

# DRAFT STATEMENT OF ACCOUNTS 2023-24



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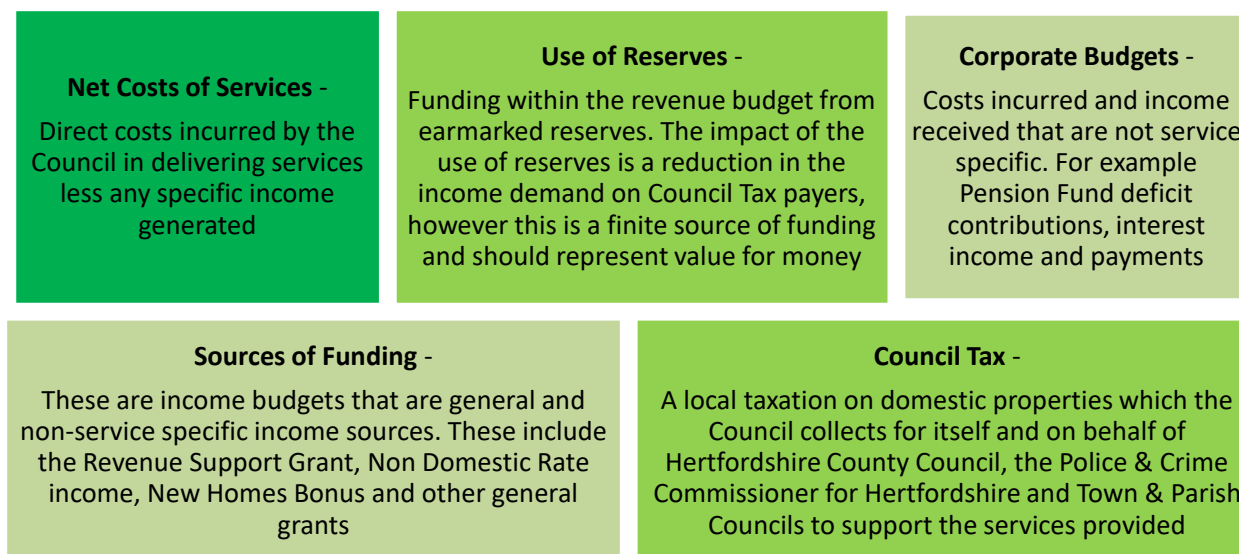
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# FINANCIAL PERFORMANCE IN 2023/24

The 2023/24 budget was set by Council in March 2023 as part of the budget report and Medium Term Financial Plan for 2023/24 to 2027/28. There are five major 'building blocks' to the Council's revenue budget. These are shown below:



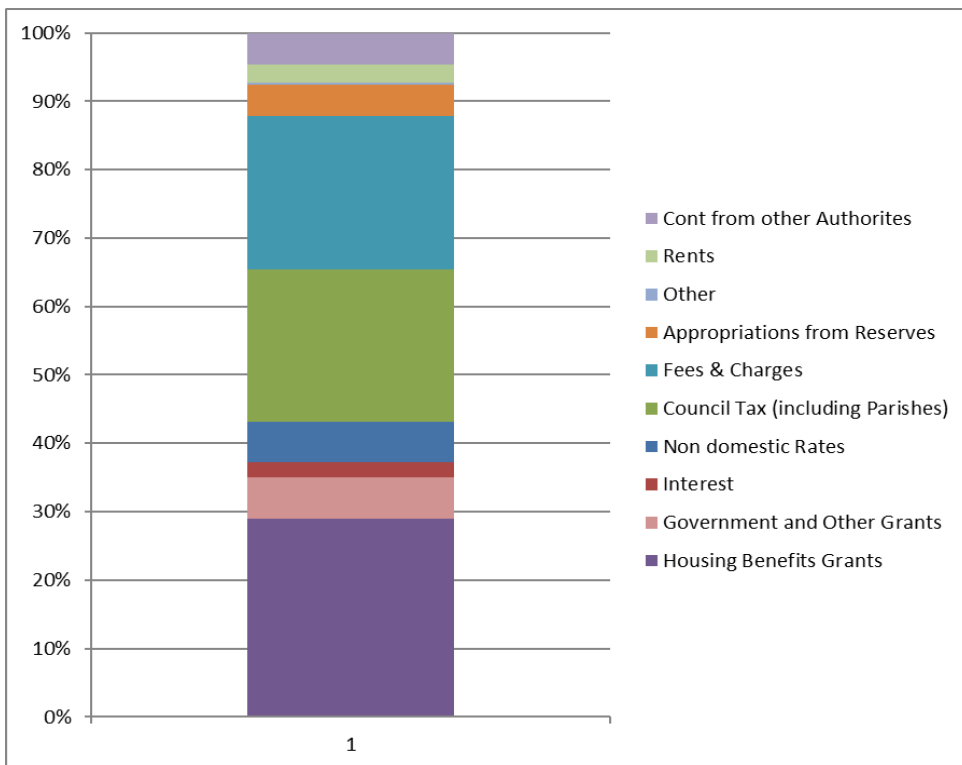
The table below details the Council's performance against the five major 'building blocks'. There was a £223k underspend in 2023/24, this has been transferred to the General Reserve.

	Original Budget 2023/24	2023/24 Outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	17,230	18,530	1,300
Corporate Budgets Total	1,023	(194)	(1,217)
Net Use of Reserves	(818)	2,224	3,042
Funding	(5,322)	(8,670)	(3,348)
Council Tax	12,113	12,113	0
<b>Overspend</b>	<b>-</b>	<b>24,003</b>	<b>(223)</b>

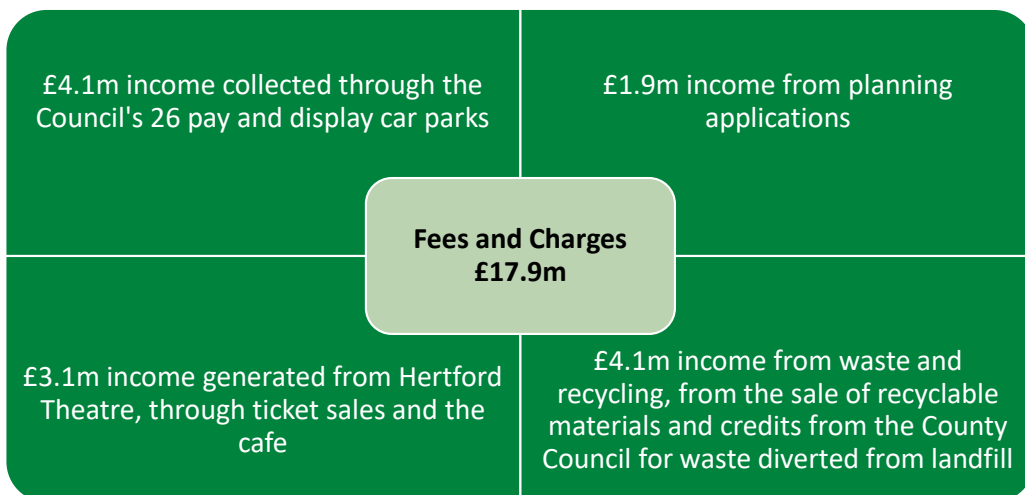
The Council's budget is monitored monthly by senior management and reported quarterly to the Executive.

## 2023/24 Income streams

The chart below shows the £79.7m of income that the Council received in 2023/24. The largest source of income was Housing Benefits subsidy (from Central Government) which is used to fund the payment of Housing Benefits to claimants.



Fees and charges are the second largest source of funding for the Council, highlighted below are some of the largest income generating activities of the Council;



Included in the £4.8m of government and other grants income are:

- £0.9m of New Homes Bonus, which is a Government scheme aimed at encouraging local authorities to grant planning permission in return for additional revenue.
- £1.3m General government grants to fund service provision
- £0.8m grants received to support homelessness
- £0.5m grants received in relation to UK Shared Prosperity Fund

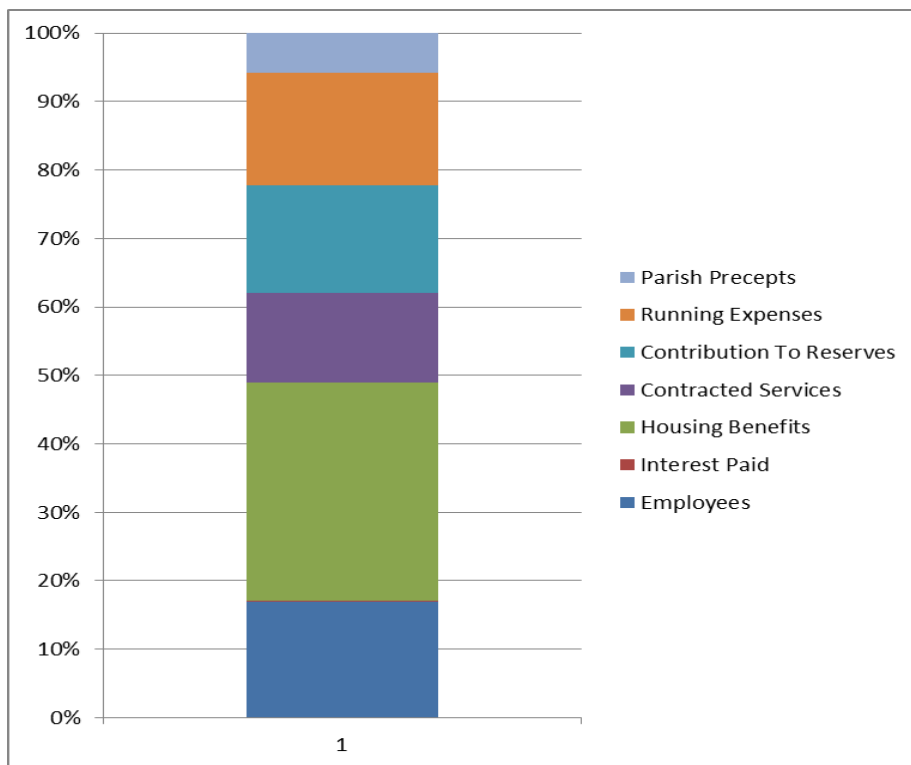
East Herts Council is the billing authority for Non Domestic Rates (Business Rates) collected from businesses across the district. This is then distributed to Central Government, East Herts Council and Hertfordshire County Council. After distribution the income attributable to East Herts including section 31 grant income totalled £4.8m in 2023/24.

As the billing authority, East Herts Council collects Council Tax income from residents of the district; this is then distributed between Hertfordshire County Council, East Herts Council and the Police and Crime Commissioner. Of the income collected the Council's share in 2023/24 was £17.7m; £5.4m of which was distributed to Town and Parish Councils across the district. The remaining Council Tax income is used to fund services in the year.

The Council earned Interest and Investment income of £1.7m in 2023/24 on its portfolio of investments and holdings in property funds. This was £774k above budget, this has been transferred to the Interest Equalisation reserve to mitigate future losses.

## 2023/24 Expenditure

The chart below shows the £79.7m that the the Council spent in 2023/24. Housing benefits make up the largest outgoing (£23m) of the Council.



