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Chairman and Members of the Audit and Governance Committee

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Date: 10 June 2016

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

Dear Councillor

AUDIT AND GOVERNANCE COMMITTEE - 15 JUNE 2016

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

6. Draft Statement of Accounts 2015-16 (Pages 3 - 74)

Please bring these papers with you to the meeting next Wednesday

Yours faithfully

Lorraine Blackburn
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MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : WEDNESDAY 15 JUNE 2016
TIME : 7.00 PM

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EAST HERTS COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 15 JUNE 2016

DRAFT STATEMENT OF ACCOUNTS 2015/16

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

WARD (S) AFFECTED: All

Purpose/Summary of Report:

- The report sets out the background to the 2015/16 Statement of Accounts for Members to consider.
- The accounts provide details of the overall financial position in the Balance Sheet, details of the revenue activities for the General Fund and the Collection Fund.
- The report also provides details of changes in reporting requirements from 2014/15 together with supporting comments on the key financial statements.

| | |
|---|---|
| RECOMMENDATION FOR AUDIT AND GOVERNANCE COMMITTEE: | |
| That | |
| (A) | the Council's draft Statement of Accounts for the financial year 2015/16 be noted; |
| | |

1 BACKGROUND

- 1.1 The approval of the Council's accounts is a statutory requirement. The Accounts and Audit Regulations 2011 set out the current requirements for the production and publication of the Council's annual Statement of Accounts.
- 1.2 These Regulations require that the draft Statement of Accounts are signed by the Council's Section 151 Officer by 30th June following the relevant accounting year and passed for audit before being approved by the relevant body of the Council (as defined by the Regulations)

following audit and then published by 30th September. The Section 151 Officer in signing the accounts is required to certify that the accounts represent a “true and fair view” of the financial position of the Council at year end.

- 1.3 Under the Local Government and Housing Act 1989 the preparation of the accounts must follow proper practices, which includes preparing accounts in accordance with the Code of Practice on Local Authority Accounting in Great Britain.
- 1.4 In line with the Council’s constitution this committee, as the relevant body, now has the benefit of receiving the External Auditor’s report on the accounts prior to Member approval.

2 Report

- 2.1 The draft Statement of Accounts is attached at **Essential Reference Paper B** to the report.
- 2.2 The audit of the accounts has now been substantially completed and the External Auditor’s report is included on this committee’s agenda. No significant issues have arisen throughout the audit process and officers have agreed and undertaken some presentational and disclosure adjustments that have had no overall net effect on the Council’s reported assets and liabilities.
- 2.3 The Statement of Accounts, as defined in the regulations and specified in the relevant sections of the CIPFA Code of Practice, comprises:
 - A Narrative Statement
 - Statement of Responsibilities for the Statement of Accounts
 - The accounting statements
 - A statement of accounting policies
 - Notes to the accounts
- 2.4 The Statement of Accounts is a complex and technical document set out in a prescribed format to present a complete set of financial accounts. The Council’s financial performance for 2015/16, which is reflected in the accounts presented, was presented in the Outturn Report to Executive on 7 June 2016.
- 2.5 The following paragraphs summarise the purpose of the core financial statements:

Movement in Reserves Statement (MIRS)

- 2.5.1 The MIRS shows the movement during the year on the reserves held by the Council. There are usable reserves, those that can be applied to fund expenditure or reduce taxation, and unusable reserves.

Comprehensive Income and Expenditure Statement (CIES)

- 2.5.2 This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles (GAAP), rather than the amount to be funded from taxation.
- 2.5.3 The CIES shows accounting entries which are required under statute in respect of capital, pensions and asset revaluations but which do not affect the funding position of the Council.

Balance Sheet

- 2.5.4 The consolidated Balance Sheet sets out the assets and liabilities of all activities of the Council at the end of the financial year. It is a guide to the financial health of the Council.
- 2.5.5 The Balance Sheet shows the balances and reserves at the disposal of the Council together with the fixed and non-current assets which are employed by the Council in delivering its services.

Cash Flow Statement (CFS)

- 2.5.6 The CFS summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

3 Implications/Consultation

- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper A**.

Background Papers:

Essential Reference Paper B contains the draft 2015/16 Statement of Accounts.

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

| | |
|---|--|
| Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate)</i> : | Priority 1 – Improve the health and wellbeing of our communities Priority 2 – Enhance the quality of people's lives Priority 3 – Enable a flourishing local economy The report summarises the activity of the Council in 2015/16 and contributes to all the Corporate Priorities. |
| Consultation: | An advertisement will be placed in the Herts & Essex Observer, Hertfordshire Mercury and Royston Crow newspapers to state that the accounts will be open for public inspection during a four week period from 27th June 2016. |
| Legal: | The Legal requirements relating to the approval process for of the Council's accounts are set out within the report. |
| Financial: | There are no direct financial implications arising from the report. |
| Human Resource: | No specific implications arise from this report |
| Risk Management: | Approval processes could be affected should any objections to the accounts be submitted to the External Auditor. |
| Health and wellbeing – issues and impacts: | No specific implications arise from this report. |

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STATEMENT OF ACCOUNTS

2015/16

These are draft accounts prior to Audit, presented for information only and not subject to formal approval

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STATEMENT OF ACCOUNTS 2015/16

MOVEMENT IN RESERVES STATEMENT

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

| | General Fund Balance | Earmarked General Fund Reserves | Capital Receipts Reserve | Capital Grants Unapplied | General Reserve | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|--|----------------------|---------------------------------|--------------------------|--------------------------|-----------------|-----------------------|-------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2014 | 3,854 | 8,374 | 0 | 420 | 4,241 | 16,889 | 64,347 | 81,236 |
| Movement in reserves during 2014/15 | | | | | | | | |
| Deficit on provision of services | (2,022) | - | - | - | - | (2,022) | - | (2,022) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | 0 | (1,754) | (1,754) |
| Total Comprehensive Income and Expenditure | (2,022) | - | - | - | - | (2,022) | (1,754) | (3,776) |
| Adjustments between accounting basis and funding basis under regulations <i>Note 4</i> | 4,539 | - | 1,275 | (47) | - | 5,767 | (5,767) | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 2,517 | - | 1,275 | (47) | - | 3,745 | (7,521) | (3,776) |
| Transfers to/(from) Earmarked Reserves <i>Note 5</i> | (2,517) | 5,445 | - | - | (2,928) | 0 | - | 0 |
| Increase/Decrease in Year | 0 | 5,445 | 1,275 | (47) | (2,928) | 3,745 | (7,521) | (3,776) |
| Balance as at 31 March 2015 carried forward | 3,854 | 13,819 | 1,275 | 373 | 1,313 | 20,634 | 56,826 | 77,460 |

| | General Fund Balance | Earmarked General Fund Reserves | Capital Receipts Reserve | Capital Grants Unapplied | General Reserve | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|--|----------------------|---------------------------------|--------------------------|--------------------------|-----------------|-----------------------|-------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2015 | 3,854 | 13,819 | 1,275 | 373 | 1,313 | 20,634 | 56,826 | 77,460 |
| Movement in reserves during 2015/16 | | | | | | | | |
| Deficit on provision of services | (2,303) | - | - | - | - | (2,303) | - | (2,303) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | 0 | 3,346 | 3,346 |
| Total Comprehensive Income and Expenditure | (2,303) | - | - | 0 | - | (2,303) | 3,346 | 1,043 |
| Adjustments between accounting basis and funding basis under regulations <i>Note 4</i> | (38) | - | (1,275) | (8) | - | (1,321) | 1,321 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | (2,341) | - | (1,275) | (8) | - | (3,624) | 4,667 | 1,043 |
| Transfers to/(from) Earmarked Reserves <i>Note 5</i> | 2,341 | (2,217) | - | - | (124) | 0 | - | 0 |
| Increase/Decrease in Year | 0 | (2,217) | (1,275) | (8) | (124) | (3,624) | 4,667 | 1,043 |
| Balance as at 31 March 2016 carried forward | 3,854 | 11,602 | 0 | 365 | 1,189 | 17,010 | 61,493 | 78,503 |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

| | 2015/16 | | 2014/15 | |
|---|----------------------|-------------------------|--------------------|--------------------|
| | Gross Exp £000 | Gross Income £000 | Net Exp £000 | Net Exp £000 |
| Central Services to the Public | 3,284 | (1,310) | 1,974 | 1,361 |
| Cultural & Related Services | 5,442 | (1,592) | 3,850 | 3,667 |
| Environmental & Regulatory Services | 9,650 | (3,207) | 6,443 | 6,397 |
| Planning & Development Services | 5,192 | (2,263) | 2,929 | 2,517 |
| Highways and Transport Services | 4,093 | (4,718) | (625) | (313) |
| Other Housing Services | 40,999 | (38,275) | 2,724 | 3,058 |
| Corporate & Democratic Core | 2,572 | (14) | 2,558 | 2,200 |
| NET COST OF SERVICES | | | 19,853 | 18,887 |
| Payments of precepts to parishes | | | 3,564 | 3,492 |
| Payments of housing capital receipts to Government | | | 1 | 2 |
| Gain on disposal of non current (fixed) assets | | | (801) | (1,222) |
| OTHER OPERATING EXPENDITURE | | | 2,764 | 2,272 |
| Interest payable and similar charges | | | 686 | 694 |
| Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits | | | 1,057 | 1,266 |
| Interest receivable and similar income | | | (1,089) | (741) |
| Income from investment properties (Note 9) | | | (595) | (513) |
| Direct expenditure incurred on investment properties (Note 9) | | | 47 | 447 |
| Changes in Fair Value of Investment Properties | | | 0 | 0 |
| Gain on disposal of investment properties | | | 0 | 0 |
| Other Investment | | | 37 | 0 |
| FINANCING AND INVESTMENT EXPENDITURE | | | 143 | 1,153 |
| Recognised capital grants and contributions | | | (177) | (415) |
| Council tax income | | | (12,483) | (12,325) |
| Non domestic rates | | | (2,017) | (1,101) |
| Non service related government grants | | | (5,780) | (6,449) |
| TAXATION AND NON-SPECIFIC GRANT INCOME (Note 28) | | | (20,457) | (20,290) |
| DEFICIT ON PROVISION OF SERVICES | | | 2,303 | 2,022 |
| Revaluation Gains | | | (23,273) | (569) |
| Impairment losses (chargeable to Revaluation Reserve) | | | 25,660 | 361 |
| Remeasurements of the net defined benefit liability (Note 32) | | | (6,122) | 2,143 |
| ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES | | | (3,735) | 1,935 |
| (Surplus) / Deficit on revaluation of available for sale financial assets (Note 11) | | | 389 | (181) |
| ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES | | | 389 | (181) |
| OTHER COMPREHENSIVE INCOME AND EXPENDITURE | | | (3,346) | 1,754 |
| TOTAL COMPREHENSIVE INCOME AND EXPENDITURE | | | (1,043) | 3,776 |

All operations arise from continuing activities.

BALANCE SHEET

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

| | | 31 March '16 | | 31 March '15 |
|--|----------------|--------------|-----------------|-----------------|
| | | £000 | £000 | £000 |
| Property, Plant & Equipment | <i>Note 6</i> | | | |
| - Other land and buildings | | 40,164 | | 30,839 |
| - Vehicles, plant, furniture and equipment | | 5,145 | | 6,075 |
| - Infrastructure assets | | 2,837 | | 3,013 |
| - Community assets | | 2,345 | | 1,846 |
| - Surplus assets | | 2,407 | 52,898 | |
| Investment Properties | <i>Note 9</i> | 14,794 | | 8,688 |
| Intangible Assets | <i>Note 10</i> | 527 | 15,321 | 510 |
| | | | 68,219 | 50,971 |
| Long Term Investments | <i>Note 34</i> | 19,944 | | 7 |
| Long Term Debtors | <i>Note 14</i> | 1,153 | 21,097 | 1,156 |
| TOTAL LONG TERM ASSETS | | | 89,316 | 52,134 |
| Assets Held for Sale | <i>Note 16</i> | 0 | | 330 |
| Short Term Investments | <i>Note 34</i> | 10,539 | | 56,777 |
| Short Term Debtors | <i>Note 14</i> | 6,486 | | 8,392 |
| Cash and Cash Equivalents | <i>Note 15</i> | 23,700 | | 13,245 |
| CURRENT ASSETS | | | 40,725 | 78,744 |
| Provisions | <i>Note 18</i> | (2,652) | | (2,641) |
| Bank Overdraft | | (1,428) | | - |
| Short Term Creditors | <i>Note 17</i> | (7,029) | | (5,058) |
| CURRENT LIABILITIES | | | (11,109) | (7,699) |
| Provisions | <i>Note 18</i> | (36) | | (36) |
| Long Term Borrowing | <i>Note 35</i> | (7,711) | | (7,710) |
| Long Term Creditors | <i>Note 17</i> | (304) | | (987) |
| Deferred credits | <i>Note 36</i> | 0 | | (2) |
| Net Pension Liability | <i>Note 20</i> | (28,795) | | (34,342) |
| Grant Receipts in Advance - Capital | <i>Note 28</i> | (2,303) | | (1,869) |
| - Revenue | | (1,280) | | (773) |
| LONG TERM LIABILITIES | | | (40,429) | (45,719) |
| NET ASSETS | | | 78,503 | 77,460 |
| USABLE RESERVES | | | | |
| - General Fund | <i>Note 19</i> | 3,854 | | 3,854 |
| - General Reserve | <i>Note 19</i> | 1,189 | | 1,313 |
| - Earmarked Reserves | <i>Note 5</i> | 11,601 | | 13,819 |
| - Capital Receipts Reserve | <i>Note 19</i> | 0 | | 1,275 |
| - Capital grants Unapplied | <i>Note 19</i> | 366 | | 373 |
| | | | 17,010 | 20,634 |
| UNUSABLE RESERVES | | | | |
| - Revaluation Reserve | <i>Note 20</i> | 905 | | 3,656 |
| - Available-for-Sale Reserve | <i>Note 20</i> | (282) | | 107 |
| - Pensions Reserve | <i>Note 20</i> | (28,795) | | (34,342) |
| - Capital Adjustment Account | <i>Note 20</i> | 91,869 | | 90,727 |
| - Deferred Capital Receipts | <i>Note 20</i> | 154 | | 155 |
| - Collection Fund Adjustment Account | <i>Note 20</i> | (2,223) | | (3,342) |
| - Short-term Accumulating | | | | |
| Compensated Absences Account | <i>Note 20</i> | (135) | | (135) |
| | | | 61,493 | 56,826 |
| TOTAL RESERVES | | | 78,503 | 77,460 |

