

HERTSMERE BOROUGH COUNCIL
DRAFT STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 March 2020

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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 Head of Finance and Business Services
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts.

Responsibilities of the Head of Finance and Business Services

The Head of Finance and Business Services 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 Head of Finance and Business Services 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 Head of Finance and Business Services 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 Head of Finance and Business Services:

I confirm that this Statement of Accounts presents a true and fair view of the financial position of Hertsmere Borough Council at 31 March 2020 and its Income & Expenditure for the year then ended.

Matthew Bunyon

Head of Finance and Business Services

28 May 2020

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERTSMERE BOROUGH
COUNCIL**

The 2019/20 audit report will be issued once the audit of the accounts has been completed.

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Narrative Statement

Overview from the Head of Finance and Business Services

Introduction incl. Covid-19 Support to Local Residents and Businesses

I am presenting the 2019/20 Statement of Accounts with the backdrop of a national and global pandemic in these unprecedented times. The Covid-19 pandemic has caused critical disruption at the local and national level within the UK with its effects felt by all in a short time span and its future impact yet to be fully determined.

As a district council, Hertsmere are at the heart of its residents and businesses. Since the pandemic took hold in the UK in March 2020, we have introduced many measures to ensure the continuity of key services to support our residents and businesses. These measures included:

- Our business rates team have worked tirelessly to make contact with businesses eligible for assistance under the government support measures.
- Our benefits team have applied the Council Tax Hardship Fund to residents claiming council tax support.
- Article 4 directions have been brought forward to introduce local planning rules to safeguard local businesses and jobs to help support Hertsmere's economic bounce-back.
- Collaborating with other sectors and charities to support our most vulnerable residents including through the ongoing initiatives with Communities 1st.
- Council, Executive and Committee meetings are now being held remotely.

Service changes, access to advice, and information about financial support measures and how to get involved in volunteering are available via www.hertsmere.gov.uk/coronavirus.

The 2019/20 financial year was challenging even before the pandemic, this was the final year of the four-year funding settlement and we no longer receive any Revenue Support Grant (RSG) from the Government which has reduced from £1.253 million to nil over the period. We also continue to reduce reliance on the New Homes Bonus (NHB) due to the uncertain future of this funding. The council are however working towards reducing the funding gap identified in its medium term financial plan, to produce a balanced budget in an extremely challenging financial climate.

We also face uncertainty in some of our own funding which can be dependent on certain external drivers as well as factors at play within our own borough, including the impact of the EU exit, levels of employment and business growth and demand for our services such as affordable housing. This uncertainty has further increased due to the Covid-19 crisis which has also caused additional spending pressures in direct response to the crisis and has had a significant impact on our income for example due to the temporary suspension of parking charges and a drop of in planning fees.

The financial pressures associated with this national crisis continue to be assessed by officers and due to these unprecedented circumstances there will be additional and more frequent reporting to members during these difficult times.

Hertsmere and our local area

Hertsmere Borough Council is situated to the north of London in southwest Hertfordshire and has a population of over 104,000. There are approximately 42,800 dwellings in the area and 3,226 commercial properties as at 31 March 2019. 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.

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

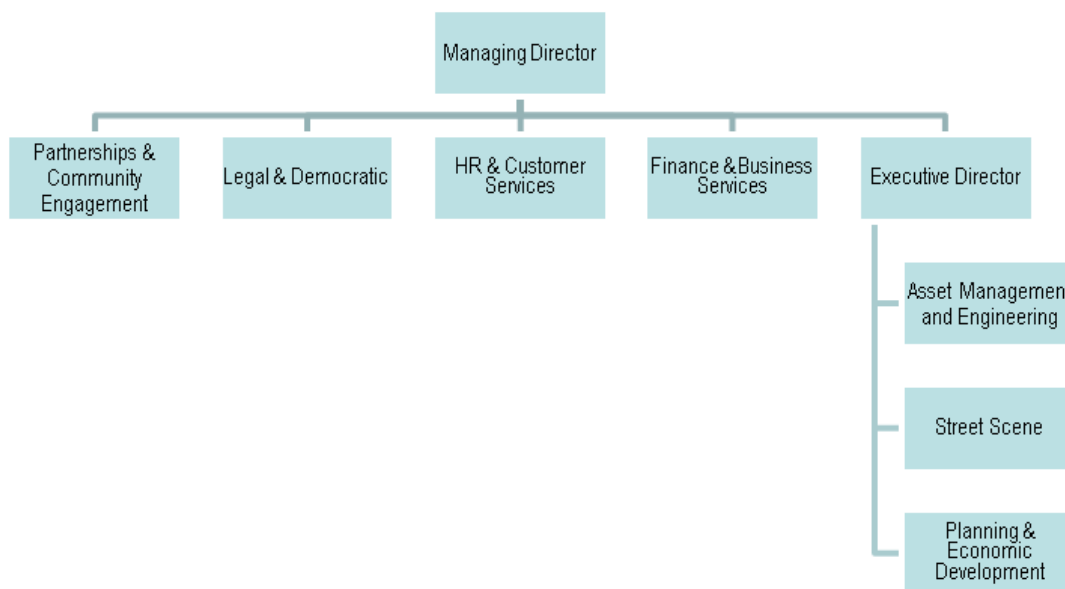
Hertsmere has 39 councillors in 15 wards who are elected to serve for four years at a time. The number of seats held during the year by political groups was:

- Conservative 30
- Labour 6
- Liberal Democrats 3

The Council’s Management Structure and Workforce

Supporting the work of Councillors is the organisational/management structure of the council headed by the Managing Director and a soon to be appointed Executive Director, along with a number of Heads of Service, as in Figure 1, who cover a variety of areas of business. The council currently employs approximately 300 people in full and part time roles.

Figure 1 – Senior Management Structure



By the end of March 2020, we went through massive technological and cultural changes whereby the vast majority of our workforce were working remotely following the government advice of ‘stay at home’. All employees impacted by service provision changes were redeployed to alternative duties to support critical functions in high demand as well as working alongside the voluntary sector to deliver essential support to the vulnerable in our communities through initiatives such as shielding; as such we have not applied the Furlough scheme.

There has been a considerable increase in the demand for the services provided by our customer services; revenues and benefits teams due to customer concerns over Covid-19 and in relation to the support measures we have implemented at what is already an extremely busy time, being the year-end. However despite the closure of the Council offices these demands were managed by redirection of queries through online and telephone services to our staff working remotely.

2020 Vision – A corporate plan for Hertsmere

The Council has responded to the challenges by adopting our Corporate Plan, “Hertsmere’s 2020 Vision” which has identified three Corporate Goals which each have a number of outcome-based objectives, which support the development of priorities for action.

- Being an enterprising Council
- Planning for the future
- Supporting our community

This includes the Council having a more entrepreneurial approach and focussed on expanding our ability to generate income as well as reducing costs by entering into partnerships with other councils and looking for commercial opportunities such as establishing our own property development company. We currently have partnerships with other local authorities for Building Control, CCTV, Audit and Anti-Fraud.

We have already built some excellent quality houses for rent and will be developing more to generate rental income while also contributing to meeting local demand for housing.

We set up Hertsmere Development Ltd to take forward new developments on council-owned land and will shortly be asking the Council to approve the first land transfer to the company.

Our Elstree Studios remains in a healthy state with Strictly, the Crown and the BBC continuing to feature large in their portfolio of clients.

We are also investing in our local communities through the Community Infrastructure Levy and S106 monies funding many local projects and new community infrastructure.

2020 Vision is the collective name for the suite of documents that make up Hertsmere’s Corporate Plan 2017-2020, which guides the work of the council. The Plan reflects the decision of the council to focus on key actions which will have the biggest impact on our work whilst also reflecting our desire to continue to deliver high quality services to our residents.

Hertsmere’s 2020 Vision articulates the council’s high level vision, values and priorities in a simple one page document which represents the key challenges we face over the next period and how we intend to respond to them whilst also maintaining focus on key service delivery.

Figure 2 – Hertsmere’s 2020 Vision



The council’s annual corporate action plan for 2019-20 set out the key high level actions that the council undertook during the year. It highlights those projects which are over and above our day to day service delivery and will have an impact on our residents in either how services are delivered or how we generate income.

In addition to internal monitoring, progress against the action plan is reported quarterly to the Executive.

Annual report - this retrospective document will detail work done by the council over the previous year and report back on progress against the Corporate Action Plan. It will be produced alongside the Corporate Action Plan for the forthcoming year. The last Annual Report was published in July 2019.

Performance Management Framework - The updated Performance Management Framework sets out how we will monitor progress against the Corporate Action Plan and also our key services. It aims to reduce the burden on Officers of collecting performance statistics whilst also recognising the need to understand how well we are performing both against our priorities but also in our aim to deliver high quality services to Hertsmere residents.

The Operations Review Committee receives quarterly performance reports to monitor the delivery of the corporate priorities.

The Corporate Plan 2017-2020 was last updated in September 2017 and will be review during 2020.

2019/20 Financial Statements

The financial statements link closely to the Corporate Plan which enables delivery of the Council's goals and objectives. The Council is continuing with its programme of improvement in performance and service delivery. This is underpinned by the Corporate Governance framework which is the mechanism through which our priorities are filtered down throughout the organisation.

The Council's Annual Governance Statement provides further details of the strategies implemented to achieve our objectives which have been developed and reviewed during the year. The Annual Governance Statement presented for approval to the Audit Committee will be included in the final published accounts.

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" were superseded on 3 April 2020 by "The Accounts and Audit (Coronavirus) Amendments Regulations 2020". The change extended the statutory audit deadline for 2019/20 for all local authorities. The public inspection period for the 2019/20 financial statements was also changed and must commence on or before the first working day of September 2020. This means the 2019/20 accounts have to be confirmed by the Chief Financial Officer by 31 August 2020 at the latest. The publication date for the 2019/20 audited accounts has also moved back to 30 November 2020.

Despite these amendments to the statutory deadlines, Hertsmere are looking to follow the timelines set out in the 2015 regulations where the signed draft accounts will be made available for public inspection on 1 June 2020, we also intend for the final audited accounts to be published by 31 July 2020.

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 email at Statementofaccounts@hertsmere.gov.uk or by post using the following address:

Matthew Bunyon
Head of Finance and Business Services
Civic Offices
Elstree Way
Borehamwood
Hertfordshire
WD6 1WA

3.1 Summary of Performance

Non-Financial Performance

Being an Enterprising Council

In the current financial climate, local authorities have to think creatively about how to reduce costs whilst still delivering high quality services. Hertsmere remains committed to making the most of our assets whilst finding new ways to deliver services that meet the needs of our residents. The Council is in a healthy financial position, and aims to maintain its financial resilience and work towards self-sufficiency.

Income maximisation

The Council have generated £13m in income, including funding, project specific grants, fees charges and investment income, also drawdowns from specific reserves to fund expenditure. This income is used to support the delivery of our services.

Apprenticeships

We have looked at new ways to recruit and develop staff, particularly in hard to recruit to professions. There are currently twelve apprentices across nine different Council departments

Leisure Service Improvements

In partnership with InspireAll (formerly Hertsmere Leisure), £5.0m was spent by 2019/20 by the Leisure Trust to deliver a range of improvements in facilities across the borough's main leisure centres.

Elstree Studios

The world renowned, council-owned Elstree Studios, continue to provide over £1.5m in rental payments and investment income to the council in 2019/20.

Parking Partnership

In addition to our existing partnerships for the delivery of services, such as building control and the anti-fraud service, the Council has entered into a parking partnership arrangement with Three Rivers DC on 1 April 2018, generating efficiencies for both Council's, which covers all parking enforcement and support services.

Planning for the Future

A key role of the Council is to help shape the future of the borough.

100% Application of Business Rate Relief Scheme Grant

Since 2017 Herts mere have successfully distributed 100% of government funding that was provided to help mitigate the losses caused to businesses as a result of the 2017 revaluation of business properties.

Expenditure on Parks

Expenditure was incurred during 2019/20 on a number of local parks including Meadow Park and an additional £1.350m was approved in the February 2020 Council meeting for phase 2 of the Meadow Park redevelopment, ensuring that green and open spaces are available for future use.

Lead role on ParksHerts delivery

Herts mere Council have taken the lead on the ParksHerts website. This is funded by all ten District councils in Hertfordshire, to promote all year round outdoor exercise by encouraging people to visit Hertfordshire's free to access parks and open spaces.

Local Plan

We're planning for the future by producing a new Local Plan which is a blueprint for development in Herts mere. The process of creating a new Local Plan for Herts mere began back in 2016 and will update the existing Local Plan 2013 to 2027.

Herts mere is a great place to live and work and we're trying to make sure it stays that way, both for existing communities and for future generations. We know the borough will have to grow and develop. We expect to publish the draft Local Plan during 2020 for public engagement.

Supporting our Communities

The Council recognises the need to develop and grow our local partnerships to deliver the best outcomes for our residents. Working with a range of organisations, from statutory and voluntary, to engage with residents to help keep them happy, healthy and safe.

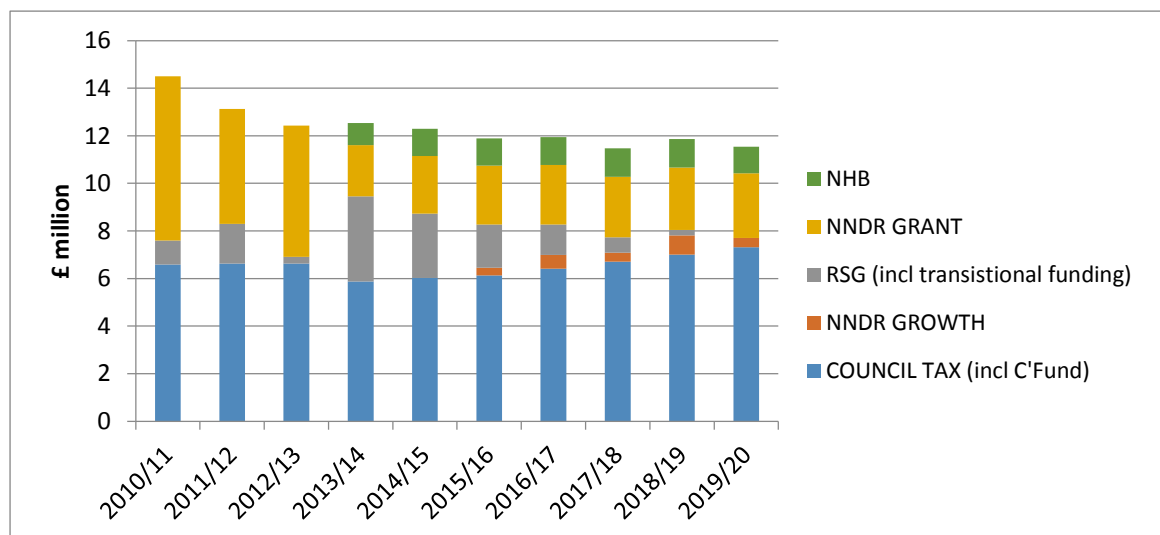
A number of initiatives took place during the year, including:

- Community Safety Partnership engaging residents in Radlett and Borehamwood on feeling safer.
- Physical activity programmes that target getting women moving.
- Grants to the voluntary sector in the region of £0.4m, including to sports clubs and Hertfordshire Citizens Advice.
- Delivery of the Herts Warmer Homes giving free or discounted energy improvements, such as insulation and heating repairs, to eligible households.
- Delivered over 2,500 training opportunities on modern slavery, mental health first aid, self-harm awareness, anti-radicalisation and drug awareness.