Included in the Council's running expenses figure of £18.7m is the following expenditure:

- £4.1m of premises related costs, including ongoing maintenance of the Council's operational buildings, business rates, insurance and utilities costs for all the Council's buildings, car parks, theatre and leisure facilities;
- £14m direct costs of providing Council services throughout the year including, public and environmental health, planning, sports, leisure and parks;

The cost of the Council's main contracts are included in the contracted services figure (£10m) are as follows:

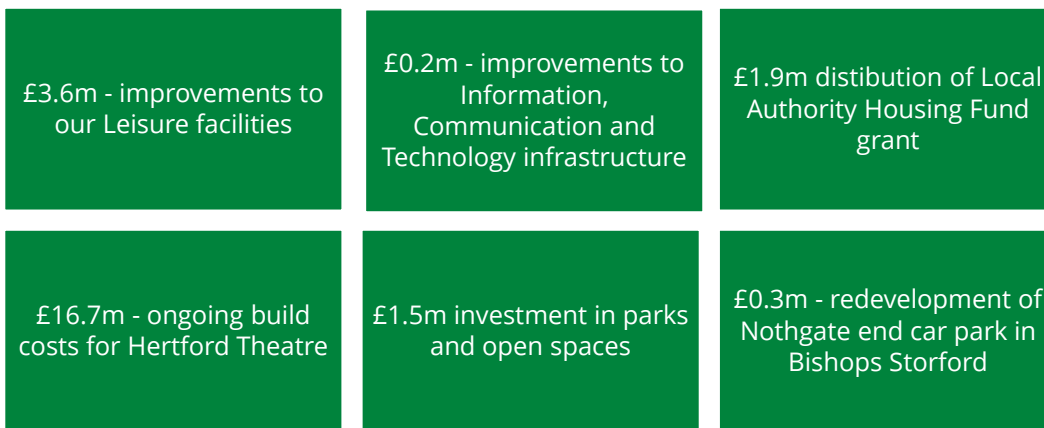
- £5.7m Refuse & Recycling
- £1.3m Grounds maintenance
- £0.8m Parking enforcement
- £0.8m Cleansing

# FINANCIAL MANAGEMENT

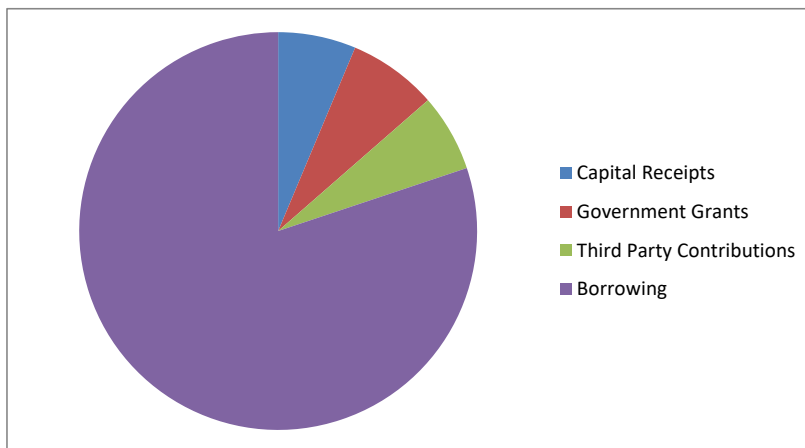
## Capital

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

The Council has embarked on an ambitious Capital Programme over the life of the Medium Term Financial Plan, during 2023/24 the Council incurred expenditure of £25.5m on capital projects, compared with a capital programme budget of £36.5m. A total budget of £11m has been carried forward to 2024/25 to match ongoing schemes which didn't commence in 2023/24 or where works are ongoing. A selection of the capital schemes undertaken this year are shown below:



A combination of capital grant income, receipts from disposal of assets, third party contributions and revenue contributions were used to fund the 2023/24 capital programme. The split is shown in the following pie chart:





## **MEDIUM TERM FINANCIAL PLAN**

East Herts' approach to setting the revenue and capital budget for the four years commencing 2023/24 was to improve the organisational financial sustainability and resilience in the forthcoming years.

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

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

Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures, help them smooth the impact of known spending requirements over time, and help to fund any in-year overspending. In 2023/24 the Council contributed a net £2.5m to general and earmarked reserves; the balance held in the general and earmarked at the end of the year is £22m.

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

## **PENSION FUND**

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

Further information is given in note 33, on page 66.

# EXPLANATION OF ACCOUNTING STATEMENTS

Statement	Explanation
Movement in Reserves Statement	Shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves
Comprehensive Income & Expenditure Statement	A summary of the resources generated and consumed by the Council in the year
Balance Sheet	Sets out the financial position of the Council on 31 March 2024
Cash Flow Statement	Summarises the Council's inflows and outflows of cash for the year 2023/24
Notes to the Accounts	Provides support to the core financial statements, which informs and gives sufficient information to present a good understanding of the Council's activities. The notes include a Statement of Accounting Policies which details the legislation and principles on which the Statement of Accounts have been prepared. The purpose is to explain the basis for recognition, measurement and disclosure of transactions and other events in the Statement of Accounts
Supplementary Financial Statements – The Collection Fund	Shows the level of Non Domestic Rates and Council Tax that has been received by the Council, as billing authority, during the period
Glossary of Financial Terms	Explains some of the key terms used in the Statement of Accounts
Statement of Responsibilities for the Statement of Accounts	Identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the Chief Finance Officer to sign under a statement that the Statement of Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2024

# The Core Accounting Statements

## MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 31 March 2023</b>	<b>3,854</b>	<b>18,689</b>	<b>0</b>	<b>224</b>	<b>878</b>	<b>23,645</b>	<b>94,935</b>	<b>118,580</b>	
Movement in reserves during 2023/24	(15,000)	0	0	0	0	(15,000)	-	(15,000)	
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,603</b>	<b>17,603</b>	
<b>Total Comprehensive Income and Expenditure</b>	<b>(15,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,000)</b>	<b>17,603</b>	<b>2,603</b>	
Adjustments between accounting basis and funding basis under regulations	Note 5	17,448	-	0	(35)	-	17,413	(16,440)	973
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2,448</b>	<b>-</b>	<b>0</b>	<b>(35)</b>	<b>-</b>	<b>2,413</b>	<b>1,163</b>	<b>3,576</b>	
Transfers to/(from) Earmarked Reserves	Note 6	(2,448)	2,224	-	-	225	-	-	-
Increase/Decrease in Year		0	2,224	0	(35)	225	2,413	1,163	<b>3,576</b>
<b>Balance as at 31 March 2024 carried forward</b>	<b>3,854</b>	<b>20,913</b>	<b>0</b>	<b>189</b>	<b>1,103</b>	<b>26,058</b>	<b>96,098</b>	<b>122,156</b>	

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 31 March 2022</b>	<b>3,854</b>	<b>21,307</b>	<b>0</b>	<b>224</b>	<b>1,065</b>	<b>26,450</b>	<b>61,335</b>	<b>87,785</b>	
Movement in reserves during 2022/23	(204)	0	0	0	0	(204)	30,999	<b>30,795</b>	
<b>Total Comprehensive Income and Expenditure</b>	<b>(204)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(204)</b>	<b>30,999</b>	<b>30,795</b>	
Adjustments between accounting basis and funding basis under regulations	Note 5	(2,601)	-	0	0	-	(2,601)	2,601	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,805)</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>(2,805)</b>	<b>33,600</b>	<b>30,795</b>	
Transfers to/(from) Earmarked Reserves	Note 6	2,805	(2,618)	-	-	(187)	-	-	-
Increase/Decrease in Year		0	(2,618)	0	0	(187)	33,600	<b>30,795</b>	
<b>Balance as at 31 March 2023 carried forward</b>	<b>3,854</b>	<b>18,689</b>	<b>0</b>	<b>224</b>	<b>878</b>	<b>23,645</b>	<b>94,935</b>	<b>118,580</b>	

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2023/24		2022/23	
	Gross	Gross	Net	Net
	Expenditure	Income	Expenditure	Expenditure
	£000	£000	£000	£000
Chief Executive, PA's & Directors	563	0	563	643
Communications, Strategy & Policy	2,635	(1,123)	1,512	1,526
Human Resources & Organisation Development	622	(11)	611	656
Strategic Finance & Property	10,052	(5,024)	5,028	5,015
Democratic & Legal Services	2,162	(470)	1,692	1,717
Housing & Health	6,231	(2,925)	3,306	3,583
Planning & Building Control	4,453	(1,777)	2,676	2,482
Operations	31,629	(11,574)	20,055	4,612
Shared Revenues & Benefits Service	27,032	(26,059)	973	1,424
Shared Business & Technology Services	2,258	(19)	2,239	2,277
<b>NET COST OF SERVICES</b>			<b>38,655</b>	<b>23,935</b>
Payments of precepts to parishes			5,351	5,060
Gain on disposal of non current (fixed) assets			(974)	(1,427)
Minimum Revenue provision			600	0
<b>OTHER OPERATING EXPENDITURE</b>			<b>4,977</b>	<b>3,633</b>
Interest payable and similar charges			541	596
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			189	1,024
Interest receivable and similar income			(1,774)	(1,463)
Income from investment properties ( Note 10)			(501)	(822)
Direct expenditure incurred on investment properties ( Note 10)			364	200
Changes in Fair Value of Investment Properties			740	(795)
<b>FINANCING AND INVESTMENT EXPENDITURE</b>			<b>(441)</b>	<b>(1,260)</b>
Recognised capital grants and contributions			(3,423)	(2,207)
Council tax income			(17,722)	(16,768)
Non domestic rates			322	(188)
Non service related government grants			(7,298)	(6,624)
Renewable energy			(70)	(318)
<b>TAXATION AND NON-SPECIFIC GRANT INCOME (Note 29)</b>			<b>(28,191)</b>	<b>(26,105)</b>
<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>			<b>15,000</b>	<b>203</b>
(Surplus) or Deficit on revaluation of Fixed assets			(12,637)	1,566
Remeasurements of the net defined benefit liability (Note 33)			(7,656)	(37,236)
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>(20,293)</b>	<b>(35,670)</b>
(Surplus) / Deficit on revaluation of financial instruments (Note 12)			1,717	4,667
<b>ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>1,717</b>	<b>4,667</b>
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(18,576)</b>	<b>(31,003)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(3,576)</b>	<b>(30,800)</b>

## BALANCE SHEET

These financial statements are authorised by Brian Moldon - Head of Finance & S151 officer 29/04/2025



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

		31 March '24		31 March '23
		£000	£000	£000
Property, Plant & Equipment	Note 7			
- Other land and buildings		89,854		88,533
- Vehicles, plant, furniture and equipment		1,884		2,280
- Infrastructure assets		1,140		1,285
- Community assets		6,625		4,900
- Surplus assets		4,886		6,093
- Assets under Construction		31,328		18,711
			135,717	
Investment Properties	Note 10	7,853		8,594
Intangible Assets	Note 11	199	8,052	292
			<b>143,769</b>	<b>130,688</b>
Long Term Investments	Note 12	17,838		19,555
Long Term Debtors	Note 15	5,188	23,026	5,190
<b>TOTAL LONG TERM ASSETS</b>			<b>166,795</b>	<b>155,433</b>
Assets Held For Sale	Note 17	4,441		409
Short Term Investments	Note 12	6,500		6,500
Short Term Debtors	Note 15	12,433		12,754
Cash and Cash Equivalents	Note 16	4,156		8,944
<b>CURRENT ASSETS</b>			<b>27,530</b>	<b>28,607</b>
Provisions	Note 19	(249)		(300)
Short Term Creditors	Note 18	(18,200)		(21,894)
Short Term Borrowing	Note 12	(48,500)		(30,000)
<b>CURRENT LIABILITIES</b>			<b>(66,949)</b>	<b>(52,194)</b>
Provisions	Note 19	(997)		(1,233)
Long Term Borrowing	Note 12	(1,500)		(1,522)
Net Pension Liability	Note 33	5,266		(2,862)
Grant Receipts in Advance	Note 29	(2,066)		(2,476)
- Capital				
- Revenue		(5,923)		(5,173)
<b>LONG TERM LIABILITIES</b>			<b>(5,220)</b>	<b>(13,266)</b>
<b>NET ASSETS</b>			<b>122,156</b>	<b>118,580</b>
<b>USABLE RESERVES</b>				
- General Fund	Note 20	3,854		3,854
- General Reserve	Note 20	1,103		878
- Earmarked Reserves	Note 6	20,912		18,688
- Capital Receipts Reserve	Note 20	0		0
- Capital grants Unapplied	Note 20	189		224
			<b>26,058</b>	<b>23,644</b>
<b>UNUSABLE RESERVES</b>				
- Revaluation Reserve	Note 21	31,032		20,815
- Financial Instrument Revaluation Reserve	Note 21	(2,160)		(443)
- Pensions Reserve	Note 21	5,250		(2,862)
- Capital Adjustment Account	Note 21	61,619		75,629
- Deferred Capital Receipts	Note 21	142		144
- Collection Fund Adjustment Account	Note 21	491		1,858
- Short-term Accumulating Compensated Absences Account	Note 21	(276)		(205)
			<b>96,098</b>	<b>94,936</b>
<b>TOTAL RESERVES</b>			<b>122,156</b>	<b>118,580</b>

