that they are implemented in a timely manner.

The Council's External Auditors regularly review the work of the SIAS Team and, to date, have placed reliance on their work.

#### 81. The Council's External Auditors

The Annual Audit Letter 2014/15 was presented to the Audit Committee in January 2016 and the main audit conclusions for the year were:

The 2014/15 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

The Local government audit contract for the Council has been awarded to EY (Ernst and Young) following re-tendering by the Audit Commission ahead of its abolition in March 2015. The contract is effective from 1 April 2015 and will cover an initial two year period from 2015/16, but may be extended by a further three years to 2020. The external auditors for 2014/15 were Grant Thornton.

**Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained****82. Anti-Fraud and Anti-Corruption**

Until May 2015, the Council's Anti-Fraud Unit provided an independent investigation service into suspected fraud across areas such as Housing and Council Tax Benefits and Council Tax Support (the major part of the team's work), Housing and Homelessness, Parking Services, Council Tax and Planning. However, investigation into all aspects of fraud ceased as of 20 March 2015. The DWP Single Fraud Investigation Service (SFIS) took over the role of Benefit Fraud investigation from 1 May 2015.

During 2014/15, the Council joined four other districts / boroughs (East Herts Council, North Herts DC, Stevenage BC and Broxbourne BC) and Hertfordshire County Council to form the Shared Anti-Fraud Service (SAFS), offering an exclusive strategic fraud prevention and investigation service to its partners across Hertfordshire. The new SAFS officially commenced at the Council on 1 May 2015.

The service has delivered a full range of fraud awareness training, the use of highly developed investigation skills, data-matching opportunities and partnership working with law enforcement agencies.

The aims of the Shared Anti-Fraud Service are as follows:

- Ensure ongoing effectiveness and resilience of anti-fraud arrangements with the impact of the Single Fraud Investigation Service (SFIS) taking effect since 2015
- Deliver financial benefits in terms of cost savings or increased revenue
- Create a data hub for Hertfordshire
- Improve the reach into the areas of non-benefit and corporate fraud within the county
- Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally.

**Review of effectiveness of the framework for identifying and managing risks and demonstrating clear accountability****83. Risk Management**

Responsibility and accountability for Risk Management is placed with the Heads of Service and on-going training and support was provided to assist them in this role. Risk Management support was provided by North Hertfordshire District Council until the end of February 2016. After this date, risk management support has been provided by Hertfordshire County Council

The internal audit in March 2016 on the Council's risk management provided a full level of assurance to support this Annual Governance Statement.

Regular reporting to the Audit Committee on the Council's strategic risks is in place. The Council's risks are recorded on Covalent, the Council's performance and risk management software so there is one central record of the Council's risks.

**SIGNIFICANT GOVERNANCE ISSUES**

- 84. Appendix A provides information on the Significant Governance Issues that were identified by the Council during the year. Significant issues from the previous year are either no longer significant or have been carried forward into 2015/16.

**CERTIFICATION**

- 85. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive, the Audit Committee and the Governance Group, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above, and the plan to address the identified weaknesses and to ensure continuous improvement of the system is in place.
- 86. We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed: Leader of the Council** .....  
**Cllr Morris Bright** ..... **Dated**

**Signed: Chief Executive** .....  
**Dr Donald Graham** ..... **Dated**

**GLOSSARY OF TERMS**

<b>Term</b>	<b>Definition</b>
<b>Accruals</b>	The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.
<b>Actuarial Gains and Losses</b>	For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).</li> <li>• The actuarial assumptions have changed.</li> </ul>
<b>Asset</b>	Anything which somebody owns which can be given a monetary value, for example buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.
<b>Agency Arrangements</b>	Services which are performed by, or for, another Council or public body, where the agent is reimbursed for the cost of the work done.
<b>Balances</b>	The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Housing Revenue Account etc.
<b>Business Rates</b>	These are rates charged on properties other than domestic property. The business rate poundage is set annually by Central Government and is a flat rate throughout the country.
<b>Capital Expenditure</b>	Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.
<b>Capital Financing Requirement</b>	A measure of the capital expenditure incurred historically by an authority that has yet to be financed by capital receipts, capital grants or revenue financing. The Prudential Code requires that the Council monitors and controls its CFR through its Treasury Management Strategy and Medium Term Financial Strategies
<b>Capital Receipts</b>	Monies received from the sale of assets, which may be used to finance capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government but they cannot be used to finance day-to-day spending. Additionally, they can be used to repay debt.
<b>Collection Fund</b>	A fund administered by charging authorities into which Council Tax income and Business Rates collected locally are paid. Precepts are paid from the fund as is a charge in respect of the Council's own requirements



