



Hertsmere Borough Council
Statement of Accounts
For the Year Ended 31 March 2015

Statement of Accounts: 2014/15

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

Responsibilities of the Director of Resources

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

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

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

The Director of Resources has also:

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

Certificate of the Director of Resources:

I certify that this Statement of Accounts presents a true and fair view of the financial position of Hertsmere Borough Council at 31 March 2015 and its Income & Expenditure for the year then ended.



Sajida Bijle
Director of Resources

Date: 30 June 2015

Independent Auditors' Report to the Members of Hertsmere Borough Council

Opinion on the Authority financial statements

Respective responsibilities of the Director of Resources and auditor

Scope of the audit of the financial statements

Opinion on financial statements

To be updated

Opinion on other matters

Matters on which we report by exception

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

Conclusion

Certificate

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

To be updated

Explanatory Foreword

Overview from the Director of Resources

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2014/15. Compared to metropolitan boroughs, Hertsmere Borough Council is a small council with a population just over 100,000 and is made up of distinctly individual communities and several 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, particularly when the Council competes for highly skilled labour in an area paying London weighted salaries that can only be offered by the larger London Boroughs.

The Council is continuing with its programme of continuous improvement in performance and service delivery. Key to this is the maintenance of the Corporate Governance framework. The Council's Annual Governance Statement provides further details of the strategies to achieve this which have been developed and reviewed during the year. The Audit Committee, which meets quarterly and is attended by the external auditors, works to promote and safeguard financial probity throughout the Council.

The Accounts and Audit Regulations (England) 2011 require the Statement of Accounts to be certified as true and fair by the Chief Financial Officer by 30 June and approved, audited and published by 30 September each year. The Annual Governance Statement, which is also included earlier in this report, has been approved by each of the Executive, Audit and Standards committees.

Once again I would like to take this opportunity to thank formally the Head of Finance and Business Services and all the finance staff and service managers for their assistance in preparing these accounts, and for their support throughout the year.

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

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

You may wish to send your query by using our website (www.hertsmere.gov.uk).

How we have managed the Council's resources in 2014/15

Managing Resources

In 2014/15 the budget for the Council's cost of services was set at £12,295k after funding from reserves. The actual spend for the year is £11,761k, which has resulted in an overall favourable variance of £534k as follows:

How the Council's Resources have been Managed in 2014/15				
Services:	Spending 2014/15			Explanation for Variance: Favourable / (Adverse)
	Budget	Actual	Variance	
	£'000	£'000	£'000	
Cultural & related: Museums & galleries, theatres, recreation and sport facilities, allotments, community centres, tourism, parks and open spaces.	3,181	3,077	104	Net savings on premises-related expenditure.
Environmental: Cemeteries, churchyards, food safety, pollution reduction, health & safety, pest control, public health, licensing, community safety, flood defence, household & trade waste collection, recycling and street cleansing.	4,984	4,913	71	Net fluctuations in income: trade and clinical waste income were above budget and landfill charges were saved but paper recycling income fell considerably below budget.
Planning & development: Building regulations & control, development control, local & regional planning, environmental initiatives, economic and community development.	(318)	(251)	(67)	Increase in income from planning application fees offset by shortfall in income from commercial properties due to vacancies.
Highways, roads and transport: Routine maintenance of footpaths and unadopted highways, street lighting, traffic management, road safety and public parking services.	(70)	(119)	49	Effect of higher than budgeted income from parking (set aside to fund capital expenditure on car parks) plus savings on staff costs (before the allocation of overheads)
Housing: Housing strategy, private sector housing renewal, homelessness, housing benefits, administration costs and other housing property.	381	334	47	Demand for homeless temporary accommodation rose but remained below budget
Central: Democratic representation & corporate management, collection of local taxes, registration of electors, conducting elections, emergency planning, and local land charges.	4,174	3,844	330	Contingency sum was partly unspent; court costs in excess of budget were recovered.

	Spending 2014/15			
	Budget	Actual	Variance	
	£'000	£'000	£'000	
Net cost of services	12,332	11,798	534	
Less: Transfer from reserves	(37)	(37)	-	
Surplus before final adjustments	12,295	11,761	534	

Reconciliation from the Financial Monitoring Report to the Statement of Accounts

In order to arrive at the increase in the council fund reported in the final Statement of Accounts, a number of adjustments have been made to the year end financial monitoring report previously reported:

	£'000	2014/15 £'000
Surplus per Financial Monitoring Report before year-end adjustments		534
Monitoring adjustments:		
Hertsmere's share of growth in business rates income	922	
Hertsmere's share of surplus on collection of council tax	209	
One-off VAT recovery in respect of trade waste collection	55	
Engineering income in excess of budget	45	
Housing and council tax benefit grant claim:		
Deficit on claim	(58)	
Drawn from equalisation reserve	58	
Elstree Film Studios (EFS):		
Additional income billed	250	
Transfer to reserves to fund current and future capital programme	(250)	
Contribution to innovation and investment fund	(738)	
Contribution to business rates equalisation reserve	(427)	
Set aside to fund one-off pension fund contribution	(500)	
Other minor adjustments	43	
Total monitoring adjustments		(391)
Adjusted Financial Monitoring Report surplus		143
Accounting adjustments:		
Timing difference: the accounting arrangements for council tax and business rates (NNDR) mean first that the effect of recognising surpluses on collection are deferred for up to two years and second that the majority of the deficit incurred on the collection of business rates in 2013/14 is now being charged to the council fund		(3,555)
Decrease in the council fund for the year		(3,412)

The movement in the Council fund for the year does not equate to the deficit on provision of services of £484k shown in the Comprehensive Income and Expenditure Statement on page 15. This statement, which is prepared in accordance with generally accepted accounting practice, shows the accounting cost in the year of providing services, rather than the amount to be funded from taxation. In the Movement in Reserves Statement (or MiRS), any transactions which cannot be charged to taxation are removed; a good example is the charge for depreciation of the Council's assets. However, other transactions which statutory regulations require to be included are then charged in the MiRS, for example purchasing capital items using a contribution from revenue.

The following table reconciles the surplus on provision of services for the year to the movement in the Council fund.

	£'000	2014/15 £'000
Deficit on provision of services per Comprehensive Income and Expenditure Statement		(484)
Accounting adjustments in MiRS:		
Add back depreciation and other charges associated with capital items	5,280	
Add back decrease in value of investment properties	110	
Deduct increase in value of property, plant and equipment	(142)	
Deduct funding from capital grants and contributions	(1,360)	
Deduct capital expenditure which is funded by a contribution from revenue	(852)	
Transfer receipts from sales of assets to capital receipts reserve	(547)	
Add back actuary's calculation of the total charge for pension benefits:		
- Current service cost	1,616	
- Net interest expense	1,387	
Deduct pension fund contributions actually payable by the Council	(2,070)	
Effect of timing differences on recognition of Collection Fund results:		
Transfer the surpluses on the Collection Fund for 2014/15 to the Collection Fund Adjustment Account:		
- NNDR	(1,568)	
- Council Tax	(209)	
Transfer the (deficit)/surplus on the Collection Fund for previous years from the Collection Fund Adjustment Account		
- NNDR	(1,858)	
- Council Tax	80	
Other minor adjustments	(5)	
Total accounting adjustments (Note 15)		(138)
Net decrease in Council fund before transfers to or from earmarked reserves		(622)
Net transfer to earmarked reserves (Note 33)		(2,790)
Movement in the Council fund for the year		(3,412)

Statement of Accounts

The Council's financial statements for the year ended 31 March 2015 are set out following the explanatory foreword. Where appropriate, figures for 2013/14 are also shown to enable comparisons between the two years.

Under provisions contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011, the Statement of Accounts for 2014/15 has been made available for inspection.

In addition to this report, the Council is required to meet certain statutory requirements. Details of these responsibilities and the officer responsible for the task are disclosed in the Statement of Responsibilities.

The core statements included within the Statement of Accounts consist of:

Movement in Reserves Statement

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

Comprehensive Income & Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

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

The Collection Fund

The Collection Fund (England) 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

The Council does not produce group accounts on the grounds that the results of the subsidiaries in which it holds investments are not material to an understanding of the Council's results. A summary of the balance sheets and trading results of the Council's subsidiaries is set out at note 38.

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MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2013/14

	Council Fund Balance £'000	Earmarked Reserves (Note 33) £'000	Capital Receipts Reserve (Note 33) £'000	Capital Grants Unapplied Account (Note 33) £'000	Total Usable Reserves (Note 33) £'000	Unusable Reserves (Note 34) £'000 <i>(Restated)</i>	Total Reserves £'000 <i>(Restated)</i>
Balance at 31 March 2013	7,275	13,606	11,085	786	32,752	50,971	83,723
Surplus on provision of services	3,097	-	-	-	3,097	-	3,097
Other comprehensive income and expenditure <i>(page 15)</i>	-	-	-	-	-	7,383	7,383
Total comprehensive income and expenditure	3,097	-	-	-	3,097	7,383	10,480
Adjustments between accounting basis and funding basis under regulations <i>(note 15)</i>	877	-	(4,660)	(171)	(3,954)	3,954	-
Net increase/(decrease) before transfers to earmarked reserves	3,974	-	(4,660)	(171)	(857)	11,337	10,480
Transfers to/from earmarked reserves <i>(note 33)</i>	(1,831)	1,831	-	-	-	-	-
Total Increase / (decrease) during the year <i>(page 15)</i>	2,143	1,831	(4,660)	(171)	(857)	11,337	10,480
Balance at 31 March 2014	9,418	15,437	6,425	615	31,895	62,308	94,203

MOVEMENT IN RESERVES STATEMENT (continued)

Movement in Reserves during 2014/15

	Council Fund Balance £'000	Earmarked Reserves (Note 33) £'000	Capital Receipts Reserve (Note 33) £'000	Capital Grants Unapplied Account (Note 33) £'000	Total Usable Reserves (Note 33) £'000	Unusable Reserves (Note 34) £'000 <i>(Restated)</i>	Total Reserves £'000 <i>(Restated)</i>
Balance at 31 March 2014	9,418	15,437	6,425	615	31,895	62,308	94,203
Deficit on provision of services	(484)	-	-	-	(484)	-	(484)
Other comprehensive income and expenditure <i>(page 15)</i>	-	-	-	-	-	1,157	1,157
Total comprehensive income and expenditure	(484)	-	-	-	(484)	1,157	673
Adjustments between accounting basis and funding basis under regulations <i>(note 15)</i>	(138)	-	(141)	11	(268)	268	-
Net increase/(decrease) before transfers to earmarked reserves	(622)	-	(141)	11	(752)	1,425	673
Transfers to/from earmarked reserves <i>(note 33)</i>	(2,790)	2,790	-	-	-	-	-
Total Increase / (decrease) during the year <i>(page 15)</i>	(3,412)	2,790	(141)	11	(752)	1,425	673
Balance at 31 March 2015	6,006	18,227	6,284	626	31,143	63,733	94,876