# THE CASH FLOW STATEMENT

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

	2023/24		2022/23
	£000	£000	£000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Council Tax receipts	(12,985)		(12,131)
NNDR Receipts	(16,025)		(15,704)
DWP grants for benefits	(24,370)		(22,375)
Other Government grants	(9,330)		(10,062)
Cash received for goods and services	(18,365)		(21,508)
Interest received	(1,774)		(1,463)
<b>Cash inflows generated from operating activities</b>	<b>(82,849)</b>		<b>(83,243)</b>
<b>Cash Out Flows</b>			
Cash paid to and on behalf of employees	15,754		14,895
Housing Benefit paid out	22,705		22,409
Other operating cash payments	40,117		37,884
Precepts paid to other authorities	5,351		5,060
Interest paid	1,306		320
<b>Cash outflows generated from operating activities</b>	<b>85,233</b>		<b>80,568</b>
<b>Net Cash Inflow from operating activities</b>		<b>2,384</b>	<b>(2,675)</b>
<b>INVESTING ACTIVITIES</b>			
- Purchase of property plant and equipment, investment property and intangible assets	24,149		16,620
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,722)		(1,427)
- Capital grants	(3,917)		(2,717)
- Proceeds from short-term and long-term investments	(4,000)		(4,000)
<b>Net cash outflow from investing activities</b>		<b>14,510</b>	<b>8,476</b>
<b>FINANCING ACTIVITIES</b>			
- Cash receipts of short and long-term borrowing	(18,500)		(10,000)
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)			
- Other payments for financing activities	6,405		4,161
<b>Net cash outflow from financing activities</b>		<b>(12,095)</b>	<b>(5,839)</b>
Net increase in cash and cash equivalents		4,799	(38)
Cash and cash equivalents at the beginning of the reporting period		(8,944)	(8,906)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(4,145)</b>	<b>(8,944)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

- i. The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Accounts and Audit Regulations 2015 require the Council to prepare the Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2023/24 and the Service Reporting Code of Practice (SeRCOP) 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
- ii. The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

### iii. Accruals of Income & Expenditure

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

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

### iv. Cash and cash equivalents

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

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



## **v. Prior Period Adjustments , Changes in Accounting Policies and Estimates and Errors**

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

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

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

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

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

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

## **vii. Employee Benefits**

### **Benefits Payable during Employment**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **x. Minimum revenue provision**

In accordance with current legislation the minimum revenue provision (MRP) for the redemption of debt is required to be calculated on a prudent basis having regard to guidelines set out for application of the prudential code.

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

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

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

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

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

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

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

### **xiv. Capital receipts**

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

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

### **xv. VAT**

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

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

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

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

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

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

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

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

### **Council Tax**

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

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

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

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

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

### **xviii. Capitalisation of Interest**

The Council capitalises borrowing costs incurred whilst qualifying assets are under construction. Qualifying assets are where there is a 'substantial period of time' from the first capital expenditure financed from borrowing until the asset is ready to be brought into use. A substantial period of time is considered to mean in excess of two years.

## 2. Expenditure and Funding Analysis

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

2023/24	Net Expenditure chargeable to the General Fund balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	402	161	563
Communications, Strategy & Policy	1,435	75	1,510
Human Resources & Organisation Development	595	16	611
Strategic Finance & Property	4,083	613	4,696
Legal & Democratic Services	1,627	64	1,691
Housing & Health	3,877	1,524	5,401
Planning & Building Control	2,590	85	2,675
Operations	2,568	17,486	20,054
Shared revenues & Benefits Service	823	150	973
Shared Business & Technology Services	2,235	4	2,239
<b>Net cost of services</b>	<b>20,235</b>	<b>20,178</b>	<b>40,413</b>
Other income and Expenditure	(24,311)	(1,102)	(25,413)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(4,076)</b>	<b>19,076</b>	<b>15,000</b>
<b>Operating General Fund balance at 1 April 2023</b>	<b>23,644</b>		
Transfers to/(from) Earmarked Reserves	2,414		
<b>Closing General Fund Balance at 31 March 2024</b>	<b>26,058</b>		

2022/23	Net Expenditure chargeable to the General Fund balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	413	230	643
Communications, Strategy & Policy	1,222	303	1,525
Human Resources & Organisation Development	558	98	656
Strategic Finance & Property	3,072	1,943	5,015
Legal & Democratic Services	1,453	264	1,717
Housing & Health	2,640	943	3,583
Planning & Building Control	2,100	382	2,482
Operations	2,478	2,134	4,612
Shared revenues & Benefits Service	649	776	1,425
Shared Business & Technology Services	2,273	4	2,277
<b>Net cost of services</b>	<b>16,858</b>	<b>7,077</b>	<b>23,935</b>
Other income and Expenditure	(13,705)	(10,028)	(23,733)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>3,153</b>	<b>(2,951)</b>	<b>202</b>
<b>Operating General Fund balance at 1 April 2022</b>	<b>26,449</b>		
Transfers to/(from) Earmarked Reserves	(2,805)		
<b>Closing General Fund Balance at 31 March 2023</b>	<b>23,644</b>		



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

2023/24

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

	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Chief Executive, PA's & Directors	147	10	4	161
Communications, Strategy & Policy	33	38	6	77
Human Resources & Organisation Development	4	11	1	16
Strategic Finance & Property	562	40	11	613
Legal & Democratic Services	30	30	5	65
Housing & Health	1,436	72	13	1,521
Planning & Building Control	18	59	8	85
Operations	17,448	31	7	17,486
Shared Revenues & Benefits Service	36	97	17	150
Shared Business & Technology Services	4	0	0	4
<b>Net cost of services</b>	<b>19,718</b>	<b>388</b>	<b>72</b>	<b>20,178</b>
Other income and expenditure from the Funding Analysis	(2,040)	(428)	1,366	(1,102)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income &amp; Expenditure Statement (surplus) or deficit</b>	<b>17,678</b>	<b>(40)</b>	<b>1,438</b>	<b>19,076</b>

2022/23

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

	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Chief Executive, PA's & Directors	145	87	(1)	231
Communications, Strategy & Policy	37	268	(1)	304
Human Resources & Organisation Development	10	88	-	98
Strategic Finance & Property	1,609	338	(4)	1,943
Legal & Democratic Services	31	234	(2)	263
Housing & Health	386	562	(4)	944
Planning & Building Control	21	363	(2)	382
Operations	1,887	248	(2)	2,133
Shared Revenues & Benefits Service	44	738	(7)	775
Shared Business & Technology Services	4	0	-	4
<b>Net cost of services</b>	<b>4,174</b>	<b>2,926</b>	<b>-23</b>	<b>7,077</b>
Other income and expenditure from the Funding Analysis	(4,427)	269	(5,870)	(10,028)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income &amp; Expenditure Statement (surplus) or deficit</b>	<b>(253)</b>	<b>3,195</b>	<b>(5,893)</b>	<b>(2,951)</b>

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

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

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

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

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

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

## **Note 3 – Other Differences**

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

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

### 3. Accounting Standards Issued not yet adopted

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

For this disclosure the standards introduced by the 2023/24 Code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

### 4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking into account professional advice (e.g. actuarial advice), historical experience, current trends and other relevant information. Items included within the Council's Balance Sheet at 31 March 2024 for which there is a risk of material adjustment in the forthcoming year are as follows:

#### Pension Liability

The value of the pension liability as at 31st March 2024 is £2.9m. This liability depends on a number of factors, including discount rates, changes in retirement age, mortality rates and expected return on pension's assets. These are determined on an actuarial basis by Hymans Robertson, the actuaries for the Hertfordshire pension fund.

Change in assumptions at 31 March 2024	% increase to Defined Benefit Obligation	Approximate monetary amount (£m)
0.1% decrease in Real Discount Rate		
0.1% increase in the Salary Increase Rate		
0.1% increase in the Pension Increase Rate		

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

### Property, Plant and Equipment

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

The tables below show the 31 March 2024 value of the assets in the Statement of Accounts, the impact a 5% increase or decrease in asset value would have on the Balance Sheet and the depreciation charged to the Comprehensive Income and Expenditure statement.

	31/03/2024	-5%		5%	
	Value	Value	Movement	Value	Movement
	£000	£000	£000	£000	£000
Other Land & Buildings	126,674	120,340	(6,334)	133,008	6,334
Vehicles, Plant, Furniture & Equip.	22,076	20,972	(1,104)	23,180	1,104
Infrastructure	8,633	8,201	(432)	9,065	432
Community Assets	6,716	6,380	(336)	7,052	336
Surplus Assets	4,886	4,642	(244)	5,130	244
	<b>168,985</b>	<b>160,536</b>	<b>(8,449)</b>	<b>177,434</b>	<b>8,449</b>

### Depreciation

	31/03/2024	-5%		5%	
	Value	Value	Movement	Value	Movement
	£000	£000	£000	£000	£000
Other Land & Buildings	36,821	34,980	(1,841)	38662	1,841
Vehicles, Plant, Furniture & Equip.	20,191	19,181	(1,010)	21201	1,010
Infrastructure	7,493	7,118	(375)	7868	375
	<b>64,505</b>	<b>61,280</b>	<b>(3,225)</b>	<b>67,730</b>	<b>3,225</b>

### Investment Properties

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. The Council's investment property has been valued as at 31 December 2023 (with a statement of professional opinion given that there has been no material change up to 31 March 2024) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

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

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

The carrying amount of the provision at 31 March 2024 is £3.1m, of which the Council's share of £1.25m is reflected in the accounts. Higher success rates of appeals could result in a need for a larger provision. An increase of 5% would change the required provision by £155k affecting the surplus/deficit distribution to the Council, Hertfordshire County Council and Central Government.

**Debtors** - As at 31 March 2024 the authority had a balance of short term debtors of £15.7m. A review of the age and collectability of the debts outstanding has resulted in a bad debt provision of £3.3m. If collection rates were to deteriorate then an additional provision would be required.

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

2023/24

### Adjustments involving the Capital Adjustment Account:

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

Charges for depreciation of non current assets

Revaluation / Impairment on Property Plant and Equipment

Movements in the market value of Investment Properties

Amortisation of intangible assets

Capital grants and contributions applied

Revenue expenditure funded from capital under statute

Revenue grants written down to the Capital Adjustment Account

Disposal of non current assets

Disposal of investment Properties

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

Statutory adjustment relating to capital element of principal repayment for finance lease

Capital expenditure charged against the General Fund

### Adjustments involving the Capital Grants Unapplied Account:

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

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

### Adjustments involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Use of Capital Receipts Reserve to finance new capital expenditure

### Adjustments involving the Deferred Capital Receipts Reserve:

Statutory adjustment relating to capital element of principal payment for finance lease

### Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)

Employer's pensions contributions and direct payments to pensioners payable in the year

### Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

### Adjustment involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

	Usable Reserves			
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	3,002			- 3,002
	14,653			- 14,653
	740			- 740
	166			- 166
	(3,423)			3,423
	1,883			- 1,883
	-			-
	641			- 641
	-			-
				-
				-
			35	35
				-
	(1,615)	1,615		-
		(1,615)		1,615
	2			- 2
				-
	2,754			- 2,754
	(2,793)			2,793
				-
	1,366			- 1,366
	72			- 72
<b>Total Adjustments</b>	<b>17,448</b>	<b>0</b>	<b>(35)</b>	<b>(17,413)</b>

2022/23 comparative figure

**Adjustments involving the Capital Adjustment Account:**

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

	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Charges for depreciation of non current assets	2,656	-	-	(2,656)
Revaluation / Impairment on Property Plant and Equipment	1,320	-	-	(1,320)
Movements in the market value of Investment Properties	(795)	-	-	795
Amortisation of intangible assets	200	-	-	(200)
Capital grants and contributions applied	(2,207)	-	-	2,207
Revenue expenditure funded from capital under statute	348	-	-	(348)
Revenue grants written down to the Capital Adjustment Account	-	-	-	-
Disposal of non current assets	1,656	-	-	(1,656)
Disposal of investment Properties	-	-	-	-

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

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

**Adjustments involving the Capital Grants Unapplied Account:**

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	3,083	3,083	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	3,083		3,083

**Adjustments involving the Capital Receipts Reserve:**

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				-	-
Use of Capital Receipts Reserve to finance new capital expenditure				-	0

**Adjustments involving the Deferred Capital Receipts Reserve:**

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

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	5,878	-	-		(5,878)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,683)	-	-		2,683

**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	(5,870)	-	-		5,870
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**Adjustment involving the Accumulated Absences Account**