THE CASH FLOW STATEMENT

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

| | 2015/16 | | 2014/15 |
|---|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 |
| OPERATING ACTIVITIES | | | |
| Cash Inflows | | | |
| Council Tax receipts | (9,051) | | (9,226) |
| NNDR Receipts | (17,637) | | (17,280) |
| Revenue Support Grant | (2,057) | | (2,816) |
| DWP grants for benefits | (37,277) | | (36,049) |
| Other Government grants | (4,023) | | (3,853) |
| Cash received for goods and services | (14,889) | | (12,160) |
| Interest received | (812) | | (855) |
| Cash inflows generated from operating activities | (85,746) | | (82,239) |
| Cash Out Flows | | | |
| Cash paid to and on behalf of employees | 14,802 | | 13,341 |
| Housing Benefit paid out | 34,178 | | 34,840 |
| Other operating cash payments | 19,469 | | 19,227 |
| Precepts paid to other authorities | 3,564 | | 3,492 |
| Interest paid | 660 | | 661 |
| Cash outflows generated from operating activities | 72,673 | | 71,561 |
| Net Cash Inflow from operating activities | | (13,073) | (10,678) |
| INVESTING ACTIVITIES | | | |
| - Purchase of property plant and equipment, investment property and intangible assets | 21,732 | | 1,153 |
| - Other payments for investing activities | 1 | | 2 |
| - Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (877) | | (2,409) |
| - Capital grants | (905) | | (771) |
| - Proceeds from short-term and long-term investments | (26,301) | | 4,954 |
| Net cash inflow from investing activities | | (6,350) | 2,929 |
| FINANCING ACTIVITIES | | | |
| - Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal) | 287 | | 279 |
| - Other payments for financing activities | 10,109 | | 11,565 |
| Net cash outflow from financing activities | | 10,396 | 11,844 |
| Net (increase) or decrease in cash and cash equivalents | | (9,027) | 4,095 |
| Cash and cash equivalents at the beginning of the reporting period | | (13,245) | (17,340) |
| Cash and cash equivalents at the end of the reporting period | | (22,272) | (13,245) |

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i. The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice (SeRCOP) 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income & Expenditure

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

Income from the provision of services in the form of sales, fees, charges and rents is recognised and accounted for in the period to which they relate.

Expenses in relation to services received (including services provided by employees, transport related, premises related and supplies and services related expenditure) are recorded as expenditure when the services are received rather than when payments are made, with the exception of quarterly utility payments where no actual apportionment is made for bills spanning two financial years.

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

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Provision is made for doubtful debts and known uncollectable debts are written off.

iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less that are readily convertible to known amounts of cash with insignificant risk of change in value, and are used to meet short term liquidity requirements.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

vi. **Employee Benefits**

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and flexi time earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Post Employment Benefits (Pensions)

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

The liabilities of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.5%. The discount rate has been determined as the long term government bond yield plus an allowance for the average difference between the yield on corporate bonds and government bonds. This difference in yields is a result of the difference in the risk of default. This approach has been adopted as government bonds have a long enough term to match the term of the liabilities whereas corporate bonds have shorter terms.

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- Unit trust and managed fund investments (including property) – current bid price.

and disclosed in line with the requirements of IAS19.

NOTES TO THE FINANCIAL STATEMENTS

vi. Employee Benefits - continued

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost / gain – the increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited / credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

The Hertfordshire Pension Fund revised the policy on the funding of early retirements from April 2013. Up to 31 March 2013 employers were permitted to spread the cost of early retirement strain costs over a period of up to 5 years. The Council had previously chosen to fund these costs over 3 years. From April 2013 employers pay the full amount of strain costs in one lump sum in the year of retirement. Following a recommendation to move to the new position early in order to save interest and improve the funding position the Council paid off all outstanding sums in 2012/13 funded from its earmarked reserve (see note 5, page 28).

Further information can be found in Hertfordshire County Council's Pension Fund's Annual Report which is available upon request from Hertfordshire County Council, Corporate Services, County Hall, Hertford, SG13 8DQ.

STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE FINANCIAL STATEMENTS

vii. Events after the Balance Sheet Date

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

those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted where material to reflect such events

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

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

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Guarantees

Commencing on 1 January 2009 the Council awarded a new 10 year contract for the Management of its Leisure Facilities and Swimming Pools. Under this contract the Council has given two guarantees in respect of pension liabilities and utility costs. The guarantee relating to pension costs relates to increases in employer contributions above 23.4%. Any increase will be in line with future actuarial valuations. Each 1% increase in contribution rate would result in a liability of approximately £3k per year.

The guarantee relating to utility costs relates to above inflationary increases in the tariffs payable. Each 1% increase would represent around £2.4k per year.

The Code includes a requirement for financial guarantees to be recognised at fair value and charged to the Comprehensive Income and Expenditure Statement (amortised over the life of the guarantee). The levels of liability assessed at March 2015 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees. The Council has determined to set aside a reserve against potential liabilities under these guarantees as set out in Note 5 to the Notes to the Core Statements.

No other financial guarantees were identified in 2015/16.

Soft Loans

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

NOTES TO THE FINANCIAL STATEMENTS

viii. Financial Instruments - continued

Financial Assets

Financial assets are classified into two types:

loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

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

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

Available-For-Sale Assets

Available-For-Sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

STATEMENT OF ACCOUNTS 2015/16**NOTES TO THE FINANCIAL STATEMENTS****viii. Financial Instruments - continued****Available-For-Sale Assets**

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on quoted market prices.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

NOTES TO THE FINANCIAL STATEMENTS

ix. Government grants and contributions - revenue and capital

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised in the accounts when there is reasonable assurance that:

- the Council will comply with any conditions attached to the payments, and
- the grants or contributions will be received.

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

Monies received as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as a liability within the Grants Receipts in Advance Account. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

x. Intangible Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

xi. Investments

The Council has sold a majority of its externally managed money market deposits and invested in two property funds, the remaining funds are invested in fixed term deposits. All are valued at fair value.

xii. Investment Property

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

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

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

xiii. Leases

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

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

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

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

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

STATEMENT OF ACCOUNTS 2015/16**NOTES TO THE FINANCIAL STATEMENTS****xiii. Leases - continued****Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Council as a Lessor**Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xiv. Minimum revenue provision

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

STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE FINANCIAL STATEMENTS

xv. Overheads and support services

The costs of management and administration are allocated over all services as appropriate. This is in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The basis of allocation used for the main areas is outlined below:

| <u>Cost</u> | <u>Basis of allocation</u> |
|--------------------------|----------------------------|
| Support Services | Actual time spent by staff |
| Administrative Buildings | Area occupied |
| Information Technology | Time spent/actual use |

xvi. Property, Plant & Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

the purchase price

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

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

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

Operational non specialised property – fair value based on existing use value.

The multi-storey car parks, surface car parks (see Note 6) and Hertford Theatre have been valued using the Existing Use Valuation method on the basis of income & expenditure, profit information.

Operational specialised property – depreciated replacement cost (DRC).

Community assets – nominal value or historical cost.

Infrastructure and all other assets – depreciated historical cost.

Surplus assets - fair value, estimated at highest and best use from a market participant's perspective.

STATEMENT OF ACCOUNTS 2015/16**NOTES TO THE FINANCIAL STATEMENTS****xvi. Property, Plant & Equipment**

In the event of a future disposal the market value at that time may realise more or less than the carrying value. Since April 2010 the Council has revalued its assets on a four year rolling basis (formerly five year rolling basis). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The Valuations were carried out by an external valuer, Guy Harbord MA MRICS IRRV

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

The Valuer has arrived at their opinion of Fair Value, Fair Value (Existing Use) and Market

STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE FINANCIAL STATEMENTS

xvi. Property, Plant and Equipment - continued

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

where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

The current asset values used in the accounts are based upon a certificate issued by the Council's Asset & Estates Manager, Anna Osborne MRICS as at 31 March 2015. Property, plant and equipment are classified in the Balance Sheet in line with current Accounting Codes of Practice.

Impairment

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

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

where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

| | |
|-----------------------------------|---|
| Freehold Land | No depreciation |
| Hostels | 60 years |
| Other Council Buildings | 20 to 60 years |
| Infrastructure | 20 years |
| Equipment, Furniture and Fittings | 5 to 10 years |
| Community Assets | No depreciation (30 years for exceptions) |
| Non operational assets | 60 years |
| Enhancement to leased properties | 10 to 25 years |
| Plant | 10 years |

STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE FINANCIAL STATEMENTS

xvi. Property, Plant and Equipment - continued

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

Componentisation

In line with accounting requirements the Council considers the identification of individual asset components on a prospective basis following either the enhancement of an asset or its revaluation. The Council has determined that it will adopt a de-minimis value of £50k for individual assets.

Disposals

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

The gain or loss on disposal is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are transferred from the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account (the carrying amount of the asset) and the usable Capital Receipts Reserve (the disposal proceeds).

xvii. Provision for bad debt

The value of receivables (debtors) shown on the balance sheet is adjusted for doubtful debts. The level of bad debt provision is reviewed annually. Uncollectable debts are written off against the provision.

The following methods are used:-

| | |
|------------------------------|--|
| Trade Accounts Receivable | - Age and collectability |
| Housing Benefit Overpayments | - Age and collectability |
| National Non Domestic Rates | - 1.0% against the net debit due reviewed against sums written off and opening yearly balances and collectability. |
| Council Tax | - 0.3% against the net debit due reviewed against sums written off and opening yearly balances |
| N Domestic Rates costs | - 25% against arrears |
| Council Tax costs | - 20% against arrears |

xviii. Reserves

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

STATEMENT OF ACCOUNTS 2015/16**NOTES TO THE FINANCIAL STATEMENTS****xix. Revenue expenditure funded from Capital under Statute (REFCUS)**

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

xx. Capital receipts

Capital Receipts arise from the sale of non-current assets (Property, Plant and Equipment and Investment Properties). Further to the introduction of the Prudential Capital Finance System on 1 April 2004, capital receipts are all deemed to be "usable" and are held within the Capital Receipts Reserve. Prior to this date, in accordance with Government legislation, a proportion of certain receipts had to be "set aside" and are retained within the Capital Adjustment Account as provision for the repayment of debt.

xxi. VAT

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

xxii. Heritage Assets

In line with the 2012 Code and FRS 30, the Council has identified a number of assets that meet the definition of a heritage asset and are being preserved in trust for future generations because of their cultural, environmental or historical associations. The Council's policy in holding these assets is in pursuit of its overall objectives in relation to the maintenance of heritage.

The Council does not consider that a commercial value can be placed upon the assets held given their nature and that it would be inappropriate to use an insurance value for the balance sheet purposes. Consequently these assets have not been recognised separately on the balance sheet but continue to be included within community assets at a nominal value.

Accounting note 8 sets out details of the heritage assets held by the Council.

xxiii. Jointly Controlled Operations

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

- Revenues and Benefits Service, with Stevenage Borough Council which commenced on 1st August 2011 and
- Business and Technology Services, with Stevenage Borough Council, which commenced on 1 August 2013

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

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

Note 22 (page 43) to the accounts sets out details of the income & expenditure of the joint arrangements and the apportionments between the two councils in accordance with the agreement entered into. For information purposes only and where relevant, other notes to the accounts show amounts relating to these arrangements.

STATEMENT OF ACCOUNTS 2015/16**NOTES TO THE FINANCIAL STATEMENTS****xxiv. Tax Income (Council Tax, Non-Domestic Rates(NDR))****Non Domestic Rates(NDR)**

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

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

As part of the new regime the Government set up a system of 'Top ups', 'Tariffs' and 'Safety Nets' that were introduced to ensure that Councils were guaranteed a minimum level of retained NDR income, thus providing some financial certainty under the new scheme. In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and the financial impact of uncollected business rate income as at 31 March 2015. Authorities are required to make a provision for these assets and liabilities in their accounts.

The accounting arrangements for the new regime are summarised as follows:

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

Council Tax

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

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

STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Standards issued not yet adopted

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

IAS1 Presentation of Financial Statements. (Disclosure Initiative). This standard provides guidance on the form of the financial statements. The adoption of the changes in the standard will result in changes to the format of the accounts in 2016/17. There will be changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement of IFRSs cycles. IFRS11 Joint Arrangements IAS16 Property, Plant, Equipment and IAS19 Employee Benefits are minor and not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and therefore there is no impact on the 2015/16 Statement of Accounts.

3. 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 professional advice (e.g. actuarial advice), historical experience, current trends and other relevant information.

Items included within the Council's Balance Sheet at 31 March 2016 for which there is a risk of material adjustment in the forthcoming year are:

- Pension Liability - actuarial assumptions, fund returns
- Property, Plant and Equipment - valuations, useful lives
- Arrears - bad debt provision
- NDR - Provision for Appeals

Assumptions regarding these items are set out within the relevant accounting note(s) for the item.