Financial Performance

Council Funding

In line with the rest of local government, the Council has seen an ongoing reduction in its core funding putting increasing pressure on local council tax.



For Hertsmere in 2019/20, central government funding, in the form of Revenue Support Grant (RSG) has now reduced to Nil and retained business rates amounted to £2.679m. Central government funding now represents just 23.2% of the funding required to meet the Council's budgeted net expenditure of £11.545m. The remainder was raised from other grants, contributions from reserves, retained growth from business rates, and from Council Tax.

Against this background, the Council continues to lead the way in rising to the financial challenges facing local government by implementing a number of strategies:

- We have adopted a more entrepreneurial approach and focussed on expanding our ability to generate income as well as reducing costs.
- Entering into partnerships with other councils.
- Looking for commercial opportunities.
- Building new affordable housing for rent to meet local demand.
- Promoting Elstree Studios.
- Establishing our own property development company to take forward developments on Council-owned land.

Financial Management

Revenue outturn

In 2019/20 the budget for the Council's cost of services was set at £11.545 million after funding from reserves. The actual operational spend for the year is £10.870 million, which has resulted in an overall favourable variance of £0.675 million, reflecting sound financial management and budgetary control. A one-off accounting adjustment to correct historical treatment of rent in advance results in a year-end surplus of £0.283 million:

FINANCIAL MONITORING POSITION	PROFILED BUDGET	ACTUAL SPEND FOR THE YEAR	SURPLUS (DEFICIT)
31-Mar-20			
SUMMARY OF PERFORMANCE	£000	£000	£000
Planning & Economic Development	1,138	896	242
Housing Services	1,007	1,005	2
Environmental Health	1,012	1,003	9
Street Scene Services	4,242	4,229	13
Engineering Services	124	113	11
Asset Management	(3,327)	(3,316)	(11)
Partnership & Community Engagement	1,169	1,165	4
Finance & Business Services	2,594	2,562	32
Legal & Democratic Services	1,464	1,492	(28)
Human Resources & Customer Services	1,167	1,078	89
Executive Directors	509	515	(6)
Audit & Assurance	98	108	(11)
General Expenses, Audit Fees, Bank Charges	275	360	(85)
Auto Enrolment	10	-	10
Apprenticeship Levy	31	31	-
Central Contingency	191	191	-
Minimum Revenue Provision	242	242	-
Investment Interest	(400)	(803)	403
Operational Costs	11,545	10,870	675
One off accounting adjustment	-	392	(392)
Total Costs	11,545	11,262	283

3.2 Reconciliation from the reported underspend for the year to the movement in the General Fund balance.

Table 1	General Fund £000	Reserves £000	Total £000
Financial Monitoring Surplus	283	-	283
Post financial monitor adjustments	(37)	-	(37)
Planned transfers to reserves	-	593	593
Housing Benefits Overpayments	-	427	427
Capital expenditure funded from reserves	-	(2,064)	(2,064)
Funding variances:			
Council Tax Deficit from 2018/19	(67)	-	(67)
NDR Growth and S31 Grants	-	1,758	1,758
New Homes Bonus	-	-	-
Transfer from GF and other minor variances	(56)	56	-
Movement in General Fund Balance	123	770	893

3.3 Reconciliation from the reported spend for the year to the Expenditure and Funding analysis – Net General Fund Expenditure (note 5.15 column 1).

Service	Revenue Outturn £000	Other movements post outturn £000	Trading Account Recharges £000	Contribution to / from earmarked reserves reflected in outturn £000	Shown below net cost of services £000	EFA Column 1 £000
Asset Management	(2,907)	(50)	-	(25)	509	(2,473)
Audit & Assurance	108	-	-	5	-	113
Corporate Management	515	(2)	(3)	140	-	650
Engineering Services	113	152	-	85	-	350
Environmental Health	1,003	13	-	(83)	(22)	911
Finance & Business Services	2,563	(460)	(29)	154	1	2,229
General Expenses	633	12	(2)	(141)	(241)	261
Housing Services	1,005	(40)	-	(117)	27	875
Human Resources & Customer Services	1,078	147	(7)	-	-	1,218
Legal & Democratic Services	1,492	(70)	(1)	61	-	1,482
Partnership & Community Engagement	1,185	220	-	(69)	(1)	1,335
Planning & Economic Development	1,046	2	-	(50)	2	1,000
Street Scene Services	4,231	(317)	43	(552)	24	3,429
Investment Interest	(803)	-	-	-	-	(803)
	11,262	(393)	1	(592)	299	10,577

3.4 Capital outturn

The council spent £8.318 million on capital expenditure during 2019/20 and is committed to spending a total of £13.968 million over the remaining 3 year programme (see Note 5.17.1). The outstanding major capital commitments include the development of housing, disabled facilities grants, investment in recycling and refuse equipment.

FINANCIAL MONITORING POSITION

31-Mar-20

2018-19

2019-20

SUMMARY OF CAPITAL SPEND

	£000	£000
Asset Management	878	2,958
Planning & Economic Development	-	681
Environmental Health	1,017	1,047
Street Scene Services	890	1,158
Finance And Business Services	281	590
Housing & Partnerships	-	1,810
Partnership & Community Engagement	3,190	-
Housing Services	402	-
Human Resources & Customer Services	-	75
Total Capital Expenditure	6,658	8,318

FUNDING SOURCES

	£000	£000
Usable Capital Receipts	171	2,254
Reserves	822	2,064
Grants	2,475	2,114
Donated Assets	-	-
Revenue	-	75
Borrowing	3,190	1,810
Total Funding Sources	6,658	8,318

Economic climate

The current economic climate following the recent EU exit combined with the current situation with the Covid-19 pandemic is very uncertain making it extremely difficult to plan for the future. Hertsmere have already seen increased demand for services and additional cost pressures as well as a significant reduction in fees and charges due to the pandemic. The increased demand for council tax and business support is unprecedented and Hertsmere is doing its utmost to support.

The Office of Budget Responsibility (OBR) have announced the national budget deficit increased by £62bn in April 2020. Other indicators such as the Bank of England reducing its base rate to a record low of 0.1% to help households and businesses.

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, which included the complete phasing out of the Revenue Support Grant (RSG) in 2019/20.

It was expected that this four year spending review would be followed by a further multi-year settlement from April 2020 which would include the fair funding review and review of the business rate retention scheme. These were however delayed by one year due to other Government priorities at the time in relation to Brexit and the current situation will now delay these reviews even further. Hertsmere received a single year settlement for 2020/21.

Finance Strategy

The Finance Strategy was last reviewed in July 2018 for the period to 2021/22. This strategy will assist the Head of Finance and Business Services 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. The strategy 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.

Core appendices to the strategy including the Medium Term Financial Plan and Capital Strategy are updated annually to take into account the national and regional context and link 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 reported to 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 strategic risks include:

- Data Protection, and
- Development, including Newberries Car Park Development

It is worth noting that these risks are continuously monitored and reviewed by the Corporate Governance Group and reported to the Audit Committee to ensure that appropriate mitigation plans are in place to counteract any occurrence of these risks. The Council's senior managers take responsibility and ownership of these risks as well as maintaining risk mitigation plans. Management, along with the Council's Executive are continuously working towards risks minimisation.

The Council's Finances

The General Fund

The Council maintains an unallocated reserve, the General Fund. The maintenance of such a fund is necessary to cover both planned and unforeseen expenditure and to provide adequate levels of reserves for the Council's operations. At 31 March 2020 the balance on the General Fund was £31.889m (2018/19 £30.996m) - out of this, £8.309m was held as a contingency for unforeseen events and £23.580m has been earmarked for specific projects.

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 £0.770m was transferred to earmarked reserves. Total funds earmarked for future use at 31 March 2020 were £23.580m. The breakdown of this sum is provided at note 5.31.2.

Capital expenditure programme and associated financing

During the year the Council incurred expenditure of £8.318m 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 the advances of £1.180 million to InspireAll for works on the leisure centres, £1.047m on disabled adaptations as well as significant spends on Crown Road development and Parks and Open Spaces.

At the balance sheet date the Council was committed to capital spending of £13.968m. Significant work will continue on a wide range of community facilities and green spaces as well as expanding the Civic Offices car park and two development sites to provide additional housing.

Funds have also been committed for further structural repairs and refurbishment of the Council's many properties and the Council has established a wholly owned property development company for the purpose of revenue generation, to promote mixed use development and utilisation of council owned surplus sites.

Pension fund liability

The Council's net pension fund deficit has decreased over the last year, from £40.691m to £29.072m due mainly to the effect of the 2019 triennial revaluation of the pension fund. The value of assets held within the scheme increased from £90.170m to £90.933m whilst the liabilities have decreased from £130.861m to £120.005m. It should be noted that movements on the pension fund liability are not taken to the General 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 5.32.5 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 latest triennial valuation of the fund was carried out as at 31 March 2019 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 5.27). At 31 March 2019 the Council's share stood at £3.422m and after taking into account the sums utilised in 2019/20, the provision decreased to £2.072m at 31 March 2020. The decrease was due to the introduction of Check, Challenge, Appeal process, which has resulted in a considerable delay in appeals, also a significant backlog in the Valuation Office dealing with appeals. There is also a significant provision in respect of Hertfordshire Building Control Limited (HBCL) potential losses. Final figures are not yet available from HBCL, but the Company are forecasting a small surplus in year, so no change has been made to the provision for the year.

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.

Statement of Accounts

The Council's financial statements for the year ended 31 March 2020 are set out following this narrative statement in pages 27 to 133. Where appropriate, figures for 2018/19 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 (Coronavirus) Amendment Regulations 2020, the Statement of Accounts for 2019/20 will be available for inspection on the Council's website, and at the Council offices from 1 June – 10 July 2020. In addition to this report, the Council

is required to meet certain statutory requirements. Details of these responsibilities and the officer responsible are disclosed in the Statement of Responsibilities.

Summary Position and Covid-19

Despite the economic pressures both locally and nationally, the Council's financial and non-financial performance in 2019/20 was once again strong. The surplus against budget of £0.283m is in line with expectations. The capital investment of £8.318m includes a loan advanced to InspireAll, as well as the provision of disabled facilities grants. The Council has also invested in parks and open spaces within the borough, most notably in Meadow Park. The Crown Road development was close to completion by the end of 2019/20 and has since been finished providing 28 units of 1 and 2 bed temporary accommodation. The first tenants moved in, in early May.

There has been some financial impact to the 2019/20 management accounts due to coronavirus, which has been reflected in the Financial Monitoring reports to members. The resulting additional costs and loss of income which occurred during 2019/20 can be met initially within the overall 2019/20 budget provision. However the full financial impact of Coronavirus across financial years will be collated and reported in Government returns and through regular monitoring reports to members. To date Hertsmere have received a total of £1.09m of emergency Government funding.

The council's general fund position is strong where it was historically set at a prudent level. The council will have to continually assess the impact of the pandemic and make decisions on the usage of reserves. Any reduction in reserve levels will need to be replenished in due course to ensure ongoing prudent provision.

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 Total Comprehensive Income and Expenditure shows the true economic cost of providing the Council's services. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes, which is arrived at by combining the Total Comprehensive Income and Expenditure with the Adjustments between accounting basis and funding basis under regulations.

The Accounting Code of Practice identifies Earmarked Reserves to be part of the General Fund balance. The earmarking of reserves has no formal status in financial reporting or statute for local government.

Further analysis of the General Fund is disclosed in the notes to the accounts, in Note 5.31, identifying where part of the fund has been earmarked for specific purposes. The Surplus or Deficit on the Provision of Services line has been removed from the Movement In Reserves Statement (MIRS) and is now incorporated in the Total Comprehensive Income and Expenditure line.

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 authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

Supplementary Statements

The Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows for each of the Council's services:

- the amount spent under the Council's rules for monitoring expenditure against the funding in the annual budget for the General Fund shown as Net General Fund Expenditure in the Expenditure and Funding Analysis
- the resources actually consumed in the year as measured by proper accounting practices in the Comprehensive Income and Expenditure Statement shown as Amounts included in the Comprehensive Income and Expenditure Statement in the Expenditure and Funding Analysis.

The reasons for differences between the two amounts for each service are explained in the tables following the Expenditure and Funding Analysis (5.15.1 - Note to the Expenditure and Funding Analysis).

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 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 111 to 118.

4.1 Movement in Reserves Statement

Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018	(28,025)	(8,246)	(6,607)	(42,878)	(96,307)	(139,185)
Total comprehensive income and expenditure	285	-	-	285	(5,579)	(5,294)
Adjustments between accounting & funding basis under regulations	5.14 (3,256)	75	(1,630)	(4,811)	4,811	-
Total (increase) / decrease during the year	(2,971)	75	(1,630)	(4,526)	(768)	(5,294)
Balance at 31 March 2019	(30,996)	(8,171)	(8,237)	(47,404)	(97,075)	(144,479)
Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019	(30,996)	(8,171)	(8,237)	(47,404)	(97,075)	(144,479)
Total comprehensive income and expenditure	(5,160)	-	-	(5,160)	(17,484)	(22,644)
Adjustments between accounting & funding basis under regulations	5.14 4,267	1,853	(3,064)	3,056	(3,056)	-
Total (increase) / decrease during the year	(893)	1,853	(3,064)	(2,104)	(20,540)	(22,644)
Balance at 31 March 2020	(31,889)	(6,318)	(11,301)	(49,508)	(117,615)	(167,123)

4.2 Comprehensive Income and Expenditure Statement

			2018-19			2019-20				
			Net			Net				
Gross Expenditure	Gross Income	Expenditure / (Income)		Gross Expenditure	Gross Income	Expenditure / (Income)		Gross Expenditure	Gross Income	Expenditure / (Income)
£000	£000	£000		£000	£000	£000	Note	£000	£000	£000
3,402	(4,826)	(1,424)	Asset Management	2,517	(4,779)	(2,262)		2,517	(4,779)	(2,262)
112	-	112	Audit & Assurance	113	-	113		113	-	113
538	-	538	Corporate Management	690	-	690		690	-	690
610	(148)	462	Engineering Services	568	(153)	415		568	(153)	415
1,398	(285)	1,113	Environmental Health	1,356	(312)	1,044		1,356	(312)	1,044
39,968	(37,745)	2,223	Finance & Business Services	35,526	(32,996)	2,530		35,526	(32,996)	2,530
764	(84)	680	General Expenses	423	(144)	279		423	(144)	279
3,461	(1,408)	2,053	Housing Services	3,396	(1,399)	1,997		3,396	(1,399)	1,997
1,394	(71)	1,323	Human Resources & Customer Services	1,443	(89)	1,354		1,443	(89)	1,354
1,577	(239)	1,338	Legal & Democratic Services	2,206	(632)	1,574		2,206	(632)	1,574
1,537	(152)	1,385	Partnership & Community Engagement	1,641	(244)	1,397		1,641	(244)	1,397
2,324	(946)	1,378	Planning & Economic Development	3,140	(1,262)	1,878		3,140	(1,262)	1,878
7,750	(3,735)	4,015	Street Scene Services	8,287	(3,576)	4,711		8,287	(3,576)	4,711
64,835	(49,639)	15,196	Net Cost of Services	61,306	(45,586)	15,720		61,306	(45,586)	15,720
		2,544	Other Operating Expenditure			2,251	5.7			2,251
		637	Financing and Investment Income and Expenditure			(946)	5.8			(946)
		(18,092)	Taxation and Non-Specific Grant Income			(22,185)	5.9			(22,185)
		285	(Surplus) / Deficit on Provision of Services			(5,160)				(5,160)
		(8,569)	(Surplus) / Deficit on revaluation of non-current assets			(3,599)	5.32.1			(3,599)
		2,990	Re-measurements of net pension liability			(13,885)	5.30.1			(13,885)
		(5,579)	Other Comprehensive (Income) and Expenditure			(17,484)				(17,484)
		(5,294)	Total Comprehensive (Income) and Expenditure			(22,644)				(22,644)