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(23)	-	-		23
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<b>Total Adjustments</b>	<b>(2,601)</b>	<b>0</b>	<b>0</b>		<b>2,601</b>
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## 6. Transfers to/from Earmarked Reserves

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

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide funding for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24

	Balance 1 April 2022 £000	Transfers Out/(In) 2022/23 £000	Balance 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance 31 March 2024 £000
Interest Equalisation Reserve	(2,045)		(2,045)	-	(1,212)	<b>(3,257)</b>
Insurance Fund	(908)	161	(747)	-	-	<b>(747)</b>
Emergency Planning Reserve	(36)	-	(36)	-	-	<b>(36)</b>
LDF/Green Belt Reserve	(62)	-	(62)	-	-	<b>(62)</b>
Housing Condition Survey Reserve	(90)	-	(90)	-	-	<b>(90)</b>
Council Elections Reserve	(63)	(35)	(98)	-	(235)	<b>(333)</b>
Sinking fund - Leisure Utilities / Pension Reserve	(228)	-	(228)	-	-	<b>(228)</b>
Performance Reward Grant Reserve	(10)	-	(10)	-	-	<b>(10)</b>
Waste Recycling Income Volatility Reserve	(353)	-	(353)	-	-	<b>(353)</b>
Footbridge Reserve	(150)	-	(150)	-	-	<b>(150)</b>
DCLG Preventing Repossessions	(18)	-	(18)	-	-	<b>(18)</b>
New Homes Bonus Priority Spend	(6,668)	(1,270)	(7,938)	-	(931)	<b>(8,869)</b>
Collection Fund Reserve	(1,963)	300	(1,663)	-	(3,400)	<b>(5,063)</b>
DEFRA Flood Support	(4)	-	(4)	-	-	<b>(4)</b>
Neighbourhood Planning	(64)	-	(64)	-	(111)	<b>(175)</b>
IER	(106)	26	(80)	32	-	<b>(48)</b>
MTFP Transition Funding Reserve	(413)	-	(413)	98	-	<b>(315)</b>
Flexible Homelessness Grant	(354)	-	(354)	-	-	<b>(354)</b>
Preventing Homelessness New Burdens Reserve	(31)	-	(31)	-	-	<b>(31)</b>
Healthy Lifestyle Promotions Reserve	(33)	-	(33)	-	-	<b>(33)</b>
Land Charges New Burdens	(30)	-	(30)	-	-	<b>(30)</b>
HB Subsidy Volatility Reserve	(50)	(50)	(100)	-	-	<b>(100)</b>
Section 31 NNDR	(7,071)	3,536	(3,535)	3,535	-	<b>-</b>
Parks & Open Spaces Reserve	(306)	-	(306)	-	-	<b>(306)</b>
Revs & Bens New Burdens Reserve	(250)	(50)	(300)	-	-	<b>(300)</b>
<b>Total</b>	<b>(21,306)</b>	<b>2,618</b>	<b>(18,688)</b>	<b>3,665</b>	<b>(5,889)</b>	<b>(20,912)</b>



Interest Equalisation Reserve	This reserve was established to assist the Council in managing the financial implications of adverse interest rate fluctuations. £1.2m has been added to this reserve in 2023/24
Insurance Fund	Its purpose is to support the Council's insurance and risk management process in anticipation of setting up a self-insurance fund in some areas to reduce future insurance premiums.
Emergency Planning Reserve	The reserve was set up to support the work of an Emergency Planning Officer Group that has been established within the Council. There was no call on it in 2023/24.
Local Development Framework / Green Belt Reserve	This reserve was established in 2008/09 to smooth expenditure over the Council's Medium Term Financial Plan (MTFP). There has been no call on the reserve in 2023/24.
Housing Condition Survey Reserve	This reserve was established to fund House Condition Surveys. There has been no movement on the reserve in 2023/24.
Council Elections Reserve	Established to smooth the cost of Elections over the MTFP. A further £235k was added to the reserve in 2023/24 to fund the cost of future elections.
Sinking Fund – Leisure Utilities and Pension	Further to the Council awarding a leisure contract to Sports and Leisure Management from January 2020, the Council provided guarantees in respect of utilities and employers pension costs. There was no call on it in 2023/24.
Performance Reward Grant Reserve	The Council received revenue grant funding in respect of the Local Area Agreement (Performance Reward Grant) in 2009/10. There was no call on the reserve in 2023/24.
Waste Recycling Income Volatility Reserve	The reserve has been established to manage income volatility in recycling income. There was no call on this reserve in 2023/24.
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 2023/24.
DCL Preventing Repossessions	This reserve was established from unspent Government Grant monies. There were no appropriations in 2023/24.
New Homes Bonus Priority Spend	This reserve was established from unspent New Homes Bonus monies received from DCLG and the 2014/15 GF underspend. Over the years, further amounts of New Homes Bonus monies have been transferred to this reserve with £931k added in 2023/24.

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. £3.4m was transferred to the reserve in 2023/24.
DEFA Flood Support for Local Businesses	This reserve was established from the unspent element of a DEFRA grant received to enable the Council to support local businesses to repair damage following the flooding in 2013/14. There has been no call on this in 2023/24.
Neighbourhood Planning Grant	Created in 2014/15 from unspent Neighbourhood Planning grant received from MHCLG to fund future spend. There has been no call on this reserve in 2023/24.
IER Grant	This reserve was created from unspent grant monies received from the Cabinet Office to fund the costs of additional work involved in the Individual Electoral Registration Scheme. Further unspent grant monies were added to the reserve in 2019/20. £32k was utilised from this reserve in 2023/24.
MTFP Transition Funding Reserve	A new reserve established in 2016/17 from the Transition Grant awarded by MHCLG as part of the 2016/17 financial settlement. £98k was utilised in 2023/24.
Flexible Homelessness Grant	Established from unspent Government Grant monies in 2017/18 specifically to prevent and deal with homelessness. Further unspent grant monies have been added in 2019/20. No call on this reserve in 2023/24.
Preventing Homelessness New Burdens	A new reserve set up in 2017/18 from unspent Government Grant to deal with Homelessness. There was no call on this in 2023/24.
Healthy Lifestyle Promotions	A new reserve created in 2018/19 from unspent grant monies received to promote healthy living. There has been no call on this in 2023/24.
Land Charges New Burdens	This reserve was created from unused government grant received to cover costs of transferring the local land charges register to HM Land Registry. There has been no call on this in 2023/24.
HB Subsidy Volatility Reserve	This reserve was created in 2018/19 to manage the financial implications of fluctuations in Housing Benefit subsidy. There has been no call on this in 2023/24.
NNDR Section 31 Reserve	A new reserve created in 2020/21 from Section 31 grants received in 2020/21 but for use in 2021/22 to fund NNDR Collection Fund transactions. £3.535m has been appropriated in 2023/24.
Parks & Open Spaces Reserve	A new reserve created in 2021/22 from unspent contribution to be used to fund future works. No call made on this reserve in 2023/24.
Revs & Bens New Burdens	A new reserve established in 2021/22 from unspent Government Grant monies. No call made on this reserve in 2023/24.

## 7. Property, Plant & Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

The Council does not capitalise borrowing costs incurred whilst assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The current asset values used in the accounts are based upon a certificate issued by the Council's Asset & Estates Manager, Anna Osborne MRICS and Lucy Smith MRICS as at 31 March 2024. Property, plant and equipment are classified in the Balance Sheet in line with current Accounting Codes of Practice.

### **Impairment**

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

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

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

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

## Depreciation

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

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

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

## Componentisation

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

## Disposals

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

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

## Property, Plant & Equipment

Cost or Valuation	Other Land & Buildings	Vehicles, Plant, Furniture & Equip.	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>2022/23</b>							
As at 01/04/2022	103,722	20,729	8,560	3,615	2,416	31,373.00	<b>170,415</b>
Additions	61	1,266		1,376	-	12,210	<b>14,913</b>
Disposals	0				-	-	<b>0</b>
Reclassifications	21,284				4,542	(24,872)	<b>954</b>
Revaluations	(2,021)				(865)	0	<b>(2,886)</b>
<b>Total as at 31/03/2023</b>	<b>123,046</b>	<b>21,995</b>	<b>8,560</b>	<b>4,991</b>	<b>6,093</b>	<b>18,711</b>	<b>183,396</b>
<b>2023/24</b>							
As at 01/04/2023	123,046	21,995	8,560	4,991	6,093	18,711	<b>183,396</b>
Additions	434	112	73	1,725		22,279	<b>24,623</b>
Disposals		(31)					<b>(31)</b>
Reclassifications	5,020					(9,662)	<b>(4,642)</b>
Revaluations	(1,826)				(1,207)		<b>(3,033)</b>
<b>Total as at 31/03/2024</b>	<b>126,674</b>	<b>22,076</b>	<b>8,633</b>	<b>6,716</b>	<b>4,886</b>	<b>31,328</b>	<b>200,313</b>
<b>Depreciation &amp; Impairment</b>							
<b>2022/23</b>							
As at 01/04/2022	32,575	19,228	7,044	91	0	0	<b>58,938</b>
Charge for Year	1,938	487	231	-	-	-	<b>2,656</b>
Acc depreciation w/o on revaluation	-	-	-	-	-	-	<b>0</b>
Disposals	-	-	-	-	-	-	<b>0</b>
Impairment (reversal) recognised in the service	-	-	-	-	-	-	<b>0</b>
Revaluations	-	-	-	-	-	-	<b>0</b>
<b>Total as at 31/03/2023</b>	<b>34,513</b>	<b>19,715</b>	<b>7,275</b>	<b>91</b>	<b>0</b>	<b>0</b>	<b>61,594</b>
<b>2023/24</b>							
As at 01/04/2023	34,513	19,715	7,275	91	0	0	<b>61,594</b>
Charge for Year	2,308	476	218				<b>3,002</b>
Acc depreciation w/o on revaluation				-	-	-	<b>0</b>
Disposals				-	-	-	<b>0</b>
Impairment (reversal) recognised in the service				-	-	-	<b>0</b>
Revaluations				-	-	-	<b>0</b>
<b>Total as at 31/03/2024</b>	<b>36,821</b>	<b>20,191</b>	<b>7,493</b>	<b>91</b>	<b>0</b>	<b>0</b>	<b>64,596</b>
<b>Net Book Value</b>							
<b>Balance Sheet as at 31/03/23</b>	<b>88,533</b>	<b>2,280</b>	<b>1,285</b>	<b>4,900</b>	<b>6,093</b>	<b>18,711</b>	<b>121,802</b>
<b>Balance Sheet as at 31/03/24</b>	<b>89,853</b>	<b>1,885</b>	<b>1,140</b>	<b>6,625</b>	<b>4,886</b>	<b>31,328</b>	<b>135,717</b>

## Reconciliation of Additions in the year to Capital Spend

	2023/24	2022/23
	£000	£000
Additions in the year (as above)	24,623	14,913
Intangible assets	74	116
Investment Properties	0	0
	24,697	15,029
plus CERA (not included in note 7)	0	0
<b>Total Capital Spend</b>	<b>24,697</b>	<b>15,029</b>

## 8. Analysis of Fixed Assets

	31 March '24	31 March '23
	Number	Number
Council Dwellings - Hostels	7	4
- Houses	2	2
Council Offices - Freehold	1	2
- Leasehold	1	0
Service Centre - Leasehold	1	1
Cash Offices	0	2
Off-Street Car Parks (incl. Leasehold)	35	35
Swimming Pools (including 3 joint-use pools)	5	5
Parks and Recreation Grounds/Open spaces	226Ha	188Ha
Public Halls/Community Centres (incl leasehold)	7	9
Commercial Property Rented Out	47	56
Land Awaiting Development	1.24Ha	1Ha
Public Convenience	2	3

## 9. Heritage Assets

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

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

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

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

## 10. Investment Properties

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

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

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

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

	2023/24	2022/23
	£000	£000
Rental income from investment property	(501)	(822)
Direct operating expenses arising from investment property	364	200
<b>Net gain</b>	<b>(137)</b>	<b>(622)</b>

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

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

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

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



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

	2023/24 £000	2022/23 £000
Balance at start of the year	8,594	9,161
Additions: Not transferred through re-classification	0	-
Additions: Transferred through re-classification	-	0
Disposals : Transferred through re-classification	-	(1,362)
Net gains / (losses) from fair value adjustments	(740)	795
<b>Balance at end of the year</b>	<b>7,854</b>	<b>8,594</b>