The accounts have been prepared on a "going concern basis"

NOTES TO THE FINANCIAL STATEMENTS

4. Adjustments between Accounting Basis and Funding Basis under Regulations

| 2015/16 | Usable Reserves | | | |
|---|------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| | General Fund balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
| Adjustments involving the Capital Adjustment Account: | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | |
| Charges for depreciation of non current assets | 2,235 | - | - | (2,235) |
| Revaluation / Impairment on Property Plant and Equipment | 0 | - | - | 0 |
| Movements in the market value of Investment Properties | 0 | - | - | 0 |
| Amortisation of intangible assets | 246 | - | - | (246) |
| Capital grants and contributions applied | (178) | - | - | 178 |
| Revenue expenditure funded from capital under statute | 584 | - | - | (584) |
| Revenue grants written down to the Capital Adjustment Account | (293) | - | - | 293 |
| Disposal of non current assets | 76 | - | - | (76) |
| Disposal of investment Properties | 0 | - | - | 0 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | |
| Statutory adjustment relating to capital element of principal repayment for finance lease | (288) | - | - | 288 |
| Capital expenditure charged against the General Fund | (1,001) | - | - | 1,001 |
| Adjustments involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | - | - | - | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | (8) | 8 |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (877) | 877 | - | - |
| Use of Capital Receipts Reserve to finance new capital expenditure | - | (2,151) | - | 2,151 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | 1 | (1) | - | - |
| Adjustments involving the Deferred Capital Receipts Reserve: | | | | |
| Statutory adjustment relating to capital element of principal payment for finance lease | 1 | - | - | (1) |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32) | 3,750 | - | - | (3,750) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (3,176) | - | - | 3,176 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (1,118) | - | - | 1,118 |
| Adjustment involving the Accumulated Absences Account | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | - | - | - | 0 |
| Total Adjustments | (38) | (1,275) | (8) | 1,821 |

NOTES TO THE FINANCIAL STATEMENTS

4. Adjustments between Accounting Basis and Funding Basis under Regulations

| 2014/15 Comparative Figures | Usable Reserves | | | Movement in Unusable Reserves |
|---|----------------------|--------------------------|--------------------------|-------------------------------|
| | General Fund balance | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 |
| Adjustments involving the Capital Adjustment Account: | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | |
| Charges for depreciation of non current assets | 2,389 | - | - | (2,389) |
| Revaluation / Impairment on Property Plant and Equipment | 0 | - | - | 0 |
| Movements in the market value of Investment Properties | 0 | - | - | 0 |
| Amortisation of intangible assets | 267 | - | - | (267) |
| Capital grants and contributions applied | (420) | - | - | 420 |
| Revenue expenditure funded from capital under statute | 694 | - | - | (694) |
| Revenue grants written down to the Capital Adjustment Account | (236) | - | - | 236 |
| Disposal of non current assets | 1,187 | - | - | (1,187) |
| Disposal of investment Properties | 0 | - | - | 0 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | |
| Statutory adjustment relating to capital element of principal repayment for finance lease | (280) | - | - | 280 |
| Capital expenditure charged against the General Fund | (25) | - | - | 25 |
| Adjustments involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | - | - | 4 | (4) |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | (51) | 51 |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (2,409) | 2,409 | - | - |
| Use of Capital Receipts Reserve to finance new capital expenditure | - | (1,132) | - | 1,132 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | 2 | (2) | - | - |
| Adjustments involving the Deferred Capital Receipts Reserve: | | | | |
| Statutory adjustment relating to capital element of principal payment for finance lease | 1 | - | - | (1) |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32) | 3,443 | - | - | (3,443) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,088) | - | - | 2,088 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 1,975 | - | - | (1,975) |
| Adjustment involving the Accumulated Absences Account | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 39 | - | - | (39) |
| Total Adjustments | 4,539 | 1,275 | (47) | (5,767) |

NOTES TO THE FINANCIAL STATEMENTS

5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide funding for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16. It also includes the effects of the major review of the Council's Earmarked Reserves undertaken in 2014/15.

| | Balance 1 April 2014 £000 | Transfers Out/(In) 2014/15 £000 | Balance 31 March 2015 £000 | Transfers Out 2015/16 £000 | Transfers In 2015/16 £000 | Balance 31 March 2016 £000 |
|--|--|--|---|---|--|---|
| Interest Equalisation Reserve | (2,257) | 754 | (1,503) | 300 | (311) | (1,514) |
| Insurance Fund | (10) | (1,000) | (1,010) | - | - | (1,010) |
| Emergency Planning Reserve | (37) | - | (37) | - | - | (37) |
| VAT Partial Exemption Reserve | (145) | 145 | - | - | - | - |
| Service Improvement Fund | (610) | 610 | - | - | - | - |
| LDF/Green Belt Reserve | (733) | 214 | (519) | 120 | - | (399) |
| Housing Condition Survey Reserve | (79) | (14) | (93) | 36 | (14) | (71) |
| Council Elections Reserve | (50) | (27) | (77) | 100 | (28) | (5) |
| LABGI Reserve | (94) | 94 | - | - | - | - |
| Sinking fund - Leisure Utilities / Pension Reserve | (282) | 51 | (231) | 3 | - | (228) |
| Restructure Fund | (33) | 33 | - | - | - | - |
| Performance Reward Grant Reserve | (30) | 8 | (22) | 11 | - | (11) |
| Waste Recycling Income Volatility Reserve | (275) | (25) | (300) | - | - | (300) |
| Footbridge Reserve | (150) | - | (150) | - | - | (150) |
| Transformation Reserve | (1,127) | (1,655) | (2,782) | 741 | (361) | (2,402) |
| DCLG Preventing Repossessions | (30) | - | (30) | 2 | - | (28) |
| Environmental Pollution | (14) | - | (14) | 14 | - | - |
| New Homes Bonus Priority Spend | (1,049) | (2,767) | (3,816) | 925 | (660) | (3,551) |
| Collection Fund Reserve | (1,244) | (307) | (1,551) | 1,368 | (300) | (483) |
| DEFRA Flood Support | (125) | 32 | (93) | 56 | - | (37) |
| Commercial Property Fund | - | (500) | (500) | 99 | (870) | (1,271) |
| Pension Fund Additional Contribution Reserve | - | (1,000) | (1,000) | 1,000 | - | - |
| Single Person Homelessness | - | (12) | (12) | 12 | - | - |
| Neighbourhood Planning | - | (45) | (45) | - | (20) | (65) |
| IER | - | (34) | (34) | - | - | (34) |
| Traffic Regulation Order Consolidation Reserve | - | - | - | - | (5) | (5) |
| Total | (8,374) | (5,445) | (13,819) | 4,787 | (2,569) | (11,601) |

NOTES TO THE FINANCIAL STATEMENTS

5. Transfers to/from Earmarked Reserves - continued

| | |
|--|--|
| Interest Equalisation Reserve | This reserve was established to assist the Council in managing the financial implications of adverse interest rate fluctuations. As a result of a Council decision in Feb 2016 this reserve was reduced by £300k in anticipation of a rise in interest rates. Additional interest received in 2015/16 above that budgeted for has been transferred to the reserve. |
| Insurance Fund | Its purpose is to support the Council's insurance and risk management process. As part of the review of reserves in 2014/15 this fund was increased by £1m in anticipation of setting up a self-insurance fund in some areas to reduce future insurance premiums |
| Emergency Planning Reserve | This reserve was set up to support the work of an Emergency Planning Officer Group that has been established within the Council. There was no call on it in 2015/16. |
| VAT Partial Exemption Reserve | This reserve was to enable the Council to meet the additional cost of any unrecoverable VAT. The review of Reserves in 2014/15 considered it unlikely the reserve would be called upon and was therefore removed. |
| Service Improvement Fund | The reserve was established as a means of financing "one-off" initiatives that will deliver efficiencies and service improvements in the medium term. As a result of the review of reserves it was amalgamated into the Transformation Reserve. |
| Local Development Framework / Green Belt Reserve | This reserve was established in 2008/09 to smooth expenditure over the Council's Medium Term Financial Plan (MTFP). Appropriations of £120k have been made in 2015/16 to match expenditure. |
| Housing Condition Survey Reserve | A contribution was made to the reserve to fund future Housing Condition Surveys and £36k appropriated to match in year expenditure. |
| Council Elections Reserve | Established to smooth expenditure over the MTFP. Appropriations have been made in 2015/16 to election costs. |
| Local Authority Business Growth Incentives (LABGI) Reserve | This reserve was established to support the economic development service. As the majority of the reserve had been utilised, as part of the reserve review the balance was transferred to the new Homes Bonus Priority Spend reserve. |
| Sinking Fund - Leisure Utilities and Pension | Further to the Council awarding a new leisure contract to Sports and Leisure Management from January 2009 the Council has provided guarantees in respect of utilities and employers pension costs. Appropriations were made from the reserve in 2015/16 relating to increases in utility expenditure in line with the contract. |
| Restructure Fund | A small reserve created to assist the Council in meeting any future requirements in support of organisational structural change. This was amalgamated into the new Transformation Reserve as part of the review of reserves. |
| Performance Reward Grant Reserve | The Council received revenue grant funding in respect of the Local Area Agreement (Performance Reward Grant) totalling £217k in 2009/10. Appropriations have been made in line with expenditure. |
| Waste Recycling Income Volatility Reserve | The reserve has been established to manage income volatility in recycling income. As part of the Reserve Review this reserve was increased by £25k due to continuing reductions in both recycling volumes and prices. There was no call upon it in 2015/16. |
| Footbridge Reserve | The Council's MTFP included setting aside £50k a year from 2010/11 to 2012/13 in order to meet any potential maintenance costs or liabilities that may arise relating to the footbridge over the river Stort. There was no call on the reserve in 2015/16. |

NOTES TO THE FINANCIAL STATEMENTS

5. Transfers to/from Earmarked Reserves - continued

| | |
|--|---|
| Transformation Reserve | The Cost of Change reserve was set up to fund transitional staffing costs, including those arising from implementing planned budget savings through staffing restructurings. This was amalgamated with the Service Improvement Fund and Restructure Fund to form a new Transformation Reserve. £741k was appropriated from it in 2015/16 to meet expenditure. £361k of the budget underspend 2015/16 was transferred into this reserve. |
| DCLG Preventing Repossessions | This reserve was established from unspent Government Grant monies. Appropriations were made in 2015/16 to match expenditure |
| Environmental Pollution | Established from money received from DEFRA. The balance on the reserve was fully utilised in 2015/16. |
| New Homes Bonus Priority Spend | This reserve was established from unspent New Homes Bonus monies received from DCLG and the 2014/15 GF underspend. A further amount of 2015/16 New Homes Bonus monies was transferred to this reserve and £925k appropriated to fund various items agreed by CMT and Executive. |
| Collection Fund Reserve | As a result of a Council decision in January 2014, a Government Funding Risk Reserve was established to smooth the effect on the Council of income volatility following the new NDR funding regime. This was subsequently renamed the Collection Fund reserve. £300k was added to the reserve in 2015/16 from the reduction in the Interest Equalisation Reserve and appropriations made from it to fund the Collection Fund deficit. |
| DEFRA Flood Support for Local Businesses | This reserve was established from the unspent element of a DEFRA grant received to enable the Council to support local businesses to repair damage following the flooding in 2013/14. Appropriations have been made in line with expenditure. |
| Commercial Property Fund | Established in February 2015 to support the development of investment opportunities in commercial property. Part of the GF underspend 2015/16 has been transferred to the reserve and appropriations made to fund costs relating to the purchase of Old River Lane. |
| Pension Fund Additional Contribution Reserve | Established in February 2015 with a view of making an additional payment to the Pension Fund in 2015/16 to further reduce the past liability. Fully utilised in 2015/16. |
| Single Person Homelessness | Established from grant received from DCLG to fund damage deposits and rent payments to assist single homelessness people get into private accommodation. Appropriations made to fund expenditure incurred. |
| Neighbourhood Planning Grant | Created in 2014/15 from unspent Neighbourhood Planning grant received from DCLG to fund future spend. Additional unspent grant received in 2015/16 has been added to the reserve. |
| IER Grant | Established from grant monies received from the Cabinet Office to fund the costs of additional work involved in the Individual Electoral Registration scheme. No call on it in 2015/16. |
| Traffic Regulation Order Consolidation Reserve | A new reserve established in 2015/16 to fund East Herts contribution the biennial TRO consolidation exercise |

NOTES TO THE FINANCIAL STATEMENTS

6. Property, Plant & Equipment

Movements in fixed assets during the year are as follows:-

2015/16

| Cost or Valuation | As at 01/04/2015 | Additions | Disposals | Reclassifications | Revaluations | Total as at 31/03/2016 |
|-------------------------------------|------------------|--------------|-------------|-------------------|--------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Other Land & Buildings * | 49,330 | 5,723 | (76) | 3,473 | 700 | 59,150 |
| Vehicles, Plant, Furniture & Equip. | 18,928 | 503 | - | - | - | 19,431 |
| Infrastructure | 8,200 | 131 | - | - | - | 8,331 |
| Community Assets | 1,937 | 169 | - | 330 | - | 2,436 |
| Surplus Assets | - | - | - | 1,093 | 1,314 | 2,407 |
| | <u>78,395</u> | <u>6,526</u> | <u>(76)</u> | <u>4,896</u> | <u>2,014</u> | <u>91,755</u> |

| Depreciation & Impairment | As at 01/04/2015 | Charge for Year | Acc depreciation w/o on revaluation | Disposals | Impairment (reversal) recognised in the service | Revaluations | Total as at 31/03/2016 | Balance Sheet as at 31/03/16 |
|-------------------------------------|------------------|-----------------|-------------------------------------|-----------|---|--------------|------------------------|------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Other Land & Buildings | 18,491 | 495 | - | - | - | - | 18,986 | 40,164 |
| Vehicles, Plant, Furniture & Equip. | 12,853 | 1,433 | - | - | - | - | 14,286 | 5,145 |
| Infrastructure | 5,187 | 307 | - | - | - | - | 5,494 | 2,837 |
| Community Assets | 91 | - | - | - | - | - | 91 | 2,345 |
| Surplus Assets | - | - | - | - | - | - | - | 2,407 |
| | <u>36,622</u> | <u>2,235</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>38,857</u> | <u>52,898</u> |