4.3 Balance Sheet

1-Apr-19		Note	31-Mar-20
£000			£000
132,455	Property Plant and Equipment	5.16	137,937
1,290	Heritage Assets	5.19	1,267
7,857	Investment Properties	5.20	8,888
315	Intangible Assets	5.21	525
-	Long Term Investments	5.23	-
6,211	Long Term Debtors	5.22	7,212
148,128	Long Term Assets		155,829
44,150	Short Term Investments	5.23	51,182
-	Assets Held for Sale	5.24	-
5,165	Short Term Debtors	5.22	6,734
116	Inventories		101
9,038	Cash and Cash Equivalents	5.25	10,489
58,469	Current Assets		68,506
(8,536)	Short Term Creditors	5.26	(15,065)
(704)	Provisions	5.27	(506)
(9,240)	Current Liabilities		(15,571)
(2,965)	Provisions	5.27	(1,795)
(40,691)	Liability related to Defined Benefit Pension Scheme	5.30.3	(29,072)
(400)	Other Long Term Liabilities	5.26	(430)
(8,822)	Capital Grants Received In Advance	5.28	(10,344)
(52,878)	Long Term Liabilities		(41,641)
144,479	Net Assets		167,123
(47,404)	Usable Reserves	5.31	(49,508)
(97,075)	Unusable Reserves	5.32	(117,615)
(144,479)	Total Reserves		(167,123)

4.4 Cash Flow Statement

2018-19		Note	2019-20
£000			£000
285	(Surplus) / Deficit on Provision of Services	4.2	(5,160)
(5,588)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	5.33	(3,548)
4,145	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	5.33	5,216
(1,158)	Net cash (inflow) / outflow from Operating Activities		(3,492)
(5,906)	Investing Activities	5.34	6,063
2,593	Financing Activities	5.35	(4,022)
(4,471)	Decrease / (increase) in cash and cash equivalents		(1,451)
4,567	Cash and cash equivalents at the beginning of the reporting period		9,038
9,038	Cash and cash equivalents at the end of the reporting period	5.25	10,489

5.1 Accounting Policies

Basis of Preparation

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounts have been prepared using the going concern and accruals basis. The historical cost convention has been applied, 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).

The above policy is consistent with IFRS 15 Revenue Recognition; recognising income when goods and services are transferred to recipients.

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.

Asset Category:	De-minimis level:
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.

Asset Category:	Basis of Valuation:
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	Depreciated 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 5.16) 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 least

every 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 is 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:

Asset Category:	Depreciation Basis:
Infrastructure Assets	Up to 20 Years
Other Land & Buildings	Up to 60 Years
Vehicles, Plant & Other Equipment	3 to 25 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 General 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 General 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 General 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 that does not enhance the asset 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 Expenditure 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 General 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 after net operating expenses.

The receipt of a capital grant or contribution is not a proper credit to the General 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 General 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. For contributions received in lieu of a cash receipt a debtor is recognised and matched by a deferred capital receipt.

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 are not to be transferred out of the General Fund.

Fair Value

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

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

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

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

- **Level 1** – quoted prices;
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability;
- **Level 3** – unobservable inputs for the asset or liability.

Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value.

Financial Assets

Financial assets are subsequently measured in one of two ways:

- amortised cost – assets whose contractual terms are basic lending arrangements (i.e. they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- fair value – all other financial assets.

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited / credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

Statutory Reversals

Statutory regulations allow the reversal of impairment losses out of the General Fund Balance if the financial instruments are covered by the capital expenditure definition specified in regulation 25 of the 2003 Capital Finance Regulations.

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost.

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. When recognised, provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement.

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

The 2019/20 Accounting Code of Practice requires the segmental analysis and amounts disclosed in the Comprehensive Income and Expenditure Statement to be based on the Council's financial monitoring reporting process. The cost of support services, with the exception of those recharged to trading accounts which are required to be disclosed on a total cost basis, are not reallocated and are disclosed in the Comprehensive Income and Expenditure segment that hosts the support service.

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 General Fund and are separately disclosed in the Usable Reserves note to the balance sheet. 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 in the Usable Reserves note.

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, the collection of council tax / business rates and deferred capital receipts 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 pension 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; 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.

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;

5. NOTES TO THE ACCOUNTS

- 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.

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 in 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 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. The Council also owns 100% of the share capital in Hertsmere Development Limited. Its activities at this stage have been assessed as not material enough to disclose in the Group activities of the Council for 2019/20.

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

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

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

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

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

Non-Current Assets Held for Sale

Where it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued use, it is reclassified as an asset held for sale. A non-current asset classified as held for sale is measured at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting period. Any subsequent gains and losses are posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Assets held for sale are only recognised where a property is being actively marketed, and is likely to result in a probable sale within 12 months of the balance sheet date.

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions of the billing authority in relation to business rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund, in accordance with relevant legislation. The Collection Fund is consolidated with other accounts of the Council, is prepared on an accruals basis and provision is made for potential uncollectable amounts and Business Rates appeals.

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

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

The above changes in accounting requirements for 2019/20 are not anticipated to have a material impact on the Council's financial performance or financial position.

5.3 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 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 initially provided for 34% of the estimated liability (£1.060 million).
- The Council is not represented on the board of InspireAll, a charitable trust 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 5.38. The council 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

5. NOTES TO THE ACCOUNTS

understanding of its financial affairs.

- The Council has made provision in its Collection Fund of £5.919 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 5.27 to the Statement of Accounts discloses the share of this provision allocated to the Council (£2.072 million - 35% of the total).

5.4 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 2020 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
<p><i>Property Plant & Equipment</i></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.</p> <p>When valuing Specialised Operational Properties no obsolescence factor is applied to assets less than 10 years old. For properties older than 10 years our valuer applies a depreciation & obsolescence factor of 1% per year up to a cap of 50%.</p> <p>As this group of assets include high value properties (e.g. Leisure Centres) these assumptions are seen as key.</p> <p>Uncertainty in such areas is mitigated by the use of professional advisors to conduct valuations. As part of the valuation exercise they carry out physical inspections and take condition into account when applying estimates.</p> <p>Any methodologies for estimation are made with reference to the professional standards of the Royal Institute of Chartered Surveyors (RICS), the Red Book and the Code of Practice</p> <p>The Council has Property, Plant and Equipment with a carrying value of £137.937 million on the Balance Sheet as at 31st March 2020, with £2.553 million charged as depreciation during the year.</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 £52k for every year that useful lives had to be reduced, based on depreciation calculated on opening values from 2019/20. The average 2019/20 life is 39.75 years.</p> <p>If the obsolescence factor is decreased the carrying value of the asset increases.</p> <p>It is estimated that the overall value of Specialised Leisure Centre Properties would change by £439k for every 1% that the obsolescence factor changed, based at the date of last revaluation in 2020.</p>

5. NOTES TO THE ACCOUNTS

Item	Uncertainty	Effect if actual results differ from assumptions
<p><i>Property, Plant & Equipment</i></p> <p><i>Investment Properties</i></p>	<p>The 2019/20 valuation of the council's Property, Plant and Equipment and Investment Properties were completed before the Covid-19 pandemic took hold across the country. The current position is unprecedented with no previous market evidence and therefore the potential impacts on property valuations are currently difficult to quantify.</p>	<p>The council and our external valuer are constantly reviewing the situation and will put in place processes to reflect any changes in valuations as a result of the pandemic.</p> <p>The effects of the pandemic on property valuations are anticipated to be found during the 2020/21 financial year.</p>
<p><i>Pensions Liability</i></p>	<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 £10.4 million. Note 5.30.5 sets out details of the assumptions made by the independent actuary to the Hertfordshire Local Government Pension Scheme together with further examples.</p>
<p><i>Non Domestic Rates Appeals provision</i></p>	<p>The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2020. The carrying amount of the provision is £5.919 million, of which the Council's share of £2.072 million is reflected in the accounts. The provision figure is growing, mainly due to the delays in both the VOA clearing the 2010 list and the delays in appeals under the check, challenge, appeal process.</p>	<p>If NDR appeals were to increase significantly the provision would have to be increased. The increased liability would be shared between the Council, Hertfordshire County Council and Central Government. The split of short term from long term provisions is estimated using the actual percentage settlement (13.37%) from 2019/20 against the closing 2019/20 provision. A large proportion of the 2017 list estimated appeals have not yet been lodged, and therefore less likely to be settled in the next 12 months.</p>

Item	Uncertainty	Effect if actual results differ from assumptions
<i>Fair value estimations</i>	The fair values of investment properties are principally based on the available market evidence for the sale and purchase of similar assets. Under IFRS 13 fair value hierarchy these have been shown as a level 2 input namely using quoted prices for similar assets or liabilities in active markets at the balance sheet date. If this information is not available estimates are undertaken in accordance with RICS professional guidelines.	Most estimates are based on current market information therefore material changes are not expected. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.

5.5 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.

5.6 Trading Operations

The Council has established the following two 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.

2018/19		Expenditure	Income	2019/20
£000		£000	£000	£000
	Cemeteries / Burial Grounds			
112	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.	185	(88)	97
	Trade Refuse			
(163)	The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	450	(595)	(145)
	Net (surplus) / deficit on trading accounts			
(51)		635	(683)	(48)

5.7 Other Operating Expenditure

5. NOTES TO THE ACCOUNTS

2018-19		2019-20
£000		£000
1,205	Parish and town council precepts	1,235
1,339	Losses / (gains) on the disposal of non-current assets	1,016
2,544	Total	2,251

5.8 Financing and Investment Income and Expenditure

2018-19		2019-20
£000		£000
55	Interest payable and similar charges	43
(622)	Interest receivable and similar income	(846)
850	(Increase) / decrease in the fair value of investment property	(705)
119	Impairment of Financial Assets	145
(652)	Income in relation to investment properties	(529)
(51)	(Surplus) / deficit on trading undertakings not included in net cost of services	(48)
938	Net interest cost on the defined benefit pension liability	994
637	Total	(946)

5.9 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:

2018-19		2019-20
£000		£000
(7,013)	Amount collectable from council tax	(7,320)
(1,205)	Amount collectable on behalf of parishes	(1,235)
(216)	Share of surplus on collection fund for the year	(165)
(8,434)		(8,720)
	Non-domestic rates income and expenditure (see note below):	
(18,071)	Amount collectable from business rates	(15,862)
15,129	Tariff payable	13,166
204	Share of (surplus) / deficit on collection fund for the year	(1,770)
176	Growth levy	16
(41)	Levy Account Surplus Grant	(9)
(1,192)	Grant in respect of small business and other rates reliefs	(1,474)
-	NNDR Pilot Share from HCC	(1,193)
(3,795)		(7,126)
	General Government Grants:	
(221)	Revenue support grants	-
(1,361)	New Homes Bonus	(1,155)
(1,582)		(1,155)
	Capital grants and contributions:	
	<i>Recognised capital grants and contributions:</i>	
(1,009)	Disabled facilities grant	(1,024)
-	Lottery funding	-
(1,991)	Community Infrastructure Levy	(4,035)
(1,104)	Section 106 monies utilised	(119)
-	Other capital contributions	-
(4,104)		(5,178)
(177)	Donated assets	(6)
(18,092)	Total Taxation and Non-Specific Grant Income	(22,185)

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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 MHCLG. 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.

A surplus of £1.770 million (2018/19: deficit £0.204 million) on the collection of business rates and a levy of £0.016 million including a £16k adjustment for 2019/20 (2018/19: £0.176 million) have been recognised in the Comprehensive Income and Expenditure Statement for the year. During 2019/20 the Council was a member of the Hertfordshire Business Rates Pilot. There was an accrual of £1.193m in relation to the pilot share due from Hertfordshire County Council, who was the pilot lead.

5.10 Members Allowances and Expenses

2018-19		2019-20
£000		£000
	Allowance / Expense:	
227	Basic allowance	231
134	Special responsibility allowance	140
2	Travel and other allowance	1
<u>363</u>	Total	<u>372</u>

5.11 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 £000	Termination Benefits £000	Pension - employers contribution £000	2018-19 Total £000
Chief Executive	162	-	30	192
Corporate Director	115	-	21	136
Total	277	-	51	328

	Salary £000	Termination Benefits £000	Pension - employers contribution £000	2019-20 Total £000
Chief Executive	92	167	14	273
Managing Director	132	-	24	156
Total	224	167	38	429

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.

2018-19	REMUNERATION BAND:	2019-20
8	£50,000 - £54,999	6
4	£55,000 - £59,999	6
1	£60,000 - £64,999	1
-	£65,000 - £69,999	2
1	£70,000 - £74,999	1
3	£75,000 - £79,999	2
1	£80,000 - £84,999	2
18		20

5.12 Termination Benefits

The Council terminated the contracts of a number of employees in 2019/20 incurring liabilities of £186k (2018/19: £67k).

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£000	£000
£0 - £20,000	-	1	4	1	4	2	28	19
£20,001 - £40,000	1	-	-	-	1	-	39	-
£160,001 - £170,000	-	-	-	1	-	1	-	167
Total	1	1	4	2	5	3	67	186

5.13 Audit Fees

2018-19		2019-20
£000		£000
	Audit Fees:	
38	External audit services carried out	38
13	Certification of grant claims and returns	18
12	Other	14
63	Total	70

5.14 Adjustment between accounting basis and funding basis under regulations

The Comprehensive Income and Expenditure Statement shows 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 General Fund contains the excess to date of income over expenditure in the Comprehensive Income and Expenditure Statement. It also takes into 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 5.31.2.