Comprehensive Income & Expenditure Statement

2013/14 Net (Income) / Expenditure £'000	Continuing Operations	Gross Expenditure £'000	Less: Gross Income £'000	2014/15 Net (Income) / Expenditure £'000
<i>(Restated)</i>				
	Central Services:			
596	Democratic representation & management	777	75	702
2,095	Corporate management	2,212	880	1,332
243	Local tax collection	1,664	1,376	288
122	Registration of electors	213	43	170
148	Conducting elections	213	87	126
91	Emergency planning	88	-	88
64	Local land charges	190	146	44
3,359		5,357	2,607	2,750
	Cultural & Related Services:			
732	Culture & heritage	1,398	802	596
2,142	Recreation & sport	2,339	137	2,202
(4,950)	Reversal of impairment charge: leisure centres <i>(note 5)</i>	-	-	-
1,858	Open spaces	1,938	152	1,786
(218)		5,675	1,091	4,584
	Environmental & Regulatory Services:			
1,207	Environmental health	1,344	443	901
435	Community safety	419	25	394
469	Flood defence & land drainage	707	231	476
1,251	Street cleansing (not chargeable to Highways)	1,393	20	1,373
1,765	Waste collection	3,038	1,064	1,974
5,127		6,901	1,783	5,118
	Planning Services:			
149	Building control	162	39	123
857	Development control	1,659	872	787
756	Planning policy	847	22	825
(429)	Economic development	1,415	2,324	(909)
207	Community development	207	-	207
1,540		4,290	3,257	1,033
	Highways & Transport Services:			
99	Highways/roads (routine)	12	-	12
19	Parking services	1,831	1,483	348
118		1,843	1,483	360
	Housing Services:			
826	Housing strategy	761	6	755
441	Private sector housing renewal	669	76	593
(184)	Other council housing property	613	1,141	(528)
62	Homelessness	874	701	173
252	Housing benefits payments	40,574	40,035	539
1,397		43,491	41,959	1,532
11,323	Net cost of services	67,557	52,180	15,377

Comprehensive Income & Expenditure Statement *(continued)*

2013/14 Net (Income)/ Expenditure £'000	Continuing Operations	Note	2014/15 Net (Income)/ Expenditure £'000
<i>(Restated)</i>			
	Other operating income and expenditure		
	(Surplus)/deficit on disposal of property, plant and		
(2)	equipment		43
(246)	Other capital receipts		(545)
877	Parish precepts	8	916
629			414
	Finance and investment income and expenditure		
13	Interest payable and similar charges		22
(271)	Interest receivable and similar income		(385)
(1,117)	(Increase)/decrease in fair value of investment property	21	110
(66)	Surplus on sale of investment property		-
(379)	Rental income from investment property	21	(375)
(62)	Impairment/(reversal of impairment) to financial assets	26	-
12	(Surpluses)/deficits on trading undertakings not included		
	in net cost of services	7	(59)
1,722	Net interest cost on the defined benefit pension liability	32	1,387
(148)			700
	Taxation and non-specific grant income:		
(6,953)	Council tax income	8	(7,144)
(2,200)	Non-domestic rates income and expenditure	8	(3,400)
(4,525)	Non-ringfenced government grants	8	(4,103)
(1,223)	Recognised capital grants and contributions	8	(1,360)
(14,901)			(16,007)
(3,097)	(Surplus)/deficit for the year on provision of services - (note a)		484
	(Surplus) arising on the revaluation of property, plant and		
(1,863)	equipment	17/34	(3,408)
(5,520)	Remeasurement of the net defined pension liability	32	2,251
(10,480)	Total comprehensive (income) / expenditure since last annual report		(673)

The accompanying notes form an integral part of the Statement of Accounts

- (a) The (surplus)/deficit for the year on provision of services represents the true cost to the Council for the year after taking into account income from council tax and government grants.
- (b) To determine the Council fund balance, capital financing is allocated and other adjustments made on the Movement in Reserves Statement to leave the true surplus or deficit on the Council Fund for the year. **THE ACTUAL MOVEMENT IN THE COUNCIL FUND FOR THE YEAR IS A DECREASE OF £3.412 million (2013/14: INCREASE £2.143 million). A DECREASE OF £3.555 million (2013/14: £1.736 million increase) IS ATTRIBUTABLE TO TIMING DIFFERENCES UNDER ACCOUNTING REGULATIONS GOVERNING THE TREATMENT OF COLLECTION FUND SURPLUSES AND DEFICITS. THE COUNCIL MADE AN OPERATING SURPLUS OF £143,000 (2013/14: £188,000)**

Balance Sheet

1 April 2013 £'000	31 March 2014 £'000		Note	31 March 2015 £'000
<i>(Restated)</i>	<i>(Restated)</i>			
		Non-Current Assets:		
92,210	99,568	Property, plant and equipment	17	100,874
1,265	1,242	Heritage assets	20	1,220
5,407	6,500	Investment property	21	6,390
650	740	Intangible assets	22	615
3,053	3,061	Debtors receivable after one year	25	2,949
2	2	Investments	26	2
102,587	111,113	Total non-current assets		112,050
		Current Assets:		
67	87	Inventories	24	79
80	-	Assets held for sale	23	-
4,243	5,915	Debtors	25	3,891
11,130	15,018	Investments	26	20,019
11,391	10,601	Cash and cash equivalents	27	17,544
26,911	31,621	Total current assets		41,533
129,498	142,734	Total assets		153,583
		Current Liabilities:		
3,569	6,196	Creditors	28	12,760
697	2,869	Provisions	29	2,666
4,266	9,065	Total current liabilities		15,426
125,232	133,669	Total assets less current liabilities		138,157
		Non-Current Liabilities:		
1,777	4,366	Capital grants received in advance	30	4,207
38,697	34,069	Liability related to defined benefit pension scheme	32	37,253
1,035	1,031	Other liabilities	28	1,821
41,509	39,466	Total non-current liabilities		43,281
83,723	94,203	Net assets		94,876

Balance Sheet (continued)

1 April 2013 £'000 <i>(Restated)</i>	31 March 2014 £'000 <i>(Restated)</i>		Note	31 March 2015 £'000
		Financed by:		
		Usable Reserves		
7,275	9,418	Council fund	33	6,006
13,606	15,437	Earmarked reserves	33	18,227
11,085	6,425	Capital receipts reserve	33	6,284
786	615	Capital grants unapplied account	33	626
32,752	31,895	Total usable reserves		31,143
		Unusable Reserves		
28,639	29,864	Revaluation reserve	34	32,825
61,042	68,256	Capital adjustment account	34	66,344
101	(1,635)	Collection fund adjustment account	34	1,920
(4)	-	Financial instruments adjustment account	34	-
(38,697)	(34,069)	Pension reserve	34	(37,253)
(110)	(108)	Accumulated absences account	34	(103)
50,971	62,308	Total unusable reserves		63,733
83,723	94,203	Total reserves		94,876

This unaudited Statement of Accounts was issued on 30 June 2015.



Sajida Bijle

Chief Finance Officer

Cash Flow Statement

2013/14 £'000 <i>(Restated)</i>	Note	2014/15 £'000
3,097		(484)
		Surplus/(deficit) for the year on the provision of services
728	35	7,681
(2,060)	35	(1,909)
1,765		5,288
		Net cash inflow from operating activities
		Investing Activities:
(4,890)		(2,010)
(25,000)		(29,000)
		Purchase of property plant and equipment, investment property and intangible assets
2		2
527		-
80		-
		Proceeds from the sale of non current assets:
21,043		24,000
		Proceeds from the redemption of short-term and long-term investments
3,653		1,159
248		546
(4,337)		(5,303)
		Net cash (outflow) from investing activities
		Financing Activities:
-		1,000
(63)		(81)
		Loan from Local Enterprise Partnership (note 28)
		Other payments for financing activities
1,845		6,039
1,782		6,958
		Net cash inflow from financing activities
(790)		6,943
		Net increase/(decrease) in cash and cash equivalents
11,391		10,601
10,601		17,544
		Cash and cash equivalents at the end of the reporting period
		Cash & cash equivalents comprise:
10,601	27	17,544
10,601		17,544
		Cash and cash equivalents at the end of the reporting period

Notes to the Accounts

1. Accounting Policies

Basis of Preparation

The Statement of Accounts summarises the Council's performance for the financial year 2014/15 and its position as at 31 March 2015. The principal accounting policies applied in the preparation of the Council's accounts are set out below.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code') and its associated guidance notes, as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), except where these are inconsistent with specific statutory requirements.

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

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

Revenue Recognition

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

Council tax is measured at the full amount receivable (net of any impairment losses).

Property, Plant and Equipment

Basis of Recognition

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

Asset Category:	De-minimis level:
Council dwellings	£5,000
Other land & buildings	£5,000
Vehicles, plant, furniture & equipment	£5,000
Infrastructure assets	£1,000
Community assets	£1,000

Where a large asset includes a number of components with significantly different asset lives, the components are recognised as separate assets and depreciated over their own useful economic lives. 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:
Council dwellings	Fair value (Existing use)
Other land & buildings	Fair value (Existing use) except in the case of specialised assets where depreciated replacement cost may be used
Vehicles, plant & equipment	Historical cost
Infrastructure assets	Historical cost
Community assets	Historical cost
Assets under construction	Historical cost

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

The Council ensures that the carrying amount of items of property (council dwellings and other land and buildings, see note 17) does not differ materially from that which would be determined using fair value at the end of each reporting period. Such items are grouped for valuation purposes in a manner which ensures that each asset is revalued in full at an interval of not less than three years. All assets are reviewed annually for evidence of material changes in fair 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.

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:

Infrastructure Assets	Up to 20 Years
Other Land & Buildings	Up to 30 Years
Leisure Centres	Up to 30 Years
Council Dwellings	20 Years
Council Garages	20 Years
Car Parks & Depots	20 Years
Vehicles, Plant & Other Equipment	3 to 14 Years

Impairment

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

Disposals

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

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

Service revenue accounts, support services and trading accounts are charged with the real cost of utilising assets through depreciation, revaluation and impairment losses as disclosed above. However local government statute does not require the council to raise council tax to cover these charges and they are subsequently transferred from the Council Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Heritage assets

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

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

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

Investment Property

Properties that are held for the purpose of earning rentals, for capital appreciation or for both purposes are classified as investment properties. The de-minimis level applied for the purpose of considering such assets for recognition in the council's Balance Sheet is £5,000. 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 derecognition is not a proper credit or charge in the Council Fund and is subsequently reported in the Movement in Reserves Statement with an amount equal to the net disposal proceeds being credited to the Capital Receipts Reserve and an amount equal to the carrying amount of the asset being charged to the Capital Adjustment Account.

Investment properties are not subject to depreciation.

Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only where it is probable that expected future benefits attributable to the asset will flow to the council. They are measured initially at cost. Subsequent expenditure is charged to Surplus or Deficit on the Provision of Services when incurred.

The depreciable amount of an intangible asset with a finite useful life is amortised on a systematic basis over its useful life, beginning when the intangible asset is available for use.

Internally generated intangible assets

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

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

Software

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

Assets Held for Sale

Properties which meet the following criteria are classified as assets held for sale:

- management is committed to the disposal and the property is being actively marketed
- the property is available for sale immediately in its present condition
- the sale is highly probable.

Such assets are measured at the lower of fair value (market value less costs to sell) and carrying value at the time the asset is classified as held for sale and are not subject to depreciation.

Revenue Expenses Funded by Capital Under Statute

Revenue expenses funded by capital under statute arise when the Council incurs expenditure financed by the Capital Adjustment Account that is not capitalised on the Balance Sheet. Expenditure is initially expensed through the Surplus or Deficit on the Provision of Services and is then allocated to the Capital Adjustment Account through the Movement in Reserves Statement, so that there is no impact on council tax.

Grants and Other Contributions

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

Specific Revenue Grants

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

General Revenue Grants

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

Capital Grants and Contributions

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

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

Section 106

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

The Council currently has no Section 106 funding from revenue projects.

Financial Assets

Recognition

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

Measurement

Financial assets are classified into two types:

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

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

Debtors

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

Impairment

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

Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours.