*All Land and Buildings were re-valued in 2015/16

Reconciliation of Additions in the year to Capital Spend

| | 2015/16 £000 | 2014/15 £000 |
|--------------------------------------|-----------------|-----------------|
| Additions in the year (as above) | 6,526 | 836 |
| Intangible assets | 262 | 329 |
| | <u>6,788</u> | <u>1,165</u> |
| plus REFCUS (not included in note 6) | 584 | 694 |
| Total Capital Spend | <u>7,372</u> | <u>1,859</u> |

NOTES TO THE FINANCIAL STATEMENTS

6. Property, Plant & Equipment

Movements in fixed assets during the year are as follows:-

2014/15

| Cost or Valuation | As at 01/04/2014 | Additions | Disposals | Reclassifications | Revaluations | Total as at 31/03/2015 |
|-------------------------------------|------------------|------------|--------------|-------------------|--------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Other Land & Buildings | 49,418 | 186 | (955) | 473 | 208 | 49,330 |
| Vehicles, Plant, Furniture & Equip. | 18,678 | 296 | (42) | (4) | - | 18,928 |
| Infrastructure | 8,108 | 92 | - | - | - | 8,200 |
| Community Assets | 1,287 | 262 | - | 388 | - | 1,937 |
| | <u>77,491</u> | <u>836</u> | <u>(997)</u> | <u>857</u> | <u>208</u> | <u>78,395</u> |

| Depreciation & Impairment | As at 01/04/2014 | Charge for Year | Acc depreciation w/o on revaluation | Disposals | Impairment (reversal) recognised in the service | Revaluations | Total as at 31/03/2015 | Balance Sheet as at 31/03/15 |
|-------------------------------------|------------------|-----------------|-------------------------------------|-----------|---|--------------|------------------------|------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Other Land & Buildings | 17,969 | 522 | - | - | - | - | 18,491 | 30,839 |
| Vehicles, Plant, Furniture & Equip. | 11,305 | 1,548 | - | - | - | - | 12,853 | 6,075 |
| Infrastructure | 4,868 | 319 | - | - | - | - | 5,187 | 3,013 |
| Community Assets | 91 | - | - | - | - | - | 91 | 1,846 |
| | <u>34,233</u> | <u>2,389</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>36,622</u> | <u>41,773</u> |

7. Analysis of Fixed Assets

| | 31 March '16 (Nos.) | 31 March '15 (Nos.) |
|---|------------------------|------------------------|
| Council Dwellings - Hostels | 2 | 1 |
| - Houses | 5 | 2 |
| Council Offices - Freehold | 2 | 1 |
| - Leasehold | 0 | 1 |
| Service Centre - Leasehold | 1 | 1 |
| Cash Offices | 2 | 2 |
| Off-Street Car Parks (incl. Leasehold) | 35 | 27 |
| Swimming Pools (including 3 joint-use pools) | 5 | 5 |
| Parks and Recreation Grounds/Open spaces | 188 HA | 187 HA |
| Public Halls/Community Centres (incl leasehold) | 9 | 9 |
| Commercial Property Rented Out | 47 Units | 45 Units |
| Land Awaiting Development | 1.2 HA | 3 Acres |
| Public Convenience | 5 | 4 |

NOTES TO THE FINANCIAL STATEMENTS

8. Heritage Assets

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

The assets are insured in order to protect the Council's interest in the event of damage or destruction.

The Heritage assets held within Community assets at a nominal sum are as follows:

| | Insurance Value | |
|--|-----------------|-----------------|
| | 2015/16 £000 | 2014/15 £000 |
| The Castle Wall (ancient flint), Hertford | 1,188 | 1,147 |
| Scott's Grotto, Ware | 1,209 | 1,168 |
| Monument, remains of Church of St Mary's, Old Cross | 57 | 55 |
| Community land B/S Obelisk | 27 | 27 |
| Flowing River Sculpture B/S | 12 | 10 |
| Evolution sculpture at Hartham Common | 12 | 12 |
| Hertford Theatre Wall Bronze Resin Sculpture | 10 | 10 |
| Civic Regalia | 10 | 12 |
| Oil Painting of Wallfields Hertford | 3 | 3 |
| Chainsaw sculpture Pishiobury Park Sawbridgeworth | 5 | 5 |

See also Accounting Policy xxii (page 22).

9. Investment Properties

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Rental income from investment property | (595) | (513) |
| Direct operating expenses arising from investment property | 47 | 447 |
| Net gain | (548) | (66) |

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

Valuers were instructed to assess the movement in fair value of all investment property in 2015/16. The movement was found to be immaterial and therefore not included in the accounts.

A clearer definition of what should be classified as an investment property has been issued. As a result a number of original investment properties have been re-classified as PPE and a Community Asset.

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

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Balance at start of the year | 8,688 | 9,545 |
| Additions: Not transferred through re-classification | 15,074 | |
| Additions: Transferred through re-classification | - | |
| Disposals : Transferred through re-classification | (4,402) | (857) |
| Net gains / (losses) from fair value adjustments | (4,566) | 0 |
| Balance at end of the year | 14,794 | 8,688 |

NOTES TO THE FINANCIAL STATEMENTS

10. Intangible Assets

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

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

| | 2015/16 | | | 2014/15 | | |
|---|------------------|---------------------------------------|---------------|------------------|---------------------------------------|---------------|
| | Software £000 | Other Intangible Assets £000 | Total £000 | Software £000 | Other Intangible Assets £000 | Total £000 |
| Balance at start of year: | | | | | | |
| Gross carrying amounts | 3,572 | - | 3,572 | 3,243 | 21 | 3,264 |
| Accumulated amortisation | (3,062) | - | (3,062) | (2,795) | (21) | (2,816) |
| Net carrying amount at start of year | 510 | 0 | 510 | 448 | 0 | 448 |
| Additions: | | | | | | |
| Purchases | 262 | - | 262 | 329 | - | 329 |
| Amortisation for the period | (245) | - | (245) | (267) | - | (267) |
| Net carrying amount at end of year | 527 | 0 | 527 | 510 | 0 | 510 |
| Comprising: | | | | | | |
| Gross carrying amounts | 3,834 | - | 3,834 | 3,572 | 21 | 3,593 |
| Accumulated amortisation | (3,307) | - | (3,307) | (3,062) | (21) | (3,083) |
| | 527 | 0 | 527 | 510 | 0 | 510 |

11. Financial Instruments Balances

Accounting regulations require the 'financial instruments' (investment, lending and borrowing of the Council) shown in the Balance Sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the Balance Sheet are made up of the following categories of 'financial instruments'.

| | Long Term | | Current | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31 March '16 £000 | 31 March '15 £000 | 31 March '16 £000 | 31 March '15 £000 |
| Borrowing | | | | |
| Financial Liabilities at amortised cost | 8,015 | 8,699 | 7,029 | 4,767 |
| Total Borrowing | 8,015 | 8,699 | 7,029 | 4,767 |
| Investments | | | | |
| Loans and Receivables | 1,153 | 1,163 | 36,758 | 52,845 |
| Available for Sale Financial Assets | 19,944 | - | - | 21,600 |
| Total Investments | 21,097 | 1,163 | 36,758 | 74,445 |

See also Notes 34 and 35 to the Core Statements. (Investments and Borrowings)

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current assets'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2015/16.

STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE FINANCIAL STATEMENTS

11. Financial Instruments Balances Con't

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

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

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

Level 3 – unobservable inputs for the asset or liability.

Recurring fair value measurements

| | Input level in fair value hierarchy | Valuation technique used to measure fair value | 2015/16 £000 | 2014/15 £000 |
|-------------------------------------|-------------------------------------|---|-----------------|-----------------|
| Available for Sale - Property Funds | Level 1 | Unadjusted quoted prices in active markets for identical shares | 19,944 | - |
| Balance at end of the year | | | 19,944 | 0 |

Transfers between Levels of the Fair Value Hierarchy

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

NOTES TO THE FINANCIAL STATEMENTS

11. Financial Instruments Balances - continued

Available for Sale Reserve

For financial instruments, there is a reserve to help manage the accounting requirements, the Available-for-Sale Financial Instruments Reserve. This records unrealised revaluation gains/losses arising from holding available-for-sale investments and any unrealised losses that have not arisen from impairment of the assets.

The table below sets out the transactions for the year:

| | 2015/16 £000 | 2014/15 £000 |
|---|-------------------------|-------------------------|
| Balance at 1 April | 107 | (74) |
| Upward revaluation of investments | 9 | 107 |
| Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services | (291) | - |
| Accumulated Gains on assets sold and maturing assets written out to CI&E as part of Other Investment Income | (107) | 74 |
| | (282) | 107 |

See also Note 20, page 38.

12. Financial Instruments Gains / Losses

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

| | Financial Liabilities | Financial Assets | | |
|--|---|------------------------------|----------------------------------|----------------|
| | Liabilities measured at amortised cost | Loans and Receivables | Available for Sale Assets | |
| 2015/16 | £000 | £000 | £000 | £000 |
| Interest Expense | 686 | - | - | 686 |
| Interest Payable and Similar Charges | 686 | - | - | 686 |
| Interest Income | - | (1,089) | - | (1,089) |
| Realised Gains | - | - | - | - |
| Interest and Investment Income | - | (1,089) | - | (1,089) |
| Losses on revaluation | - | 37 | - | - |
| Loss arising on revaluation of financial assets | - | 37 | - | 37 |
| Net (Gain) / Loss for year | 686 | (1,052) | - | (366) |

NOTES TO THE FINANCIAL STATEMENTS

12. Financial Instruments Gains / Losses - continued

| 2014/15 | Financial Liabilities | Financial Assets | | Total |
|--|--|-----------------------|---------------------------|--------------|
| | Liabilities measured at amortised cost | Loans and Receivables | Available for Sale Assets | |
| | £000 | £000 | £000 | |
| Interest Expense | 694 | - | - | 694 |
| Interest Payable and Similar Charges | 694 | - | - | 694 |
| Interest Income | - | (741) | - | (741) |
| Realised Gains | - | - | - | - |
| Interest and Investment Income | - | (741) | - | (741) |
| Losses on revaluation | - | - | - | - |
| Loss arising on revaluation of financial assets | - | - | - | - |
| Net (Gain) / Loss for year | 694 | (741) | - | (47) |

13. Fair Value of Assets and Liabilities carried at Amortised Cost

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

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

The fair values are calculated as follows:

| | 31st March 2015 | | 31st March 2015 | |
|------------------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Financial Liabilities | 15,045 | 20,033 | 14,744 | 19,415 |

NOTES TO THE FINANCIAL STATEMENTS

13. Fair Value of Assets and Liabilities carried at Amortised Cost - continued

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

| | 31st March 2016 | | 31st March 2015 | |
|--------------------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Loans and Receivables * | 50,637 | 49,933 | 44,036 | 44,364 |

* Excludes Fund Managers cash included within Note 15.

The fair value is less than the carrying amount because of the Council's relatively new investment in Property Fund value does not yet cover the exit fee.

Also see notes 34 and 35 to the Core Statements. (Investments and Borrowings)

14. Debtors

| Short Term Debtors | 31 March '16 £000 | 31 March '15 £000 |
|---|----------------------|----------------------|
| Central government bodies | 2,413 | 3,734 |
| Other local authorities | 476 | 635 |
| Bodies external to general government (ie all other bodies) | 3,597 | 4,023 |
| | 6,486 | 8,392 |

| Long Term Debtors | 31 March '16 £000 | 31 March '15 £000 |
|---|----------------------|----------------------|
| Bodies external to general government (ie all other bodies) | 1,153 | 1,156 |
| | 1,153 | 1,156 |

15. Cash and Cash Equivalents

| | 31 March '16 £000 | 31 March '15 £000 |
|--|----------------------|----------------------|
| Short-term deposits with banks | 23,700 | 13,245 |
| Total Cash and Cash Equivalents | 23,700 | 13,245 |

NOTES TO THE FINANCIAL STATEMENTS

16. Assets Held for Sale

| | Current | | Non-Current | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2015/16 £000 | 2014/15 £000 | 2015/16 £000 | 2014/15 £000 |
| Balance outstanding at start of year | 330 | 519 | - | - |
| Assets newly classified as held for sale: | | | | |
| Investment Properties | - | - | - | - |
| Property, Plant and Equipment | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Assets de-classified as held for sale: | | | | |
| Assets sold in year | (330) | (189) | - | - |
| Balance outstanding at year-end | 0 | 330 | 0 | 0 |

17. Creditors

| Short Term Creditors | 31 March '16 £000 | 31 March '15 £000 |
|--|----------------------------------|----------------------------------|
| Central government bodies | 1,040 | 388 |
| Other local authorities | 700 | 610 |
| Bodies external to general government (ie all other bodies) | 5,289 | 4,060 |
| | 7,029 | 5,058 |
| Long Term Creditors | 31 March '16 £000 | 31 March '15 £000 |
| Bodies external to general government (ie all other bodies) | 304 | 987 |
| | 304 | 987 |

18. Provisions

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

| | Short Term | | Long Term | |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2015/16 £000 | 2014/15 £000 | 2015/16 £000 | 2014/15 £000 |
| Balance at 1 April | 2,641 | 1,311 | 36 | 61 |
| Additions | 300 | 2,171 | - | - |
| Amounts used | (289) | (841) | - | (25) |
| Balance at 31 March | 2,652 | 2,641 | 36 | 36 |

NOTES TO THE FINANCIAL STATEMENTS

19. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 4 Adjustments between accounting basis and funding basis under regulations and Note 5 Transfers to/from Earmarked Reserves.