2018-19	Usable Reserves			Movement in Usable Reserves	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000	£000	£000		
Reversal of items debited or credited to the CIES					
Amortisation of intangible assets	(109)	-	-	109	Capital Adjustment Account
Depreciation and Impairment	(1,792)	-	-	1,792	
Movements in the market value of Investment Properties	(850)	-	-	850	
Revenue expenditure funded from capital under statute	(1,217)	-	-	1,217	
Non-current assets written out on disposal	(1,380)	-	-	1,380	
Donated Assets	177	-	-	(177)	Deferred Capital Receipts Reserve
Grant income transferred to Capital Grants Unapplied	4,104	-	(4,104)	-	
Transfers between revenue and capital resources					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	41	(96)	-	55	Deferred Capital Receipts Reserve
Minimum Revenue Provision	242	-	-	(242)	Capital Adjustment Account
Capital expenditure charged against the General Fund	822	-	-	(822)	
Adjustments to capital resources					
Use of Capital Receipts to finance capital expenditure	-	171	-	(171)	Capital Adjustment Account
Application of capital grants and other contributions to finance capital expenditure	-	-	2,474	(2,474)	
Adjustments between accounting and funding basis under regulations					
Pension costs	(2,192)	-	-	2,192	Pensions Reserve
Council Tax and NNDR	(1,053)	-	-	1,053	Collection Fund Adjustment Account
Financial Instruments	(50)	-	-	50	Capital Adjustment Account
Holiday Pay	1	-	-	(1)	Accumulated Absences Account
Total Adjustments	(3,256)	75	(1,630)	4,811	

5. NOTES TO THE ACCOUNTS

2019-20	Usable Reserves			Movement in Usable Reserves £000	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000	£000	£000		
Reversal of items debited or credited to the CIES					
Amortisation of intangible assets	(114)	-	-	114	Capital Adjustment Account
Depreciation	(2,575)	-	-	2,575	
Impairment / Revaluation charged to the CIES	1,357	-	-	(1,357)	
Movements in the market value of Investment Properties	705	-	-	(705)	
Revenue expenditure funded from capital under statute	(1,728)	-	-	1,728	
Non-current assets written out on disposal	(777)	-	-	777	
Accumulated gains on non-current assets disposed	(277)	-	-	277	Revaluation Reserve
Donated Assets	6	-	-	(6)	Deferred Capital Receipts
Grant income transferred to Capital Grants Unapplied	5,099	-	(5,099)	-	
Transfers between revenue and capital resources					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	38	(401)	-	363	Deferred Capital Receipts Reserve
Minimum Revenue Provision	242	-	-	(242)	Capital Adjustment Account
Capital expenditure charged against the General Fund	2,140	-	-	(2,140)	
Adjustments to capital resources					
Use of Capital Receipts to finance capital expenditure	-	2,254	-	(2,254)	Capital Adjustment Account
Application of capital grants and other contributions to finance capital expenditure	79	-	2,035	(2,114)	
Adjustments between accounting and funding basis under regulations					
Pension costs	(2,266)	-	-	2,266	Pensions Reserve
Council Tax and NNDR	2,493	-	-	(2,493)	Collection Fund Adjustment Account
Financial Instruments	(144)	-	-	144	Capital Adjustment Account
Holiday Pay	(11)	-	-	11	Accumulated Absences Account
Total Adjustments	4,267	1,853	(3,064)	(3,056)	

5.15 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows for each of the Council's services;

- the amount spent under the Council's rules for monitoring expenditure against the funding in the annual budget for the General Fund shown as Net General Fund Expenditure in the Expenditure and Funding Analysis
- the resources actually consumed in the year as measured by proper accounting practices in the Comprehensive Income and Expenditure Statement shown as Amounts included in the Comprehensive Income and Expenditure Statement in the Expenditure and Funding Analysis

The reasons for differences between the two amounts for each service are explained in the tables following the Expenditure and Funding Analysis (**5.15.1 Note to the Expenditure and Funding Analysis**).

5.15 Expenditure and Funding Analysis

		2018-19	
	Net General Fund Expenditure	Adjustments between funding and accounting basis	Amounts included in the Comprehensive Income and Expenditure Statement
SERVICE	£000	£000	£000
Asset Management	(2,469)	1,045	(1,424)
Audit & Assurance	112	-	112
Corporate Management	488	50	538
Engineering Services	397	65	462
Environmental Health	973	140	1,113
Finance & Business Services	1,937	286	2,223
General Expenses	660	20	680
Housing Services	766	1,287	2,053
Human Resources & Customer Services	1,191	132	1,323
Legal & Democratic Services	1,253	85	1,338
Partnership & Community Engagement	1,321	64	1,385
Planning & Economic Development	1,160	218	1,378
Street Scene Services	3,036	979	4,015
Total	10,825	4,371	15,196
Other Income and Expenditure	(13,796)	(1,115)	(14,911)
(Surplus) / Deficit on Provision of Services	(2,971)	3,256	285
Opening Balance on the General Fund	28,025		
Surplus / (Deficit) for the year	2,971		
Closing Balance on the General Fund	30,996		

5.15 Expenditure and Funding Analysis

		2019-20	
	Net General Fund Expenditure	Adjustments between funding and accounting basis	Amounts included in the Comprehensive Income and Expenditure Statement
SERVICE	£000	£000	£000
Asset Management	(2,473)	211	(2,262)
Audit & Assurance	113	-	113
Corporate Management	650	40	690
Engineering Services	350	65	415
Environmental Health	911	133	1,044
Finance & Business Services	2,229	301	2,530
General Expenses	261	18	279
Housing Services	875	1,122	1,997
Human Resources & Customer Services	1,218	136	1,354
Legal & Democratic Services	1,482	92	1,574
Partnership & Community Engagement	1,335	62	1,397
Planning & Economic Development	1,000	878	1,878
Street Scene Services	3,429	1,282	4,711
Total	11,380	4,340	15,720
Other Income and Expenditure	(12,273)	(8,607)	(20,880)
(Surplus) / Deficit on Provision of Services	(893)	(4,267)	(5,160)
Opening Balance on the General Fund	30,996		
Surplus / (Deficit) for the year	893		
Closing Balance on the General Fund	31,889		

5.15.1 Note to the Expenditure and Funding Analysis

		2018-19		
Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute	Adjustments relating to the use of non-current assets	Adjustments relating to employee benefits	Other adjustments	Total adjustments
SERVICE	£000	£000	£000	£000
Asset Management	996	48	1	1,045
Audit & Assurance	-	-	-	-
Corporate Management	-	50	-	50
Engineering Services	27	38	-	65
Environmental Health	27	114	(1)	140
Finance & Business Services	63	223	-	286
General Expenses	18	2	-	20
Housing Services	-	67	1,220	1,287
Human Resources & Customer Services	30	107	(5)	132
Legal & Democratic Services	-	83	2	85
Partnership & Community Engagement	-	64	-	64
Planning & Economic Development	55	158	5	218
Street Scene Services	685	300	(6)	979
Net Cost of Services	1,901	1,254	1,216	4,371
Other Income and Expenditure	-	938	(2,053)	(1,115)
Adjustments between funding and accounting basis	1,901	2,192	(837)	3,256

5.15.1 Note to the Expenditure and Funding Analysis

		2019-20		
Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute	Adjustments relating to the use of non-current assets	Adjustments relating to employee benefits	Other adjustments	Total adjustments
SERVICE	£000	£000	£000	£000
Asset Management	154	55	2	211
Audit & Assurance	-	-	-	-
Corporate Management	-	40	-	40
Engineering Services	27	39	(1)	65
Environmental Health	23	111	(1)	133
Finance & Business Services	68	227	6	301
General Expenses	18	-	-	18
Housing Services	-	76	1,046	1,122
Human Resources & Customer Services	28	106	2	136
Legal & Democratic Services	-	88	4	92
Partnership & Community Engagement	-	62	-	62
Planning & Economic Development	50	150	678	878
Street Scene Services	964	318	-	1,282
Net Cost of Services	1,332	1,272	1,736	4,340
Other Income and Expenditure	-	994	(9,601)	(8,607)
Adjustments between funding and accounting basis	1,332	2,266	(7,865)	(4,267)

5.15.2 Subjective Analysis

The analysis by service on the face of the Comprehensive Income and Expenditure Statement reflects how the Council monitors and reports its financial performance during the year. A reconciliation from the reported underspend for the year to the movement in the General Fund balance is provided in the Narrative Statement.

The Council's monitoring 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 support services is recharged to trading services.

A subjective analysis of the Council's net cost of services as disclosed in the Comprehensive Income and Expenditure Statement is shown in the following tables.

The year ended 31 March 2019 subjective analysis table was restated to follow the subjective disclosure requirements as prescribed by the CIPFA Service Reporting Code of Practice (SerCoP).

5. NOTES TO THE ACCOUNTS

YEAR ENDED 31 March 2019 (Restated)	Employees Related Costs	Premises Related Expenditure	Transport Related Costs	Supplies and Services	Third Party Payments	Transfer Payments	Depreciation, Impairment and REFFCUS	Income	TOTAL
SERVICE	£000	£000	£000	£000	£000	£000	£000	£000	£000
Asset Management	737	1,391	2	148	128	-	996	(4,826)	(1,424)
Audit & Assurance	-	-	-	-	112	-	-	-	112
Corporate Management	520	-	1	12	5	-	-	-	538
Engineering Services	338	24	32	23	166	-	27	(148)	462
Environmental Health	1,204	2	10	115	40	-	27	(285)	1,113
Finance & Business Services	2,736	-	8	676	252	36,233	63	(37,745)	2,223
General Expenses	104	-	-	632	10	-	18	(84)	680
Housing Services	882	2	2	1,304	24	30	1,217	(1,408)	2,053
Human Resources & Customer Services	1,094	-	1	75	194	-	30	(71)	1,323
Legal & Democratic Services	968	1	6	598	4	-	-	(239)	1,338
Partnership & Community Engagement	681	8	3	236	605	4	-	(152)	1,385
Planning & Economic Development	1,783	1	6	234	245	-	55	(946)	1,378
Street Scene Services	4,308	951	913	423	479	-	676	(3,735)	4,015
Total	15,355	2,380	984	4,476	2,264	36,267	3,109	(49,639)	15,196

5. NOTES TO THE ACCOUNTS

YEAR ENDED 31 March 2020	Employees Related Costs	Premises Related Expenditure	Transport Related Costs	Supplies and Services	Third Party Payments	Transfer Payments	Depreciation, Impairment and REFFCUS	Income	TOTAL
SERVICE	£000	£000	£000	£000	£000	£000	£000	£000	£000
Asset Management	772	1,242	2	184	163	-	154	(4,779)	(2,262)
Audit & Assurance	-	-	-	-	113	-	-	-	113
Corporate Management	662	-	1	25	2	-	-	-	690
Engineering Services	374	26	35	15	91	-	27	(153)	415
Environmental Health	1,158	2	10	100	63	-	23	(312)	1,044
Finance & Business Services	2,841	-	8	632	218	31,759	68	(32,996)	2,530
General Expenses	80	-	-	324	1	-	18	(144)	279
Housing Services	1,019	71	10	1,140	41	68	1,047	(1,399)	1,997
Human Resources & Customer Services	1,172	10	1	80	152	-	28	(89)	1,354
Legal & Democratic Services	1,370	60	5	733	38	-	-	(632)	1,574
Partnership & Community Engagement	700	12	3	288	622	16	-	(244)	1,397
Planning & Economic Development	1,873	-	6	257	273	-	731	(1,262)	1,878
Street Scene Services	4,523	1,008	940	455	406	-	955	(3,576)	4,711
Total	16,544	2,431	1,021	4,233	2,183	31,843	3,051	(45,586)	15,720

5. NOTES TO THE ACCOUNTS

5.16 Property, Plant & Equipment

2018-19

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total Property Plant and Equipment £000
Cost or Valuation							
At 1 April 2018	122,358	4,494	192	1,858	1,535	-	130,437
Additions	420	386	329	-	1,062	-	2,197
Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,952	-	-	-	-	-	7,952
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	525	-	-	-	-	-	525
Disposals	(1,380)	-	-	-	-	-	(1,380)
De-recognition – recognised in the surplus/ Deficit On Provision of Services	(369)	-	-	-	-	-	(369)
De-recognition – recognised in the Revaluation Reserve	(1,037)	-	-	-	-	-	(1,037)
At 31 March 2019	128,469	4,880	521	1,858	2,597	-	138,325
Accumulated Depreciation							
At 1 April 2018	(2,133)	(3,096)	(155)	(213)	-	-	(5,597)
Depreciation	(2,080)	(460)	(11)	(52)	-	-	(2,603)
Depreciation written out to the Revaluation Reserves	1,653	-	-	-	-	-	1,653
Depreciation written out to the Surplus/ Deficit on the Provision of Services	627	-	-	-	-	-	627
De-recognition – recognised in the Surplus/ Deficit On Provision of Services	50	-	-	-	-	-	50
At 31 March 2019	(1,883)	(3,556)	(166)	(265)	-	-	(5,870)
Net Book Value							
As at 31 March 2018	120,225	1,398	37	1,645	1,535	-	124,840
As at 31 March 2019	126,586	1,324	355	1,593	2,597	-	132,455

5. NOTES TO THE ACCOUNTS

2019-20

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total Property Plant and Equipment £000
Cost or Valuation							
At 1 April 2019	128,469	4,880	521	1,858	2,597	-	138,325
Additions	617	1,338	2	-	2,500	-	4,457
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,509	-	-	90	-	-	3,599
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	1,357	-	-	-	-	-	1,357
Disposals	(505)	(339)	-	-	(567)	-	(1,411)
Assets reclassified (to) / from Investment Property	(347)	-	-	-	(1)	-	(348)
Other movements	936	60	1	(57)	(939)	-	1
Accumulated depreciation and impairment written to Cost or Valuation	(3,183)	-	-	-	-	-	(3,183)
At 31 March 2020	130,853	5,939	524	1,891	3,590	-	142,797

5. NOTES TO THE ACCOUNTS

2019-20

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total Property Plant and Equipment £000
Accumulated Depreciation							
At 1 April 2019	(1,883)	(3,556)	(166)	(265)	-	-	(5,870)
Depreciation	(2,113)	(383)	(11)	(46)	-	-	(2,553)
Disposals	26	332	-	-	-	-	358
Assets reclassified to / (from) Investment Property	21	-	-	-	-	-	21
Other movements	4	(22)	(1)	20	-	-	1
Accumulated depreciation and impairment written to Cost or Valuation	3,183	-	-	-	-	-	3,183
At 31 March 2020	(762)	(3,629)	(178)	(291)	-	-	(4,860)
Net Book Value							
As at 31 March 2019	126,586	1,324	355	1,593	2,597	-	132,455
As at 31 March 2020	130,091	2,310	346	1,600	3,590	-	137,937

5. NOTES TO THE ACCOUNTS

Assets included in note 5.16 within 'Other Land and Buildings' with a carrying value of £130.0 million at 31 March 2020 were revalued in full at the dates shown in the table below. Valuations as at 31 January 2020 and 31 March 2020 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.

5.16.1 Rolling Revaluation

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total	Investment Property
	£000	£000	£000	£000	£000	£000	£000
<i>Valued at historical cost</i>	-	2,310	346	1,060	3,590	7,306	-
<i>Valued at Fair Value</i>							
As at 31 March 2020	731	-	-	-	-	731	457
As at 31 January 2020	106,748	-	-	540	-	107,288	8,431
As at 31 January 2019	13,178	-	-	-	-	13,178	
As at 28 February 2018	9,319	-	-	-	-	9,319	-
As at 29 February 2017	115	-	-	-	-	115	-
Total cost or valuation as at 31 March 2020	130,091	2,310	346	1,600	3,590	137,937	8,888

5.17 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.

