

**Annual Governance
Statement
and
Statement of Accounts
(Audited)
2013/2014**

**North
Hertfordshire
District Council**



**Annual Governance
Statement
2013/2014**

**North
Hertfordshire
District Council**



Annual Governance Statement

1. Scope of Responsibility

- 1.1 North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, NHDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
- 1.3 NHDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The Council reviewed its governance framework in 2013/14 and updated the Local Code of Corporate Governance.
- 1.4 A copy of the code is on our website at <http://www.north-herts.gov.uk> or can be obtained from the Customer Service Centre, NHDC, Gernon Road, Letchworth Garden City, Herts, SG6 3JF. This statement explains how NHDC has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 regulation 4(3) which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of NHDC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at NHDC for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

3. The Key Elements of the Governance Framework

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are described in the following paragraphs:
- 3.2.1 Focus on the purpose of the Council and on outcomes for the community and create and implement a vision of the local area**
- 3.2.2 The Council and its strategic partners are committed to the vision for the District, 'Making North Hertfordshire a vibrant place to live, work and prosper'. The Council recognises that achieving this vision requires a joint effort and has in place this mission statement, 'To work collaboratively with our partners and communities to deliver the vision for the district of

Annual Governance Statement

North Hertfordshire'. The Sustainable Community Strategy was developed after extensive consultation with our partners and the public. It provides a vision for North Hertfordshire to 2021 and is kept under review to ensure that it incorporates and reflects the latest priorities towards that delivery timescale, and within decreased resources for all members of the partnership. Such review will also incorporate any changes which are proposed by the 'Deregulation Bill' currently before Parliament, which proposes the removal of the existing statutory duty on local authorities (Local Government Act 2000) to produce a Sustainable Community Strategy.

3.2.3 The Council's "Priorities for the District" Document focuses on what the Council will contribute to achieving its three priorities. In 2013/14 these were:

- **Living within our means to deliver cost effective services**

This included initiatives on new ways of working, delivering value for money, reviewing service subsidies and reducing overall spend to match available income without reliance on reserves.

- **Working with local communities**

To allow the Council to recognise community development work in the widest sense and the existing work on our Town Centres, rural strategy and the Localism agenda.

- **Protecting our environment for our communities**

This priority demonstrates the Council's continuing commitment to care for the environment and do what it can to protect it within limited resources. This includes protection of the green belt, waste reduction, recycling, work on carbon dioxide reduction, energy efficiency and park renovation.

3.2.4 The Priorities were reviewed in 2013/14 and have been revised to the following and are effective from 1 April 2014:

- Promoting Sustainable Growth
- Working with our Communities
- Living within our Means

3.2.5 The Council ensures that its key priorities determine the allocation of resources to deliver its agreed activities. A robust Corporate Business Planning programme is used to score identified projects against criteria including the Council's agreed policy, its priorities, the outcomes of public consultation, demonstration of continuous improvement and changing legislative need. New funding (investment) or funding from services downsized or de-prioritised (efficiencies) is allocated to projects based on the outcomes of this exercise. Agreed projects were then included in the relevant service plans which underpinned the Priorities for the District in 2013/14.

3.2.6 Achievement of the Priorities for the District has been monitored throughout 2013/14 via the Council's Senior Management Team and a mid-year update and end of year report to Cabinet. The monitoring of delivery against the priorities reviews the Council's capacity to deliver agreed projects within the agreed cost, time and resources.

3.2.7 To further ensure that non-core resources are directed and / or redirected towards the achievement of agreed objectives and priorities within the Priorities for the District, there is an annual critical review of existing services and budgets. This process helps ensure the economic, effective and efficient use of resources and is undertaken within the framework of the Value for Money (VfM) Strategy. The process is overseen and scrutinised by the Challenge Board (Corporate Board from August 2014) which is made up of the Council's most senior officers (the Chief Executive, Strategic Directors and the Accountancy Manager)