20. Unusable Reserves

| | 31 March '16 £000 | 31 March '15 £000 |
|--|----------------------|----------------------|
| Revaluation Reserve | 905 | 3,656 |
| Available for Sale Financial Instruments Reserve | (282) | 107 |
| Capital Adjustment Account | 91,869 | 90,727 |
| Deferred Capital Receipts Reserve | 154 | 155 |
| Pensions Reserve | (28,794) | (34,342) |
| Collection Fund Adjustment Account | (2,224) | (3,342) |
| Accumulated Absences Account | (135) | (135) |
| Total Unusable Reserves | 61,493 | 56,826 |

Revaluation Reserve

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

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

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

| | 2015/16 | | 2014/15 |
|---|----------|------------|--------------|
| | £000 | £000 | £000 |
| Balance at 1 April | | 3,656 | 3,448 |
| Upward revaluation of assets | 23,273 | | 569 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (25,660) | | (361) |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (2,387) | 208 |
| Difference between fair value depreciation and historical cost depreciation | | (364) | - |
| Balance at 31 March | | 905 | 3,656 |

Available for Sale Financial Instruments Reserve

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

| | 2015/16 | | 2014/15 |
|---|---------|--------------|------------|
| | £000 | £000 | £000 |
| Balance at 1 April | | 107 | (74) |
| Upward revaluation of investments | 9 | | 107 |
| Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services | (291) | | - |
| Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | | (282) | 74 |
| | | (107) | |
| Balance at 31 March | | (282) | 107 |

NOTES TO THE FINANCIAL STATEMENTS

20. Unusable Reserves - continued

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 4 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

| | 2015/16 | | 2014/15 |
|---|---------|---------------|---------------|
| | £000 | £000 | £000 |
| Balance at 1 April | | 90,727 | 93,125 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | | |
| · Charges for depreciation of non current assets | (2,235) | | (2,389) |
| · Charges for depreciation on revalued assets | 364 | | 0 |
| · Revaluation/Impairment on Property, Plant and Equipment | - | | 0 |
| · Amortisation of intangible assets | (245) | | (267) |
| · Revenue expenditure funded from capital under statute | (584) | | (694) |
| · Revenue grants written down to the Capital Adjustment Account | 293 | | 235 |
| · Disposal of property, plant and equipment | (76) | | (1,187) |
| · Disposal of investment properties | - | | 0 |
| | | (2,483) | (4,302) |
| Capital financing applied in the year: | | | |
| · Use of the Capital Receipts Reserve to finance new capital expenditure | 2,151 | | 1,132 |
| · Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 178 | | 416 |
| · Application of grants to capital financing from the Capital Grants Unapplied Account | 8 | | 51 |
| · Statutory adjustment for the capital element of finance lease repayments - Refuse trucks | 288 | | 280 |
| · Capital expenditure charged against the General Fund | 1,001 | | 25 |
| | | 3,626 | 1,904 |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | | 0 |
| Balance at 31 March | | 91,870 | 90,727 |

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

NOTES TO THE FINANCIAL STATEMENTS

20. Unusable Reserves - continued

Pensions Reserve (continued)

| | 2015/16 £000 | 2014/15 £000 |
|--|------------------------|------------------------|
| Balance at 1 April | (34,342) | (30,844) |
| Actuarial gains or (losses) on pensions assets and liabilities | 6,122 | (2,143) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (3,750) | (3,443) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 3,174 | 2,088 |
| Balance at 31 March | <u>(28,796)</u> | <u>(34,342)</u> |

Deferred Capital Receipts Reserve

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-------------------|-------------------|
| Balance at 1 April | 155 | 156 |
| Transfer to the General Fund for the capital element of finance lease payments | (1) | (1) |
| Balance at 31 March | <u>154</u> | <u>155</u> |

Collection Fund Adjustment Account

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------------|-----------------------|
| Balance at 1 April | (3,342) | (1,368) |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rate income calculated for the year in accordance with statutory requirements | 1,119 | (1,974) |
| Balance at 31 March | <u>(2,223)</u> | <u>(3,342)</u> |

Accumulated Absences Account

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

| | 2015/16 £000 | 2014/15 £000 |
|---|---------------------|---------------------|
| Balance at 1 April | (135) | (96) |
| Settlement or cancellation of accrual made at the end of the preceding year | 135 | 96 |
| Amounts accrued at the end of the current year | (135) | (135) |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 0 | (39) |
| Balance at 31 March | <u>(135)</u> | <u>(135)</u> |

NOTES TO THE FINANCIAL STATEMENTS

21. Amount reported for Resource Allocation Decisions

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

| Services Income & Expenditure 2015/16 | Revenues & Benefits £000 | Other Internal Services £000 | Planning & Building Control £000 | Neighbourhood Services £000 | Recycling £000 | Car Parking £000 | Other Customer & Community £000 | Total £000 |
|--|--------------------------------|------------------------------------|---|-----------------------------------|-------------------|---------------------|---------------------------------------|-----------------|
| Fees, charges and other service income | (1,861) | (1,592) | (944) | (760) | (1,208) | (4,690) | (3,104) | (14,159) |
| Government grants | (36,668) | (149) | (20) | (325) | - | - | (58) | (37,220) |
| Total Income | (38,529) | (1,741) | (964) | (1,085) | (1,208) | (4,690) | (3,162) | (51,379) |
| Employee expenses | 3,245 | 2,732 | 2,327 | 2,275 | - | - | 3,740 | 14,319 |
| Other service expenses | 35,969 | 4,777 | 527 | 1,026 | 2,309 | 2,627 | 6,833 | 54,068 |
| Support service recharges | - | (199) | - | (45) | - | - | - | (244) |
| Depreciation, amortisation & Impairment | 98 | 325 | 136 | 826 | 331 | 134 | 1,239 | 3,089 |
| Total Expenditure | 39,312 | 7,635 | 2,990 | 4,082 | 2,640 | 2,761 | 11,812 | 71,232 |
| Net Expenditure | 783 | 5,894 | 2,026 | 2,997 | 1,432 | (1,929) | 8,650 | 19,853 |

| Services Income & Expenditure 2014/15 | Revenues & Benefits £000 | Other Internal Services £000 | Planning & Building Control £000 | Other Neighbourhood Services £000 | Recycling £000 | Car Parking £000 | Other Customer & Community £000 | Total £000 |
|--|--------------------------------|------------------------------------|---|--|-------------------|---------------------|--|-----------------|
| Fees, charges and other service income | (2,032) | (663) | (1,829) | (665) | (1,274) | (4,417) | (2,928) | (13,808) |
| Government grants | (36,752) | (61) | (50) | (271) | - | - | (42) | (37,176) |
| Total Income | (38,784) | (724) | (1,879) | (936) | (1,274) | (4,417) | (2,970) | (50,984) |
| Employee expenses | 3,226 | 2,578 | 2,257 | 2,118 | - | - | 3,289 | 13,468 |
| Other service expenses | 36,238 | 4,067 | 611 | 883 | 2,290 | 2,559 | 6,663 | 53,311 |
| Support service recharges | - | (246) | - | (26) | - | - | - | (272) |
| Depreciation, amortisation & Impairment | 130 | 350 | 117 | 929 | 358 | 201 | 1,279 | 3,364 |
| Total Expenditure | 39,594 | 6,749 | 2,985 | 3,904 | 2,648 | 2,760 | 11,231 | 69,871 |
| Net Expenditure | 810 | 6,025 | 1,106 | 2,968 | 1,374 | (1,657) | 8,261 | 18,887 |

Reconciliation of Service Income and Expenditure to cost of Services in the 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.

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Net expenditure in the Service Analysis | 19,853 | 18,887 |
| Net expenditure of services and support services not included in the analysis | - | - |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | - | - |
| Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement | - | - |
| Cost of Services in Comprehensive Income and Expenditure Statement | 19,853 | 18,887 |

NOTES TO THE FINANCIAL STATEMENTS

21. Amount reported for Resource Allocation Decisions - continued

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2015/16 | Service Analysis £000 | Amounts not reported to Management £000 | Net Cost of Services £000 | Corporate amounts £000 | Total £000 |
|--|-----------------------------|--|---------------------------------|------------------------------|-----------------|
| Fees, charges and other service income | (14,160) | - | (14,160) | - | (14,160) |
| Interest and Investment income | - | - | - | (1,684) | (1,684) |
| Income from Council Tax | - | - | - | (12,483) | (12,483) |
| Government grants and contributions | (37,219) | - | (37,219) | (7,974) | (45,193) |
| Total Income | (51,379) | - | (51,379) | (22,141) | (73,520) |
| Employee expenses | 14,319 | - | 14,319 | 1,057 | 15,376 |
| Other service expenses | 54,068 | - | 54,068 | 84 | 54,152 |
| Support Service recharges | (244) | - | (244) | - | (244) |
| Depreciation, amortisation and impairment | 3,089 | - | 3,089 | - | 3,089 |
| Interest payments | - | - | - | 686 | 686 |
| Precepts and Levies | - | - | - | 3,564 | 3,564 |
| Payments to Housing Capital Receipts Pool | - | - | - | 1 | 1 |
| Changes in value of Investment Properties | - | - | - | - | - |
| Gain or loss on disposal of fixed assets | - | - | - | (801) | (801) |
| Total Expenditure | 71,232 | - | 71,232 | 4,591 | 75,823 |
| Surplus or deficit on the provision of services | 19,853 | - | 19,853 | (17,550) | 2,303 |

| 2014/15 comparative figures | Service Analysis £000 | Amounts not reported to Management £000 | Net Cost of Services £000 | Corporate amounts £000 | Total £000 |
|--|-----------------------------|--|---------------------------------|------------------------------|-----------------|
| Fees, charges and other service income | (13,809) | - | (13,809) | - | (13,809) |
| Interest and Investment income | - | - | - | (1,254) | (1,254) |
| Income from Council Tax | - | - | - | (12,325) | (12,325) |
| Government grants and contributions | (37,175) | - | (37,175) | (7,964) | (45,139) |
| Total Income | (50,984) | - | (50,984) | (21,543) | (72,527) |
| Employee expenses | 13,468 | - | 13,468 | 1,266 | 14,734 |
| Other service expenses | 53,311 | - | 53,311 | 447 | 53,758 |
| Support Service recharges | (272) | - | (272) | - | (272) |
| Depreciation, amortisation and impairment | 3,364 | - | 3,364 | - | 3,364 |
| Interest payments | - | - | - | 694 | 694 |
| Precepts and Levies | - | - | - | 3,492 | 3,492 |
| Payments to Housing Capital Receipts Pool | - | - | - | 2 | 2 |
| Changes in value of Investment Properties | - | - | - | - | - |
| Gain or loss on disposal of fixed assets | - | - | - | (1,222) | (1,222) |
| Total Expenditure | 69,871 | - | 69,871 | 4,679 | 74,550 |
| Surplus or deficit on the provision of services | 18,887 | - | 18,887 | (16,864) | 2,023 |

NOTES TO THE FINANCIAL STATEMENTS

22. Jointly Controlled Operations

The Council is party to two jointly controlled operations to provide the following services:

- the Revenues and Benefits
- Business and Technology

The accounting and governance arrangements are detailed at page 22.

| | 2015/16 | | 2014/15 | |
|-----------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | Business & Technical Service | Revenues & Benefits Service | Business & Technical Service | Revenues & Benefits Service |
| | £000 | £000 | £000 | £000 |
| Expenditure | | | | |
| Employees | 1,254 | 2,904 | 1,222 | 2,829 |
| Transport Related Expenses | 22 | 24 | 25 | 23 |
| Supplies and Services | 983 | 260 | 881 | 241 |
| Support Services | - | 1,077 | - | 1,117 |
| Total Expenditure | 2,259 | 4,265 | 2,128 | 4,210 |
| Income | | | | |
| Stevenage Borough Council | 1,291 | 1,596 | 1171 | 1,635 |
| East Herts District Council | 968 | 2,669 | 957 | 2,575 |
| Total Income | 2,259 | 4,265 | 2,128 | 4,210 |
| Net Expenditure | 0 | 0 | 0 | 0 |

Note: The expenditure and income for the Business & Technology Services reflects the financial impact of the agreement from its formation on 1st August 2013.

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

23. Members Allowances

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

| | 2015/16 £000 | 2014/15 £000 |
|-----------------------------------|-----------------|-----------------|
| Basic Allowances | 260 | 260 |
| Special Responsibility Allowances | 119 | 122 |
| Travel and Subsistence expenses | 11 | 7 |
| | 390 | 389 |

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

STATEMENT OF ACCOUNTS 2015/16**NOTES TO THE FINANCIAL STATEMENTS****24. Officer Emoluments**

The number of employees, including senior officers, whose remuneration, was £50,000 or more in bands of £5,000 were:-

| Remuneration Band | Number of Employees | |
|----------------------|---------------------|------------------|
| | 2015/16 Total | 2014/15 Total |
| £50,000 to £54,999 | 11 | 4 |
| £55,000 to £59,999 | 2 | 3 |
| £60,000 to £64,999 | 2 | 4 |
| £65,000 to £69,999 | 2 | 1 |
| £70,000 to £74,999 | - | - |
| £75,000 to £79,999 | - | - |
| £80,000 to £84,999 | 1 | 1 |
| £85,000 to £89,999 | - | - |
| £90,000 to £94,999 | - | 2 |
| £95,000 to £99,999 | 2 | - |
| £100,000 to £104,999 | - | - |
| £105,000 to £109,999 | - | - |
| £110,000 to £114,999 | - | - |
| £115,000 to £119,999 | - | 1 |
| £120,000 to £124,999 | 1 | - |
| £125,000 to £129,999 | - | - |
| £130,000 to £134,999 | - | - |
| £135,000 to £139,999 | - | - |
| £140,000 to £144,999 | 2 | - |
| £145,000 to £149,999 | - | - |
| £150,000 to £154,999 | 1 | - |
| £180,000 to £184,999 | 1 | - |

The above table includes those members of staff who left the Council and received an exit package. See Note 25 below.