2018-19		2019-20
£000		£000
6,450	Opening Capital Financing Requirement	9,398
	Capital Investment:	
2,197	Property, plant and equipment	4,457
21	Intangible assets	324
33	Investment properties	-
1,217	Revenue expenditure funded from capital under statute	1,728
3,190	Loan advanced for capital purposes	1,656
	Sources of finance:	
(2,474)	Government grants and other contributions	(2,114)
(172)	Capital receipts	(2,254)
(822)	Revenue contribution to capital	(2,140)
	Provision for repayment of debt:	
(242)	Minimum revenue provision	(242)
9,398	Closing Capital Financing Requirement	10,813
	Explanation of movements in year:	
2,948	(Decrease) / Increase in the underlying need to borrow	1,415

5.17.1 Capital Commitments

2018-19		2019-20
£000		£000
	Capital Commitments:	
4,162	Asset Management	8,559
150	Human Resources & Customer Services	75
1,435	Planning & Economic Development	648
2,722	Environmental Health	2,711
2,010	Housing & Partnerships	-
942	Street Scene Services	1,468
170	Finance And Business Services	204
336	Loan to Hertsmere Development Company	303
<u>11,927</u>	Total	<u>13,968</u>

5.18 Leases*The Council as Lessee*

Operating Leases

There are no operating leases.

The Council as Lessor

Operating Leases

The council has a license fee arrangement with Elstree 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 2019/20 was in £1,550k (2018/19: £1,550k).

The income is ongoing in nature, although there is no formal lease.

The property for 2019/20 is let under an annual operating licence. The Council is working towards leasing the asset on a longer lease, to provide security to EFS in negotiating new business for the Studios.

5.19 Heritage Assets

Heritage assets held by the authority

Heritage assets comprise the restored Grade II listed Rose Garden in Herkomer Road, Bushey, the Borough's war memorials and a small number of paintings and sculptures. In addition, the Council holds some items 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:

2019-20

	Artwork	Rose Garden	War Memorial	Total Heritage Assets
	£000	£000	£000	£000
Gross Carrying Amounts				
At 1 April	110	1,353	50	1,513
Additions in year	-	-	-	-
Valuation movements	-	-	-	-
At 31 March	110	1,353	50	1,513
Depreciation				
At 1 April	-	(223)	-	(223)
Depreciation charged in year	-	(23)	-	(23)
At 31 March	-	(246)	-	(246)
Net Carrying Amounts				
31 March 2019	110	1,130	50	1,290
31 March 2020	110	1,107	50	1,267

5.20 Investment Property

Rental income from investment property of £529k (2018/19: £652k) 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:

5. NOTES TO THE ACCOUNTS

2018-19		2019-20
£000		£000
8,674	At 1 April	7,857
33	Additions in year	-
(805)	Net gains / (losses) from Fair Value adjustments	705
-	Disposals	-
-	Other movements	-
-	Assets reclassified (to)/from Property, Plant and Equipment	326
7,857	Level 2 balances at 31 March	8,888
7,857	Total	8,888

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes. (See Note 5.1 – Accounting Policies for explanation of fair value levels). In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Level 2 inputs are those that are observable for the asset (other than quoted prices). They are based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets in the local authority area.

Typical valuation inputs which have been analysed in arriving at Fair Valuations include;

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence

5.21 Intangible Assets

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

2018-19		2019-20
£000		£000
	Gross Carrying Amount	
1,358	At 1 April	1,379
21	Additions in year	324
1,379	At 31 March	1,703
	Amortisation	
(955)	At 1 April	(1,064)
(109)	Charged in year	(114)
(1,064)	At 31 March	(1,178)
315	Net Carrying Amount	525

5.22 Debtors

31 March 2019		31 March 2020
£000		£000
	Amounts receivable within one year:	
	<i>Financial assets</i>	
2,286	Sundry debtors and accrued income	2,332
263	Other loans	452
41	Employee car loans	43
2,590	Total	2,827
	<i>Non-financial assets and statutory debt</i>	
264	Council tax	269
410	Business rates	369
131	HM Revenue and Customs	133
1,109	Government departments and other local authorities	2,374
333	Housing Benefits overpaid	264
328	Prepayments	498
2,575	Total	3,907
5,165	Total amounts receivable within one year	6,734
	Amounts receivable after one year:	
	<i>Financial assets</i>	
2,685	Equity charge on properties	2,328
78	Employee car loans	52
447	Loans to subsidiary undertakings	459
3,001	Other loans	4,340
-	Other	33
6,211	Total amounts receivable after one year	7,212

5.23 Investments

Investments were held as follows:

31 March 2019 £000		31 March 2020 £000
	Long Term Investments:	
-	Investments in subsidiaries	-
-	Other	-
<u>-</u>	Total Long Term Investments	<u>-</u>
	Short Term Investments:	
24,101	Banks	12,028
-	Building Societies	3,006
20,049	Local Authorities	36,148
<u>44,150</u>	Total Short Term Investments	<u>51,182</u>

The Council's investment in subsidiaries comprises 100 ordinary shares of £1 each in Hertsmere Developments Limited and 1 ordinary share of £1 each in Elstree Studios Limited which is further disclosed in the Group Accounts section. Both companies are 100% owned by the Council.

In addition, the Council held 14 (14%) of the ordinary shares of £1 each issued by Hertfordshire CCTV Partnership Limited (note 5.38) at 31 March 2019 (2018: 14%).

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

The average interest rate received on core investments during the year was 1.28% (2018/19:0.96%). Short-term investments are held for periods of one year or less.

5.24 Assets Held for Sale

The movement during the year is as follows:

2018-19 £000		2019-20 £000
-	Balance at 1 April	-
	Assets newly classified as Held for Sale	
-	- Property, Plant and Equipment	-
-	Assets sold	-
<u>-</u>	Balance at 31 March	<u>-</u>

5.25 Cash and Cash Equivalents

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

31 March 2019		31 March 2020
£000		£000
3	Cash held by the council	2
319	Bank current accounts	894
8,716	Call deposit and money market funds	9,593
9,038	Total	10,489

5.26 Creditors

31 March 2019		31 March 2020
£000		£000
Amounts payable within one year:		
<i>Financial liabilities</i>		
2,120	Sundry creditors	2,376
2,120	Total	2,376
<i>Non-financial liabilities and statutory debt</i>		
93	Accrual for accumulated absences (note 5.32.6)	104
285	HM Revenue and Customs - payroll taxes	308
5,200	Due to government departments and other local authorities	9,247
838	Receipts in advance	3,030
6,416	Total	12,689
8,536	Total included in current liabilities	15,065

Amounts payable after one year:

<i>Financial liabilities</i>		
400	Other creditors	400
-	Other loans	30
400	Total included in non-current liabilities	430

5.27 Provisions

2018-19

	Municipal Mutual Insurance	Business Rates Appeals	Uninsured Losses	Herts Building Control Ltd Losses	Loan ECL	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	95	2,505	450	134	-	3,184
Increase/(decrease) in provision during year	-	1,247	-	-	18	1,265
Amounts used	-	(330)	(450)	-	-	(780)
Classified as Long Term	-	(2,965)	-	-	-	(2,965)
Balance as at 31 March 2019	95	457	-	134	18	704

2019-20

	Municipal Mutual Insurance	Business Rates Appeals	Uninsured Losses	Herts Building Control Ltd Losses	Loan ECL	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	95	3,422	-	134	18	3,669
Increase/(decrease) in provision during year	-	(1,193)	-	-	-	(1,193)
Amounts used	-	(157)	-	-	(18)	(175)
Classified as Long Term	-	(1,795)	-	-	-	(1,795)
Balance as at 31 March 2020	95	277	-	134	-	506

Municipal Mutual Insurance - a provision in respect of the Council's liabilities under the Municipal Mutual Insurance Scheme of Arrangement.

Business Rates Appeals - a provision in respect of the Council's share of the cost of successful appeals against valuations for business rates. Estimated settlement for the next 12 months is 13.37% of total calculated provision. This is based on the 2019/20 settlement percentage and the expected continued delays in VOA settlements coming through.

Uninsured Losses – a provision in respect of the cost of an action awarded against the Council that was settled during 2018/19.

Hertfordshire Building Control Ltd Losses - a provision to meet, based on the latest information available, the Council's share of losses as at 31 March 2020.

Loan ECL – a provision in respect of expected credit losses (ECL) relating to a loan commitment position at 31 March 2019 no longer required as loan fully advanced..

5.28 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 2020 is as follows:

31 March 2019 £000		Receipts £000	Utilised £000	31 March 2020 £000
132	18 Watford Road	1	-	133
1,057	3 London Road	5	-	1,062
-	Argyll House	503	-	503
-	Byron Avenue	254	(64)	190
992	Chess House	1,011	-	2,003
436	Elder Court	2	-	438
114	Elstree Way	1	-	115
236	Gemini House	1	(9)	228
1,848	Horizon One	9	-	1,857
1,476	International University	7	-	1,483
275	Isopad House	1	-	276
113	Oakland College	1	-	114
215	Sparrow Herne	1	(19)	197
384	Watling Street	2	(2)	384
1,544	Other	56	(239)	1,361
8,822	Total	1,855	(333)	10,344

Receipts include interest of £43k (2018/19: £55k) allocated to the balances whilst they are held on deposit by the Council.

5.29 Financial Instruments

Financial Instruments comprise contractual positions that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another.

Financial assets whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and are held within a business model whose objectives are achieved by collecting contractual cash flows are carried at amortised cost.

The Council's financial liabilities are carried at amortised cost with no change in carrying amounts.

Impairment Loss Allowances

IFRS 9 Financial Instruments requires impairment of financial assets carried at amortised cost to be based on forward-looking expectations (expected credit losses). The Council has used the following criteria to arrive at loss allowances.

Financial Asset	Criteria
Investments, cash and cash equivalents	Based on the Council's approach to credit risk arising from deposits with banks and financial institutions which are detailed below, all deposits held at 31 March 2020 are considered to have low credit risk. Therefore 12 month expected credit losses have been calculated applying risk factors provided by the Council's treasury management advisors. This amounted to £8,167 (2019: £4,514) which is considered to be immaterial and has therefore not been reflected in the core financial statements. No allowance is required for deposits with central government and other local authorities as relevant statutory provisions prevent default.
Loans to businesses and group companies	Financial assessment prior to loan advance, financial performance and position of the third party or group company, internal information e.g. attendance at board meetings and any relevant external information. The Covid-19 pandemic has required the Council to review the level of expected credit loss applicable to a loan to a third party that manages the Council's leisure centres. The loan was advanced to enhance leisure centre revenue generating activities which would finance loan repayments. Due to the Council's leisure centres currently being in lockdown the ability of the third party to repay the loan is considered to be impaired. The Council has therefore increased the level of expected credit loss to £194k and this amount has been earmarked against the Council's usable capital receipts (£6.318m at 31 March 2020).
Trade receivables	The expected lifetime credit loss allowance is based on the provision matrices policies applied by the Council. This calculation, based on the age of debt outstanding, is adjusted for any improving or worsening position applicable to specific debtors.

Financial Instruments by Category

The following categories of financial instruments are carried in the Balance Sheet.

1 April 2019	Amortised Cost £000	Fair Value through profit or loss £000	Non- financial instrument balances £000	Balance Sheet carrying amount £000	Financial Instruments Impairment Allowance £000
Financial Assets					
Long Term					
Investments	-	-	-	-	(20)
Long Term Debtors	3,527	2,684	-	6,211	(136)
Short Term					
Investments	44,150	-	-	44,150	-
Short Term Debtors	2,590	-	2,575	5,165	(614)
Cash and Cash Equivalents	9,038	-	-	9,038	-
					<u>(770)</u>
Financial Liabilities					
Short Term Creditors	(2,120)	-	(6,416)	(8,536)	-
Other Long term Liabilities	(400)	-	-	(400)	-
Loan Commitment	-	-	-	-	(18)
					<u>(788)</u>

31 March 2020	Amortised Cost £000	Fair Value through profit or loss £000	Non- financial instrument balances £000	Balance Sheet carrying amount £000	Financial Instruments Impairment Allowance £000
Financial Assets					
Long Term					
Investments	-	-	-	-	(20)
Long Term Debtors	4,884	2,328	-	7,212	(282)
Short Term					
Investments	51,182	-	-	51,182	-
Short Term Debtors	4,137	-	2,597	6,734	(584)
Cash and Cash Equivalents	10,489	-	-	10,489	-
					<u>(886)</u>
Financial Liabilities					
Short Term Creditors	(2,767)	-	(12,298)	(15,065)	-
Other Long term Liabilities	(430)	-	-	(430)	-
					<u>(886)</u>

For those assets and liabilities carried at amortised cost such carrying amounts provide a reliable estimate of fair value.

Income, Expense, Gains and Losses

The following gains and losses arose in 2019/20 in relation to financial assets.

2018-19 Financial Assets Measured at amortised cost £000		2019-20 Financial Assets Measured at amortised cost £000
	<u>Impairment of Financial Assets</u>	
119	Financing and Investment Income and Expenditure	145
	<u>Interest receivable and similar income</u>	
(622)	Financing and Investment Income and Expenditure	(846)

No financing expenditure was incurred in relation to financial liabilities.

Changes in Expected Credit Losses

	Allowance at 1 April 2019 £000	Allowance for assets originated or acquired £000	Allowance for assets derecognised £000	Allowance at 31 March 2020 £000
Long Term Investments				
- Lifetime credit losses	(20)	-	-	(20)
Loans to businesses and group companies				
- 12-month credit losses	(50)	(144)	-	(194)
- Lifetime credit losses	(107)	-	-	(107)
Deposits with banks and building societies				
- 12-month credit losses	-	-	-	-
Trade receivables				
- Grouped assets	(611)	(1)	47	(565)
Total loss allowances	(788)	(145)	47	(886)

Credit Risk Exposure

The Council had the following exposure to credit risk at 31 March 2020.

	Credit Risk Rating			Gross Carrying Amount £000
	Low £000	Medium £000	High £000	
Deposits with banks and building societies				
- 12-month credit losses	25,521	-	-	25,521
Loans to businesses and group companies				
- 12-month credit losses	5,306	-	-	5,306
- Lifetime credit losses	107	-	-	107
Trade receivables				
- Grouped assets	Not subject to credit rating			1,744
Total amount exposed to credit risk				<u>32,678</u>

Credit Risk arising from deposits with Banks and Financial Institutions

This 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 Link Asset 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 Link Asset 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 2019/20):

Category	Maximum Investment	Investment as at 31 March 2020	Call deposits at 31 March 2020 (included in cash and cash equivalents)
Higher Quality Rated Banks – rating AAA, AA+, AA and AA-	£8m		
UK Medium Quality Rated Banks and Building Societies - rating A+, A	£6m	5 deposits not exceeding £6m	
Medium Quality Rated Non UK Banks – rating A+, A	£4m		
DMO, UK Government and Local Authorities	£10m	8 deposits not exceeding £10m	
Part nationalised banks	£10m		
Unrated Building Societies or with rating below A - min £3B Asset Size	£3m		
Barclays Bank – Council's banker	£5m		
Money market funds – AAA and Enhanced Money market funds – AAA	£8m		2 deposits not exceeding £8m
Debt Management Account Deposit Facility - AAA	Unlimited		

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.