Cash equivalents include investments that mature in 3 months or less from the date of acquisition, are readily convertible to known amounts of cash with insignificant risk of change in value and are held for the purpose of meeting short-term cash commitments and not for investment purposes.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Council's cash management.

Due to their nature and short term maturity, the fair values for debtors due within one year and cash and cash equivalents are estimated using their carrying values.

Investments

The Council has investments, which may be both long and short-term, with various financial institutions. Investments are carried at their amortised cost, which comprise their principal amount plus accrued interest at the Balance Sheet date.

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

The Council currently has no available for sale assets.

Financial Liabilities

Recognition

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

Measurement

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

Creditors

Creditors are carried at their original invoice amount.

Bank Overdrafts

Bank overdrafts comprise amounts owed to banks and similar institutions, and are repayable on demand.

Due to their nature and short term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.

Loans

Borrowings are carried at their amortised cost, which comprise their principal amount plus accrued interest as at the Balance Sheet date.

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

Provisions

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

Financial guarantees

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

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

Inventories

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

Cost of Support Services

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

Contingent Assets & Liabilities

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

Reserves

Usable reserves

Usable reserves are those reserves that can be applied to fund revenue or capital expenditure or reduce local taxation.

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

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

Unusable reserves

Certain reserves are maintained to manage the accounting process for property, plant and equipment, financial instruments, retirement and other employee benefits and the collection of council tax 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, a defined benefit scheme operated by Hertfordshire County Council.

The expected costs of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the Comprehensive Income and Expenditure Statement in order to spread the cost over the service lives of employees in the schemes. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The Council's share of the schemes assets and liabilities are included at fair value, as calculated annually by the actuary, which in turn gives rise to actuarial gains or losses.

The scheme's liabilities are discounted to their current price using a discount rate which has been based on the gross redemption yield for the iBoxx sterling corporate index AA, measured by reference to yields on high quality bonds, over a period of time which recognises the estimated term of the Council's benefit obligation, determined using a weighted average duration of liabilities.

The scheme's assets are valued using the following methods:

Quoted securities	- Current bid price
Unquoted securities	- Professional estimate
Unitised securities	- Current bid price
Property	- Market value

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.

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.

Interests in Companies and Other Entities

The Council has interests in companies that have the nature of subsidiaries but does not prepare group accounts on the grounds that the results of the subsidiaries in which it holds investments are not material to an understanding of the Council's results. In the Council's accounts, the interests in companies are recorded as investments.

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

Amendments to the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and reports by the IFRS Interpretations committee (IFRIC) have been issued by the International Accounting Standards Board and are mandatory for the Council's accounting period beginning 1 April 2015 but have not yet been adopted. It is not anticipated that their implementation will have a material impact on the Council's Statement of Accounts.

- IFRS 13 *Fair Value Measurement*
- *Annual Improvements to IFRS 2011–2013 Cycle*
- IFRIC 21 *Levies*

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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has participated in the Local Authority Mortgage Scheme (note 18) and has deposited £1 million with Lloyds Bank. In determining the fair value of the financial guarantee provided to Lloyds Bank (note 28), the Council has estimated a default rate of 2% over the life of the scheme.
- The Council has an obligation to meet a proportion of insurance claims paid by Mutual Municipal Insurance following the appointment of a Scheme Administrator (note 5). After considering all available information concerning the likelihood of future calls, the Council provided for approximately 28% of the estimated liability and has to date drawn down just over 50% of this sum.
- The Council is not represented on the board of Hertsmere Leisure Trust, a charitable organisation that operates the leisure facilities owned by the Council and formerly operated by the Council. Accordingly it has been determined that the Council does not have control of the Trust and that the Trust is not a subsidiary of the Council.
- The Council has considered its relationships with other entities with which it has entered into collaborative arrangements, details of which are given at note 38, and has concluded that the inclusion of such interests in a set of group financial statements should only be made where there is a material effect on the Council's financial position and its obligations and such an effect is therefore material for an understanding of its financial affairs.
- The Council has made provision in its Collection Fund of £5.260 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 (see note 4 to the Collection Fund. Note 29 to the Statement of Accounts discloses the share of this provision allocated to the Council, £2.104 million, 40% of the total). In estimating this provision the Council has taken into account the amounts potentially at risk of successful appeals for the period to 31 March 2015 and earlier years. Management is of the view that such an estimate is necessary to adequately reflect the Council's liabilities in this matter.

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 2015 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £82k for every year that useful lives had to be reduced.
Pensions Liability	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.	The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a increase in the pension liability of £10.2 million. However, the assumptions interact in complex ways. Note 32 sets out details of the assumptions made by the independent actuary to the Hertfordshire Local Government Pension Scheme together with further examples of the sensitivity of the estimation of the pensions liability to individual actuarial assumptions.

5. Exceptional Items

Prior year items

The Council's leisure centres were valued as at 31 March 2014 and as a result impairment losses of £4,950k recognised in the Comprehensive Income and Expenditure Statement in earlier years were reversed. In view of the materiality of this sum it was disclosed separately in order to avoid distortion of the results of the service with which these assets are associated.

6. 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.

7. Trading Operations

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

2013/14 Deficit/ (Surplus) £'000		Expenditure £'000	Less: Income £'000	2014/15 Deficit/ (Surplus) £'000
(26)	Building Control: The Regulations require Local Authorities to break even in their BRFE trading account over a three-year rolling period. The cumulative (surplus) / deficit is transferred to a separate holding account.	341	(395)	(54)
120	Cemeteries / Burial Grounds: 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.	190	(79)	111
(82)	Trade Refuse: The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	465	(581)	(116)
12	Net surplus on trading accounts	996	(1,055)	(59)

8. 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:

2013/14 £'000		2014/15 £'000
	<i>Council tax income:</i>	
5,944	Amount collectable from council tax	6,019
877	Amount collectable on behalf of parishes	916
132	Share of surplus on collection fund for the year	209
6,953		7,144
	<i>Non-domestic rates income and expenditure (see note below):</i>	
16,994	Amount collectable from business rates	16,915
(14,526)	Tariff payable to central government	(14,808)
(1,868)	Share of surplus/(deficit) on collection fund for the year	1,568
1,308	Safety net grant receivable from central government	-
-	Growth levy payable to central government	(922)
292	Grant in respect of small business and other rates reliefs	647
2,200		3,400
	<i>General Government Grants:</i>	
3,641	Revenue support grants	2,850
(76)	Allocated to support parishes	(76)
960	New Homes Bonus	1,329
4,525		4,103
	<i>Capital grants and contributions:</i>	
	Recognised capital grants and contributions:	
310	Disabled facilities grant	375
-	Lottery funding	62
239	Section 106 monies utilised (note 30)	904
674	Other capital contributions	19
1,223		1,360
	<i>Principal government grants credited to services:</i>	
	<i>Environmental Services:</i>	
242	Recycling grant	206
	<i>Housing services:</i>	
38,702	Housing benefit subsidy	39,961
632	Grant for the administration of housing benefits	604
39,576		40,771

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

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

A surplus of £1.568 million (2013/14: deficit £1.868 million) on the collection of business rates and a levy of £922,000 payable to central government (2013/14: safety net grant receivable from central government £1.308 million) have been recognised in the Comprehensive Income and Expenditure Statement for the year. A deficit arose in 2013/14 because it was necessary to establish a provision for the future cost of successful appeals against valuations for business rates as they affect the years 2013/14 and earlier.

9. Members' Allowances & Expenses

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

2013/14 £'000		2014/15 £'000
	Allowance / Expense:	
209	Basic allowance	214
117	Special responsibility allowance	117
2	Attendance allowance	-
3	Travel allowance	1
5	Other	-
336	Total	332

10. Employees' Remuneration

Under the Accounts and Audit Regulations 2011, Local Authorities are required to disclose:

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

2013/14		Salary exclud- ing allow- ances	Car allow- ance	Fees as Return- ing Officer	Medical insur- ance	Pension - empl- oyers' contri- butions made by the Council (note a)	2014/15
£'000 Total	Post	£'000	£'000	£'000	£'000	£'000	£'000 Total
173	Chief Executive	139	6	8	3	24	180
115	Director of Resources/ Section 151 Officer	95	6	-	-	15	116
117	Director of Environment	95	6	-	3	15	119
405	Total	329	18	8	6	54	415

(a) 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.

2013/14 Employees No.		2014/15 Employees No.
	Remuneration band:	
5	£50,000-£54,999	3
3	£55,000-£59,999	2
1	£60,000-£64,999	1
4	£70,000-£74,999	4
13		10

11. Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15 incurring liabilities of £19k (2013/14: £11,000).

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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £'000	2014/15 £'000
£0-£20,000	-	-	4	4	4	4	11	19
Total	-	-	4	4	4	4	11	19

12. Audit fees

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

2013/14 £'000		2014/15 £'000
	Audit Fees:	
56	External audit services carried out	59
29	Certification of grant claims and returns	32
1	Other services	2
86	Total	93

Other services include fees for the national fraud initiative.

13. Comparative information in respect of preceding periods

As set out in note 17 below, the Council has reviewed the accounting treatment previously applied to transport infrastructure assets and has restated the comparative information provided in respect of preceding periods.

14. Discontinued Operations

All the Council's operations were regarded as continuing activities.

15. Adjustments Between Accounting Basis and Funding Basis under Regulation

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 fixed asset is consumed; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The Council Fund compares the Council's spending against the council tax it raised for the year, taking 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 33.

Movement in Usable Reserves (note 33)				
Year ended 31 March 2015	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves (note 34) £'000
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation, impairment and amortisation of non-current assets:				
Property, plant and equipment	3,720			(3,720)
Heritage assets	22			(22)
Intangible assets	154	-	-	(154)
Reversal of impairment charges recognised in the Surplus or Deficit on Provision of Services: property, plant and equipment				
	(142)			142
Capital grants and contributions applied				
	(1,338)	-	-	1,338
Revenue expenditure funded from capital under statute				
	1,339	-	-	(1,339)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement:				
Property, plant and equipment	45			(45)
Movement in the market value of investment property charged to the Comprehensive Income and Expenditure Statement				
	110	-	-	(110)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the Council Fund balance:				
Property, plant and equipment	(852)	-	-	852
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement				
	(22)	-	22	-
Application of grants to capital financing transferred to the capital adjustment account				
	-	-	(11)	11
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
Property, plant & equipment	(2)	2	-	-
Transfer of other capital receipts not relating to the sale of assets				
	(546)	546	-	-

Movement in Usable Reserves (note 33)				
Year ended 31 March 2015	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves (note 34) £'000
Adjustments primarily involving the Capital Receipts Reserve (contd.):				
Use of capital receipts reserve to finance new capital expenditure	-	(688)	-	688
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	1	(1)	-	-
Adjustments primarily involving the Collection Fund Adjustment Account:				
<i>Council tax</i>				
Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(129)			129
<i>Non-domestic rates</i>				
Amount by which non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements	(3,426)	-	-	3,426
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement:	3,003	-	-	(3,003)
Employers' pension contributions payable in the year	(2,070)	-	-	2,070
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(5)	-	-	5
Total adjustments	(138)	(141)	11	268