25. Exit Packages

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

| Exit package cost band (including special payments) | Number of Redundancies | | Number of other departures | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|------------------------|----------|----------------------------|----------|--|----------|--|---------------|
| | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 £ | 2014/15 £ |
| £ | | | | | | | | |
| 0-20,000 | - | - | - | - | - | - | - | - |
| 20,001-40,000 | - | - | 2 | - | 2 | - | 56,768 | - |
| 40,001-60,000 | 1 | - | - | - | 1 | - | 58,525 | - |
| 60,001-80,000 | - | 1 | - | - | - | 1 | - | 63,954 |
| 80,001-100,000 | 1 | - | 2 | - | 3 | - | 253,460 | - |
| 100,001-150,000 | 1 | - | - | - | 1 | - | 113,076 | - |
| Total | 3 | 1 | 4 | - | 7 | 1 | 481,829 | 63,954 |

NOTES TO THE FINANCIAL STATEMENTS

26. Senior Officer Remuneration

An additional disclosure is required for Senior Officer's Remuneration (the Chief Executive and those reporting directly to the Chief Executive) included in Note 24, whose salary is more than £50,000 per year:-

| Post Holder | Salary (inc expense allowance) | Benefits in Kind | Compensation for Loss of Office | Total Remuneration excluding pension contributions | Pension Contributions | Total Remuneration including pension contributions |
|--|--------------------------------|------------------|---------------------------------|--|-----------------------|--|
| | £ | £ | £ | £ | £ | £ |
| 2015/16 | | | | | | |
| Chief Executive & Director of Customer and Community Services (left 31/5/15) | 19,450 | 154 | - | 19,604 | 3,182 | 22,786 |
| Chief Executive (started 26/10/15) | 43,629 | 220 | - | 43,849 | 7,184 | 51,033 |
| Director of Neighbourhood Services | 80,681 | 61 | - | 80,742 | 12,923 | 93,665 |
| Director of Finance & Support Services | 97,619 | 195 | - | 97,814 | 16,015 | 113,829 |
| 2014/15 | | | | | | |
| Chief Executive & Director of Customer and Community Services | 115,150 | 316 | - | 115,466 | 19,090 | 134,556 |
| Director of Neighbourhood Services | 84,733 | 38 | - | 84,771 | 14,034 | 98,805 |
| Director of Finance & Support Services | 92,035 | 172 | - | 92,207 | 15,006 | 107,213 |

27. External Audit Costs

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

In 2015/16 East Herts Council incurred the following fees relating to external audit and inspection:

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor | 52 | 69 |
| Rebate from the Audit Commission in respect of audit fees | 0 | (7) |
| Fees payable to Ernst & Young for the certification of grant claims and returns | 8 | 9 |
| | 60 | 71 |

NOTES TO THE FINANCIAL STATEMENTS

28. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Council Tax | 12,483 | 12,325 |
| Non-Domestic Rates | 2,017 | 1,101 |
| Revenue Support Grant | 2,057 | 2,816 |
| Council Tax Freeze Grant | 95 | 94 |
| New Homes Bonus | 2,798 | 2,199 |
| Other Capital Grants | 177 | 415 |
| Sec 31 Business Rate Support | 820 | 1,317 |
| Other Revenue Grants | 9 | 23 |
| | 20,456 | 20,290 |
| Credited to Services | | |
| <u>Grants</u> | | |
| DWP | 36,453 | 36,481 |
| DCLG | 643 | 563 |
| Forestry Commission | - | 37 |
| LAA | 28 | 28 |
| Cabinet Office | 38 | 61 |
| DEFRA | 11 | 5 |
| EEDA | 46 | - |
| | 37,219 | 37,175 |
| <u>Other Contributions</u> | | |
| Contributions from Other Authorities* | 2,621 | 2,726 |
| Income from Other Bodies | 739 | 546 |
| | 3,360 | 3,272 |

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

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the funding body if not used for the purpose provided. The balances at year end are as follows:

| | 2015/16 £000 | 2014/15 £000 |
|-----------------------------------|-----------------|-----------------|
| Grants Receipts in Advance | | |
| Capital | | |
| Other Capital Grants | 82 | 62 |
| Developer Contributions | 2,221 | 1,807 |
| | 2,303 | 1,869 |
| Revenue | | |
| Developer Contributions | 1,280 | 773 |
| | 1,280 | 773 |

NOTES TO THE FINANCIAL STATEMENTS

29. Related Party Transactions

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

Related parties to this authority would include :

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

All significant material transactions with related parties, such as government grants, parish precepts, precepts, pension fund contributions etc, have been disclosed in the Comprehensive Income and Expenditure Statement, page 8.

The spouse of a member of the Council held the positions of Trustee at Sawbridgeworth Memorial Hall which received £9.5k grant funding from the Council and a trustee of Sawbridgeworth Young Peoples Centre who received £600 grant funding in 2015/16.

A member of the Council held the position of trustee of CVS Broxbourne and East Herts which received £15k core funding, £11k towards Community Transport Projects and £3.6k of other smaller grants from the Council. This member is also a trustee at Wodson Park which received funding of £54.7k during 2015/16.

A member of the Council held the position of trustee of the Hailey Centre, Sawbridgeworth, which received a £800 grant.

A member of the Council held the positions of trustee of Age Concern Bishop's Stortford which received a grant of £3.9k to provide improved facilities for centre users.

A member of the Council is a trustee at Wodson sport and Leisure Centre which received funding of £54.7k to deliver the Forever Active project. This member is also trustee for Hertford Museum.

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

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

Shown in the Balance Sheet are totals for creditors and debtors which represent amounts due to or from related parties. The principal year end balances with related parties included in these totals are shown on pages 36 & 37 within Notes 14 & 17.

NOTES TO THE FINANCIAL STATEMENTS

| | | | |
|------------|--|-----------------|-----------------|
| 30. | Capital Expenditure and Capital Financing | 2015/16 | 2014/15 |
| | | £000 | £000 |
| | Opening Capital Financing Requirement | (41,895) | (41,895) |
| | Capital investment | | |
| | Property, Plant & Equipment | 6,213 | 836 |
| | Infrastructure | 131 | |
| | Community Assets | 169 | |
| | Investment Property | 15,074 | |
| | Intangible Assets | 275 | 329 |
| | Revenue Expenditure Funded from capital under Statute | 584 | 694 |
| | Sources of finance | | |
| | Capital receipts | (2,151) | (1,132) |
| | Government grants and other contributions | (478) | (702) |
| | Sums set aside from Revenue: | | |
| | Direct revenue contributions | (1,001) | (25) |
| | Loan/ finance lease principal repayments | | 0 |
| | Closing Capital Financing Requirement | (23,079) | (41,895) |
| | Explanation of movements in year | | |
| | Increase in underlying need to borrowing (unsupported by government financial assistance) | 18,816 | 0 |
| | Decrease in Surplus in Capital Resource * | 18,816 | 0 |

* East Herts has a negative Capital Financing Requirement which represents a surplus in capital resources

31. Leases

Council as a lessee

Finance leases

In April 2010, the Council identified an arrangement containing a lease relating to 27 vehicles used in the Refuse Collection and Recycling and Street Cleansing contract with Veolia Environmental Services. Under this arrangement, the Council was seen as effectively leasing 27 vehicles from Veolia. The lease term is for 7 years starting from May 2011. The vehicles are specialised in nature and the term is for the full expected life of the asset therefore the lease is classified as a finance lease. The assets acquired under the lease were carried as Vehicles, Plant and Equipment in the Balance Sheet at £2,287k at 31 March 2013 after the two years depreciation.

Following changes to the Recycling operation, ten (10) of the existing vehicles were surrendered and replaced by 6 new vehicles purchased directly by the Council. The remaining 17 vehicles continue to accounted for as a finance lease.

The Council has a commitment to make four minimum payments under the lease as at 31 March 2016. The gross commitment is made up of the following amounts:

| | | | |
|--|---|----------------|----------------|
| | | 2015/16 | 2014/15 |
| | | £000 | £000 |
| | Finance lease Creditor as at 31 March | 888 | 1,168 |
| | Finance expenditure | (288) | (280) |
| | Gross commitment in lease as at 31 March | 600 | 888 |

The gross commitment in the lease which is the minimum lease payments (fair value is not considered to be materially different) will be made over the following periods:

| | | | |
|--|---|-------------------------|----------------------|
| | | | Gross |
| | | | investment in |
| | | Gross investment | lease |
| | | in lease | in lease |
| | | 31 March '16 | 31 March '15 |
| | | £000 | £000 |
| | Not later than 1 year | 296 | 288 |
| | Later than 1 year and not later than 5 years | 304 | 600 |
| | Later than 5 years | | 0 |
| | Gross commitment in lease as at 31 March | 600 | 888 |

NOTES TO THE FINANCIAL STATEMENTS

31. Leases - continued

Council as a lessee

Operating leases

The Council leases the Buntingford Service Centre.

The Council has granted leases to various occupiers of shops, offices, industrial units and other miscellaneous assets for varying number of years. These arrangements are accounted for as operating leases.

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

| | 31 March '16 | 31 March '15 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Not later than one year | 210 | 444 |
| Later than one year and not later than five years | 840 | 1,775 |
| Later than five years | 1,470 | 4,185 |
| | 2,520 | 6,404 |

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

| | 2015/16 | 2014/15 |
|---------------------------|----------------|----------------|
| | £000 | £000 |
| Minimum lease payments | 327 | 444 |
| Lease payments receivable | (99) | (139) |
| | 228 | 305 |

Council as a lessor

Finance leases

The Council has one property lease, Pinders Lodge, where the accounting treatment has changed following the introduction of the IFRS Code. The lease term is 50 years from March 1997. The lease was previously classified as an operating lease, but under the Code, the buildings element of the lease has been classified as a finance lease.

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

| | 2015/16 | 2014/15 |
|--|----------------|----------------|
| | £000 | £000 |
| Finance lease debtor as at 31 March | 154 | 155 |
| Unearned finance income | 278 | 291 |
| Gross investment in lease as at 31 March | 432 | 446 |

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STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS

31. Leases - continued

Finance leases - continued

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

| | Gross investment in lease 31 March '16 £000 | Gross investment in lease 31 March '15 £000 |
|--|--|--|
| Not later than 1 year | 14 | 14 |
| Later than 1 year and not later than 5 years | 56 | 56 |
| Later than 5 years | 363 | 377 |
| | 433 | 447 |

Operating Leases

The council receives income from a variety of properties ranging from Industrial and Commercial ground leases, to a small number of commercial premises including shops and other miscellaneous properties. Each is subject to individual agreements and reviews. The terms are dependent upon a number of criteria; the corporate priorities of the Council, options that are available, historic and legal agreements.

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

| | 31 March '16 £000 | 31 March '15 £000 |
|--|------------------------------|------------------------------|
| Not later than one year | 1,111 | 532 |
| Later than 1 year and not later than 5 years | 2,943 | 2,026 |
| Later than 5 years | 32,415 | 31,022 |

32. Pension Scheme

As part of the terms and conditions of employment the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

Pension contributions are based on rates determined by the Fund's professionally qualified actuary based on triennial reviews. The most recent review was undertaken in January 2014.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year.

NOTES TO THE FINANCIAL STATEMENTS

32. Pension Scheme - continued

The following transactions set out the position for the year:

| | 2015/16 | 2014/15 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Comprehensive Income & Expenditure Statement: | | |
| Net Cost of Services: | | |
| Current service cost | 2,693 | 2,176 |
| Non Distributed Costs - | | |
| Past Service Cost / (Gain) | - | 1 |
| Losses / (Gains) on Curtailments & Settlements | - | - |
| Net Operating Expenditure: | | |
| Interest cost | 3,773 | 4,442 |
| Expected returns on assets in the scheme | (2,716) | (3,176) |
| Costs charged against CI&E | <u>3,750</u> | <u>3,443</u> |
| Amounts to be met from Government Grants & Local taxation: | | |
| movement on the pensions reserve | (576) | (1,355) |
| Actual amount charged against council tax for pensions in the year: | | |
| Employers contributions payable to scheme | <u><u>3,174</u></u> | <u><u>2,088</u></u> |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2016 is a gain /loss of £27.163m

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

| | 2015/16 | 2014/15 |
|--------------------------------------|-----------------------|-----------------------|
| | £000 | £000 |
| 1 April | 121,952 | 109,176 |
| Current Service Cost | 2,693 | 2,177 |
| Interest Cost | 3,773 | 4,442 |
| Contributions by scheme participants | 637 | 605 |
| Actuarial (gains) and losses | (7,512) | 9,891 |
| Benefits paid | (3,793) | (4,339) |
| Past service costs (Gains) | - | - |
| Losses on Curtailments | - | - |
| 31 March | <u><u>117,750</u></u> | <u><u>121,952</u></u> |

The liabilities detailed above represent the Council's underlying commitment to pay retirement benefits in the long term.