Credit Risk arising from the Council's exposure to other debtors

Credit risk can arise from the Council's exposure to other debtors excluding amounts due from government and public institutions. In addition to known specific issues the Council has applied the following criteria when calculating allowances for credit risk in respect of trade receivable debt.

Trade Receivable	Age (Days)						Allowance at 31 March 2020 £000
	0-30 %	31-60 %	61-90 %	90- 180 %	180- 365 %	Over 365 %	
Other	0	15	30	50	80	100	393
Garage Rents	0	0	40	60	80	80	10
Parking	Provision is made based on age of Penalty Charge Notices.						162
							565

Liquidity Risk

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised. The Council ensures it has adequate though not excessive cash resources, borrowing arrangements or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives and will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

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

This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which it has failed to protect itself adequately. The Council manages its exposure to fluctuations in interest rates with a view to containing its interest costs or securing its interest revenues. It achieves this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

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

Price Risk

The Council does not invest in equity shares and therefore is not exposed to losses arising from movement in the price of shares.

Foreign Exchange Risk

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

5.30 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 pension 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 General Fund via the Movement in Reserves Statement.

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

5.30.1 Comprehensive Income and Expenditure Statement

2018-19		2019-20
£000		£000
	Cost of Services:	
	<i>Service cost comprising:</i>	
3,192	Current service cost	3,665
394	Past service cost	-
	Finance and investment income and expenditure:	994
938	Net interest expense	
4,524	Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,659
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
	<i>Re-measurement of the net defined liability comprising:</i>	
(3,758)	Return on plan assets (excluding the amount included in the net interest expense)	13
6,748	Actuarial gains and losses arising on changes in financial assumptions	(9,897)
-	Actuarial gains and losses arising on changes in demographic assumptions	(3,065)
-	Other experience (gains) and losses	(936)
2,990	Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement	(13,885)

5.30.2 Movement in Reserves Statement

2018-19		2019-20
£000		£000
(4,524)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,659)
	Actual amount charged against the General Fund for pensions for the year:	
2,332	Employer's contributions payable to the scheme	2,393

5.30.3 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:

2018-19		2019-20
£000		£000
(130,861)	Present value of defined benefit obligations	(120,005)
90,170	Fair value of scheme assets	90,933
(40,691)	Net liability arising from defined benefit obligation	(29,072)

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

2018-19		2019-20
£000		£000
	Present Value of Defined Benefit Obligations:	
(120,692)	As at 1 April	(130,861)
(3,192)	Current service cost	(3,665)
(394)	Past service cost	-
(3,139)	Interest cost	(3,146)
(552)	Contributions by scheme members	(570)
-	Gains / (losses) on curtailments	-
	<i>Re-measurement gains and (losses):</i>	
-	Actuarial gains and losses arising on changes in demographic assumptions	3,065
(6,748)	Actuarial gains and losses arising on changes in financial assumptions	9,897
-	Other experience gains and losses	936
3,856	Benefits paid	4,339
(130,861)	As at 31 March	(120,005)
	Fair Value of Scheme Assets:	
85,183	As at 1 April	90,170
2,201	Interest Income	2,152
552	Contributions by scheme members	570
2,332	Contributions by employer	2,393
	<i>Re-measurement gains and (losses):</i>	
3,758	Return on plan assets excluding the amount included in the net interest expense	(13)
(3,856)	Benefits paid	(4,339)
90,170	As at 31 March	90,933

5.30.4 Pension Fair Values Scheme Assets

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

	Year ended 31 March 2019			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000	£000	£000	%
Cash and cash equivalents	2,918	-	2,918	3
Equity instruments:				
<i>By industry type:</i>				
Consumer	4,011	-	4,011	5
Manufacturing	3,497	-	3,497	4
Energy & Utilities	931	-	931	1
Financial Institutions	3,718	-	3,718	4
Health & Care	733	-	733	1
Information Technology	2,821	-	2,821	3
Other	241	-	241	-
Sub-total equity instruments	15,952	-	15,952	18
Debt Securities:				
Other	-	41	41	-
Private Equity	-	4,228	4,228	5
Property:				
UK Property	-	3,195	3,195	3
Overseas Property	-	3,420	3,420	4
Sub-total property	-	6,615	6,615	7
Investment Funds and Unit Trusts:				
Equities	22,752	-	22,752	25
Bonds	31,371	-	31,371	35
Infrastructure	-	874	874	1
Other	762	4,765	5,527	6
Sub-total investment funds and unit trusts	54,885	5,639	60,524	67
Derivatives: foreign exchange	-	(108)	(108)	-
Total assets	73,755	16,415	90,170	100

	Year ended 31 March 2020			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000	£000	£000	%
Cash and cash equivalents	2,268	-	2,268	2
Equity instruments:				
<i>By industry type:</i>				
Consumer	2,071	-	2,071	2
Manufacturing	1,323	-	1,323	1
Energy & Utilities	121	-	121	-
Financial Institutions	1,628	-	1,628	2
Health & Care	715	-	715	1
Information Technology	3,342	-	3,342	4
Other	195	-	195	-
Sub-total equity instruments	9,395	-	9,395	10
Debt Securities:				
Other	-	1,751	1,751	2
Private Equity	-	3,990	3,990	4
Property:				
UK Property	-	2,764	2,764	3
Overseas Property	-	3,204	3,204	4
Sub-total property	-	5,968	5,968	7
Investment Funds and Unit Trusts:				
Equities	31,803	-	31,803	35
Bonds	28,931	-	28,931	32
Infrastructure	-	115	115	-
Other	848	5,524	6,372	7
Sub-total investment funds and unit trusts	61,582	5,639	67,221	74
Derivatives: foreign exchange	-	340	340	-
Total assets	73,245	17,688	90,933	100

5.30.5 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 2019 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 March 2019		31 March 2020
	Financial assumptions:	
2.50%	Rate of increase in inflation / pension cost	1.90%
2.60%	Rate of increase in salaries	2.30%
2.40%	Expected return on investments	2.30%
2.40%	Rate for discounting scheme obligations	2.30%
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%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.5	Men	21.9
24.9	Women	24.1
	Longevity at 65 for future pensioners	
24.1	Men	22.8
26.7	Women	25.5

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.

Approximate Impact on the Defined Benefit Obligation in the Scheme			
	Percentage Increase to Employer Liability		Monetary Increase to Employer Liability
	%		£000
0.5% increase in the Salary Increase Rate	1%		870
0.5% increase in the Pension Increase Rate	8%		9,480
0.5% decrease in Real Discount Rate	9%		10,425

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 2022. Meanwhile funding levels are monitored on an annual basis.

It is estimated that the Council will contribute approximately £2.598 million to the Local Government Pension Scheme during the year ending 31 March 2021.

The weighted average duration of the defined benefit obligation for all scheme members (i.e., active, deferred and pensioner) is 16.7 years (2018/19: 16.1 years).

2016	2017	2018	2019	As at 31 March	2020
£000	£000	£000	£000		£000
(103,553)	(119,830)	(120,692)	(130,861)	Present value of defined benefit obligations	(120,005)
70,991	81,615	85,183	90,170	Fair value of employer assets	90,933
(32,562)	(38,215)	(35,509)	(40,691)	Deficit in the scheme	(29,072)

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.

5.31 Usable Reserves

Usable Reserves are those reserves that the council can use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve can only be used to fund capital expenditure or to repay debt).

31 March 2019 £000		Note	31 March 2020 £000
(8,186)	General Fund	5.31.1	(8,309)
(22,810)	Earmarked Reserves (General Fund)	5.31.2	(23,580)
(8,171)	Capital Receipts Reserve	5.31.3	(6,318)
(8,237)	Capital Grants and Contributions Unapplied	5.31.4	(11,301)
<u>(47,404)</u>	Total		<u>(49,508)</u>

5.31.1 General Fund

The General 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.

2018-19		Note	2019-20
£000			£000
(7,962)	Balance at 1 April		(8,186)
(114)	(Surplus) / deficit on provision of services	4.2	(5,160)
(2,857)	Adjustments between accounting basis and funding basis under regulation	5.14	4,267
2,747	Transfers to (from) earmarked reserves	5.31.2	770
<u>(8,186)</u>	Total		<u>(8,309)</u>

5.31.2 Earmarked Reserves

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

2018-19		Note	2019-20
£000			£000
(20,063)	Balance at 1 April		(22,810)
(2,747)	Transfers (to) from earmarked reserves	5.31.1	(770)
<u>(22,810)</u>	Total		<u>(23,580)</u>

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

Earmarked Reserve	Description
3 Valleys Way Play Area	Developer contributions for the maintenance and upkeep of new play areas.
Building Reserve	To fund repairs & maintenance of council owned properties.
Business rates equalisation	To fund shortfalls in business rates generation.
CCTV Reserve	To fund the future provision of the management and maintenance of the council's CCTV service.
CIL Admin Reserve	Retained receipts to fund the administrative costs associated with collection and management of CIL.
Civic Offices Sinking Fund	Property & equipment replacement reserve for the Civic Offices.
Corporate Consultation	Funds set aside to cover the future cost of the corporate consultations.
Council Contribution to Pension Fund	To meet any future shortfall in pension fund deficit and any strain in the pension fund.
Emergency Funding	For acquiring land or property to secure assets for the benefit of the Council
EWC Housing Zone	Government funding to deliver the Elstree Way Corridor housing zone.
Fishers Park Play Area	Developer contributions for the maintenance and upkeep of new play areas.
Flexible Homeless Support	Funds ring fenced for three years to support increased homeless prevention as defined by Homeless Reduction Act.
Housing & Council Tax Benefit Equalisation Account	To fund any shortfall in government grant for benefits.
Housing Initiatives	Funds housing initiatives such as the rent deposit scheme.
Human Resources strategy	To fund redundancy payments or any unusual staffing costs.
Information Services Infrastructure Replacement	Funds major Information Technology projects.
Prevention of Homelessness	Used for homeless prevention schemes.
Innovation & Investment fund	To fund invest to save projects.
Land Drainage	To fund land drainage and flood related costs.
Local Plan Inquiry	Reserve to fund the Local Development Framework.
Minor revenue grants	A miscellany of grants to fund minor projects.
New Homes Bonus Equalisation Reserve	To guard the revenue budget against declining government grants
Non-recurring Items	Used to fund schemes such as DFG grants.
Parking Repairs & Renewals	Covers the cost of car park resurfacing, machines and equipment replacement.
Parks Play Equipment	To cover the cost of the replacement of play equipment.
Recycling Initiatives	Reserve to fund recycling initiatives such as the introduction of recycling into flats.
Waste Services Vehicles Replacement	Used to fund the replacement of the Street Scene service vehicles.

5. NOTES TO THE ACCOUNTS

The table below shows the reserve balances held at **31 March 2020** and the amounts transferred from / to the General Fund in order to meet future / current expenditure.

	Balance at 31 Mar 18 £000	Transfers Out 2018-19 £000	Transfers In 2018-19 £000	Balance at 31 Mar 19 £000	Transfers Out 2019-20 £000	Transfers In 2019-20 £000	Balance at 31 Mar 20 £000
3 Valleys Way Play Area	(102)	-	-	(102)	-	-	(102)
Building Reserve	(155)	70	-	(85)	47	-	(38)
Business rates equalisation	(2,563)	-	(1,639)	(4,202)	123	(1,728)	(5,837)
CCTV Reserve	(102)	-	(15)	(117)	18	(15)	(114)
CIL Admin Reserve	(211)	-	-	(211)	-	-	(211)
Civic Offices Sinking Fund	(182)	-	(55)	(237)	-	(55)	(292)
Corporate Consultation	(202)	-	-	(202)	-	-	(202)
Council Contribution to Pension Fund	(500)	-	-	(500)	-	-	(500)
Emergency Funding	-	377	(2,000)	(1,623)	78	-	(1,545)
EWC Housing Zone	(165)	-	-	(165)	-	-	(165)
Fishers Park Play Area	(103)	-	-	(103)	-	-	(103)
Flexible Homeless Support	(207)	379	(462)	(290)	436	(273)	(127)
Housing & Council Tax Benefit Equalisation Account	(1,044)	-	(678)	(1,722)	124	(426)	(2,024)
Housing Initiatives	(107)	106	(77)	(78)	62	(33)	(49)
Human Resources strategy	(374)	-	-	(374)	140	(23)	(257)
Information Services - Infrastructure Replacement	(463)	26	(53)	(490)	239	(26)	(277)
Initiatives for the Prevention of Homelessness	(135)	-	-	(135)	68	-	(67)
Innovation and Investment fund	(4,376)	2,354	(350)	(2,372)	496	(56)	(1,932)
Land Drainage	(535)	327	(170)	(378)	100	(15)	(293)
Local Plan Inquiry	(146)	121	-	(25)	120	(280)	(185)
Minor revenue grants	(949)	72	(312)	(1,189)	259	(783)	(1,713)
New Homes Bonus Equalisation Reserve	(2,974)	-	(161)	(3,135)	280	(38)	(2,893)
Non-recurring Items	(725)	-	(98)	(825)	-	(92)	(915)
Parking Repairs & Renewals	(580)	79	(140)	(641)	-	(140)	(781)
Parks Play Equipment	(297)	-	(10)	(307)	21	(10)	(296)
Recycling Initiatives	(560)	-	(139)	(699)	-	(48)	(747)
Waste Services Vehicles Replacement	(1,719)	48	(305)	(1,976)	980	(305)	(1,301)
Other < £100k	(587)	64	(106)	(629)	180	(165)	(614)
Total	(20,063)	4,023	(6,770)	(22,810)	3,771	(4,541)	(23,580)

5.31.3 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:

2018-19 £000		2019-20 £000
(8,246)	Balance as at 1 April	(8,171)
(41)	Receipts in year	(38)
(56)	Realisation of deferred capital receipts	(363)
172	Applied during the year	2,254
(8,171)	Balance as at 31 March	(6,318)

5.31.4 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:

2018-19 £000		2019-20 £000
(6,607)	Balance as at 1 April	(8,237)
(4,104)	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(5,099)
2,474	Application of grants to capital financing transferred to the Capital Adjustment Account	2,035
(8,237)	Balance as at 31 March	(11,301)

The balance above includes Community Infrastructure Levy (CIL) funding of £11,043k (2018/19 £7,689k).

5.32 Unusable Reserves

Unusable Reserves are those reserves that the council cannot use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. Revaluation Reserve) where the amounts would only become available for use when assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting and funding basis under regulations".

31 March 2019		Note	31 March 2020
£000			£000
(73,435)	Revaluation Reserve	5.32.1	(75,291)
(62,225)	Capital Adjustment Account	5.32.2	(67,166)
(2,685)	Deferred Capital Receipts	5.32.3	(2,328)
486	Collection Fund Adjustment Account	5.32.4	(2,006)
40,691	Pension Reserve	5.32.5	29,072
93	Accumulated Absence Account	5.32.6	104
(97,075)	Total		(117,615)

5.32.1 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:

2018-19 £000		2019-20 £000
(66,133)	Balance as at 1 April	(73,435)
(8,569)	Upward revaluation of non-current assets	(3,599)
-	Accumulated gains on non-current assets disposed	277
1,267	Difference between current value depreciation and historical cost depreciation	1,182
-	Other	284
(73,435)	Balance as at 31 March	(75,291)

5.32.2 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 £242k (2018/19 £242k) was made towards reducing the Council's capital financing requirement which is further disclosed in note 5.17.

