

## Accounting Policies 2025/26

	<b>General Policies</b>
i.	The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Accounts and Audit (England) 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 2025/26 and the Service Reporting Code of Practice (SeRCOP) 2025/26, 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.	<b>Accruals of income &amp; expenditure</b>
	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.	<b>Cash and cash equivalents</b>
	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
v.	<b>Prior period adjustments, changes in accounting policies and estimates and errors</b>
	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.
<b>vi.</b>	<b>Charges to revenue for non-current assets</b>
	Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year;
	<ul style="list-style-type: none"> <li>• Depreciation attributable to the assets used by the relevant service</li> </ul>
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• Amortisation of intangible fixed assets attributable to the service.</li> </ul>
	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.
<b>vii.</b>	<b>Employee benefits</b>
	<b>Benefits payable during employment</b>
	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.
	<b>Post employment benefits (pensions)</b>
	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.

	<p>Liabilities are discounted to their value at current prices, using a discount rate. 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.</p>
	<p>The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value as required under IAS19.</p>
	<p>The change in the net pensions' liability is analysed into seven components:</p>
	<ul style="list-style-type: none"> <li>• 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;</li> </ul>
	<ul style="list-style-type: none"> <li>• 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;</li> </ul>
	<ul style="list-style-type: none"> <li>• 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;</li> </ul>
	<ul style="list-style-type: none"> <li>• 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;</li> </ul>
	<ul style="list-style-type: none"> <li>• 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;</li> </ul>
	<ul style="list-style-type: none"> <li>• 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;</li> </ul>
	<ul style="list-style-type: none"> <li>• 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</li> </ul>
	<p>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</p>

	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.
<b>viii.</b>	<b>Events after the balance sheet date</b>
	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:
	<ul style="list-style-type: none"> <li>• 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</li> </ul>
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
	Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.
<b>ix.</b>	<b>Government grants and contributions - revenue and capital</b>
	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.
<b>x.</b>	<b>Minimum revenue provision</b>
	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.
<b>xi.</b>	<b>Overheads and support services</b>
	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.
<b>xii.</b>	<b>Provision for bad debt</b>
	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 – Age and previous experience
	Council Tax – Age and previous experience
<b>xiii.</b>	<b>Revenue Expenditure Funded from Capital under Statute (REFCUS)</b>
	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.
<b>xiv.</b>	<b>Capital receipts</b>
	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.
<b>xv.</b>	<b>VAT</b>
	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.

<b>xvi.</b>	<b>Tax Income (Council Tax, Non-Domestic Rates (NDR))</b>
	The Council Tax and NDR income in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Councils General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement
	The Balance Sheet includes the Council's share of the end of year balances in respect of the Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments, and appeals.
	Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line within the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.
<b>xvii.</b>	<b>Interests in other entities</b>
	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.
	In addition, the Council also has an interest in Hertfordshire Building Control Limited, a company which is equally owned by seven Hertfordshire authorities.
<b>xviii.</b>	<b>Capitalisation of interest</b>
	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.