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

### **Fair Value Hierarchy**

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

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

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

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

### **Highest and Best Use**

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

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

The Council's investment property has been valued as at 31 December 2023 (with a statement of professional opinion given that there has been no material change up to 31 March 2024) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 11. Intangible Assets

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

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

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

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

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

	Software	2023/24 Other Intangible	Total	Software	2022/23 Other Intangible	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at start of year:</b>						
Gross carrying amounts	6,086	-	6,086	5,970	-	5,970
Accumulated amortisation	(5,794)	-	(5,794)	(5,594)	-	(5,594)
<b>Net carrying amount at start of year</b>	<b>292</b>	<b>-</b>	<b>292</b>	<b>376</b>	<b>-</b>	<b>376</b>
Additions:						
Purchases	74	-	74	116	-	116
Amortisation for the period	(166)	-	(166)	(200)	-	(200)
<b>Net carrying amount at end of year</b>	<b>200</b>	<b>-</b>	<b>200</b>	<b>292</b>	<b>-</b>	<b>292</b>
Comprising:						
Gross carrying amounts	6,160	-	6,160	6,086	-	6,086
Accumulated amortisation	(5,960)	-	(5,960)	(5,794)	-	(5,794)
	200	-	200	292	-	292

## 12. Financial Instruments

### Financial Liabilities

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

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at: amortised cost, fair value through profit or loss (FVPL), and fair value through other comprehensive income (FVOCI). The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

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

### Soft Loans

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

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

### **Expected Credit Loss Model**

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

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

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

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

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

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

### **Financial Guarantees**

The Code includes a requirement for financial guarantees to be recognised at fair value and charged to the Comprehensive Income and Expenditure Statement (amortised over the life of the guarantee). The levels of liability assessed at March 2024 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees. The Council has determined to set aside a reserve against potential liabilities under these guarantees as set out in Note 6 to the Notes to the Core Statements.

No other financial guarantees were identified in 2023/24.

## Financial Instruments Balances

	Non-Current		Current	
	31 March '24	31 March '23	31 March '24	31 March '23
	£000	£000	£000	£000
<b>Financial Assets</b>				
<b>Investments</b>				
At amortised cost - principal amount	-	-	6,450	6,450
- accrued interest	-	-	50	50
Fair Value through other comprehensive income - designated equity instruments	17,838	19,555	-	-
- accrued interest	-	-	-	-
<b>Total Investments</b>	<b>17,838</b>	<b>19,555</b>	<b>6,500</b>	<b>6,500</b>
<b>Cash &amp; Cash Equivalents</b>				
At amortised cost - principal amount	-	-	4,156	8,944
At amortised cost - accrued interest	-	-	-	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>4,156</b>	<b>8,944</b>
<b>Debtors</b>				
Financial Assets at amortised cost	5,188	5,190	12,433	12,754
Less Non Financial Instruments Assets	-	-	(2,426)	(9,454)
<b>Total Debtors</b>	<b>5,188</b>	<b>5,190</b>	<b>10,007</b>	<b>3,300</b>
<b>Total Financial Assets</b>	<b>23,026</b>	<b>24,745</b>	<b>20,663</b>	<b>18,744</b>
<b>Financial liabilities</b>				
<b>Borrowing</b>				
At amortised cost	(1,485)	(1,500)	(48,500)	(30,000)
At amortised cost - accrued interest	(15)	(22)	-	-
Creditors	-	-	18,200	(21,894)
Non Financial instruments Liabilities	-	-	5,052	8,956
<b>Total Financial liabilities</b>	<b>(1,500)</b>	<b>(1,522)</b>	<b>(61,648)</b>	<b>(42,938)</b>

See also Notes 33 and 33 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 2023/24.

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

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

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

Level 3 – unobservable inputs for the asset or liability.

<b>Recurring fair value measurements</b>	<b>Input level in fair value hierarchy</b>	<b>Valuation technique used to measure fair value</b>	<b>2023/24 £000</b>	<b>2022/23 £000</b>
Property Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	17,408	19,083
<b>Balance at end of the year</b>			<b>17,408</b>	<b>19,083</b>

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

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

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

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

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

### Financial Liabilities - fair value

	Input level in fair value hierarchy	Valuation technique used to measure fair value	2023/24 £000	2022/23 £000
Long Term Borrowing	Level 2	premature repayment rates	(2,455)	(2,452)
Short Term Borrowing			(49,016)	(30,090)
<b>Balance at end of the year</b>			<b>(51,471)</b>	<b>(32,542)</b>

### Financial Instrument Revaluation Reserve

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

	2023/24 £000	2022/23 £000
<b>Balance at 1 April</b>	(443)	4,224
Upward revaluation of investments	(1,717)	(4,667)
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	-	-
Accumulated Gains on assets sold and maturing assets written out to CI&E as part of Other Investment Income	-	-
	<b>(2,160)</b>	<b>(443)</b>

See also Note 21.

### 13. Financial Instruments Gains / Losses

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

	2023/24		2022/23	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net (gains) / losses on</b>				
Financial Assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Investments in equity instruments designated at fair value through other comprehensive income	-	(1,717)	-	(4,667)
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-	-
<b>Total net (gains)/losses</b>	<b>-</b>	<b>(1,717)</b>	<b>-</b>	<b>(4,667)</b>
<b>Interest Revenue</b>				
Financial Assets measured at amortised cost	(967)	-	(612)	-
Other financial assets measured at fair value through other comprehensive income	(807)	-	(828)	-
<b>Total interest revenue</b>	<b>(1,774)</b>	<b>-</b>	<b>(1,440)</b>	<b>-</b>
<b>Interest Expense</b>				
Fee income:				
Financial assets or financial liabilities that are not at fair value through profit or loss	132	-	148	-
Fee expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	541	-	596	-
<b>Total interest expense</b>	<b>673</b>	<b>-</b>	<b>744</b>	<b>-</b>

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

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

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

The fair values are calculated as follows:

	31st March 2024		31st March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>	(63,148)	(64,709)	(45,480)	-45,480

	31st March 2024		31st March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Loans and Receivables</b>	43,689	43,259	43,489	43,017



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

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

## 15. Debtors

### Short Term Debtors

	31 March '24	31 March '23
	£000	£000
Central government bodies	1,214	1,045
Other local authorities	2,798	1,237
Bodies external to general government (ie all other bodies)	11,700	13,428
Bad debt provision	(3,279)	(2,956)
	<b>12,433</b>	<b>12,754</b>

### Long Term Debtors

	31 March '24	31 March '23
	£000	£000
Bodies external to general government (ie all other bodies)	5,188	5,190
	<b>5,188</b>	<b>5,190</b>

## 16. Cash and Cash Equivalents

	31 March '24	31 March '23
	£000	£000
Short-term deposits with banks	4,156	8,944
<b>Total Cash and Cash Equivalents</b>	<b>4,156</b>	<b>8,944</b>

## 17. Assets Held for Sale

Assets Held for Sale	31 March '24	31 March '23
	£000	£000
Additions	4,441	409
	<b>4,441</b>	<b>409</b>

## 18. Creditors

Short Term Creditors	31 March '24	31 March '23
	£000	£000
Central government bodies	(3,992)	(9,637)
Other local authorities	(2,929)	(1,725)
Bodies external to general government (ie all other bodies)	(11,279)	(10,532)
	<b>(18,200)</b>	<b>(21,894)</b>

## 19. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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

	Short Term		Long Term	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
<b>Balance at 1 April</b>	300	496	1,233	2,200
Additions/Reductions	(43)	(388)	(116)	(1,500)
Amounts used	(8)	(60)	(120)	(100)
Transferred	-	252	-	633
<b>Balance at 31 March</b>	<b>249</b>	<b>300</b>	<b>997</b>	<b>1,233</b>

## 20. Usable Reserves

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

## 21. Unusable Reserves

	31 March '24 £000	31 March '23 £000
Revaluation Reserve	31,032	20,815
Financial Instruments Revaluation Reserve	(2,160)	(443)
Capital Adjustment Account	61,619	75,629
Deferred Capital Receipts Reserve	142	144
Pensions Reserve	5,250	(2,862)
Collection Fund Adjustment Account	491	1,857
Accumulated Absences Account	(276)	(205)
<b>Total Unusable Reserves</b>	<b>96,099</b>	<b>94,936</b>

### Revaluation Reserve

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

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

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

	2023/24		2022/23
	£000	£000	£000
<b>Balance at 1 April</b>		20,815	22,761
Downward revaluation of assets	10,647		(1,566)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services			
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		10,647	(1,566)
Difference between fair value depreciation and historical cost depreciation	(430)		(380)
Amount written off to the capital adjustment account			0
<b>Balance at 31 March</b>		<b>31,032</b>	<b>20,815</b>

### Financial Instruments Revaluation Reserve

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

	2023/24		2022/23
	£000	£000	£000
<b>Balance at 1 April</b>		(443)	4,224
Upward revaluation of investments			
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	(1,717)		(4,667)
		(1,717)	(4,667)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		-	-
<b>Balance at 31 March</b>		<b>(2,160)</b>	<b>(443)</b>

### Capital Adjustment Account

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

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

	2023/24		2022/23
	£000	£000	£000
<b>Balance at 1 April</b>		75,629	75,343
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
· Charges for depreciation of non current assets	(3,002)		(2,656)
· Charges for depreciation on revalued assets	319		380
· Movements in the market value of investment properties	(740)		795
· Revaluation/Impairment on Property, Plant and Equipment	(13,680)		(1,320)
· Amortisation of intangible assets	(166)		(200)
· Revenue expenditure funded from capital under statute	(1,883)		(348)
· Revenue grants written down to the Capital Adjustment Account	3,458		2,207
· Disposal of non-current assets	(530)		(1,656)
· Minimum Revenue Position	600		
· Adjusting amounts written out of Revaluation Reserve			
		(15,624)	(2,798)
Capital financing applied in the year:			
· Use of the Capital Receipts Reserve to finance new capital expenditure	1,614		3,084
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing			0
· Application of grants to capital financing from the Capital Grants Unapplied Account			-
· Statutory adjustment for the capital element of finance lease repayments - Refuse trucks			-
· Capital expenditure charged against the General Fund	-		0
		1,614	3,084
<b>Balance at 31 March</b>		<b>61,619</b>	<b>75,629</b>

## Pensions Reserve

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

	2023/24 £000	2022/23 £000
<b>Balance at 1 April</b>	(2,862)	(28,511)
Actuarial gains or (losses) on pensions assets and liabilities	8,388	28,848
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	(3,030)	(5,879)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,754	2,680
<b>Balance at 31 March</b>	<b>5,250</b>	<b>(2,862)</b>

### Deferred Capital Receipts Reserve

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

	2023/24 £000	2022/23 £000
<b>Balance at 1 April</b>	143	145
Transfer to the General Fund for the capital element of finance lease payments	(1)	(2)
<b>Balance at 31 March</b>	<b>142</b>	<b>143</b>

### Collection Fund Adjustment Account

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

	2023/24 £000	2022/23 £000
<b>Balance at 1 April</b>	1,857	(4,013)
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	(1,366)	5,870
<b>Balance at 31 March</b>	<b>491</b>	<b>1,857</b>

## Accumulated Absences Account

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

	2023/24 £000	2022/23 £000
<b>Balance at 1 April</b>	(205)	(228)
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	(71)	23
<b>Balance at 31 March</b>	<b>(276)</b>	<b>(205)</b>

## 22. Nature of Expenses Disclosure

	2023/24 £'000	2022/23 £'000
Employee Benefits Expenses	17,415	18,942
Other Service Expenses	28,164	23,136
Housing Benefits Transfer Payments	22,705	22,409
Depreciation, amortisation and impairment	19,718	4,591
Precepts and levies	5,351	5,060
Interest payments	541	596
Changes in fair value of Investment Properties	740	0
Minimum revenue Provision	600	0
Loss on disposal on non current assets	0	-
Net interest on the net defined benefit liability & remeasurement of the defined benefit liability for long term employee benefits	188	1,024
<b>Total Expenditure</b>	<b>95,422</b>	<b>75,758</b>
Fees charges and other service income	(23,894)	(21,054)
Government grants	(32,958)	(31,652)
Interest and investment income	(1,774)	(1,463)
Income from council tax and non-domestic rates	(17,399)	(16,956)
Gain on disposal of non current assets	(974)	(1,427)
Changes in fair value of Investment Properties	-	(795)
Recognised capital grants and contributions	(3,423)	(2,207)
<b>Total Income</b>	<b>(80,422)</b>	<b>(75,554)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>15,000</b>	<b>204</b>

## 23. Jointly Controlled Operations

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

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

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

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

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

	2023/24			2022/23		
	Waste and Street Cleansing Service	Business & Technical Service	Revenues & Benefits Service	Waste and Street Cleansing Service	Business & Technical Service	Revenues & Benefits Service
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Employees	528	1,695	3,726	502	1,930	4,275
Transport Related Expenses	20	30	12	21	25	10
Supplies and Services	24	1,740	286	31	1,834	230
Support Services		468	1,034		414	1,356
<b>Total Expenditure</b>	<b>572</b>	<b>3,933</b>	<b>5,058</b>	<b>554</b>	<b>4,203</b>	<b>5,870</b>
<b>Income</b>						
Stevenage Borough Council		1,834	2,117			2,069
East Herts District Council	276	2,099	2,941	265	2,133	3,801
North Herts District Council	296		-	289	2,070	
<b>Total Income</b>	<b>572</b>	<b>3,933</b>	<b>5,058</b>	<b>554</b>	<b>4,203</b>	<b>5,870</b>
<b>Net Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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



## 24. External Audit Costs

This note discloses the amounts that East Herts Council has paid to its external auditors for work carried out in performing statutory functions and in providing any additional services. In 2023/24 the auditors appointed to East Herts council changed from Ernst & Young (up to 2022/23) to Azets.