The total liability of £117,750k (£121,952k in 2014/15) has a substantial impact on the net worth of of the Council as recorded on the balance sheet, resulting in a negative overall balance of £28.796m (£34.342m in 2014/15).

NOTES TO THE FINANCIAL STATEMENTS

32. Pension Scheme - continued

Reconciliation of fair value of the scheme assets:

| | 2015/16 | 2014/15 |
|--------------------------------------|----------------|----------------|
| | £000 | £000 |
| 1 April | 87,610 | 78,332 |
| Expected rate of return | 2,716 | 3,176 |
| Actuarial gains and losses | (1,390) | 7,748 |
| Employer contributions | 3,174 | 2,088 |
| Contributions by scheme participants | 637 | 605 |
| Benefits paid | (3,793) | (4,339) |
| 31 March | 88,954 | 87,610 |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was -£6.063m (2014/15 £10.924m).

| Scheme history | 31 March | 31 March | 31 March | 31 March | 31 March |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| | £000 | £000 | £000 | £000 | £000 |
| Present value of liabilities | (117,750) | (121,952) | (109,176) | (106,901) | (93,394) |
| Fair value of assets | 88,954 | 87,610 | 78,332 | 70,769 | 62,823 |
| (Deficit) in the scheme | (28,796) | (34,342) | (30,844) | (36,132) | (30,571) |

The net pension liability for the council of £28.796m (£34.342m in 2014/15) has a substantial impact on the net worth of the Council.

However, statutory arrangements for funding the deficit means that the financial position of the Council remains healthy as:

- the deficit on the Local government scheme will be made good by increased contributions over the remaining working life of employees(i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the pension scheme by the Council in the year to 31 March 2017 is £2.174m (£2.156m to 31 March 2016).

NOTES TO THE FINANCIAL STATEMENTS

32. Pension Scheme - continued

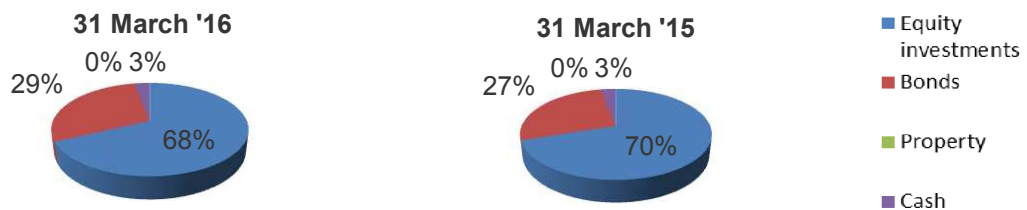
Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Hertfordshire County Council Fund being based on the latest full valuation of the scheme as at January 2014.

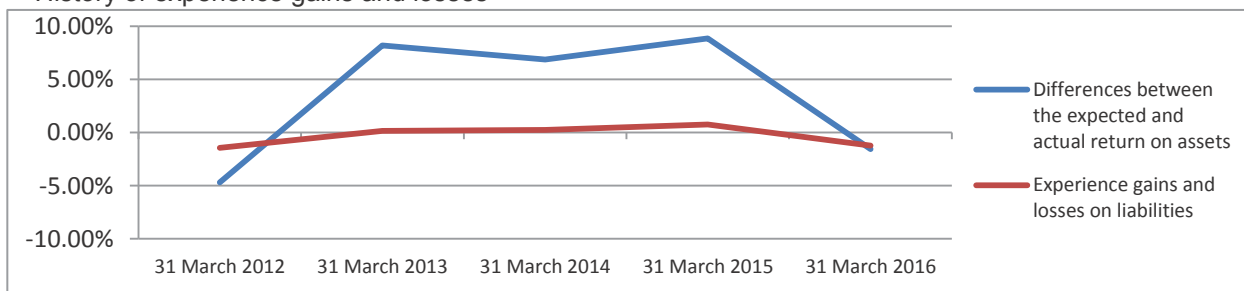
The principal assumptions used by the actuary have been:

| | 31 March '16 | | 31 March '15 | |
|--|--------------|-------|--------------|-------|
| Long-term expected rate of return on assets in the scheme: | | | | |
| Equity investments | 3.4% | | 3.1% | |
| Bonds | 3.4% | | 3.1% | |
| Property | 3.4% | | 3.1% | |
| Cash | 3.4% | | 3.1% | |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners: | | | | |
| Men | 22.3 | years | 22.3 | years |
| Women | 24.5 | years | 24.5 | years |
| Longevity at 65 for future pensioners: | | | | |
| Men | 24.3 | years | 24.3 | years |
| Women | 26.7 | years | 26.7 | years |
| Rate of inflation/ Pension increase | 2.1% | | 2.1% | |
| Rate of increase in salaries | 3.6% | | 3.5% | |
| Expected Return on Assets | | | 3.1% | |
| Discount Rate | 3.4% | | 3.1% | |
| Take up option to convert annual pensions into retirement lump sum for pre April 2008 service | 50% | | 50% | |
| Take up option to convert annual pensions into retirement lump sum for post April 2008 service | 75% | | 75% | |

In summary the County Council Pension Scheme's assets consist of the following categories, by proportion of the total assets held:



History of experience gains and losses



STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE FINANCIAL STATEMENTS

32. Pension Scheme - continued

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

| Asset Category | Period Ended 31 March 2016 | | | | Period Ended 31 March 2015 | | | |
|---------------------------------------|---|---|---------------|-------------------------|--|---|---------------|-------------------------|
| | Quoted prices in active markets | Quoted prices not in active markets | Total | % of Total Assets | Quoted prices in active markets | Quoted prices not in active markets | Total | % of Total Assets |
| | £000 | £000 | £000 | % | £000 | £000 | £000 | % |
| Equity Securities | | | | | | | | |
| Consumer | 7,226 | - | 7,226 | 9 | 7,736 | - | 7,736 | 9 |
| Manufacturing | 6,593 | - | 6,593 | 8 | 9,164 | - | 9,164 | 10 |
| Energy & Utilities | 1,546 | - | 1,546 | 2 | 2,529 | - | 2,529 | 3 |
| Financial Institutions | 6,760 | - | 6,760 | 8 | 7,874 | - | 7,874 | 9 |
| Health & Care | 1,178 | - | 1,178 | 1 | 1,299 | - | 1,299 | 1 |
| Information Technology | 4,207 | - | 4,207 | 5 | 5,441 | - | 5,441 | 6 |
| Other | 205 | - | 205 | | 646 | - | 646 | 1 |
| Debt Securities | | | | | | | | |
| Corporate Bonds (investment grade) | - | - | - | - | - | - | 0 | - |
| UK Government | - | - | - | - | - | - | 0 | - |
| Other | - | - | - | - | - | - | 0 | - |
| Private Equity | 3,818 | - | 3,818 | 5 | - | 3,175 | 3,175 | 4 |
| Real Estate | | | | | | | | |
| UK Property | 3,973 | - | - | - | - | - | 0 | - |
| Overseas Property | 2,322 | - | - | - | - | - | 0 | - |
| Investment Funds and Unit Trusts: | | | | | | | | |
| Equities | 18,057 | - | 18,057 | 22 | 12,588 | - | 12,588 | 14 |
| Bonds | 24,357 | - | 24,357 | 29 | 23,369 | - | 23,369 | 27 |
| Commodities | 420 | - | 420 | 1 | 380 | - | 380 | 0.430 |
| Infrastructure | 114 | - | 114 | - | - | 78 | 78 | 0.110 |
| Other | 5,677 | - | 5,677 | 7 | 275 | 10,481 | 10,756 | 12 |
| Derivatives | | | | | | | | |
| Foreign Exchange | - | 327 | - | - | 327 | - | (190) | (190) |
| Cash and Cash Equivalents | 2,828 | - | 2,828 | 3 | 2,310 | - | 2,310 | 3 |
| TOTALS | 88,954 | 0 | 82,659 | 100 | 73,611 | 13,544 | 87,155 | 100 |

STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE FINANCIAL STATEMENTS

32. Pension Scheme - continued

Nature and Extent of Risks arising

In general, participation in a defined benefit pension scheme means the council as an employer is exposed to a number of risks:

Investment risks - the Fund holds investments in asset classes such as equities, which have volatile market values. Whilst these assets are expected to provide a real return in the long term, their short term return is volatile and can result in the need for additional funding should a funding deficit emerge.

Interest Rate risk - Under the requirements of IAS 19, the Pension Fund's liabilities are discounted using market yields on high quality corporate bonds, with a similar duration of the funding needs of the Fund. The value of the Fund's real assets may not move in the same way.

Inflation Rate risk - the Fund's benefits are locked to inflation, however the Fund's assets are not. Deficits may arise as a result of asset performance being lower than inflation.

Longevity risk - inherent longevity and demographic disparity will exist between longer term assumptions and actual experience.

Since the estimation of the Council's defined benefit obligations is sensitive to the actuarial assumptions set, a sensitivity analysis has been included to demonstrate the impact of a change in assumption would have on the Council's deficit.

| Change in assumptions as at 31 March 2016: | Approximate % increase to Employer Liability % | Approximate monetary amount £000 |
|--|--|--|
| 0.5% decrease in real discount rate | 10 | 11,337 |
| 1 year increase in member life expectancy | 3 | 3,532 |
| 0.5% increase in the salary increase rate | 3 | 2,970 |
| 0.5% increase in the Pension increase rate | 7 | 8,232 |

Impact on the Council's Cashflow

The objectives of the scheme is to keep employer contributions at as constant a rate as possible. The Council has agreed a strategy with the schemes actuary, Hymans Robertson LLP, to achieve a funding level of 100% over the next 25 years. The next triennial valuation will take place in January 2017

Governance Arrangements

Governance of the Pension Scheme is the responsibility of the full Council of Hertfordshire County Council, with delegated authority to the Council's Pension Committee. The governance arrangements are specified by a 'Governance Policy' and 'Compliance Policy' Statement. In addition fund investments are undertaken in line with the Fund's Investment Strategy which specifies the need for a diversified investment portfolio and that the investment structure reflects the liability duration of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

33. Nature and Extent of Risks arising from Financial Instruments

Key Risks

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

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

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect and maximise (given the identified level of risk) the financial resources available to fund services. The Council in the annual Treasury Management Strategy Statement specifies the counterparties to be used and the priority is the security of the capital. It also sets out the borrowing requirement, prospects on interest rates and exposure limits. (This document is available on our website www.eastherts.gov.uk). This was agreed on 19th February 2014 at the meeting of Full Council.

1 Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities. It is the policy of the Council to place deposits only with a limited number of high quality UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisors (based on credit ratings provided by the three main rating agencies: Moody's, Standard and Poor and Fitch) and to restrict lending to a prudent maximum amount for each institution. The Council expects full repayment on the due date of deposits placed with its counterparties. (There has been no history of any past defaults on the Council's investments).

The following analysis summarises the Council's exposure and historic experience of default:-

| | Long Term Rating as at 31 March 2016 | Short Term Rating | Limits per Institution £000 | Amounts as @ 31.3.16 £000 | Historical Experience Default |
|---|--|----------------------|-----------------------------------|---------------------------------|-------------------------------------|
| UK Treasury | AAA | | No limit | | 0 |
| UK Banking Groups (Excl RBS & Lloyds Banking Group) | A | F1 | 10,000 | * | 0 |
| RBS & Lloyds Banking Group | A | F1 | 20,000 | * | 0 |
| UK Building Societies | A/A- | F1 | 10,000 | ** | 0 |
| Investec Money Market Fund Manager | AAA | | No limit | | 0 |
| Other Money Market Funds | AAA | | No limit | | 0 |
| | | | | <u>0</u> | |

* per banking group

** per building Society

Accounts Receivable

The Council does not generally allow credit facilities to customers in relationship to debts. The past due amount can be analysed by age as follows: (see policy xvii, page 21)

| | 31 March '16 £000 | 31 March '15 £000 |
|----------------------------|----------------------|----------------------|
| Less than three months | 974 | 1,364 |
| Three months to six months | 395 | 310 |
| Six months to one year | 616 | 613 |
| More than one year | 1,776 | 1,380 |
| | <u>3,761</u> | <u>3,667</u> |

The Council pursues all debts in line with its established debt recovery policy.

NOTES TO THE FINANCIAL STATEMENTS

33. Nature and Extent of Risks arising from Financial Instruments - continued

2 Liquidity Risk

The Council has ready access to borrowing from the Public Works Loans Board, there is no significant risk that the Council will be unable to raise finance to meet its commitments in the short or long term. The Council reviews its borrowing requirements as part of its annual Treasury Management strategy in order to optimise financial performance and reduce exposure to interest rate risk. This includes safeguards that if borrowing is undertaken then the maturity profile would be monitored to alleviate any future funding problems in any one year. As no new borrowings have been entered into in recent years this has not been relevant(see note 35, page 58).

The Council's cash flows are managed on a day to day basis in line with established procedures.

3 Market Risk

Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates - the fair value of the liabilities will fall
- investments at variable rates - the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income & Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. Current policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans, all borrowing at 31 March 2014 was fixed rate. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher costs.

Due to high rates of interest on the outstanding £7.5 million of external debt and the expected low level of discount rates for maturities, any potential restructuring or premature repayment of debt would be very expensive; as early repayment would attract premiums in excess of £1 million.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to manage the budgets during the year. This allows any adverse changes to be accommodated. The strategy will also consider new borrowing opportunities.

With low interest rates generally prevailing, the Council has an interest equalisation reserve that assists in managing interest rate fluctuations in the medium term. The balance as at 31 March 2015 is £1.5m.