Movement in Usable Reserves (note 33)				
Year ended 31 March 2014 (Restated)	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves (note 34) £'000
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation, impairment and amortisation of non-current assets:				
Property, plant and equipment	4,426			(4,426)
Heritage assets	23			(23)
Intangible assets	141	-	-	(141)
Reversal of impairment charges recognised in the Surplus or Deficit on Provision of Services: property, plant and equipment				
	(5,111)			5,111
Capital grants and contributions applied				
	(1,223)	-	-	1,223
Revenue expenditure funded from capital under statute				
	1,753	-	-	(1,753)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement:				
Investment property	441			(441)
Asset held for sale	80	-	-	(80)
Movement in the market value of investment property credited to the Comprehensive Income and Expenditure Statement				
	(1,117)	-	-	1,117
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the Council Fund balance:				
Property, plant and equipment	(322)	-	-	322
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the capital adjustment account				
	-	-	(171)	171
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
Property, plant & equipment	(82)	82	-	-
Investment property	(507)	507		
Transfer of other capital receipts not relating to the sale of assets				
	(248)	248	-	-
Use of capital receipts reserve to finance new capital expenditure				
	-	(5,496)	-	5,496

Movement in Usable Reserves (note 33)				
Year ended 31 March 2014 (Restated)	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves (note 34) £'000
Adjustments primarily involving the Capital Receipts Reserve (contd.):				
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	1	(1)	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(4)	-	-	4
Adjustments primarily involving the Collection Fund Adjustment Account:				
<i>Council tax</i>				
Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(132)			132
<i>Non-domestic rates</i>				
Amount by which non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements	1,868	-	-	(1,868)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement:	3,397	-	-	(3,397)
Employers' pension contributions payable in the year	(2,505)	-	-	2,505
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(2)	-	-	2
Total adjustments	877	(4,660)	(171)	3,954

16. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across individual services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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

The income and expenditure of the Council's principal services recorded in the budget report for the year are as follows:

Year ended 31 March 2015

	Planning & Building Control	Housing/ Env' Health	Street Scene/ Engineering/ Asset Man'	Partnerships & Comm' Development	Finance, Revenues, Benefits, IS	Legal & Democratic Services	Central Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(1,477)	(1,008)	(8,559)	(13)	(454)	(216)	(306)	(12,033)
Government grants	-	(75)	-	-	*(41,482)	-	-	(41,557)
Reserve contributions	-	-	(466)	-	-	-	(37)	(503)
Total income	(1,477)	(1,083)	(9,025)	(13)	(41,936)	(216)	(343)	(54,093)
Employee expenses	1,761	1,326	3,575	311	1,105	242	863	9,183
Other service expenses	384	1,160	4,951	1,633	*41,051	660	1,301	51,140
Support services recharges	680	575	1,931	308	590	1,166	281	5,531
Total operating expenses	2,825	3,061	10,457	2,252	42,746	2,068	2,445	65,854
Net expenditure	1,348	1,978	1,432	2,239	810	1,852	2,102	11,761

* includes £40.8m received from DWP for housing benefit payments.

Reconciliation of service income and expenditure to cost of services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	£'000
Net expenditure in service analysis	11,761
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	5,627
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(2,011)
Net cost of services in Comprehensive Income and Expenditure Statement	15,377

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the amounts included in the deficit on the provision of services within the Comprehensive Income and Expenditure Statement:

Year ended 31 March 2015

	Service Analysis	Services not in Analysis	Amounts not reported to manage- ment	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(12,033)	-	-	-	-	(12,033)	-	(12,033)
Interest and income from investment property	-	-	-	-	-	-	(650)	(650)
Income from council tax	-	-	-	-	-	-	(7,144)	(7,144)
Reserve contributions	(503)	-	-	-	-	(503)	-	(503)
Capital grants & contributions	-	-	-	-	-	-	(1,360)	(1,360)
Government grants and contributions	(41,557)	-	-	-	-	(41,557)	(7,503)	(49,060)
Total income	(54,093)	-	-	-	-	(54,093)	(16,657)	(70,750)
Employee expenses	9,183	-	1,616	(2,070)	-	8,729	-	8,729
Other service expenses	51,140	-	(230)	59	-	50,969	(59)	50,910
Support services recharges	5,531	-	-	-	-	5,531	-	5,531
Depreciation, amortisation and impairment	-	-	4,241	-	-	4,241	-	4,241
Interest payments	-	-	-	-	-	-	1,409	1,409
Precepts & levies	-	-	-	-	-	-	916	916
Gain or loss on disposal of property, plant & equipment	-	-	-	-	-	-	(502)	(502)
Total expenditure	65,854	-	5,627	(2,011)	-	69,470	1,764	71,234
Deficit on the provision of services	11,761	-	5,627	(2,011)	-	15,377	(14,893)	484

The income and expenditure of the Council's principal services recorded in the budget report for the year are as follows:

Year ended 31 March 2014 (Restated)

	Planning & Building Control	Housing/ Env' Health	Street Scene/ Engineering/ Asset Man'	Partnerships & Comm' Development	Finance, Revenues, Benefits, IS	Legal & Democratic Services	Central Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(1,134)	(756)	(8,684)	(10)	(484)	(208)	(398)	(11,674)
Government grants	-	(238)	-	-	*(39,907)	(24)	-	(40,169)
Reserve contributions	-	(175)	(459)	-	-	-	(37)	(671)
Total income	(1,134)	(1,169)	(9,143)	(10)	(40,391)	(232)	(435)	(52,514)
Employee expenses	1,519	1,357	3,493	341	1,066	552	1,360	9,688
Other service expenses	340	1,327	5,393	1,645	*39,543	478	1,969	50,695
Support services recharges	693	590	1,752	274	588	319	334	4,550
Total operating expenses	2,552	3,274	10,638	2,260	41,197	1,349	3,663	64,933
Net expenditure	1,418	2,105	1,495	2,250	806	1,117	3,228	12,419

* includes £38.7m received from DWP for council tax and housing benefit payments.

Reconciliation of service income and expenditure to cost of services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	£'000
Net expenditure in service analysis	12,419
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	1,421
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(2,517)
Net cost of services in Comprehensive Income and Expenditure Statement	11,323

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the amounts included in the deficit on the provision of services within the Comprehensive Income and Expenditure Statement

Year ended 31 March 2014 (Restated)

	Service Analysis £'000	Services not in Analysis £'000	Amounts not reported to management £'000	Amounts not included in I&E £'000	Allocation of recharges £'000	Cost of services £'000	Corporate amounts £'000	Total £'000
Fees, charges and other service income	(11,674)	-	-	-	-	(11,674)	-	(11,674)
Interest and income from investment property	-	-	-	-	-	-	(1,829)	(1,829)
Income from council tax	-	-	-	-	-	-	(6,953)	(6,953)
Reserve contributions	(671)	-	-	-	-	(671)	-	(671)
Capital grants & contributions	-	-	-	-	-	-	(1,223)	(1,223)
Government grants and contributions	(40,169)	-	-	-	-	(40,169)	(6,725)	(46,894)
Total income	(52,514)	-	-	-	-	(52,514)	(16,730)	(69,244)
Employee expenses	9,688	-	1,675	(2,505)	-	8,858	-	8,858
Other service expenses	50,695	-	(1,078)	(12)	-	49,605	12	49,617
Support services recharges	4,550	-	-	-	-	4,550	-	4,550
Depreciation, amortisation and impairment	-	-	824	-	-	824	-	824
Interest payments	-	-	-	-	-	-	1,735	1,735
Precepts & levies	-	-	-	-	-	-	877	877
Gain or loss on disposal of property, plant & equipment	-	-	-	-	-	-	(314)	(314)
Total expenditure	64,933	-	1,421	(2,517)	-	63,837	2,310	66,147
Deficit on the provision of services	12,419	-	1,421	(2,517)	-	11,323	(14,420)	(3,097)

17. Property, Plant and Equipment

Year ended 31 March 2015

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Community £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation:							
At 1 April 2014	983	112,840	4,890	(Restated) 430	3,881	3,451	126,475
Additions	-	718	308	-	-	495	1,521
Disposals and other de-recognitions	-	-	(328)	(25)	(79)	-	(432)
Completed in year	-	21	-	-	-	(21)	-
Reclassified	-	765	(546)	(219)	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	254	-	-	-	-	254
At 31 March 2015	983	114,598	4,324	186	3,802	3,925	127,818
Depreciation & Impairment:							
At 1 April 2014	40	23,441	2,943	(Restated) 285	198	-	26,907
Charge in year	19	2,047	388	9	30	-	2,493
Impairment charges recognised in the Surplus/Deficit on Provision of Services	-	1,227	-	-	-	-	1,227
Reversals of impairment charges recognised in the Surplus/Deficit on Provision of Services	-	(142)	-	-	-	-	(142)
Disposals and other de-recognitions	-	-	(324)	(17)	(46)	-	(387)
Reclassified	-	389	(238)	(151)	-	-	-
Depreciation written out to the Revaluation Reserve	-	(3,154)	-	-	-	-	(3,154)
At 31 March 2015	59	23,808	2,769	126	182	-	26,944
Net Book Value:							
At 31 March 2015	924	90,790	1,555	60	3,620	3,925	100,874
At 31 March 2014	943	89,399	1,947	145	3,683	3,451	99,568

17. Property, Plant and Equipment (continued)

Year ended 31 March 2014

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Community £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation:							
				(Restated)			
At 1 April 2013	983	113,333	4,627	430	3,880	47	123,300
Additions	-	77	552	-	1	4,540	5,170
Disposals	-	-	(289)	-	-	-	(289)
Completed in year	-	1,136	-	-	-	(1,136)	-
Asset reclassified as investment property	-	(420)	-	-	-	-	(420)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	(1,286)	-	-	-	-	(1,286)
At 31 March 2014	983	112,840	4,890	430	3,881	3,451	126,475
Depreciation & Impairment:							
				(Restated)			
At 1 April 2013	20	27,873	2,771	264	162	-	31,090
Charge in year	20	2,515	461	21	32	-	3,049
Impairment charges recognised in the Surplus/Deficit on Provision of Services	-	1,373	-	-	4	-	1,377
Reversals of impairment charges recognised in the Surplus/Deficit on Provision of Services	-	(5,111)	-	-	-	-	(5,111)
Disposals	-	-	(289)	-	-	-	(289)
Asset reclassified as investment property	-	(60)	-	-	-	-	(60)
Depreciation written out to the Revaluation Reserve	-	(3,149)	-	-	-	-	(3,149)
At 31 March 2014	40	23,441	2,943	285	198	-	26,907
Net Book Value:							
At 31 March 2014	943	89,399	1,947	145	3,683	3,451	99,568
At 31 March 2013	963	85,460	1,856	166	3,718	47	92,210

Analysis of property, plant and equipment

31 March 2014 No.		31 March 2015 No.
6	Allotments	6
18	Car parks	18
1	Caravan site	1
3	Cemetery	3
1	Civic offices	1
5	Council dwellings	5
4	Depots	4
1	Film studio	1
110	Garages	110
1	Golf & country club	1
81	Ground rents	81
9	Industrial estate units	9
13	Leisure centres & community halls	13
1	Museum	1
46	Parks, fields & open spaces	46
5	Pavilions	5
17	Playing fields & sports fields	17
110	Shops & flats	110
138	Land sites	138

Revaluations

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

Valuations of items of property as at 31 March 2015 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 current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Infrastructure assets

The Council has reviewed the treatment of infrastructure assets in accordance with *The CIPFA Code of Practice on Transport Infrastructure Assets* (the 'Infrastructure Code') which requires that such assets, currently measured at historical cost, should be measured at depreciated replacement cost with effect from 1 April 2015. The Infrastructure Code applies to authorities carrying out the functions of a local highway authority with responsibility for highway maintenance. Hertsmere Borough Council does not have such responsibility (which lies with Hertfordshire County Council); nevertheless it has in prior years made financial contributions towards the improvement of the appearance of adopted highways in various parts of the borough. Accounting practice dictates that expenditure on assets which are not owned by the authority but which may properly be financed from capital reserves should be written off as incurred. The resultant charge to the General Fund is eliminated by an equivalent transfer from the Capital Adjustment Account. On concluding the above review, the Council has determined that the following amendments to the disclosure of expenditure on infrastructure assets should be made and the balances restated accordingly.