In 2023/24 East Herts Council incurred the following fees relating to external audit and inspection:

	2023/24 £000	2022/23 £000
Fees payable to Azets with regard to external audit services carried out by the appointed auditor	208	55
Fees payable to Azets for the certification of grant claims and returns	28	22
Prior Year additional fees	0	0
	<b>236</b>	<b>77</b>

## 25. Members Allowances

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

	2023/24 £000	2022/23 £000
Basic Allowances	284	271
Special Responsibility Allowances	144	132
Travel and Subsistence expenses	2	2
	<b>430</b>	<b>405</b>

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

## 26. Officer Emoluments

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

Remuneration Band	Number of Employees	
	2023/24	2022/23
	Total	Total
£50,000 to £54,999	12	4
£55,000 to £59,999	6	6
£60,000 to £64,999	2	10
£65,000 to £69,999	8	-
£70,000 to £74,999	-	-
£75,000 to £79,999	-	1
£80,000 to £84,999	1	-

## 27. Exit Packages

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

Exit package cost band (including special payments)	Number of Redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
							£	£
£								
0-20,000	4	-	4	-	8	-	104,450	-
20,001-40,000	-	-	1	-	1	-	33,807	-
40,001-60,000	2	-	-	-	2	-	90,838	-
60,001-80,000	-	-	-	-	-	-	-	-
80,001-100,000	-	-	-	-	-	-	-	-
100,001-150,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>229,095</b>	<b>-</b>

## 28. Senior Officer Remuneration

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

	Salary (inc expense allowance)	Expenses Allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
<b>2023/24</b>					
Chief Executive	130,728	-	130,728	25,884	156,612
Deputy Chief Executive	109,672	-	109,672	21,715	131,387
Head of Revenues & Benefits Shared Service	65,172	-	65,172	12,904	78,076
Head of HR & Organisational Development - left part way through the year	28,692	-	28,692	5,388	34,080
Head of Strategic Finance & Property	85,237	-	85,237	16,877	102,114
Head of Communications, Strategy & Policy	82,301	-	82,301	16,296	98,597
Head of Legal & Democratic Services	88,271	379	88,650	17,478	106,128
Head of Housing & Health	82,301	-	82,301	16,296	98,597
Head of Operations - on maternity leave for part of the year	32,183	-	32,183	-	32,183
Head of Planning & Building Control	82,925	-	82,925	15,498	98,422
<b>2022/23</b>					
Chief Executive	126,645		126,645	24,063	150,708
Deputy Chief Executive	105,963	23	105,986	20,133	126,119
Head of Revenues & Benefits Shared Service	87,084		87,084	16,546	103,631
Head of HR & Organisational Development	79,227		79,227	15,053	94,280
Head of Strategic Finance & Property	82,240		82,240	15,626	97,866
Head of Communications, Strategy & Policy	79,227	37	79,264	14,864	94,129
Head of Legal & Democratic Services	83,504	341	83,845	15,866	99,711
Head of Housing & Health	79,227	60	79,287	15,053	94,340
Head of Operations	75,347		75,347	-	75,347
Head of Planning & Building Control	73,504		73,504	13,966	87,470

## 29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2023/24 £000	2022/23 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax	17,722	16,768
Non-Domestic Rates	- 322	188
New Homes Bonus	931	1,383
Other Capital Grants	3,423	2,207
Sec 31 Business Rate Support	5,102	4,846
Other Revenue Grants	1,265	395
Renewable Energy	70	318
	<b>28,191</b>	<b>26,105</b>
<b>Credited to Services</b>		
<u>Grants</u>		
DWP	23,386	23,078
DCLG	1,846	1,432
DEFRA	154	9
Home Office	194	136
Office of National Statistics	-	1
Department of Education	9	16
	<b>25,589</b>	<b>24,672</b>
<u>Other Contributions</u>		
Contributions from Other Authorities*	3,555	3,566
Income from Other Bodies	1,466	1,195
	<b>5,021</b>	<b>4,761</b>

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

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

	2023/24 £000	2022/23 £000
<b>Grants Receipts in Advance</b>		
<b>Capital</b>		
Other Capital Grants	411	811
Developer Contributions	1,655	1,665
	<b>2,066</b>	<b>2,476</b>
<b>Revenue</b>		
Developer Contributions	5,609	4,936
Other Revenue Grants	314	237
	<b>5,923</b>	<b>5,173</b>

## 30. Related Party Transactions

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

Related parties to this authority would include:

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

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

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

Three senior officers of the Council held a position of director at Millstream Property Investments Ltd, a wholly-owned company by East Herts. The Council transacted with this company to the value of £175k in 2023/24

A senior officer of the Council held a position of Director at Hertfordshire CCTV Partnership Ltd. The Council paid this company £92k during 2023/24

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

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

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

## 31. Capital Expenditure and Capital Financing

	2023/24 £000	2022/23 £000
<b>Opening Capital Financing Requirement</b>	<b>40,065</b>	<b>28,321</b>
<b>Capital investment</b>		
Property, Plant & Equipment	507	1,327
Infrastructure	73	-
Community Assets	1,723	1,376
Investment Property	-	-
Intangible Assets	74	116
Assets Under Construction	21,303	12,210
Revenue Expenditure Funded from capital under Statute	1,883	402
Third Party Loan	-	-
Surplus	-	-
Assets Held For Sale	-	-
<b>Sources of finance</b>		
Capital receipts	(1,615)	(1,427)
Government grants and other contributions	(3,458)	(2,207)
Borrowing		
Sums set aside from Revenue:		
Direct revenue contributions	(33)	(53)
Loan/ finance lease principal repayments		
<b>Closing Capital Financing Requirement</b>	<b>60,522</b>	<b>40,065</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(20,457)	(11,744)
<b>Decrease in Surplus in Capital Resource</b>	<b>(20,457)</b>	<b>(11,744)</b>

## 32. Leases

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

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

### The Council as a Lessor

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

Depreciation is applied in the year of acquisition.

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

### **Operating Leases**

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

### **The Council as a Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

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

### **Operating Leases**

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

### **Finance leases**

As at 31 March 2024, the Council did not hold any leases that fell into the category of a finance lease.



## Council as a lessee

### Operating leases

The Council leases the Buntingford Service Centre.

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

	31 March '24	31 March '23
	£000	£000
Not later than one year	300	300
Later than one year and not later than five years	1,200	1,200
Later than five years	1,200	1,500
	<b>2,700</b>	<b>3,000</b>

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

	2023/24	2022/23
	£000	£000
Minimum lease payments	300	300
Lease payments receivable	-	-
	<b>300</b>	<b>300</b>

## Council as a lessor

### Finance leases

The Council leases out Pindars Lodge.

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

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

	2023/24	2022/23
	£000	£000
Finance lease debtor as at 31 March	142	144
Unearned finance income	200	202
<b>Gross investment in lease as at 31 March</b>	<b>342</b>	<b>346</b>

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

	<b>Gross investment in lease 31 March '24 £000</b>	<b>Gross investment in lease 31 March '23 £000</b>
Not later than 1 year	14	14
Later than 1 year and not later than 5 years	56	56
Later than 5 years	265	279
	<b>335</b>	<b>349</b>

### **Operating Leases**

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

	<b>31 March '24 £000</b>	<b>31 March '23 £000</b>
Not later than one year	1,346	1,243
Later than 1 year and not later than 5 years	5,136	3,529
Later than 5 years	58,156	59,227

## **33. Pension Scheme**

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

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

Pension contributions are based on rates determined by the Fund's professionally qualified actuary based on triennial reviews. The most recent review was undertaken in January 2022.

## Transactions Relating to Post Employment benefits

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

However, the charge the Council is required to make against council tax is based on the cash payable in the year, the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves during the year.

	2023/24 £000	2022/23 £000
<b>Comprehensive Income &amp; Expenditure Statement:</b>		
<i>Service Cost comprising:</i>		
Current service cost	2,457	4,855
Past Service Cost	108	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	131	1,024
<b>Total post employment benefit charged to surplus or deficit on the provision of services</b>	<b>2,696</b>	<b>5,879</b>
<i>Other post employment benefit credited to the Comprehensive Income and Expenditure Statement</i>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
Return on plan assets (excluding the amount included in net interest ex	(5,393)	(12,477)
Actuarial gains/(losses) arising on changes in demographic assumptions	(5,790)	58,226
Actuarial gains/(losses) arising on changes in financial assumptions	(812)	1,123
Other actuarial gains or losses	3,972	(9,636)
<b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(8,023)</b>	<b>37,236</b>
<b>Movement in Reserve Statement</b>		
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code		
<i>Actual amount charges against the general fund balance for pensions in the year:</i>		
<b>Employers contributions payable to scheme</b>	<b>0</b>	<b>2,680</b>

## Pensions Assets and Liabilities recognised in the Balance Sheet

	2023/24 £000	2022/23 £000
<b>Opening Fair Value of scheme assets</b>	123,799	133,905
Interest income	5,833	3,597
Remeasurement gain/(loss):		
Other Experience		-
Return on plan assets, excluding the amount included in the net interest expense	5,393	(12,477)
Contributions from employer	2,786	2,680
contributions from employees into the scheme	739	709
Benefits paid	(5,530)	(4,615)
<b>31 March</b>	<b>133,020</b>	<b>123,799</b>

### Reconciliation of present value of scheme liabilities

<b>Balance at 1 April</b>	126,661	170,804
Current service cost	2,457	4,855
Past service cost	108	0
Interest cost	5,964	4,621
Contributions by scheme participants	739	709
<i>Remeasurment (gain) and losses:</i>		
Actuarial gains/(losses) arising on changes in demographic assumptions	(5,790)	(58,226)
Actuarial gains/(losses) arising on changes in financial assumptions	(812)	(1,123)
Other acutarial gains or losses	3,972	9,636
Benefits paid	(5,530)	(4,615)
<b>31 March</b>	<b>127,769</b>	<b>126,661</b>

	2023/24 £000	2022/23 £000
<b>Scheme history</b>		
Present value of the defined benefit obligation	(127,769)	(126,661)
Fair value of assets	133,020	123,799
<b>Surplus/(Deficit) in the scheme</b>	<b>5,251</b>	<b>(2,862)</b>

### Impact on the net worth of the Council

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

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

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

The total contributions expected to be made to the pension scheme by the Council in the year to 31 March 2025 is £2.743m (£2.624m to 31 March 2024).