Based on the current Treasury Management position at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | £000 |
|--|------------------------|
| Increase in interest payable on variable rate borrowings | no variable borrowings |
| Increase in interest receivable on variable rate investments | |
| Increase in government grant receivable for financing costs | de minimus |
| | 0 |
| | 0 |

NOTES TO THE FINANCIAL STATEMENTS

33. Nature and Extent of Risks arising from Financial Instruments - continued

4 Price Risk / Foreign Exchange Risk

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

The Council also has no shareholdings or insurance investment fund, therefore has no exposure to any further risks.

34. Investments

The Council's investments consists of:

| | 31 March 2016 | 31 March 2015 |
|---------------------------|----------------------|----------------------|
| | £000 | £000 |
| Long term investments | 19,944 | 7 |
| Temporary investments: | | |
| Money market fund | - | - |
| Building Society Deposits | - | - |
| Bank deposits | 10,539 | 44,486 |
| UK Treasury Securities | | 12,291 |
| | 30,483 | 56,784 |

35. Borrowing

| Source of Loan | Range of interest rates payable (%) | Total Outstanding | |
|-------------------------|--|--------------------------|----------------------|
| | | 31 March 2016 | 31 March 2015 |
| | | £000 | £000 |
| Public Works Loan Board | 8.875 | 1,522 | 1,521 |
| Bonds | 8.785 | 6,189 | 6,189 |
| | | 7,711 | 7,710 |

An analysis of loans by maturity is:-

| | £000 | £000 |
|--------------------------|--------------|--------------|
| Maturing within one year | - | - |
| Maturing in 1-2 years | - | - |
| Maturing in 2-5 years | - | - |
| Maturing in 5-10 years | 6,189 | 6,189 |
| Maturing in 10-20 years | - | - |
| Maturing in 20-30 years | - | - |
| Maturing in 30-40 years | 1,522 | - |
| Maturing in 40-50 years | | 1,521 |
| | 7,711 | 7,710 |

Refer to notes 11 and 13 to the Core Statements.

36. Deferred Credits

Deferred Credits are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sales of council houses.

| | 31 March 2016 | 31 March 2015 |
|------------------------|----------------------|----------------------|
| | £000 | £000 |
| Balance as at 1 April | 2 | 6 |
| Movements in the year | (2) | (4) |
| Balance as at 31 March | 0 | 2 |

NOTES TO THE FINANCIAL STATEMENTS**37. Publicity**

The Council's spending on publicity, as required to be disclosed under Section 5 (1) of the Local Government Act 1986 was as follows:

| | 2015/16 | 2014/15 |
|----------------------------|----------------|----------------|
| | £000 | £000 |
| Recruitment Advertising | 51 | 57 |
| Local Authority Periodical | 35 | 32 |
| Total | 86 | 89 |

38. Contingent Liability

The Council has identified two contingent liabilities which may give rise to future costs.

Following the Municipal Mutual Insurance Scheme Arrangement being "triggered" the Council made a provision of £19,443 (based on a 15% levy) within its accounts at 31 March 2013. This levy was paid in 2013/14. A contingent liability of around £125,000 remains in respect of potential further exposure against existing claims.

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability.

Given the level of General Reserves held by the Council and the uncertainty of the value of the potential liabilities identified it has not been considered appropriate to make specific financial provision within the accounts at this stage.

39. Post Balance Sheet Event

**THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT**

| | 2015/16 | | | 2014/15 | | |
|--|----------------|---------------|----------------|----------------|---------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| | Council | | | Council | | |
| | Tax | NDR | Total | Tax | NDR | Total |
| Income collectable from Council Taxpayers Note 2 | 86,522 | - | 86,522 | 83,738 | - | 83,738 |
| Income collectable from Business Ratepayer: Note 3 | - | 44,455 | 44,455 | - | 43,433 | 43,433 |
| Total Income | 86,522 | 44,455 | 130,977 | 83,738 | 43,433 | 127,171 |
| Council Tax Precepts and Demands | | | | | | |
| Hertfordshire County Council | 64,386 | - | 64,386 | 62,060 | - | 62,060 |
| East Herts Council | 12,365 | - | 12,365 | 12,230 | - | 12,230 |
| Hertfordshire Police | 8,341 | - | 8,341 | 8,199 | - | 8,199 |
| Business Rates Shares: | | | | | | |
| Payments to Government | - | 22,387 | 22,387 | - | 21,516 | 21,516 |
| Payments to Hertfordshire County Council | - | 4,477 | 4,477 | - | 4,303 | 4,303 |
| Payment to East Herts Council | - | 17,910 | 17,910 | - | 17,213 | 17,213 |
| Charges to Collection Fund | | | | | | |
| Costs of Collection | - | 195 | 195 | - | 197 | 197 |
| Bad Debt Provision - Increase: | | | | | | |
| Council Tax | 323 | - | 323 | 384 | - | 384 |
| Non Domestic Rates | - | 292 | 292 | - | 601 | 601 |
| Non Domestic Rates Appeals Provision Note 4 | - | 30 | 30 | - | 3,736 | 3,736 |
| Transitional Protection Payment Note 5 | - | 84 | 84 | - | 275 | 275 |
| Distribution of prior years Fund balance | 1,342 | -3,792 | -2,450 | (41) | 780 | 739 |
| Total Expenditure | 86,757 | 41,583 | 128,340 | 82,832 | 48,621 | 131,453 |
| In year Movement in Fund | 235 | (2,872) | (2,637) | (906) | 5,188 | 4,282 |
| Balance as at 1 April | (1,316) | 8,720 | 7,404 | (410) | 3,532 | 3,122 |
| Balance as at 31 March | (1,081) | 5,848 | 4,767 | (1,316) | 8,720 | 7,404 |
| Allocated to : | | | | | | |
| East Herts Council | (116) | 2,339 | 2,223 | (145) | 3,488 | 3,343 |
| Hertfordshire Police | (109) | - | (109) | (137) | - | (137) |
| Hertfordshire County Council | (856) | 585 | (271) | (1,034) | 872 | (162) |
| Government | - | 2,924 | 2,924 | - | 4,360 | 4,360 |
| Total | (1,081) | 5,848 | 4,767 | (1,316) | 8,720 | 7,404 |

The Council Tax Benefit Scheme ended in 2012/13 and was replaced by 'Localised Council Tax Support' in 2013/14. The Retained Business Rates Regime was introduced in 2013/14 and resulted in the cessation of the national NNDR pool arrangements.

**NOTES TO THE COLLECTION FUND INCOME AND
EXPENDITURE ACCOUNT**

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund.

The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.

There is no requirement for a separate Collection Fund Balance sheet, as the assets and liabilities of the fund belong to the various bodies and Government.

In 2013/14 the local government finance regime was revised with the introduction of the Retained Business Rates scheme. The main aim of the scheme is to give Council's a greater incentive to grow businesses in the district. It does, however, also increase the financial risk to the Council due to non collection and the volatility of the NDR tax base.

The retained income scheme allows the Council to retain a proportion of the total NDR income received. The Council's share is 40% with the remainder being split between Hertfordshire County Council (10%) and Government (50%).

2. Council Tax

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, is calculated as follows:-

The tax base for 2015/16 was approved at Full Council on 17 December 2014 and was calculated as follows:

| Band | Estimated no. of taxable properties after effect of discounts | Ratio | Band D Equivalent dwellings |
|---|--|-------|--------------------------------|
| A | 509.73 | 6/9 | 339.82 |
| B | 3,720.99 | 7/9 | 2,894.10 |
| C | 11,318.63 | 8/9 | 10,061.00 |
| D | 12,816.00 | 9/9 | 12,816.00 |
| E | 9,579.27 | 11/9 | 11,708.00 |
| F | 6,695.38 | 13/9 | 9,671.10 |
| G | 4,976.88 | 15/9 | 8,294.80 |
| H | 706.15 | 18/9 | 1,412.30 |
| | 50,323.02 | | 57,197.12 |
| Estimated collection rate | | | 98.65% |
| 2015/16 Estimated Council Tax base | | | 56,425 |
| Council Tax collection | | | £000 |
| 2015/16 estimated Council Tax due | | | 85,091 |
| <i>56,425 x £1,508.04 (average band D charge)</i> | | | 85,091 |
| 2015/16 Council Tax income | | | 86,522 |
| Surplus | | - | 1,431 |
| 61.00 | | | |

**NOTES TO THE COLLECTION FUND INCOME AND
EXPENDITURE ACCOUNT (continued)**

3. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform rate (which for 2015/16 was 49.3p (2014/15 48.2p)

The total amount less certain reliefs and allowances is distributed to East Herts Council (40%), Hertfordshire County Council (10%) and Central Government (50%)

When the Retained Business Rates scheme was introduced, the Government set a baseline for each authority identifying the funding required. In order to ensure that each authority receives their base line amount, a top up or tariff amount is applied to each local authority.

East Herts is a tariff authority, which means that it doesn't keep its entire share but is subject to pay a tariff (£15.447m in 2015/16) to Central Government which is when used to fund 'top up' authorities.

The business rates retention scheme provides the opportunity for local authorities to share in the benefits of growth in the rates tax base i.e. provides an incentive for economic development and regeneration. Any income retained from growth is subject to a levy of 50%. Conversely if any Council suffers a significant drop in NNDR due to the loss of one or more major businesses, or a large number of smaller businesses, or a greater than expected loss from revaluations, then a safety net of 92.5% of the baseline applies.

At the year end the total non-domestic rateable value was £113.122 million (£111.711 million for 2014/15).

4. Provisions

The Collection Fund account includes provisions for bad debts on arrears based on past years experience and the current years collection rate.

| | 2015/16 | | | 2014/15 | | |
|---------------------------------------|--------------------|----------------|----------------|--------------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| | Council Tax | NDR | Total | Council Tax | NDR | Total |
| Balance at 1 April | (1,694) | (1,080) | (2,774) | (1,443) | (1,396) | (2,839) |
| Additional provisions made in 2015/16 | (323) | (292) | (615) | (383) | (601) | (984) |
| Provision applied in 2015/16 | 171 | 225 | 396 | 132 | 917 | 1,049 |
| Balance at 31 March | (1,846) | (1,147) | (2,993) | (1,694) | (1,080) | (2,774) |

In addition, a provision has been made for NDR appeals against the rateable valuations assessed and determined by the Valuation Office Agency (VOA) which have not been settled by 31 March 2016.

| | 2015/16 | 2014/15 |
|----------------------------|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | (6,296) | (2,560) |
| Additional provisions made | (300) | (5,302) |
| Provision applied in year | 272 | 1,566 |
| Balance at 31 March | (6,324) | (6,296) |

STATEMENT OF ACCOUNTS 2015/16

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

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

- Recognising
- 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.

Accumulated Absences

Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.

Actuarial Gains and Losses

Changes in the net pensions liability that arise because

- events have not coincided with assumptions made at the last actuarial valuation, or
- the actuarial assumptions have changed

Amortisation

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

Asset

An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset (eg stocks or short term debtors) can readily be converted into cash.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or works which have a long term value to the Council, either directly to the Council or indirectly in the form of grants to other bodies.

Capital Financing Requirement

It measures an authority's underlying need to borrow or finance by other long term liabilities for a capital purpose.

Capital Receipts

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by government, but they cannot be used for revenue purposes.

CIPFA

Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.

Code of Practice on Local Authority Accounting (The Code)

Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

STATEMENT OF ACCOUNTS 2015/16**GLOSSARY OF TERMS (continued)****Community Assets**

Assets that a local authority intends to hold indefinitely, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control.

Contingent Liability

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.

Creditor

An amount owed by the Council for work done, goods received, or services provided within the accounting period and for which payments has not been made at the Balance Sheet date.

Current Service Cost (Pensions)

The increase in liabilities as a result of years of service earned this year.

Curtailment

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

Curtailments include:

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

Debtor

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

Deficit

An excess of expenditure over income (or liabilities over assets)

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing

STATEMENT OF ACCOUNTS 2015/16**GLOSSARY OF TERMS (continued)****DCLG**

Department for Communities and Local Government

DEFRA

Department for Environment, Food and Rural Affairs

DWP

Department for Work & Pensions

EEDA

East of England Development Agency

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Earmarked reserve

These are funds that are set aside for a specific purpose, or a particular service, or type of service.

Financial Instruments

Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local services.

International Financial Reporting Standards

International Financial Reporting Standards cover specific aspects of accounting practice and set out the correct accounting treatment. Compliance with them is mandatory.

Impairment

This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value

Infrastructure Assets

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

Intangible Asset

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.

STATEMENT OF ACCOUNTS 2015/16**GLOSSARY OF TERMS (continued)****Interest Cost (pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (non-pensions fund)

A long term investment is one that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

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

Investment properties

Property that is used solely to earn rentals and/or for capital appreciation.

LAA

Local Area Agreement

Liquid resources

Current asset investments that are readily disposal by the authority without disrupting its business.

MTFP

Medium Term Financial Plan

NDR

Non Domestic Rates

Operating Lease

A lease whereby the ownership of the fixed asset remains with the lessor.

Past Service Cost

The increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years

Revenue Expenditure

The day to day running costs incurred by the Council in providing its services.

REFCUS (Revenue Expenditure Funded from Capital Under Statute)

Capital expenditure which is allowable under statute to be funded from capital resources but which does not fall within the definition of a fixed asset. An example is a grant made to another party to finance capital investment.

Surplus

An excess of income over expenditure (or assets over liabilities)

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The Authority is required:

to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer

to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

to approve the Statement of Accounts.

In preparing this Statement of Accounts, the Chief Finance Officer has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the local authority Code.

The Chief Finance Officer has also:

kept proper accounting records which were up to date;

taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Finance Officers' responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

EAST HERTFORDSHIRE DISTRICT COUNCIL

Certificate of Responsible Financial Officer

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2016.

Signed

Dated

P Gregory
Head of Strategic Finance and Property
East Hertfordshire District Council

Signed

Dated

Councillor M Pope
Chairman of Audit Committee