Impact on the Statement of Accounts for the year ended 31 March 2013	As Previously Reported £'000	Prior Year Adjustments £'000	As Restated £'000
Balance Sheet			
Property plant and equipment	93,706	(1,496)	92,210
Capital Adjustment Account	(62,538)	1,496	(61,042)

Impact on the Statement of Accounts for the year ended 31 March 2014	As Previously Reported £'000	Prior Year Adjustments £'000	As Restated £'000
Balance Sheet			
Property plant and equipment	100,868	(1,300)	99,568
Capital Adjustment Account	(69,556)	1,300	(68,256)
Movement in Reserves Statement (Council Fund Balance)			
Surplus on provision of services	2,901	196	3,097
Adjustments between accounting basis and funding basis under regulations	1,073	(196)	877

18. Capital Financing Statement

2013/14 £'000		2014/15 £'000
	Capital Investment:	
5,170	Property plant and equipment	1,521
231	Intangible assets	29
58	Investment property	-
1,753	Revenue expenditure funded by capital under statute	1,339
7,212	Total Capital Investment	2,889
	Funded as Follows:	
322	Revenue contribution to capital expenditure	852
1,394	Government grants and other contributions	1,349
5,496	Capital receipt allocations	688
7,212	Total Sources of Funding	2,889

During the year, the Council borrowed £1 million, repayable by February 2020, from the Hertfordshire Local Enterprise Partnership in order to assist with financing the enhancements to facilities at Elstree Film Studios.

Analysis of expenditure

	2014/15 £'000
Significant Projects Undertaken During the Year:	
Enhancements to facilities at Elstree Film Studios	336
Replacement of refuse and recycling vehicles	164
Car park resurfacing	314
Completion of construction of police accommodation	66
Disability access grants	571
Microphone system for council chamber and committee rooms	95
Implementation of planning control system	29
Radlett Café	133
Use of S106 receipts (note 30) : Development of housing for rent	559
Other projects	345
Other	277
Total	2,889

Commitments under Capital Contracts

2014/15 onwards £'000	2015/16 onwards £'000
Remaining budget on capital commitments:	
- Enhancements to facilities at Elstree Film Studios	434
995 Wyllyotts Centre improvements	995
170 Radlett Café	37
168 Enhance sports pitches and pavilions	238
- Disability access grants	207
586 Replacement of refuse and recycling vehicles	966
1,792 Development of housing for affordable rents	1,338
- Car park resurfacing	820
157 Enhancements to finance systems	136
205 Civic offices: perimeter fan coils	205
148 Refurbishment of council owned properties	104
582 Others	499
4,803	5,979
(995) Less: funding	(2,381)
3,808	3,598

19. Leases**The Council as Lessee****Operating Leases**

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

31 March 2014 £'000	31 March 2015 £'000
9 Not later than one year	10
18 Later than one year and not later than five years	10
27 Total	20

Minimum lease payments totalling £10k (2013/14:£12k) in respect of such leases have been charged to the Central Services line in the Comprehensive Income and Expenditure Statement.

20. Heritage assets**Heritage assets held by the authority**

Heritage assets comprise the restored Grade II listed Rose Garden in Herkomer Road, Bushey and the Borough's war memorials.

In addition, the Council holds a small number of paintings and other artefacts and four sets of civic regalia. The collective value of these assets is not considered to be material.

The Council holds no intangible heritage assets.

Valuation

Heritage assets have been valued at cost.

Acquisition, preservation and disposal of heritage assets

The Council gives consideration to acquiring heritage assets where they have cultural, environmental or historical associations which make their preservation for future generations important. The majority of the Council's heritage assets are properties which are easily accessible to the public; a comprehensive list of such assets is maintained within the Council's fixed asset register.

Such assets are preserved and maintained as necessary having regard to budgetary resources. Disposals of such assets are expected to be rare and would take place only after a careful appraisal of all options for the preservation of the asset.

Carrying value

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

31 March 2014 £'000	31 March 2015 £'000
Cost	
1,353 At 1 April and 31 March	1,353
Depreciation	
(88) At 1 April	(111)
(23) Charged in year	(22)
(111) At 31 March	(133)
Net Book Value	
1,242 At 31 March	1,220

21. Investment Property

Rental income from investment property of £375k (2013/14: £379k) 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:

31 March 2014 £'000	31 March 2015 £'000
5,407 At 1 April	6,500
57 Additions in year	-
360 Assets reclassified (to)/from property, plant and equipment	-
(441) Disposals	-
1,117 Net gains/(losses) from fair value adjustments	(110)
6,500 At 31 March	6,390

22. Intangible Assets

31 March 2014		31 March 2015
£'000		£'000
	Gross Carrying Amount	
838	At 1 April	1,069
231	Additions in year	29
1,069	At 31 March	1,098
	Amortisation	
(188)	At 1 April	(329)
(141)	Charged in year	(154)
(329)	At 31 March	(483)
	Net Carrying Amount	
740	At 31 March	615

23. Assets held for sale

No assets were held for sale at 31 March 2015 (2014: nil)

24. Stock and Work in Progress

As at 31 March 2015 the Council held stock amounting to £79k (2014: £87k).

25. Debtors

31 March 2014 £'000		31 March 2015 £'000
	Amounts Receivable Within One Year:	
	<i>Financial assets</i>	
3,253	Sundry debtors & accrued income	2,582
2	Council house mortgages	2
30	Employee car loans	34
10	Loan to voluntary organisation	-
150	Loans to subsidiary undertakings	150
3,445	Total financial assets	2,768
	<i>Non-financial assets and statutory debts</i>	
225	Council tax	205
410	Business rates	297
270	HM Revenue & Customs	169
1,185	Due from government departments and other authorities	-
102	Housing Benefit overpaid	167
278	Prepayments	285
5,915	Total amounts receivable within one year	3,891
	Amounts Receivable After One Year:	
	<i>Financial assets</i>	
2,016	Local Authority Mortgage Scheme	2,016
6	Council house mortgages	4
36	Employee car loans	58
506	Loans to subsidiary undertakings	506
497	Other loans	365
3,061	Total amounts receivable after one year	2,949

The amount receivable under the Local Authority Mortgage Scheme represents the sum deposited at Lloyds Bank plus accrued interest at 31 March 2015 and includes £1.08 million (2014: £1.08 million) deposited on behalf of Hertfordshire County Council (note 28).

Credit Risk

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

31 March 2014			31 March 2015	
Debtor £'000	Allowance £'000		Debtor £'000	Allowance £'000
		Impaired Financial Assets:		
2,638	1,512	Council fund	3,281	1,917
1,076	441	Collection fund	808	306
3,714	1,953	Total	4,089	2,223

The debtors included on the Balance Sheet are net of the above allowances for impairment.

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

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

31 March 2014 £'000		31 March 2015 £'000
898	Less than three months	1,286
119	Three months to six months	163
1,621	Greater than six months	1,832
2,638	Total	3,281

26. Investments

Investments were held as follows:

31 March 2014 £'000		31 March 2015 £'000
<i>Amortised Cost</i>		<i>Amortised Cost</i>
Long Term Investments:		
2	Investments in subsidiaries	2
2	Total long term investments	2
Short Term Investments:		
15,018	Banks and local authorities	20,019
15,018	Total short term investments	20,019

All investments are financial assets.

The average interest rate received on core investments during the year was 0.74% (2013/14: 0.76%).

Short-term investments are held for periods of one year or less.

Investments in subsidiaries represents the following:

31 March 2014 £		31 March 2015 £
2	Bushey Country Club Limited (100%) 2 ordinary shares of £1 each	2
1	Elstree Film Studios Limited (100%) 1 ordinary share of £1 each	1
2,000	Elstree Film & Television Studios Limited (100%) (note 38) 2,000 ordinary shares of £1 each	2,000
2	2 A and B shares of £1 each	2
2	2 special shares of £1 each	2
2,007	Total investments in subsidiaries and related parties	2,007

In addition, the council held 14 (14%) of the ordinary shares of £1 each issued by Hertfordshire CCTV Partnership Limited (note 38) at 31 March 2015. (2014: nil)

Credit Risk

Credit risk arises from deposits with banks and financial institutions. The risk is minimised through the Council's Treasury Management Strategy. The Council has adopted the CIPFA Code of Practice on Treasury Management in Public Services. In assessing credit risk, the Council uses the creditworthiness service provided by Sector Treasury Services which combines assessments of credit ratings, credit watches, credit outlooks and credit default swap spreads to provide a weighted scoring system.

As well as using the matrix produced by Sector Treasury Services, the Council limits its exposure to any one particular institution or group of banks and uses Fitch long-term ratings (or equivalent) to determine the amount of funds placed with each institution as follows (limits effective in 2014/15:

Long Term	Maximum Investment	Investments at 31 March 2015	Call deposits at 31 March 2015 (included in cash and cash equivalents)
AAA to AA-	£8m	-	2 deposits not exceeding £8 million
A+, A	£2m	5 deposits not exceeding £2 million	-
DMO, UK Government and Local Authorities	£10m	-	-
Part nationalised banks (50%+) and equivalents	£10m	4 deposits not exceeding £10 million	1 deposit not exceeding £10 million

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) and in any one sector.

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 £10 m.

The Council's only historic experience of default on its investments is in respect of Heritable Bank plc. The shortfall in the bank's recovery was approximately 5% which equates to 0.15% of the average investments held during the year, including amounts placed at call. Whilst it is likely that further payments to reduce the shortfall will be received, the Council considers 0.15% of its total portfolio to be a fair estimate of its maximum exposure to default which based on its investments, including amounts placed on call at 31 March 2015 equates to £55k (2014: £50k).

27. Cash and Cash Equivalents

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

31 March 2014 £'000	31 March 2015 £'000
3 Cash held by the Council	3
614 Bank current accounts	1,037
9,984 Call deposit accounts and money market funds	16,504
10,601 Total	17,544

28. Creditors

31 March 2014 £'000	31 March 2015 £'000
Amounts payable within one year:	
<i>Financial Liabilities</i>	
4 Mortgage overpayments	3
- Local Enterprise Partnership (below)	207
2,845 Sundry creditors	2,361
2,849 Total financial liabilities	2,571
<i>Non-financial liabilities and statutory debts</i>	
108 Accrual for accumulated absences (<i>note 34</i>)	103
332 HM Revenue & Customs: payroll taxes	325
2,125 Due to government departments and other authorities	9,114
782 Receipts in advance	647
6,196 Total included in current liabilities	12,760
Included in non-current liabilities:	
<i>Financial liabilities</i>	
Local Authority Mortgage Scheme:	
1,008 Contribution made by Hertfordshire County Council	1,008
- Local Enterprise Partnership (below)	796
<i>Non-financial liabilities</i>	
15 Financial guarantee (below)	11
8 Deferred receipts	6
1,031 Total included in non-current liabilities	1,821

Local Enterprise Partnership

During the year, the Council borrowed £1 million, of which £204,000 plus accrued interest of £3,000 is repayable by 31 March 2016 and the remainder by February 2020, from the Hertfordshire Local Enterprise Partnership in order to assist with financing the enhancements to facilities at Elstree Film Studios.