<b>Community Assets</b>	Assets that a local Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.
<b>Consistency</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>Contingency</b>	A provision for a possible event or circumstance which is possible but cannot be predicted with certainty.
<b>Corporate &amp; Democratic Core</b>	<p>The corporate and non-corporate democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.</p> <p>Activities include:</p> <ul style="list-style-type: none"><li>▪ Corporate policy making.</li><li>▪ Representing local interests.</li><li>▪ Support to elected bodies.</li><li>▪ Duties arising from public accountability.</li></ul>
<b>Council Fund</b>	The main revenue account of the Council. It contains the excess to date of income over expenditure in the Income and Expenditure Account.
<b>Council Tax</b>	This is a local tax set by local councils to help pay for local services.
<b>Council Tax Support</b>	A reduction in the liability to pay Council Tax granted in accordance with a locally determined support scheme.
<b>Credit Arrangements</b>	These are forms of credit entered into by the Council relating to leasing and contracts, which provide for extended credit.
<b>Credit Liabilities</b>	These relate to liabilities of the Council in respect of money borrowed (principal only), or in respect of credit arrangements.
<b>Creditor</b>	An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period and

	for which payment has not been made at the Balance Sheet date.
<b>Current Service Cost (Pensions)</b>	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
<b>Curtailement</b>	<p>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:</p> <ul style="list-style-type: none"><li>▪ Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business.</li><li>▪ Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees no longer qualifies or only qualifies for a reduced benefit.</li></ul>
<b>Debtor</b>	Sums of money due to the Council but not received at the Balance Sheet date.
<b>Defined Benefits Scheme</b>	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).
<b>Defined Contribution Scheme</b>	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
<b>Depreciation</b>	The measure of the cost or revalued amount of the benefit of the non-current assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time obsolescence through either changes in technology or demand for the goods and services produced by the asset.
<b>DCLG</b>	Department for Communities & Local Government

<b>Discretionary Benefits</b>	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.
<b>Exceptional Items</b>	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
<b>Expected Rate of Return on Pension Assets</b>	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.
<b>Extraordinary Items</b>	Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.
<b>Finance and Operating Lease</b>	A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Non-current assets in the Balance Sheet. With an operating lease the ownership of the asset remains with the Leasing Company and the annual rent is charged to the relevant service account.
<b>Government Grants</b>	Assistance by Central Government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local Council services.
<b>Housing Advances</b>	Loans made by the Council to individuals towards the cost of acquiring or improving their homes.
<b>Housing Benefits</b>	A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances, and council tax rebates toward which central government pays a subsidy.
<b>Housing Revenue Account</b>	Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets aside the expenditure and income arising from the provision of housing.

<b>Infrastructure Assets</b>	Expenditure on works of drainage, construction or improvement to highways, cycle ways, footpaths or other land owned by the Council.
<b>Interest Cost (Pensions)</b>	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.
<b>Investments (Non-Pension Fund)</b>	<p>A long-term investment is an investment 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.</p> <p>Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.</p>
<b>Investments (Pension Fund)</b>	The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities (other than town parish and community councils) are required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
<b>Levy (see also "safety net")</b>	The Council's Comprehensive Income and Expenditure Statement include a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any surpluses on collection, the Council's income exceed a threshold set by central government, a levy is payable to central government but the Council may retain a proportion of the surplus.
<b>Liabilities</b>	Money owed to somebody else.
<b>Liquid Resources</b>	Liquid resources are current asset investments held as readily disposable stores of value.
<b>Minimum Revenue Provision</b>	A charge made to the Council Fund to repay borrowing taken out for capital expenditure, effectively replacing depreciation (which is reversed out in the MiRS). Authorities determine their own prudent MRP charge.
<b>Net Book Value</b>	The amount at which non-current assets are included in the Balance Sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.