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 5.14 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:

2018/19		2019/20
£000		£000
(62,647)	As at 1 April	(62,225)
	Reversal of items debited or credited to the CIES	
1,901	Depreciation, impairment and amortisation	2,689
-	Impairment / Revaluation charged to the CIES	(1,357)
850	Movements in the market value of Investment Properties	(705)
1,217	Revenue expenditure funded from capital under statute	1,728
1,380	Non-current assets written out on disposal	776
-	Donated Assets	-
50	Financial Instrument Impairment Allowance	144
	Transfers between revenue and capital resources	
(242)	Minimum Revenue Provision	(242)
(822)	Capital expenditure charged against the General Fund	(2,140)
	Adjustments to capital resources	
(171)	Use of Capital Receipts to finance capital expenditure	(2,254)
(2,474)	Application of capital grants and other contributions to finance capital expenditure	(2,114)
	Adjustments involving the Revaluation Reserve	
-	Accumulated gains on non-current assets disposed	-
(1,267)	Difference between current value depreciation over historic cost depreciation	(1,182)
	Other	(284)
(62,225)	As at 31 March	(67,166)

5.32.3 Deferred Capital Receipts

The Deferred Capital Receipts Reserve represents proceeds yet to be realised from the sale of property, plant and equipment. When received, the proceeds will be transferred to the Usable Capital Receipts Reserve. A summary of the movement in the reserve during the year is as follows:

2018-19 £000		2019-20 £000
(2,563)	Balance as at 1 April	(2,685)
(177)	Deferred receipts - recognition of PPE & donated assets	(6)
(14)	Increase in carrying amount to realised receipts	-
69	Realised in year	363
<u>(2,685)</u>	Balance as at 31 March	<u>(2,328)</u>

5.32.4 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.

2018-19 £000		2019-20 £000
	COUNCIL TAX	
(270)	Balance as at 1 April	(60)
210	Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(233)
<u>(60)</u>	Balance as at 31 March	<u>(293)</u>
	NON-DOMESTIC RATES	
(297)	Balance as at 1 April	546
843	Amount by which non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates calculated for the year in accordance with statutory requirements	(2,259)
<u>546</u>	Balance as at 31 March	<u>(1,713)</u>
<u>486</u>	Total	<u>(2,006)</u>

5.32.5 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:

2018-19 £000		2019-20 £000
35,509	Balance as at 1 April	40,691
2,990	Re-measurement of the net defined pension liability (note 5.30.1)	(13,885)
4,524	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 5.14 & 5.30.2)	4,659
(2,332)	Employers contribution payable to scheme (note 5.14 / 5.30.2)	(2,393)
40,691	Balance as at 31 March	29,072

5.32.6 Accumulated Absences Account

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

2018-19 £000		2019-20 £000
94	Balance as at 1 April	93
(1)	Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in accordance with statutory requirements	11
93	Balance as at 31 March	104

5.33 Cash Flow Statement - Operating Activities

2018-19 £000		2019-20 £000
	Adjustments for Non-cash movements:	
	<i>Charges for depreciation, impairment and amortisation of non-current assets:</i>	
(1,770)	Property, plant and equipment	(1,195)
(22)	Heritage assets	(23)
(109)	Intangible assets	(114)
(119)	Impairment of Financial Instruments	(145)
(850)	Movements in the value of investment properties	705
177	Donated assets	6
	<i>Carrying amount of non-current assets sold:</i>	
(1,380)	Property, plant and equipment	(1,053)
(2,192)	Non cash pension costs	(2,266)
(56)	Movement in respect of internal interest	(43)
10	Increase / (decrease) in inventories	(16)
838	Increase / (decrease) in revenue debtors	1,375
(115)	(Increase) / decrease in revenue creditors & provisions	(779)
(5,588)		(3,548)
	Adjustments for items that are investing or financing activities:	
4,104	Capital grants credited to deficit on the provision of services	5,178
41	Proceeds from the sale of non-current assets:	38
4,145		5,216
	The cash flows for operating activities include the following:	
(561)	Interest received	(814)

5.34 Cash Flow Statement - Investing Activities

2018-19 £000		2019-20 £000
	Investing activities	
2,298	Purchase of property plant and equipment, investment property and intangible assets	4,390
44,000	Purchase of short-term investments	51,000
3,223	Other payments for investing activities	2,031
	Proceeds from the sale of non-current assets	
(235)	Property plant and equipment	(401)
(51,000)	Proceeds from the redemption of short-term investments	(44,000)
(4,192)	Grants received towards the purchase of property plant and equipment	(6,804)
-	Other receipts from investing activities	(153)
<u>(5,906)</u>	Net cash (inflow) / outflow from investing activities	<u>6,063</u>

5.35 Cash Flow Statement - Financing Activities

2018-19 £000		2019-20 £000
	Financing activities	
2,593	Cash inflow from agency arrangements for the collection of NNDR and council tax	(4,022)
<u>2,593</u>	Net cash (inflow) / outflow from financing activities	<u>(4,022)</u>

5.36 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.

Fatal Industrial Injury Case

The Council has settled a claim in respect of a former employee for £1,020k, inclusive of £295k claimant legal costs. The Council are pursuing contribution proceedings against another employer who may also have been liable for the injury, to recover a substantial amount of the damages and claimant costs. These may be up to 96% recoverable depending on the basis of assessment.

Claim against Royal Mail

The Council forms part of a class action against Royal Mail, relating to the charging of VAT on services. The case has been ongoing for five years, and continues, and the final settlement is not certain.

Truck Cartel Case

Hertsmere Council are part of a class action taken by the Local Government Association, against vehicle companies which it is claims indulged in price fixing. The Council buys all of its vehicles outright, we cannot yet quantify the likely potential gain or likelihood of success.

5.37 Contingent Liabilities

Financial Guarantees

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

Other Contingent Liabilities

The Council received a mesothelioma claim from a previous employee. The claim is currently being reviewed and assessed as at 31 March 2020.

5.38 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 5.9.
Other local authorities and other bodies	Details of the amounts precepted and demanded are set out in the council's Collection Fund Statement.
Members	<p>Members of the council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2019/20 is shown in note 5.10.</p> <p>Twenty-seven members represent the Council on the governing bodies of voluntary and community organisations. Grants totalling £422k (2018/19: £361k) 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. Organisations in which members had disclosed an interest, received CIL project payments of £305k in 2019/20. There were no material transactions with declared organisations.</p> <p>The following members hold Director positions on Hertsmere Developments Ltd, the Council's wholly owned subsidiary: Cllrs DJ Carter, HS Cohen, PJ Hodgson-Jones and A Sachdev.</p> <p>The following members hold positions of Director on Elstree Film Studios, the Council's 100% owned subsidiary: Cllrs M Bright, CS Clapper, CH Goldstein (resigned 15/5/19), PJ Hodgson-Jones, PB Morris, MP Reeve, PD Rutledge, L Selby.</p>
Chief Officers	<p>Chief Officers are entitled to receive car loans from the Council. During the year no new loans were made to chief officers (2018/19: £22k), repayments of £22k (2018/19: £9k) were received and £3k was receivable at 31 March 2020 (2019: £25k).</p> <p>The following Senior Officers of the Council hold positions of Director in Hertsmere Developments Ltd: D Graham (resigned 23/9/2019), ML Bunyon, RJH Patterson and HJ Shade. The Council's dormant company, Hertsmere Homes Ltd is represented by D Graham (resigned 23/9/2019), ML Bunyon and RJH Patterson.</p> <p>Additionally, Senior Officer ML Bunyon holds position of Director in Hertfordshire Building Control; the Council has share ownership of one-seventh. HJ Shade represents the Council on the CCTV partnership.</p>

Pension Fund	Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 5.30.
Elstree Studios Limited	<p>Elstree Studios Limited is a wholly owned subsidiary of the Council which began trading on 1 April 2007. The accounts for Elstree Studios Limited are consolidated with the Council's accounts and summarised accounts for the company are disclosed in the Group Accounts section.</p> <p>The company occupies premises owned by the Council and included in the Council's balance sheet at a net book value of £17 million (2019: £17.138 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 £1,550k (2018/19 £1,550k).</p> <p>The amount due to Hertsmere Borough Council from Elstree Studios Limited of £407k (2019: £312k) includes a loan, accrued interest and rental income.</p>
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 each, all of which are owned by Hertsmere Borough Council. The company will take forward development of land within the borough with a view to generating future income streams.
InspireAll (a company limited by guarantee)	<p>InspireAll 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 Bushey Golf and Country Club was returned to the Council on 1/4/2018, with its future uses being out to consultation. It is currently on a short lease (five years with a two year break) to an events management company.</p> <p>The InspireAll 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. InspireAll 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. The Council has advanced a further £1.66 million in loans to InspireAll in 2019/20 bringing the loan balance to £4.85 million.</p>
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 (2019: £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 (2019: £50k).

5. NOTES TO THE ACCOUNTS

<p>Hertfordshire CCTV Partnership</p>	<p>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.</p>
<p>Hertfordshire Building Control</p>	<p>The Council partnered with six local authorities across Hertfordshire to create a fully integrated Building Control service which was launched in August 2016; the Council holds 14% of the share capital (£7) and is represented on the board. Control is shared equally among the seven partners.</p> <p>In 2019/20 the Council's estimated share of losses have been maintained at £134k, (2018/19 £134k), the total of which £134k has been provided for in these accounts. In August 2016 the Council made a loan of £107k to the company which is held in Long Term Debtors on the balance sheet.</p>

6.0 The Collection Fund Statement

COLLECTION FUND 2018-19

	Business Rates £000	Council Tax £000	Total £000
INCOME			
Council Tax Receivable	-	70,605	70,605
Business Rates Receivable	47,721	-	47,721
Transitional Protection Payments	(319)	-	(319)
	47,402	70,605	118,007
EXPENDITURE			
Precepts, Demands and Shares			
MHCLG	(22,589)	-	(22,589)
Hertsmere Borough Council	(18,071)	(8,218)	(26,289)
Hertfordshire County Council	(4,518)	(53,737)	(58,255)
Hertfordshire Police & Crime Commissioner	-	(6,674)	(6,674)
	(45,178)	(68,629)	(113,807)
Charges to Collection Fund			
Write offs of uncollectable amounts	-	-	-
Increase (-) / Decrease in Impairment Allowance	(290)	(274)	(564)
Increase (-) / Decrease in Provision for Appeals	(2,292)	-	(2,292)
Cost of Collection	(152)	-	(152)
	(2,734)	(274)	(3,008)
Surplus / Deficit (-) for the year	(510)	1,702	1,192
Apportionment of Previous Year Surplus			
MHCLG	(802)	-	(802)
Hertsmere Borough Council	(642)	(427)	(1,069)
Hertfordshire County Council	(161)	(2,690)	(2,851)
Hertfordshire Police & Crime Commissioner	-	(329)	(329)
	(1,605)	(3,446)	(5,051)
Surplus / Deficit (-) arising during the year	(2,115)	(1,744)	(3,859)
Surplus / Deficit (-) brought forward 1st April	750	2,260	3,010
Surplus / Deficit (-) carried forward 31st March	(1,365)	516	(849)
Hertsmere Borough Council <i>(included in reserves)</i>	(546)	60	(486)
Precepting authorities <i>(included in current assets or liabilities)</i>	(819)	456	(363)
	(1,365)	516	(849)

COLLECTION FUND 2019-20

	Business Rates £000	Council Tax £000	Total £000
INCOME			
Council Tax Receivable	-	74,411	74,411
Business Rates Receivable	48,635	-	48,635
Transitional Protection Payments	(299)	-	(299)
	48,336	74,411	122,747
EXPENDITURE			
Precepts, Demands and Shares			
MHCLG	(11,330)	-	(11,330)
Hertsmere Borough Council	(15,862)	(8,554)	(24,416)
Hertfordshire County Council	(18,129)	(56,130)	(74,259)
Hertfordshire Police & Crime Commissioner	-	(7,760)	(7,760)
	(45,321)	(72,444)	(117,765)
Charges to Collection Fund			
Write offs charged to collection fund	-	(153)	(153)
Increase (-) / Decrease in Impairment Allowance	(448)	(368)	(816)
Increase (-) / Decrease in Provision for Appeals	2,636	-	2,636
Cost of Collection	(147)	-	(147)
	2,041	(521)	1,520
Surplus / Deficit (-) for the year	5,056	1,446	6,502
Apportionment of Previous Year Surplus			
MHCLG	612	-	612
Hertsmere Borough Council	490	67	557
Hertfordshire County Council	123	411	534
Hertfordshire Police & Crime Commissioner	-	49	49
	1,225	527	1,752
Surplus / Deficit (-) arising during the year	6,281	1,972	8,254
Surplus / Deficit (-) brought forward 1st April	(1,365)	516	(849)
Surplus / Deficit (-) carried forward 31st March	4,916	2,488	7,404
Hertsmere Borough Council <i>(included in reserves)</i>	1,713	293	2,006
Precepting authorities <i>(included in current assets or liabilities)</i>	3,203	2,195	5,398
	4,916	2,488	7,404

6. COLLECTION FUND

6.1 The Collection Fund

6.1.1 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 6.0 above). 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.

6.1.2 Provision for Irrecoverable Debts

During the year the provision for irrecoverable council tax was increased by £368k (2018/19: increase £274k) and net £153k (2018/19: £115k) irrecoverable debts were written on against the provision not the collection fund.

The provision for irrecoverable business rates was increased by £448k (2018/19: increase £290k).

6.1.3 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 49.1p (2018/19: 48.0p) and 50.4p (2018/19: 49.3p) with no relief. The total rateable value of properties at the year-end amounted to £117m (2019: £119m). The total amount, less certain reliefs and other deductions, is allocated amongst the Council, Hertfordshire County Council as a preceptor and MHCLG. The Council's share is paid into the General Fund.

6. COLLECTION FUND

6.2 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
MHCLG	11,330	-	11,330
Hertsmere Borough Council	15,862	7,320	23,182
Hertfordshire County Council	18,129	56,130	74,259
Hertfordshire PCC	-	7,760	7,760
Aldenham Parish Council	-	670	670
Elstree & Borehamwood Town Council	-	473	473
Shenley Parish Council	-	78	78
South Mimms	-	13	13
Total	45,321	72,444	117,765

6.3 Council Tax

This tax is a property-based tax and assumes that two adults are resident in the property. Discounts are available for single residents. The discount for second properties is 10% and long-term empty properties are subject to up to 200% charge.

Properties are placed into one of eight valuation bands. The base, upon which the council tax is calculated, is the total number of dwellings in each valuation band (after adjusting for discounted dwellings) converted to an equivalent number of Band D dwellings (excluding dwellings where the householder receives support under the Council's own support scheme).