Financial guarantee

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

31 March 2014 £'000	31 March 2015 £'000
Value	
20 At 1 April and 31 March	20
Amortisation	
(1) At 1 April	(5)
(4) Charged in year	(4)
(5) At 31 March	(9)
Net Book Value	
15 At 31 March	11

29. Provisions

31 March 2014 £'000	31 March 2015 £'000
Provision in respect of support for Bushey Country Club as a going concern prior to transfer to Hertsmere Leisure Trust (note 38)	
400 At 1 April	424
24 Contribution to provision	-
424 At 31 March	424
Provision in respect of the Council's liabilities under the Municipal Mutual Insurance Scheme of Arrangement	
297 At 1 April	138
(159) Released to Comprehensive Income and Expenditure Statement	-
138 At 31 March	138
Provision in respect of the Council's share of the cost of successful appeals against valuations for business rates (note 4 to the Collection Fund statement)	
- At 1 April	2,307
Released to the Collection Fund	(849)
2,307 Contribution to provision	646
2,307 At 31 March	2,104
2,869 Total	2,666

30. Capital Grants Received in Advance

The Council has received a number of grants and contributions, known as Section 106 grants, 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 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 2015 is as follows:

31 March 2014 £'000	Receipts £'000	Utilised £'000	31 March 2015 £'000
177 Oakland College	1	(5)	173
123 Haydon Dell Farm	-	(118)	5
96 Studio Plaza	-	(22)	74
267 Franshams site	-	(207)	60
149 Allum Lane, Elstree	1	(41)	109
224 Loom Lane, Radlett	-	(222)	2
146 Blackwell House	1	(3)	144
401 Gemini House	2	(47)	356
134 Sparrow Herne	1	(20)	115
1,440 International University	7	-	1,447
- Elder Court	428	-	428
1,209 Other balances below £100k	304	(219)	1,294
4,366 Total	745	(904)	4,207

Receipts include interest of £19k (2013/14: £13k) allocated to the balances whilst they are held on deposit by the Council.

31. Financial Instruments

Financial Instruments by Category

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

31 March 2014		31 March 2015
£'000		£'000
Financial Assets by Class:		
<i>Loans and Receivables</i>		
3,445	Debtors due within one year (note 25)	2,768
3,061	Debtors due after one year (note 25)	2,949
2	Long term investments (note 26)	2
15,018	Short term investments (note 26)	20,019
10,601	Cash and cash equivalents (note 27)	17,544
32,127	<i>Total loans and receivables</i>	43,282
32,127	Total financial assets	43,282
Financial Liabilities by Class:		
<i>Financial liabilities at amortised cost</i>		
2,849	Creditors payable within one year (note 28)	2,571
1,008	Creditors payable after one year (note 28)	1,804
3,857	<i>Total other liabilities at amortised cost</i>	4,375
3,857	Total financial liabilities	4,375

Fair Value of Financial Assets and Liabilities

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

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

31 March 2014		31 March 2015	
Carrying Value	Fair Value	Carrying Value	Fair Value
£'000	£'000	£'000	£'000
Financial Assets:			
<i>Loans and receivables</i>			
6,506	6,506	5,717	5,717
15,020	15,033	20,021	20,039
10,601	10,601	17,544	17,544
32,127	32,140	43,282	43,300
Financial Liabilities:			
<i>Financial liabilities at amortised cost</i>			
3,857	3,857	4,385	4,362
3,857	3,857	4,385	4,362

Assumptions in Calculating Fair Values*Debtors / Creditors / Cash and Equivalents*

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

Investments / Loans

Fair values have been determined by discounting future cash flows using relevant market rates of interest comparable to the rate for the same instrument from comparable institutions. The relevant market rates used were obtained from the market as at 31 March 2015 using bid prices where applicable.

Financial Instruments Gains and Losses

During the year the total investment income receivable relating to financial assets amounted to £385k (2013/14: £271k).

During the year there were no impairment losses relating to financial assets (2013/14: £62k reversed).

During the year the total interest payable relating to financial liabilities amounted to £22k (2013/14: £13k).

Liquidity Risk

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

Interest Rate Risk

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

32. Defined Benefit Pension Scheme

Participation in Pension Schemes

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

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

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

2013/14 £'000	Comprehensive Income and Expenditure Statement	2014/15 £'000
	Cost of Services:	
	Service cost comprising:	
1,675	Current service cost	1,616
	Finance and investment income and expenditure:	
1,722	Net interest expense	1,387
3,397	Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	3,003
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined liability comprising:	
(1,887)	Return on plan assets (excluding the amount included in the net interest expense)	(6,296)
371	Actuarial gains and losses arising on changes in financial assumptions	9,475
(2,980)	Actuarial gains and losses arising on changes in demographic assumptions	-
(1,024)	Other experienced (gains)/losses	(928)
(5,520)	Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement	2,251

2013/14 £'000	Movement in Reserves Statement	2014/15 £'000
(3,397)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,003)
	<i>Actual amount charged against the Council Fund for pensions for the year:</i>	
2,505	Employer's contributions payable to the scheme	2,070

The employer's contributions payable to the scheme in the year ended 31 March 2014 included a single payment of £472k towards the elimination of the deficit in the scheme.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

31 March 2014 £'000		31 March 2015 £'000
(97,619)	Present value of defined benefit obligations	(108,556)
63,550	Fair value of scheme assets	71,303
(34,069)	Net liability arising from defined benefit obligation	(37,253)

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

31 March 2014 £'000		31 March 2015 £'000
	Present Value of Defined Benefit Obligations:	
(98,349)	As at 1 April	(97,619)
(1,675)	Current cost of services	(1,616)
-	Past service gain	-
(4,390)	Interest cost	(3,968)
(437)	Contributions by scheme members	(477)
-	Gains / (losses) on curtailments	-
	Remeasurement gains and (losses):	
2,980	Actuarial gains and losses arising on changes in demographic assumptions	-
(371)	Actuarial gains and losses arising on changes in financial assumptions	(9,475)
1,024	Other experienced gains/losses	928
3,599	Benefits paid	3,671
(97,619)	As at 31 March	(108,556)
	Fair Value of Scheme Assets:	
59,652	As at 1 April	63,550
2,668	Expected return on assets	2,581
437	Contributions by scheme members	477
2,505	Contributions by employer	2,070
	Remeasurement gains and (losses):	
1,887	Return on plan assets (excluding the amount included in the net interest expense)	6,296
(3,599)	Benefits paid	(3,671)
63,550	As at 31 March	71,303

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

31 March 2014			31 March 2015		
£'000	%		£'000	%	
2,068	3	Cash and cash equivalents	1,880	3	
		Equity instruments:			
		<i>By industry type:</i>			
6,399	10	Consumer	6,296	9	
7,322	13	Manufacturing	7,459	11	
2,823	4	Energy & Utilities	2,058	3	
6,902	11	Financial Institutions	6,408	9	
976	2	Health & Care	1,057	1	
4,469	7	Information Technology	4,428	6	
725	1	Other	526	1	
29,616	48	Sub-total equity instruments	28,232	40	
		Debt Securities:			
5,268	8	Corporate bonds (investment grade)	-	-	
3,915	6	UK Government	-	-	
1,345	2	Other	-	-	
10,528	16	Sub-total debt securities	-	-	
2,576	4	Private Equity	2,954	4	
		Property:			
2,460	4	UK Property	-	-	
1,395	2	Overseas Property	-	-	
3,855	6	Sub-total property	-	-	
		Investment Funds and Unit Trusts			
9,670	16	Equities	10,245	14	
1,550	2	Bonds	19,019	27	
270	0	Commodities	309	0	
-	-	Infrastructure	64	0	
3,362	5	Other	8,754	12	
14,852	23	Sub-total investment funds and unit trusts	38,391	53	
55	0	Derivatives: foreign exchange	(154)	0	
63,550	100	Total assets	71,303	100	

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

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary are as follows:

31 March 2014	31 March 2015
Financial assumptions:	
2.6% Rate of increase in inflation / pension cost	2.1%
3.9% Rate of increase in salaries	3.5%
4.1% Expected return on investments	3.1%
4.1% Rate for discounting scheme obligations	3.1%
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	
22.3 Men	22.3
24.5 Women	24.5
Longevity at 65 for future pensioners	
24.3 Men	24.3
26.7 Women	26.7

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions as set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes that for each change that 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
Longevity (increase by 1 year)	3%	3,257
Rate of increase in salaries (increase by 0.5%)	2%	2,423
Rate of increase in pensions (increase by 0.5%)	7%	7,638
Rate for discounting scheme liabilities (decrease by 0.5%)	9%	10,193

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 and made a cash lump sum payment of £472k in 2013/14 in order to contribute to meeting the scheme deficit while maintaining contribution rates at their current levels at least until the next triennial valuation as at 31 March 2016. Meanwhile funding levels are monitored on an annual basis.

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

It is estimated that the Council will contribute approximately £2.095 million to the Local Government Pension Scheme during the year ended 31 March 2016.

The weighted average duration of the defined benefit obligation for all scheme members (i.e., active, deferred and pensioner) is 16.5 years (2013/14: 16.5 years).

Pension Scheme History

2011 £'000	2012 £'000	2013 £'000	2014 £'000	As at 31 March	2015 £'000
(78,028)	(85,845)	(98,349)	(97,619)	Present value of defined benefit obligations	(108,556)
52,105	52,475	59,652	63,550	Fair value of employer assets	71,303
(25,923)	(33,370)	(38,697)	(34,069)	Deficit in the scheme	(37,253)

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.

33. Usable Reserves

Council Fund

The Council Fund represents resources available to finance future running costs of the Council. Any surplus or deficit arising during the year from ordinary activities is transferred to the reserve, which subsequently may be used for future revenue or capital financing.

The movements in the reserve during the year are summarised below and on the Movement in Reserves Statement.

2013/14 £'000	2014/15 £'000
7,275 As at 1 April	9,418
2,901 Surplus/(deficit) on provision of services	(483)
1,073 Adjustments between accounting basis and funding basis under regulation (<i>note 15</i>)	(139)
(1,831) Net transfer to Earmarked Reserves (<i>below</i>)	(2,790)
9,418 As at 31 March	6,006

Earmarked Reserves

Earmarked Reserves represents funds retained voluntarily for use on specific projects or causes.