<b>Net current replacement cost</b>	The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or the nearest equivalent, adjusted to reflect the current condition of the existing asset.
<b>Net realisable value</b>	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
<b>Non-current assets</b>	Tangible assets that yield benefits to the Council for a period of more than one year.
<b>Non-operational assets</b>	Non-current assets held by a local Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are commercial and industrial properties.
<b>Operational assets</b>	Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
<b>Past service cost</b>	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
<b>Post balance sheet events</b>	Those events, both favourable and unfavourable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.
<b>Precepts</b>	The levy made by one Council on another. Hertfordshire County Council and Hertfordshire Police Constabulary, who do not administer the council tax system, each levy an amount on the Borough of Hertsmere, which collects the required income from local taxpayers on their behalf.
<b>Prior year adjustments</b>	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.
<b>Projected unit method</b>	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

<b>Provisions</b>	An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.
<b>Prudence</b>	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. The overall objective of this principle is not to overstate the net worth shown in the Statement of Accounts.
<b>Related Parties</b>	<p>Two or more parties are related parties when at any time during the financial period:</p> <ul style="list-style-type: none"><li>▪ One party has direct or indirect control of the other party.</li><li>▪ The parties are subject to common control from the same source.</li><li>▪ One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.</li><li>▪ The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.</li></ul>
<b>Related Party Transaction</b>	<p>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. Examples of related party transactions include:</p> <ul style="list-style-type: none"><li>▪ The purchase, sale lease, rental or hire of assets or loans, irrespective of any direct economic benefit to the pension fund.</li><li>▪ The provision of a guarantee to a third party in relation to a liability or obligation of a related party.</li><li>▪ The provision of services to a related party, including the provision of pension fund administration services.</li><li>▪ Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or pension fund, such as council tax, rents and payments of benefits.</li></ul> <p>The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.</p>
<b>Rent Allowances</b>	Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.

<b>Rent Rebates</b>	Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.
<b>Reserves</b>	A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
<b>Retirement Benefits</b>	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees
<b>Revenue Expenditure</b>	Day to day expenses, mainly salaries and wages, general running costs and debt charges.
<b>Revenue Support Grant</b>	Central Government Grant towards the cost of Local Council Services.
<b>Right To Buy</b>	<p>"Right to Buy" is an agreement whereby eligible Housing Association tenants may purchase the property at a reduced rate.</p> <p>The Council's housing stock was sold to two Housing Associations in 1994 at a discounted rate. As part of the agreement, it was stipulated that any eventual sale of these properties under the "right to buy" scheme would result in part of the proceeds being paid to the Council.</p>
<b>Safety Net (see also "Levy")</b>	The Council's Comprehensive Income and Expenditure Statement include a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any losses on collection, the Council's income falls below a threshold set by central government, a safety net grant is paid by central government.
<b>Scheme Liabilities</b>	The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

**Settlement**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits.
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits.
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**Stocks**

The amounts of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

**Subsidiary Company**

A company is a subsidiary of a local Council if any of the following apply:

- The local Council holds a majority of the voting rights in the company.
- The local Council is a member of the company and has the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on most matters.
- The local Council has the right to exercise a dominant influence over the company.
- The local Council is a member of the company and controls alone a majority of the voting rights in the company.
- The local Council has a participating interest in the company and it actually exercises a dominant influence of the company or it and the company are managed on a unified basis.

**Standard Spending Assessment**

An assessment by Central Government of how much a Local Council should spend in providing a common level of service, having regard to its individual circumstances and responsibilities.

**Usable Capital Receipts**

This is generally the balance of any capital receipt after deducting the reserved part and any repayment to the Central Government of grants made to the Council on disposal of the asset.

**Vested Rights**

In relation to a defined benefit scheme, these are:



- For active members, benefits to which they would unconditionally be entitled on leaving the scheme.
- For deferred pensioners, their preserved benefits.
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.