For 2019/20 the numbers as approved by full Council on 23 January 2019 (Ref: C/19/02) were as follows:

Band	Valuation £			Number of dwellings equivalents (after applying discounts and premiums to calculate tax base) No.	Total number of band D equivalents (after allowance for council tax support) No.
A	Up	to	40,000	432	288
B	40,001	to	52,000	1,658	1,290
C	52,001	to	68,000	4,929	4,382
D	68,001	to	88,000	11,635	11,635
E	88,001	to	120,000	7,764	9,490
F	120,001	to	160,000	3,908	5,645
G	160,001	to	320,000	4,231	7,052
H		Over	320,000	1,015	2,031
Total number of equivalent band D dwellings					41,813
Assumption of 98.0% collection					40,977
Number of equivalent band D contribution in lieu					297
Total tax base					41,274

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 all material subsidiaries 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 2019/20, consolidating any material subsidiary, associate or joint venture entities over which the Council exercises control or influence.

Elstree 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 have prepared the financial statements under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

These accounts are subject to audit their auditors Berg Kaprow Lewis. 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 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 as a discrete service line 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.

7.1 Group Movement in Reserves Statement

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves HBC	Usable Reserves Elstree Studio	Total Usable Reserves (Group)	Total Unusable Reserves HBC	Unusable Reserves Elstree Studio	Total Unusable Reserves (Group)	Total Authority Reserves (Group)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	(28,025)	(8,246)	(6,607)	(42,878)	(400)	(43,278)	(96,307)	(244)	(96,551)	(139,829)
Total comprehensive income and expenditure	285	-	-	285	(139)	146	(5,579)	(13)	(5,592)	(5,446)
Adjustments between accounting & funding basis under regulations	(3,256)	75	(1,630)	(4,811)	(26)	(4,837)	4,811	26	4,837	-
Total (increase) / decrease during the year	(2,971)	75	(1,630)	(4,526)	(165)	(4,691)	(768)	13	(755)	(5,446)
Balance at 31 March 2019	(30,996)	(8,171)	(8,237)	(47,404)	(565)	(47,969)	(97,075)	(231)	(97,306)	(145,275)
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves HBC	Usable Reserves Elstree Studio	Total Usable Reserves (Group)	Total Unusable Reserves HBC	Unusable Reserves Elstree Studio	Total Unusable Reserves (Group)	Total Authority Reserves (Group)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	(30,996)	(8,171)	(8,237)	(47,404)	(565)	(47,969)	(97,075)	(231)	(97,306)	(145,275)
Total comprehensive income and expenditure	(5,160)	-	-	(5,160)	7	(5,153)	(17,484)	-	(17,484)	(22,637)
Adjustments between accounting & funding basis under regulations	4,267	1,853	(3,064)	3,056	-	3,056	(3,056)	-	(3,056)	-
Total (increase) / decrease during the year	(893)	1,853	(3,064)	(2,104)	7	(2,097)	(20,540)	-	(20,540)	(22,637)
Balance at 31 March 2020	(31,889)	(6,318)	(11,301)	(49,508)	(558)	(50,066)	(117,615)	(231)	(117,846)	(167,912)

7.2 Group Comprehensive Income and Expenditure Statement

2018-19				2019-20		
Gross Expenditure	Gross Income	Net Expenditure / (Income)		Gross Expenditure	Gross Income	Net Expenditure / (Income)
£000	£000	£000		£000	£000	£000
3,402	(3,276)	126	Asset Management	2,517	(3,229)	(712)
112	-	112	Audit & Assurance	113	-	113
538	-	538	Corporate Management	690	-	690
610	(148)	462	Engineering Services	568	(153)	415
1,398	(285)	1,113	Environmental Health	1,356	(312)	1,044
39,968	(37,745)	2,223	Finance & Business Services	35,526	(32,996)	2,530
764	(84)	680	General Expenses	423	(144)	279
3,461	(1,408)	2,053	Housing Services	3,396	(1,399)	1,997
1,394	(71)	1,323	Human Resources & Customer Services	1,443	(88)	1,355
1,577	(239)	1,338	Legal & Democratic Services	2,208	(632)	1,576
1,537	(152)	1,385	Partnership & Community Engagement	1,641	(244)	1,397
2,324	(946)	1,378	Planning & Economic Development	3,140	(1,262)	1,878
7,750	(3,735)	4,015	Street Scene Services	8,287	(3,576)	4,711
2,750	(4,619)	(1,869)	Elstree Studio	2,829	(4,518)	(1,689)
				-	-	-
67,585	(52,708)	14,877	Net Cost of Services	64,137	(48,553)	15,584
		2,544	Other Operating Expenditure			2,251
		643	Financing and Investment Income and Expenditure			(931)
		(17,967)	Taxation and Non-Specific Grant Income			(22,057)
		49	Tax expense of subsidiary			-
		146	(Surplus) / Deficit on Provision of Services			(5,153)
		(8,569)	(Surplus) / Deficit on revaluation of non-current assets			(3,599)
		2,977	Re-measurements of net pension liability			(13,885)
		(5,592)	Other Comprehensive (Income) and Expenditure			(17,484)
		(5,446)	Total Comprehensive (Income) and Expenditure			(22,637)

7.3 Group Balance Sheet

31 March 2019 £000		31 March 2020 £000
133,221	Property Plant and Equipment	138,682
1,290	Heritage Assets	1,267
7,857	Investment Properties	8,888
315	Intangible Assets	525
-	Long Term Investments	-
5,961	Long Term Debtors	6,962
148,644	Long Term Assets	156,324
44,150	Short Term Investments	51,182
-	Assets Held for Sale	-
5,489	Short Term Debtors	7,271
116	Inventories	101
9,400	Cash and Cash Equivalents	11,095
59,155	Current Assets	69,649
(9,146)	Short Term Creditors	(16,118)
(704)	Provisions	(506)
(9,850)	Current Liabilities	(16,624)
(2,992)	Provisions	(1,822)
(40,460)	Liability related to defined benefit pension scheme	(28,841)
(400)	Other Long Term Liabilities	(430)
(8,822)	Capital Grants Received In Advance	(10,344)
(52,674)	Long Term Liabilities	(41,437)
145,275	Net Assets	167,912
(47,969)	Usable Reserves	(50,066)
(97,306)	Unusable Reserves	(117,846)
(145,275)	Total Reserves	(167,912)

7.4 Group Cash Flow Statement

2018-19 £000		2019-20 £000
146	(Surplus) / Deficit on Provision of Services	(5,153)
(5,786)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	(4,046)
4,145	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	5,216
(1,495)	Net cash (inflow) / outflow from Operating Activities	(3,983)
(5,573)	Investing Activities	6,310
2,593	Financing Activities	(4,022)
(4,475)	Decrease / (increase) in cash and cash equivalents	(1,695)
4,925	Cash and cash equivalents at the beginning of the reporting period	9,400
9,400	Cash and cash equivalents at the end of the reporting period	11,095

7.5 Note to the Group Accounts

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

Accounting Policies

The accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies specific to the Group Accounts:

Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

7.6 Summary Financial Position of Subsidiary

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

7.6.1 Summary Profit and Loss Account

2018-19	Profit and Loss Account	2019-20
£000		£000
(4,618)	Turnover	(4,518)
2,712	Cost of sales	2,620
(1,906)	Gross Profit	(1,898)
1,713	Administrative expenses	1,890
-	Interest receivable and similar income	-
12	Interest payable and similar charges	15
(6)	Other finance income	-
(187)	Loss / (Profit) before taxation	7
48	Taxation	-
(139)	Loss / (Profit) for the year	7
(13)	Actuarial gain related to pension scheme	-
(152)	Recognised losses / (gains) for the year	7

7.6.2 Summary Balance Sheet

31 March 2019	Balance Sheet	31 March 2020
<u>£000</u>		<u>£000</u>
766	Tangible Fixed Assets	745
	Current Assets	
721	Debtors	695
362	Cash	606
	Current Liabilities	
(1,007)	Creditors due within one year	(1,211)
	Non-Current Liabilities	
(250)	Creditors due after more than one year	(250)
(27)	Provision for deferred tax	(27)
231	Pension scheme asset	231
<u>796</u>	Net Assets	<u>789</u>
	Capital and Reserves	
-	- Called up share capital	-
(231)	Pension scheme reserve	(231)
(565)	Profit and Loss Account	(558)
<u>(796)</u>	Shareholders' Funds	<u>(789)</u>

8. ANNUAL GOVERNANCE STATEMENT

8. Annual Governance Statement

To be inserted at a later date

9. GLOSSARY OF TERMS

Term**12-month expected credit losses****Definition**

The expected credit losses for a financial asset that are projected for the possible default events that might happen only in the next financial year.

Accruals

The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).
- The actuarial assumptions have changed.

Agency Arrangements

Services which are performed by, or for, another Council or public body, where the agent is reimbursed for the cost of the work done.

Amortised cost

A way of measuring financial instruments that ignores changes in fair value. Defined as the amount at which a financial instrument is measured when it is first brought onto the Balance Sheet, adjusted for:

- repayments of principal (minus), and
- cumulative amortisation of any difference between the initial amount and the maturity amount (using the effective interest method) (plus or minus).

These differences might arise (e.g.) from transaction costs being set off against the principal amount of a loan or interest being payable at less than market rates.

Term	Definition
Amortised cost financial assets	<p>Investments for which any gains and losses in fair value are not accounted for until the investment matures or is sold. Defined as financial assets:</p> <ul style="list-style-type: none"> • held within a business model whose objective is to hold investments in order to collect their contractual cash flows, and • which have the form of a basic lending arrangement (i.e., contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).
Apprenticeship Levy	<p>The Apprenticeship Levy is a levy on employers to fund new apprenticeships. Control of apprenticeship funding is in the hands of employers through the Digital Apprenticeship Service. The levy will be charged at a rate of 0.5% of an employer's payroll. Each employer receives an allowance of £15,000 to offset against their levy payment.</p>
Asset	<p>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.</p>
Balances	<p>The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Earmarked Reserves etc.</p>
Business model	<p>Arrangements for holding financial assets, whose objectives can involve making a return by either collecting the cash flows payable under the contracts for each investment (e.g., interest) or hoping to sell investments to gain from increases in their value.</p>
Business Rates	<p>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.</p>

GLOSSARY

Term	Definition
Capital Expenditure	Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.
Capital Financing Requirement	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.
Capital Receipts	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.
Collection Fund	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.
Community Assets	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.
Consistency	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingency	A provision for a possible event or circumstance which is possible but cannot be predicted with certainty.
Council Tax	This is a local tax set by local councils to help pay for local services.
Council Tax Support	A reduction in the liability to pay Council Tax granted in accordance with a locally determined support scheme.
Credit Arrangements	These are forms of credit entered into by the Council relating to leasing and contracts, which provide for extended credit.

Term	Definition
Credit Liabilities	These relate to liabilities of the Council in respect of money borrowed (principal only), or in respect of credit arrangements.
Credit losses	A measure of how much the Council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the Council under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).
Creditor	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.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: <ul style="list-style-type: none"> • Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business. • Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees no longer qualifies or only qualifies for a reduced benefit.
Debtor	Sums of money due to the Council but not received at the Balance Sheet date.

Term	Definition
Defined Benefits Scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Defined Contribution Scheme	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.
Depreciation	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.
Discretionary Benefits	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.
Effective interest method	The method that uses effective interest rates to calculate the amortised cost of a financial instrument and allocates interest revenue or expense to the particular financial years over which the instrument is held.
Effective interest rate	The interest rate that exactly discounts future cash payments and receipts over the life of a financial instrument to the carrying amount (gross of any loss allowance) (asset) or to the amortised cost (liability). This might be different from the actual interest rate where (e.g.) transaction costs have been accrued or because of interest at less than market rates being spread over the term of the instrument.

Term	Definition
Exceptional Items	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.
Expected credit losses (ECLs)	The credit losses that the Council estimates will arise from the amounts that it is currently owed. ECLs are calculated by measuring the losses that would arise from different default scenarios and calculates a weighted average loss based on the probability of each scenario taking place.
Expected Rate of Return on Pension Assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Extraordinary Items	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.
Fair value through profit or loss financial assets	Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income.
Finance and Operating Lease	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 revenue account.
Financial Instruments	A contract that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another.

GLOSSARY

Term	Definition
General Fund	The main revenue account of the Council. It contains the excess to date of income over expenditure in the Income and Expenditure Account.
Government Grants	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.
Housing Advances	Loans made by the Council to individuals towards the cost of acquiring or improving their homes.
Housing Benefits	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.
Infrastructure Assets	Expenditure on works of drainage, construction or improvement to highways, cycle ways, footpaths or other land owned by the Council.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investments (Non-Pension Fund)	<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>

GLOSSARY

Term	Definition
Investments (Pension Fund)	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 disclosures relating to retirement benefits, their attributable share of pension scheme assets associated with their underlying obligations.
Levy (see also “safety net”)	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.
Liabilities	Money owed to somebody else.
Lifetime expected credit losses	The expected credit losses that are projected to arise from all possible default events that might happen in the lifetime of a financial asset.
Liquid Resources	Liquid resources are current asset investments held as readily disposable assets.
Loss allowance	An allowance made by setting funds aside to cover the expected credit losses calculated for a financial asset.
MHCLG	Ministry of Housing, Communities and Local Government.
Minimum Revenue Provision	A charge made to the General 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.
Net Book Value	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.

Term	Definition
Net current replacement cost	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.
Net realisable value	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.
Non-current assets	Tangible assets that yield benefits to the Council for a period of more than one year.
Non-operational assets	Non-current assets held by a local Council but not directly occupied, used or consumed in the delivery of services.
Operational assets	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.
Past due	A financial asset for which a payment that was due contractually to the Council has not yet been paid.
Past service cost	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.
Payments of principal and interest	The amounts that would be paid under a basic lending arrangement. For accounting purposes, they comprise: <ul style="list-style-type: none"> • the repayment of the fair value of a financial asset when it was brought onto the Council's Balance Sheet (principal) and • consideration for the time value of money, compensation for credit risk, recovery of basic lending costs and a profit margin (interest).

Term	Definition
Post balance sheet events	Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.
Precepts	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.
Prior year adjustments	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.
Projected unit method	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
Provisions	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.
Related Parties	Two or more parties are related parties when at any time during the financial period: <ul style="list-style-type: none"> • One party has direct or indirect control of the other party. • The parties are subject to common control from the same source. • 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. • 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.

Term**Related Party Transaction****Definition**

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:

- The purchase, sale lease, rental or hire of assets.
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party.
- The provision of services to a related party.
- Transactions with individuals who are related parties of the Council, except those applicable to other members of the community such as council tax, rents and payments of benefits.

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.

Rent Allowances

Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.

Rent Rebates

Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Term	Definition
Retirement Benefits	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.
Revenue Expenditure	Day to day expenses, mainly salaries and wages, general running costs and debt charges.
Revenue Support Grant	Central Government Grant towards the cost of Local Council Services.
Right To Buy	<p>"Right to Buy" is an agreement whereby eligible Housing Association tenants may purchase the property at a reduced rate.</p> <p>The Councils 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>
Safety Net (see also "Levy")	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.
Scheme Liabilities	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.

Term	Definition
Settlement	<p>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:</p> <ul style="list-style-type: none">• 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.
Standard Spending Assessment	<p>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.</p>
Stocks	<p>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.</p>

Term
Subsidiary Company

Definition

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.

Transfer Payments

This includes the cost of payments to individuals for which no goods or services are received in return by the Council.

Usable Capital Receipts

This balance is available to either finance capital expenditure or repay debt.

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.