A summary of the movement in the reserves during the year is as follows:

2013/14 £'000	2014/15 £'000
Earmarked Reserves (including non-HRA tenants reserve):	
13,606 As at 1 April	15,437
1,831 Net transfer from the Council Fund (<i>above</i>)	2,790
15,437 Total earmarked reserves carried forward (see below)	18,227

The major project / cause balances held at 31 March 2015 and the amounts set aside from the Council Fund in order to meet future expenditure or transferred to the Council Fund in order to meet current expenditure in the year then ended are as follows:

1 April 2014 £'000		Increase £'000	Decrease £'000	Net £'000	31 March 2015 £'000
Project / Cause > £100k:					
	Council Contribution to				
387	Pension Fund	500	-	500	887
2,072	Land Drainage	105	(512)	(407)	1,665
	Information Services -				
	Infrastructure				
345	Replacement	126	(6)	120	465
	Public Transport				
156	Development	-	-	-	156
	Parking Repairs &				
399	Renewals	177	(356)	(179)	220
3,700	Leisure Sinking Fund	298	-	298	3,998
128	Building Maintenance	197	-	197	325
	Local Authority				
	Business Growth				
184	Incentive	6	(113)	(107)	77
173	Area Based Grant	-	-	-	173
	Initiatives for the				
	Prevention of				
305	Homelessness	142	(75)	67	372
371	New Homes Bonus	181	(108)	73	444
	Housing & Council Tax				
	Benefit Equalisation				
300	Account	-	(59)	(59)	241
82	Building Regulations	54		54	136
	Innovation and				
661	Investment fund	780	-	780	1,441
129	Housing Initiatives	22		22	151
	Waste Services				
1,241	Vehicles Replacement	317	(164)	153	1,394
	Waste Services				
	Refuse Bin				
222	Replacement	9	-	9	231
306	Recycling Initiatives	45	(42)	3	309
	Investment Income				
180	Equalisation	45	-	45	225
	Human Resources				
230	strategy	104	(6)	98	328
704	Non-recurring Items	140	(208)	(68)	636
	Future capital				
800	programme reserve	250	-	250	1,050
208	Parks Play Equipment	20	-	20	228
148	Local Plan Inquiry	12	-	12	160
110	Court costs: planning	-	-	-	110
	Litigation and				
189	associated costs	-	-	-	189
	Finance, Revenue and				
157	Benefits Systems	-	(20)	(20)	137
	Business rates				
223	equalisation	510	(15)	495	718
520	Minor revenue grants	374	(30)	344	864
75	Environment Initiatives	26		26	101
119	Uninsured losses	-	-	-	119
613	Other < £100k	181	(117)	64	677
15,437	Total	4,621	(1,831)	2,790	18,227

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:

2013/14 £'000	2014/15 £'000
11,085 As at 1 April	6,425
Receipts during the year from sale of non-current assets:	
2 Property, plant and equipment	2
507 Investment property	-
80 Assets held for sale	-
248 Other capital receipts not related to the sale of assets	546
(5,496) Receipts applied during the year	(688)
Contribution to finance the payments to the Government capital	
(1) receipts pool	(1)
6,425 As at 31 March	6,284

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:

2013/14 £'000	2014/15 £'000
786 As at 1 April	615
Capital grants and contributions unapplied credited to the	
- Comprehensive income and Expenditure Statement	22
Application of grants to capital financing transferred to the Capital	
(171) Adjustment Account	(11)
615 As at 31 March	626

34. Unusable Reserves

Revaluation Reserve

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

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

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

A summary of the movement in the reserve during the year is as follows:

2013/14 £'000	2014/15 £'000
28,639 As at 1 April	29,864
1,863 Upward revaluation of non-current assets	3,408
(80) Accumulated gains on non-current assets disposed of	-
Difference between fair value depreciation over historic cost	
(558) depreciation	(447)
29,864 As at 31 March	32,825

The balance on the reserve may be analysed as follows:

2013/14 £'000	2014/15 £'000
<i>(Restated) Property, plant and equipment:</i>	
99,568 Net book value (current value) (note 17)	100,874
(69,837) Net book value (historical cost)	(68,182)
29,731 Accumulated gains held in reserve	32,692
<i>Assets reclassified to investment property:</i>	
360 Net book value (current value) (note 21)	360
(227) Net book value (historical cost)	(227)
133 Accumulated gains held in reserve	133
29,864 As at 31 March	32,825

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 fair value figures to a historical cost basis). The Council has made no provision for set aside receipts or minimum revenue provision as assets which were the subject of external borrowings at 31 March 2015 had not come into use at that date.

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 15 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:

2013/14 £'000	2014/15 £'000
<i>(Restated)</i> 61,042	68,256
As at 1 April	
<i>Reversal of items debited or credited to the comprehensive income and expenditure statement:</i>	
Charges for depreciation, impairment and amortisation of non-current assets:	
(4,426)	(3,720)
(23)	(22)
(141)	(154)
Reversal of impairment charges recognised in the Surplus or Deficit on provision of Services: property, plant and equipment	
5,111	142
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
1,223	1,338
Revenue expenditure funded from capital under statute:	
(1,753)	(1,339)
incurred in year	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement:	
-	(45)
(441)	-
(80)	-
Movements in the market value of investment property credited/(charged) to the Comprehensive Income and Expenditure Statement	
1,117	(110)
<i>Insertion of items not debited or credited to the comprehensive income and expenditure statement</i>	
Capital expenditure charged against the Council Fund balance:	
322	852
<i>Adjustments involving the capital grants unapplied account:</i>	
Application of grants to capital financing from the Capital Grants Unapplied Account	
171	11
<i>Adjustments involving the capital receipts reserve:</i>	
Use of the capital receipts reserve to finance new capital expenditure	
5,496	688
<i>Adjustments involving the revaluation reserve:</i>	
80	-
Accumulated gains on non-current assets disposed of	
Difference between fair value depreciation over historic cost depreciation: property, plant and equipment	
558	447
:	
68,256	66,344
As at 31 March	

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.

2013/14 £'000	2014/15 £'000
<i>Council tax</i>	
101 As at 1 April	233
Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	129
233 As at 31 March	362
<i>Non-domestic rates</i>	
- As at 1 April	(1,868)
(1,868) Amount by which non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements	3,426
(1,868) As at 31 March	1,558
(1,635) Total	1,920

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2013/14 £'000	2014/15 £'000
(4) As at 1 April	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-
- As at 31 March	-

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:

2013/14 £'000	2014/15 £'000
(38,697) As at 1 April	(34,069)
5,520 Remeasurement of the net defined pension liability (note 32)	(2,251)
(3,397) 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 15 & 32)	(3,003)
2,505 Employers contribution payable to scheme (note 32)	2,070
(34,069) As at 31 March	(37,253)

Accumulated Absences Account

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

2013/14 £'000	2014/15 £'000
(110) Settlement of accrual made at the end of the preceding year	(108)
2 Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	5
(108) Amounts accrued at the end of the current year	(103)

35. Cash Flow Statement - Operating Activities

2013/14 £'000		2014/15 £'000
<i>(Restated)</i>		
	Adjustments for Non-cash movements:	
	Charges for depreciation, impairment and amortisation of non-current assets:	
4,426	Property, plant and equipment	3,720
23	Heritage assets	22
141	Intangible assets	154
	Reversal of impairment charges recognised in the Surplus or	
(5,111)	Deficit on provision of Services: property, plant and equipment	(142)
62	Impairment of investments	-
(1,117)	Movements in the value of investment properties	110
	Carrying amount of non-current assets sold:	
-	Property, plant and equipment	45
441	Investment property	-
80	Assets held for sale	-
892	Non cash pension costs	933
(4)	Net movement in respect of financial guarantee	(4)
(20)	(Increase)/decrease in stock	8
(1,581)	(Increase)/decrease in revenue debtors	2,178
2,496	Increase in revenue creditors & provisions	657
728		7,681
	Adjustments for items that are investing or financing activities:	
(1,223)	Capital grants credited to deficit on the provision of services	(1,361)
	Proceeds from the sale of non-current assets:	
(2)	Property plant and equipment	(2)
(507)	Investment property	-
(80)	Assets held for sale	-
(248)	Other receipts	(546)
(2,060)		(1,909)
	The cash flows for operating activities include the following:	
302	Interest received	271

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.

Claim against HMRC

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

37. Contingent Liabilities

Financial Guarantees

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

Other contingent liabilities

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

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

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 the 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 the 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 8.

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

Details of the amounts precepted and demanded are set out in note 2 to the council's Collection Fund.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2014/15 is shown in note 9.

Thirty-five members represent the Council on the governing bodies of voluntary and community organisations. Grants totalling £385k (2013/14: £386k) 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.

Chief Officers

Chief officers are entitled to receive car loans from the Council. During the year loans amounting to £10k (2013/14: £nil) were made to chief officers, repayments of £5k (2013/14: £5k) were received and £10k was receivable at 31 March 2015 (2013/14: £5k).

Pension Fund

Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 32.

Bushey Country Club Limited

The entity is a wholly (100%) owned subsidiary of the Council, and is termed a 'Controlled Company'.

Until 31 January 2012, the company managed the following activities on the site: Golf (inc. Driving Range), Health & Fitness Suite, Bars and Banqueting & General Catering. The company ceased to trade at that date and its trade and employees were transferred to Hertsmere Leisure Trust with effect from 1 February 2012.

A summary of the company's draft unaudited balance sheet at 31 March 2015 is as follows:

2013/14 £'000	2014/15 £'000
(424) Net assets/(liabilities) as at 31 March	(424)
(424) Accumulated profit/(loss) as at 31 March	(424)
(424) Total shareholders funds	(424)

Net liabilities include a loan from Hertsmere Borough Council of £150,000 (2014: £150,000).

Elstree Film Studios Limited

Elstree Film Studios Limited is a wholly owned subsidiary of the Council which began trading on 1 April 2007. The arrangement with the Studios consists of a license fee payable to the Council by the company for the use of the site. In addition to the license fee received, the Council also receives rental income from the tenants occupying the buildings on the site.

The following information has been extracted from the company's audited accounts for the year ended 31 March 2014. Accounts for the year ended 31 March 2015 are not yet available.

2012/13 £'000		2013/14 £'000
	Profit and Loss Account:	
3,408	Turnover	4,191
1,369	Gross profit	1,756
6	Net profit after taxation	103
1,043	License fee payable to the Council	1,362
1,049	Net profit excluding license fees paid	1,465
	Remeasurement of the net defined pension liability net of deferred	
(39)	taxation	139
-	Pension surplus not recognised	(55)
(39)	Net movement on reserves in respect of pensions	84
(33)	Total recognised gains and (losses) for the year	187
	Balance sheet:	
727	Tangible fixed assets	707
(243)	Net current liabilities	(80)
(500)	Creditors falling due after more than one year	(500)
(-)	Provisions	(32)
(16)	Net assets/(liabilities)	95
(76)	Liability related to defined benefit pension scheme	-
(92)	Accumulated balance on profit and loss account as at 31 March	95
(92)	Total shareholders funds	95
	Other Disclosures:	
307	Other rents received by Council from company tenants	290
(885)	Due to Hertsmere Borough Council	(1,175)

Tangible fixed assets represent plant and equipment used by the company in the course of its business. The company occupies premises owned by the Council and included in the Council's balance sheet at a net book value of £12.7 million (2014: £11.1 million). In addition, the Council has carried out further development of the site occupied by the company for commercial activity, which is included in the Council's balance sheet as an asset under construction at a cost of £3.6 million (2014: £3.3 million).

The amount due to Hertsmere Borough Council from Elstree Film Studios Limited includes a loan, together with accrued interest, of £506k (2014: £506k) repayable by 31 December 2015. The company had no other external borrowing at 31 March 2015. (2014: £nil).

The provision is in respect of deferred taxation. Management is of the view that the company has no further provisions or liabilities which might impact adversely on the Council.

Elstree Film and Television Studios Limited

The Council owns the entire issued share capital of Elstree Film and Television Studios Limited. The company transferred its trade and employees to Elstree Film Studios Limited on 31 March 2007 and ceased to trade. During the year, the Council received a dividend from the company in the sum of £109k (2014:£nil). The most recent draft accounts available show that the company's net assets at 31 March 2015 were £2k.

Hertsmere Leisure

Hertsmere Leisure Trust was the successful bidder when the contract to manage the Council's leisure services was re-awarded in 2011. The contract included management of leisure centres and community centres as before and in addition took over the activities previously managed by the Council's subsidiary Bushey Country Club Limited, together with the delivery of the play, 50 plus and parks events programmes previously provided by the Council itself. The contract is for an initial 10 years from 1 February 2012 with an option to extend by a further five years.

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

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

West Herts Crematorium

The Council is represented on the Joint Committee, or governing body, of West Herts Crematorium. Each of the four Hertfordshire boroughs represented is required to contribute to any deficit incurred by the operations of the crematorium. The Council made no such contribution in the year (2014: £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 (2014: £nil).