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

Asset Category	Period Ended 31 March 2024				Period Ended 31 March 2023			
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
	£000	£000	£000	%	£000	£000	£000	%
Equity Securities								
Consumer	1,800	-	1,800	1	1,904	-	1,904	2
Manufacturing	2,087	-	2,087	2	1,044	-	1,044	1
Energy & Utilities	0	-	-	0	-	-	-	0
Financial Institutions	1,184	-	1,184	1	711	-	711	1
Health & Care	1,127	-	1,127	1	1,037	-	1,037	1
Information Technology	1,845	-	1,845	1	2,296	-	2,296	2
Other	-	-	-	-	-	-	-	0
Debt Securities								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	0
Corporate Bonds (non investment grade)	-	-	-	-	-	-	-	0
UK Government	6,782	-	6,782	5	5,165	-	5,165	4
Other	-	3,382	3,382	3	-	3,324	3,324	3
Private Equity	-	11,623	11,623	9	-	10,963	10,963	9
Real Estate								
UK Property	-	9,167	9,167	7	-	9,157	9,157	7
Overseas Property	-	6,661	6,661	5	-	7,074	7,074	6
Investment Funds & Unit Trusts:								
Equities	50,226	-	50,226	39	46,650	-	46,650	38
Bonds	19,058	-	19,058	14	17,348	-	17,348	14
Commodities	-	-	-	-	-	-	-	0
Infrastructure	-	201	201	-	-	143	143	0
Other	997	8,137	9,134	7	1,077	7,406	8,483	7
Derivatives								
Foreign Exchange	-	387	387	0	-	182	182	0
Cash and Cash Equivalents	8,357	-	8,357	6	8,320	-	8,320	7
<b>TOTALS</b>	<b>93,462</b>	<b>39,559</b>	<b>133,020</b>	<b>100</b>	<b>85,552</b>	<b>38,248</b>	<b>123,799</b>	<b>100</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Hertfordshire County Council Fund being based on the latest full valuation of the scheme as at 2022.

The principal assumptions used by the actuary have been:

	31 March '24	31 March '23
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.5%	2.5%
Bonds	2.5%	2.5%
Property	2.5%	2.5%
Cash	2.5%	2.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.0 years	22.2 years
Women	24.5 years	24.7 years
Longevity at 65 for future pensioners:		
Men	22.8 years	23.0 years
Women	26.0 years	26.2 years
Rate of inflation/ Pension increase	2.8%	3.0%
Rate of increase in salaries	3.3%	3.5%
Discount Rate	4.8%	4.75%
Take up option to convert annual pensions into retirement lump sum for pre April 2008 service		
Take up option to convert annual pensions into retirement lump sum for post April 2008 service		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes at each change that the assumption analysed changes while all the others remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme ie. on an actuarial basis using the projected cost method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period

<b>Change in assumptions as at 31 March 2024:</b>	<b>Approximate % increase Defined Benefit Obligation %</b>
Longevity (increase or decrease in 1 year)	4%
0.1% decrease in real discount rate	2%
0.1% increase in the salary increase rate	0%
0.1% increase in the Pension increase rate	2%

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

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

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

### Key Risks

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

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

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

### 1 Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 203/24 was approved by Full Council on 3rd March 2023 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2024 that this was likely to crystallise.



No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

### Accounts Receivable

The Council does not generally allow credit facilities to customers in relationship to debts.

The past due amount can be analysed by age as follows: (see policy xii)

	31 March '24	31 March '23
	£000	£000
Less than three months	626	349
Three months to one year	516	475
More than one year	1,462	1,476
	<b>2,604</b>	<b>2,300</b>

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

## 2 Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

See Financial instruments Note 12

## 3 Refinancing and Maturity Risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

## 4 Market Risk

### Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rates exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

With low interest rates generally prevailing, the Council has an interest equalisation reserve that assists in managing interest rate fluctuations in the medium term. The balance as at 31 March 2024 is £3.3m.

Based on the current Treasury Management position at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	no variable borrowings
Increase in interest receivable on variable rate investments	371
Increase in government grant receivable for financing costs	de minimus
Surplus on the Provision of Services	de minimus

### Impact on Comprehensive I & E Statement

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

## 5 Price Risk

The Council, does not generally invest in equity shares or marketable bonds.

However, it does hold units in property funds to the value of £20m. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of the units.

To limit its exposure to price movements the council has set a property fund investment limit of £20m, at the time of investment.

These units are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1m gain or loss being recognised in the Financial Instruments Revaluation Reserve.

## 6 Foreign Exchange Risk

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

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

## 35. Capital Commitments

At 31 March 2024, the authority has entered into one contract for the construction or enhancement of property, plant and equipment, the major commitments are:

- **Hertford Theatre – £30.975m** (*This figure includes £26.16m spend to 31/03/2024*)

## 36. Contingent Liability

The Council has identified one contingent liability which may give rise to future costs.

Following the Municipal Mutual Insurance Scheme Arrangement being "triggered" the Council has paid a total levy of £34,478 as at 31 March 2024. A contingent liability of around £137,913 remains in respect of potential further exposure against existing claims. Further claims could be notified.

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

## 37. Post Balance Sheet Event

There are no post balance sheet events as at 23 April 2025

# THE COLLECTION FUND

## INCOME AND EXPENDITURE ACCOUNT

		2023/24			2022/23		
		£000	£000	£000	£000	£000	£000
		Council Tax	NDR	Total	Council Tax	NDR	Total
Income collectable from Council Taxpayers	Note 2	136,973		136,973	128,058	-	128,058
S31 S13A(1)/ ( c ) transfer from General Fund		117		117	35	-	35
Income collectable from Business Ratepayers	Note 3		41,737	41,737	-	39,580	39,580
<b>Total Income</b>		<b>137,090</b>	<b>41,737</b>	<b>178,827</b>	<b>128,093</b>	<b>39,580</b>	<b>167,673</b>
Council Tax Precepts and Demands							
Hertfordshire County Council		102,588		102,588	95,750	-	95,750
East Herts Council		17,464		17,464	16,586	-	16,586
Hertfordshire Police		15,206		15,206	13,962	-	13,962
Business Rates Shares:							
Payments to Government			24,780	24,780	-	19,918	19,918
Payments to Hertfordshire County Council			4,956	4,956	-	3,984	3,984
Payment to East Herts Council			19,824	19,824	-	15,934	15,934
Charges to Collection Fund							
Costs of Collection			202	202	-	199	199
Bad Debt Provision - Increase:							
Council Tax		(164)		(164)	704	-	704
Non Domestic Rates			(178)	(178)		(176)	(176)
Non Domestic Rates Appeals Provision	Note 4		(716)	(716)	-	(2,227)	(2,227)
Transitional Protection Payment			(7,495)	(7,495)	-	174	174
Disregarded Amounts			113	113	-	318	318
Distribution of prior years' Fund balance		1,351	3,869	5,220	1	(12,763)	(12,762)
<b>Total Expenditure</b>		<b>136,445</b>	<b>45,355</b>	<b>181,800</b>	<b>127,003</b>	<b>25,361</b>	<b>152,364</b>
In year Movement in Fund		(645)	3,618	2,973	(1,090)	(14,219)	(15,309)
Balance as at 1 April		(2,215)	(3,921)	(6,136)	(1,125)	10,298	9,173
<b>Balance as at 31 March</b>		<b>(2,860)</b>	<b>(303)</b>	<b>(3,163)</b>	<b>(2,215)</b>	<b>(3,921)</b>	<b>(6,136)</b>
Allocated to :							
East Herts Council		(369)	(121)	(490)	(288)	1,569	1,281
Hertfordshire Police		(322)	(30)	(352)	(247)	-	(247)
Hertfordshire County Council		(2,169)		(2,169)	(1,680)	392	(1,288)
Government			(152)	(152)	-	1,961	1,961
<b>Total</b>		<b>(2,860)</b>	<b>(303)</b>	<b>(3,163)</b>	<b>(2,215)</b>	<b>3,922</b>	<b>1,707</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. General

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

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

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

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

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

### 2. Council Tax

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

The tax base for 2023/24 was approved at Full Council on 14 December 2022 and was calculated as follows:

Band	Estimated no. of taxable properties after effect of discounts	Ratio	Band D Equivalent dwellings
Disa A	0.00	5/9	0.00
A	656.86	6/9	437.91
B	4,305.65	7/9	3,348.84
C	12,831.26	8/9	11,405.56
D	14,529.67	9/9	14,529.67
E	10,789.37	11/9	13,187.01
F	7,472.12	13/9	10,793.06
G	5,584.57	15/9	9,307.62
H	796.84	18/9	1,593.68
	56,966.34		64,603.35
<b>Estimated collection rate</b>			<b>98.9%</b>
<b>2023/24 Estimated Council Tax base</b>			<b>63,892.7</b>
<b>Council Tax Collection</b>			<b>£000</b>
2023/24 estimated Council Tax due			135,259
<i>63892.8 x £2,116.96 (average band D charge)</i>			
2023/24 Council Tax income			137,090
<b>Surplus</b>			<b>(1,831)</b>

### 3. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform rate (which for 2021/22 was 51.2p (2020/21 51.2p).

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

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

East Herts is a tariff authority, which means that it doesn't keep its entire share but is subject to pay a tariff (£15.853m in 2021/22) to Central Government which is when used to fund 'top up' authorities.

The business rates retention scheme provides the opportunity for local authorities to share in the benefits of growth in the rates tax base i.e. provides an incentive for economic development and regeneration. Any income retained from growth is subject to a levy of 50%. Conversely if any Council suffers a significant drop in NNDR due to the loss of one or more major businesses, or a large number of smaller businesses, or a greater than expected loss from revaluations, then a safety net of 92.5% of the baseline applies. At the year end the total non-domestic rateable value was £118 million (£117 million for 2020/21).

### 4. Provisions

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

	2023/24			2022/23		
	£000 Council Tax	£000 NDR	£000 Total	£000 Council Tax	£000 NDR	£000 Total
<b>Balance at 1 April</b>	(4,012)	(2,099)	<b>(6,111)</b>	(3,539)	(2,474)	<b>(6,013)</b>
Additional provisions made in year	114	178	<b>292</b>	(705)	177	<b>(528)</b>
Provision applied	285	327	<b>612</b>	232	198	<b>430</b>
<b>Balance at 31 March</b>	<b>(3,613)</b>	<b>(1,594)</b>	<b>(5,207)</b>	<b>(4,012)</b>	<b>(2,099)</b>	<b>(6,111)</b>

In addition, a provision has been made for NDR appeals against the rateable valuations assessed and determined by the Valuation Office Agency (VOA) which have not been settled by 31 March 2024.

	2023/24 £000	2022/23 £000
<b>Balance at 1 April</b>	(3,832)	(6,059)
Change in provisions made	396	1,474
Provision applied in year	320	753
<b>Balance at 31 March</b>	<b>(3,116)</b>	<b>(3,832)</b>

## Group Accounts

### Introduction

In order to provide a full picture of the economic and financial activities of the Council, and its exposure to risk, the accounting statements of its subsidiary are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting, consolidating any subsidiary over which the Council exercises control or influence.

Millstream Property Investments Ltd, is a wholly owned company formed in February 2018 by the Council. There are no minority shareholders and no restrictions on the Council's ability to access or use the assets or settle the liabilities of the group. Millstream Property Investments Ltd was created to acquire, develop and refurbish homes to provide rental properties to tenants wishing to live in the private sector, but with the assurance that the accommodation is managed by a responsible landlord.

Millstream was not consolidated in 2018/19 as it's activities for that year were not material to the Council's accounts

### Accounting Policies

Millstream Property Investments Ltd has prepared it's 2023/24 accounts using accounting policies consistent with those applied by the Council and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.



## GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (ie those that can be applied to fund expenditure or reduce taxation) and other reserves.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Share of Reserves of Subsidiaries	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2023</b>	<b>3,854</b>	<b>21,306</b>	<b>0</b>	<b>224</b>	<b>1,065</b>	<b>26,449</b>	<b>72,174</b>	<b>98,623</b>	<b>1,754</b>	<b>100,377</b>
<b>Movement in reserves during 2023/24</b>										
<b>Total Comprehensive Income and Expenditure</b>		-	-	-	-	0		0		0
Tax expenses for Millstream Property Investment		0	0	0	0	0	0	0	0	0
Adjustments between group accounts and authority accounts		0	0	0	0	0	0	0		0
Adjustments between group accounts and authority accounts		0	0	0	0	0	0	0	0	0
<b>Net Increase/Decrease before Transfers</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers to/(from) Earmarked Reserves			-	-		-	-	-		
Increase/Decrease in Year	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2024 carried forward</b>	<b>3,854</b>	<b>21,306</b>	<b>-</b>	<b>224</b>	<b>1,065</b>	<b>26,449</b>	<b>72,174</b>	<b>98,623</b>	<b>1,754</b>	<b>100,377</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2023/24		2022/23	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Chief Executive, PA's & Directors	563	-	563	643
Communications, Strategy & Policy	2,635	(1,123)	1,512	1,526
Human Resources & Organisation Development	622	(11)	611	656
Strategic Finance & Property	10,052	(4,975)	5,077	5,049
Democratic & Legal Services	2,162	(470)	1,692	1,717
Housing & Health	6,231	(2,926)	3,305	3,583
Planning & Building Control	4,453	(1,777)	2,676	2,482
Operations	31,629	(11,574)	20,055	4,612
Shared Revenues & Benefits Service	27,032	(26,059)	973	1,424
Shared Business & Technology Services	2,258	(19)	2,239	2,277
<b>NET COST OF SERVICES</b>	<b>87,637</b>		<b>38,703</b>	<b>23,969</b>
Payments of precepts to parishes			5,351	5,060
Gain on disposal of non current (fixed) assets			(974)	(1,427)
Minimum Revenue Provision			600	0
<b>OTHER OPERATING EXPENDITURE</b>			<b>4,977</b>	<b>3,633</b>
Interest payable and similar charges			541	596
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			189	1,024
Interest receivable and similar income			(1,633)	(1,322)
Income from investment properties		Note 1	(763)	(1,037)
Direct expenditure incurred on investment properties		Note 1	447	296
Changes in Fair Value of Investment Properties			899	(860)
<b>FINANCING AND INVESTMENT EXPENDITURE</b>			<b>(320)</b>	<b>(1,303)</b>
Recognised capital grants and contributions			(3,423)	(2,207)
Council tax income			(17,722)	(16,768)
Non domestic rates			322	(188)
Non service related government grants			(7,298)	(6,624)
Renewable Energy			(70)	(318)
<b>TAXATION AND NON-SPECIFIC GRANT INCOME</b>			<b>(28,191)</b>	<b>(26,105)</b>
<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>			<b>15,169</b>	<b>194</b>
Millstream Capital contribution			0	0
Tax expenses of subsidiaries			(43)	3
<b>GROUP (SURPLUS)/DEFICIT</b>			<b>15,126</b>	<b>197</b>
(Surplus) or Deficit on revaluation of PPE assets			(12,637)	1,566
Reclassification of Grant				
Remeasurements of the net defined benefit liability			(7,656)	(37,236)
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>(20,293)</b>	<b>(35,670)</b>
(Surplus) / Deficit on revaluation of financial instruments			1,717	4,667
<b>ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>1,717</b>	<b>4,667</b>
Millstream Other Operating Income				2
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(18,576)</b>	<b>(31,001)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(3,450)</b>	<b>(30,804)</b>

All operations arise from continuing activities.

# GROUP BALANCE SHEET

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

	31 March '24		31 March '23
	£000	£000	
Property, Plant & Equipment			
- Other land and buildings	89,854		88,533
- Vehicles, plant, furniture and equipment	1,884		2,280
- Infrastructure assets	1,140		1,285
- Community assets	6,625		4,900
- Surplus assets	4,886		6,093
- Assets under Construction	31,328		18,711
		135,717	
Investment Properties	13,360		14,260
Intangible Assets	199	13,559	292
		<b>149,276</b>	<b>136,354</b>
Long Term Investments		17,838	20,108
Long Term Debtors	Note 2	1,905	245
<b>TOTAL LONG TERM ASSETS</b>		<b>169,019</b>	<b>156,707</b>
Assets Held For Sale		4,441	409
Short Term Investments		6,500	6,500
Short Term Debtors	Note 2	12,244	12,601
Cash and Cash Equivalents		4,249	9,012
<b>CURRENT ASSETS</b>		<b>27,434</b>	<b>28,522</b>
Provisions	Note 2	(249)	(300)
Short Term Creditors	Note 2	(18,234)	(21,934)
Short Term Borrowing		(48,500)	(30,000)
<b>CURRENT LIABILITIES</b>		<b>(66,983)</b>	<b>(52,235)</b>
Provisions		(1,068)	(1,347)
Long Term Borrowing		(1,500)	(1,522)
Long Term Creditors	Note 2	0	-
Net Pension Liability		5,266	(2,862)
Grant Receipts in Advance	- Capital	(2,066)	(2,476)
	- Revenue	(5,923)	(5,173)
<b>LONG TERM LIABILITIES</b>		<b>(5,291)</b>	<b>(13,379)</b>
<b>NET ASSETS</b>		<b>124,179</b>	<b>119,614</b>
<b>USABLE RESERVES</b>			
- General Fund		3,854	3,854
- General Reserve		1,103	878
- Earmarked Reserves		20,912	18,688
- Capital Receipts Reserve		0	0
- Capital grants Unapplied		189	224
- Profit and Loss Reserve	Note 3	367	682
		<b>26,425</b>	<b>24,326</b>
<b>UNUSABLE RESERVES</b>			
- Revaluation Reserve		31,032	20,815
- Financial Instrument Revaluation Reserve		(2,160)	(443)
- Pensions Reserve		5,250	(2,862)
- Capital Adjustment Account		61,619	75,629
- Deferred Capital Receipts		142	144
- Collection Fund Adjustment Account		491	1,858
- Short-term Accumulating Compensated Absences Account		(276)	(205)
- Share capital		1,656	0
		<b>97,754</b>	<b>94,936</b>
<b>TOTAL RESERVES</b>		<b>124,179</b>	<b>119,262</b>

# GROUP CASH FLOW STATEMENT

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

	2023/24		2022/23
	£000	£000	£000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Council Tax receipts	(12,985)		(12,131)
NNDR Receipts	(16,025)		(15,704)
DWP grants for benefits	(24,370)		(22,375)
Other Government grants	(9,330)		(10,062)
Cash received for goods and services	(18,628)		(21,693)
Interest received	(1,633)		(1,322)
<b>Cash inflows generated from operating activities</b>	<b>(82,971)</b>		<b>(83,287)</b>
<b>Cash Out Flows</b>			
Cash paid to and on behalf of employees	15,754		14,895
Housing Benefit paid out	22,705		22,409
Other operating cash payments	40,282		38,063
Precepts paid to other authorities	5,351		5,060
Interest paid	1,165		179
<b>Cash outflows generated from operating activities</b>	<b>85,257</b>		<b>80,606</b>
<b>Net Cash Inflow from operating activities</b>		<b>2,286</b>	<b>(2,681)</b>
<b>INVESTING ACTIVITIES</b>			
- Purchase of property plant and equipment, investment property and intangible assets	24,149		16,620
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,722)		(1,427)
- Capital grants	(3,917)		(2,717)
- Proceeds from short-term and long-term investments	(4,000)		(4,000)
<b>Net cash inflow from investing activities</b>		<b>14,510</b>	<b>8,476</b>
<b>FINANCING ACTIVITIES</b>			
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)	(18,500)		(10,000)
- Other payments for financing activities	6,405		4,161
<b>Net cash outflow from financing activities</b>		<b>(12,095)</b>	<b>(5,839)</b>
Net decrease in cash and cash equivalents		4,701	(106)
Cash and cash equivalents at the beginning of the reporting period		(9,012)	(8,906)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(4,311)</b>	<b>(9,012)</b>

## Note 1 - Investment Property

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

	31 March '24			31 March '23		
	£000	£000	£000	£000	£000	£000
	East Herts District Council	Millstream Property Investments Ltd	Group total	East Herts District Council	Millstream Property Investments Ltd	Group total
Income from investment property	(501)	(263)	(764)	(822)	(215)	(1,037)
Direct expenditure arising from investment property	364	30	394	200	270	470

## Note 2 - Debtors and Creditors

The effect of transactions between the Council and its subsidiary Millstream Property Investments Ltd are eliminated in Group Accounts, therefore debtors and creditors between these parties have been excluded.

## Note 3 - Financial Instruments

IFRS 9 requirement is to consider whether loans are made under market terms, especially those made between related parties.

During the year Millstream Property Investments Ltd did not receive any loans from its parent company East Herts Council. However loans were advanced to Millstream by the parent company in 2019/20 and 2020/21 but were deemed at below market rate as there was no interest charged.

	31 March '24 £000
Opening balance at 31 March 2023	2,338
Profit or loss for 2023/24	- 128
Closing balance at 31 March 2024	2,210

	31 March '23 £000
Opening balance at 31 March 2022	
Profit or loss for 2022/23	
Capital contribution	
Closing balance at 31 March 2023	2,338

## Note 4 - Summary of Financial Position of Subsidiary

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

<b>Statement of comprehensive income and expenditure</b>	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
<b>Revenue</b>	<b>263</b>	<b>215</b>
Cost of sales	(60)	(30)
<b>Gross profit</b>	<b>203</b>	<b>185</b>
Administrative expenses	(66)	(51)
Other operating income	0	2
<b>Operating profit</b>	<b>137</b>	<b>136</b>
Interest payable	(148)	(190)
Other gains losses	(159)	65
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>(170)</b>	<b>11</b>
Tax on profit/(loss)	43	(3)
<b>Profit/(Loss) and total comprehensive income for the financial year</b>	<b>(127)</b>	<b>8</b>

<b>Statement of financial position</b>	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
<b>Non current assets</b>		
Investment properties	5,507	5,666
<b>Current assets</b>		
Trade debtor	3	2
Cash and Cash equivalents	93	68
<b>Total Assets</b>	<b>5,603</b>	<b>5,736</b>
<b>Current liabilities</b>		
Trade creditor	225	196
<b>Non current liabilities</b>		
Loans	3,097	3,089
Provision for liabilities	71	114
<b>Total liabilities</b>	<b>3,393</b>	<b>3,399</b>
<b>Net Assets/Liabilities</b>	<b>2,210</b>	<b>2,337</b>
<b>Equity</b>		
Share capital	1,656	1,656
Retained earnings	554	682
<b>Total equity</b>	<b>2,210</b>	<b>2,338</b>

# GLOSSARY OF FINANCIAL TERMS

## **Accounting Policies**

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

- Recognising;
- Measuring bases;
- Presenting.

## **Accruals**

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

## **Accumulated Absences**

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

## **Actuarial Gains and Losses**

Changes in the net pensions liability that arise because

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

## **Amortisation**

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

## **Asset**

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

## **Capital Expenditure**

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

## **Capital Financing Requirement**

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

## **Capital Receipts**

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

## **CIPFA**

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

## **Code of Practice on Local Authority Accounting (The Code)**

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

### **Community Assets**

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

### **Consistency**

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

### **Contingent Asset**

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

### **Contingent Liability**

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

### **Creditor**

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

### **Current Service Cost (Pensions)**

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

### **Curtailment**

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

Curtailments include:

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

### **Debtor**

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

### **Deficit**

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

### **Defined Benefit Scheme**

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



**Depreciation**

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

**DEFRA**

Department for Environment, Food and Rural Affairs.

**DWP**

Department for Work & Pensions.

**Expected Rate of Return on Pensions Assets**

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

**Earmarked reserve**

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

**Financial Instruments**

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

**Finance Lease**

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

**Government Grants**

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

**International Financial Reporting Standards**

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

**Impairment**

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

**Infrastructure Assets**

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

**Intangible Asset**

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

**Interest Cost (pensions)**

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

**Investments (non-pensions fund)**

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

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

**Investment properties**

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

**LAA**

Local Area Agreement.

**Liquid resources**

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

**MHCLG**

Ministry of Housing, Communities and Local Government (formerly DCLG - Department for Communities and Local Government).

**MTFP**

Medium Term Financial Plan.

**NDR**

Non Domestic Rates.

**Operating Lease**

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

**Past Service Cost**

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

**Revenue Expenditure**

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

**REFCUS (Revenue Expenditure Funded from Capital Under Statute)**

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

**Surplus**

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

# Statement of Responsibilities for the Statement of Account

## The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

## The Chief Financial Officers' Responsibilities

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

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

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

The Chief Financial Officer has also:

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

## EAST HERTFORDSHIRE DISTRICT COUNCIL

### Certificate of Responsible Finance Officer

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2024.



Signed .....

Date

29/04/2025

**Brian Moldon**

Head of Strategic Finance and Section 151 Officer  
East Hertfordshire District Council

Signed .....

Date

**Councillor Martin Adams**

Chairman of Audit and Governance Committee