Hertfordshire CCTV Partnership

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

The Collection Fund

For the year ending 31 March 2015

	Note	Business Rates £'000	Council Tax £'000	Total £'000
Income:				
Council tax		-	57,567	57,567
Income from non-domestic rates		48,134	-	48,134
Transitional protection payments	4	(70)	-	(70)
Total income		48,064	57,567	105,631
Expenditure:				
Precepts and demands	2	(42,288)	(55,413)	(97,701)
Provision for irrecoverable debts	3	(90)	(458)	(548)
Non-domestic rates:				
Provision for cost of appeals	4	(1,616)	-	(1,616)
Costs of collection		(148)	-	(148)
Total expenditure		(44,142)	(55,871)	(100,013)
Surplus for the year		3,922	1,696	5,618
Movements in respect of prior years:				
Deficit recovered/(surplus distributed)	6	4,645	(516)	4,129
Net movement on fund		8,567	1,180	9,747
Collection fund brought forward		(4,671)	1,741	(2,930)
Collection fund carried forward		3,896	2,921	6,817
Fund movement allocation:				
Hertsmere Borough Council		3,426	129	3,555
Precepting authorities		5,141	1,051	6,192
Net movement for the year		8,567	1,180	9,747
Fund balance carried forward allocation:				
Hertsmere Borough Council (included in reserves)		1,558	362	1,920
Precepting authorities (included in current assets or liabilities)		2,338	2,559	4,897
Total carried forward		3,896	2,921	6,817

Demands on the Collection Fund credited to the Comprehensive Income and Expenditure Statement

For the year ending 31 March 2015

		Business Rates £'000	Council Tax £'000	Total £'000
Amount collectable from council tax		-	6,019	6,019
Amount collectable on behalf of parishes		-	916	916
Amount collectable from business rates	2	16,915	-	16,915
Share of surplus for the year		1,568	209	1,777
Total credited to the Income and Expenditure Statement		18,483	7,144	25,627

The Collection Fund

For the year ending 31 March 2014

	Note	Business Rates £'000	Council Tax £'000	Total £'000
Income:				
Council tax		-	56,501	56,501
Income from non-domestic rates		45,003	-	45,003
Transitional protection payments	4	(380)	-	(380)
Total income		44,623	56,501	101,124
Expenditure:				
Precepts and demands	2	(42,485)	(54,702)	(97,187)
Provision for irrecoverable debts	3	(895)	(744)	(1,639)
Non-domestic rates:				
Provision for cost of appeals	4	(5,768)	-	(5,768)
Costs of collection		(146)	-	(146)
Total expenditure		(49,294)	(55,446)	(104,740)
Surplus/(deficit) for the year		(4,671)	1,055	(3,616)
Less: prior years surplus distributed	6	-	28	28
Net movement on fund		(4,671)	1,083	(3,588)
Collection fund brought forward		-	658	658
Collection fund carried forward		(4,671)	1,741	(2,930)
Fund movement allocation:				
Hertsmere Borough Council		(1,868)	132	(1,736)
Precepting authorities		(2,803)	951	(1,852)
Net movement for the year		(4,671)	1,083	(3,588)
Fund balance carried forward allocation:				
Hertsmere Borough Council (included in reserves)		(1,868)	233	(1,635)
Precepting authorities (included in current assets or liabilities)		(2,803)	1,508	(1,295)
Total carried forward		(4,671)	1,741	(2,930)

Demand on the Collection Fund credited to the Comprehensive Income and Expenditure Statement

For the year ending 31 March 2014

		Business Rates £'000	Council Tax £'000	Total £'000
Amount collectable from council tax		-	5,944	5,944
Amount collectable on behalf of parishes		-	877	877
Amount collectable from business rates	2	16,994	-	16,994
Share of surplus/(deficit) for the year		(1,868)	132	(1,736)
Total credited to the Income and Expenditure Statement		15,126	6,953	22,079

Notes to the Collection Fund

1. General

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

2. Precepts & Demands

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

	Year ended 31 March 2015		
	Business Rates £'000	Council Tax £'000	Total £'000
Authority:			
Department for Communities and Local Government	21,144	-	21,144
Hertfordshire County Council	4,229	42,821	47,050
Hertfordshire Police & Crime Commissioner	-	5,657	5,657
Hertsmere Borough Council	16,915	6,019	22,934
Aldenham Parish Council	-	551	551
Elstree & Borehamwood Town Council	-	292	292
Shenley Parish Council	-	63	63
South Mimms	-	10	10
Ridge Parish Council	-	-	-
Total	42,288	55,413	97,701
	Year ended 31 March 2014		
	Business Rates £'000	Council Tax £'000	Total £'000
Authority:			
Department for Communities and Local Government	21,243	-	21,243
Hertfordshire County Council	4,248	42,293	46,541
Hertfordshire Police & Crime Commissioner	-	5,588	5,588
Hertsmere Borough Council	16,994	5,944	22,938
Aldenham Parish Council	-	531	531
Elstree & Borehamwood Town Council	-	280	280
Shenley Parish Council	-	56	56
South Mimms	-	10	10
Ridge Parish Council	-	-	-
Total	42,485	54,702	97,187

3. Provision for Irrecoverable Debts

During the year the provision for irrecoverable council tax was reduced by £87k (2013/14: increase £235k) and £545k (2013/14: £509k) irrecoverable debts were written off. The provision for irrecoverable business rates was reduced by £306k (2013/14: increase £209k) and £396k (2013/14: £686k) irrecoverable debts were written off.

4. 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 47.1p (2013/14: 46.2p) and 48.2p (2013/14: 47.1p) with no relief. The total rateable value of properties at the year end amounted to £114.8m (2014: £114.2m). The total amount, less certain reliefs and other deductions, is allocated amongst the Council, Hertfordshire County Council as a preceptor and DCLG (see notes 1 and 2 above). The Council's share is paid into the General Fund.

2013/14 £'000		2014/15 £'000
	Income from Business Rates:	
45,003	Gross rates payable	48,134
(380)	Transitional protection payments receivable	(70)
(895)	Provision for irrecoverable debts	(90)
(5,768)	Provision for appeals	(1,616)
(146)	Allowance for cost of collection	(148)
37,814	Total to be allocated	46,210

Transitional protection payments arise when ratepayers are protected from large increases in their rates bills following revaluation, which was last carried out on 1 April 2010. The regulations in question make provision for adjusting payments to billing authorities where their income is less as a result of the operation of the transitional arrangements; and for payments by authorities where their income is greater.

The provision for appeals represents the estimated 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.

5. 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 150% 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 2014/15 the numbers as approved by full Council on 22 January 2014 (Ref: C/14/03) were as follows:

Band	Valuation £	Dwellings (net of discounts) No.	Equivalent Band D Dwellings (net of households in receipt of local support scheme) No.
A	Up to 40,000	456	229
B	40,001 to 52,000	2,320	1,138
C	52,001 to 68,000	5,544	3,816
D	68,001 to 88,000	12,510	10,816
E	88,001 to 120,000	7,863	9,159
F	120,001 to 160,000	3,715	5,241
G	160,001 to 320,000	4,110	6,801
H	Over 320,000	895	1,786
Total number of equivalent band D dwellings			38,986
Assumption of 97.4% collection			37,973
Number of equivalent band D of contribution in lieu			300
Total tax base			38,273

The Council's own tax charge was calculated as follows:

2013/14 No		2014/15 No
37,801	Number of equivalent band D properties	38,273
<hr/>		
£'000		£'000
18,069	Gross requirement for the year:	17,765
<hr/>		
	Less:	
(5,546)	Depreciation	(5,471)
(2,481)	Revenue support grant	(2,119)
229	Transferred to business rates equalisation account	-
(230)	Council tax freeze grant	(294)
(940)	New Homes Bonus	(1,148)
(2,468)	Business rates retained	(2,022)
6,633	Net requirement for the year	6,711
953	Add parish/town requirements	992
7,586	Total district expenditure	7,703
<hr/>		
	Funded by:	
	<i>Demand on the collection fund:</i>	
5,944	Council demand from the collection fund	6,019
877	Parish precepts from the collection fund	916
6,821	Total demand on the collection fund	6,935
	<i>Allocation of central government grant:</i>	
689	Hertsmere Borough Council	692
76	Parishes	76
765	Total allocation of central government grant	768
7,586	Total funding	7,703
180.45	'Average' band D council tax levy	181.18

The rates disclosed above are 'average' council tax levies based on the total tax base. When the actual tax liabilities are calculated, the amount payable is adjusted for special expenses applicable to each area and then divided by the number of Band D equivalent properties in each parish/town district.

6. Contributions to Collection Fund Surpluses and Deficits

During the year the Council distributed accumulated (surpluses) and recovered deficits relating to previous years (to)/from the following authorities:

	Year ended 31 March 2015		
	Business Rates £'000	Council Tax £'000	Total £'000
Authority:			
Department for Communities and Local Government	2,323	-	2,323
Hertfordshire County Council	464	(382)	82
Hertfordshire Police & Crime Commissioner	-	(55)	(55)
Hertsmere Borough Council	1,858	(79)	1,779
Total	4,645	(516)	4,129

	Year ended 31 March 2014		
	Business Rates £'000	Council Tax £'000	Total £'000
Authority:			
Department for Communities and Local Government	-	-	-
Hertfordshire County Council	-	20	20
Hertfordshire Police & Crime Commissioner	-	8	8
Hertsmere Borough Council	-	-	-
Total	-	28	28

The Collection Fund surplus balance at the year-end will be distributed to authorities in subsequent years in proportion to the value of their respective precepts and demand on the Collection Fund.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising.
- Selecting measuring bases for.
- Presenting.

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.

Asset

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.

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.

Balances

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Housing Revenue Account etc.

Business Rates

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.

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 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. Additionally, they can be used to repay debt.

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 condition that exists at the Balance Sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate & Democratic Core

The corporate and non-corporate democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Activities include:

- Corporate policy making.
- Representing local interests.
- Support to elected bodies.
- Duties arising from public accountability.

Council Fund

The main revenue account of the Council. Day to day spending on services is met from the fund.

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.

Credit Liabilities

These relate to liabilities of the Council in respect of money borrowed (principal only), or in respect of credit arrangements.

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.

Curtailement

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business.
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtor

Sums of money due to the Council but not received at the Balance Sheet date.

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.

DCLG

Department for Communities & Local Government

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.

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 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.

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 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.

Housing Revenue Account

Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets aside the expenditure and income arising from the provision of housing.

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-Pensions Fund)

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.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

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 transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Levy (see also 'Safety Net')

The Council's Comprehensive Income and Expenditure Statement includes a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any 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.

Liquid resources

Liquid resources are current asset investments held as readily disposable stores of value.

Minimum Revenue Provision

This is the minimum amount that must be charged to the Council's revenue account each year, should certain criteria be met. It is set aside as provision to repay debt.

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.

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. Examples of non-operational assets are commercial and industrial properties.

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 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.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

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. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. The overall objective of this principle is not to overstate the net worth shown of the Statement of Accounts.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- 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.

Related Party Transaction

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 or loans, irrespective of any direct economic benefit to the pension fund.
- 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, including the provision of pension fund administration services.
- Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or pension fund, such as council tax, rents and payments of benefits.

The materiality of related party transactions are 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.

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

"Right to Buy" is an agreement whereby eligible Housing Association tenants may purchase the property at a reduced rate.

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.

Safety Net (see also 'Levy')

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

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

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

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

Stocks

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

Subsidiary Company

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

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

Standard Spending Assessment

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

Usable Part of Capital Receipts

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

Vested Rights

In relation to a defined benefit scheme, these are:

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

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