Annual Governance Statement

- 3.2.8 The financial elements of our Corporate Business Planning Process are set out in the Medium Term Financial Strategy which looks five years ahead to ensure the Council's commitment to the delivery of its Priorities. The Council has a good track record of robust financial management and internal control, but our resources are necessarily limited and efficiencies year on year continue to be required. There is, therefore, increasing reliance on excellent partnership working to ensure we demonstrate value for money in the delivery of our plans and actions.
- 3.2.9 The Council continues to ensure the accounts are compliant to the Local Authority Accounting Code of Practice. Performance against its budget is monitored quarterly and through the Corporate Business Planning Process, and it ensures that the level of reserves it holds is sustainable over the medium term. The Medium Term Financial Strategy will continue to take account of the current economic climate and the forthcoming changes to Local Authority funding.
- 3.2.10 The Council has a Treasury Management Strategy that is reviewed each year and monitored quarterly. This ensures the Council has sound processes and controls over the Treasury function that minimise risks to the Council.
- 3.2.11 The Council communicates the district vision and achievements against its priorities via a quarterly publication, 'Outlook' that is delivered to the homes of its residents. The 'Council Tax Information' leaflet gives further information on our performance, expenditure and efficiencies and is posted on the Council's website. For the autumn of 2014, 'Outlook' will contain a Council review of the 2013/14 financial year summarising key achievements against the priorities referred to in 3.2.4 with details of expenditure.
- 3.2.12 The Cabinet takes decisions on service and management matters. There are some exceptions to this such as matters that are reserved to Council by statute; strategy and policy; local issues as delegated by Cabinet to Area Committees; and matters delegated to officers. Cabinet meets a minimum of 6 times per year. Portfolio Holders are councillors appointed to the Cabinet by the Leader of the Council, with specific executive responsibility for various Council services and functions.
- 3.2.13 The Council's Overview & Scrutiny Committee sets an agreed work programme for a number of Task and Finish Groups and reviews, which supplement scheduled meetings and ensure further Member scrutiny and analysis of how the Council deploys and utilises its resources. The Overview & Scrutiny Committee, having reviewed policy recommendations and completed task and finish reviews, can make recommendations to Cabinet which reflect their findings in order to further inform the decision making process. The public are encouraged to engage in the work of the Overview & Scrutiny Committee and the Committee meetings dates, and agenda, are publicised.
- 3.2.14 The Finance, Audit and Risk Committee and the Overview & Scrutiny Committee provide on-going monitoring and scrutiny of financial management, performance, policy and action plans. Further challenge is provided by Members through meetings with portfolio holders, comments received by consultation with area committees and Member workshops.
- 3.2.15 Scrutiny is provided at Officer level through the work of the Council's internal audit function that is delivered by a Shared Internal Audit Service (SIAS). The annual risk-based audit plan contributes to the review of the Council's key internal control systems, risk management processes and corporate governance arrangements. SIAS supports the design and effectiveness of the governance framework. Each internal audit is given an assurance level. The definition of each of the assurance levels are provided in Table 1 below:

Annual Governance Statement

Table1: Shared Internal Audit Service – definition of assurance levels

Level of assurance	Definition
Full	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified
Substantial	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited	There are significant weaknesses in key control areas, which put the system objectives at risk.
No	Control is weak, leaving the system open to material error or abuse.

- 3.2.16 Quarterly monitoring meetings are held with the Head of Assurance from SIAS, the Council's Section 151 Officer and Head of Finance, Performance & Asset Management to ensure a high standard of internal audit support is maintained. In addition there are regular meetings between the Audit Manager and Head of Finance, Performance & Asset Management. The audit plan was reviewed after six and nine months to identify any amendments needed to reflect changing priorities, emerging risks or resourcing changes. Amendments are made in the first six months of a financial year only if significant changes occur to one of these factors.
- 3.2.17 Further challenge is provided by the Senior Management Team, Challenge Board (Corporate Board from August 2014) and the Senior Managers Group.
- 3.3 Ensure that Members and Officers work together to achieve a common purpose with clearly defined functions and roles**
- 3.3.1 The Constitution includes a scheme of delegation and terms of reference for each of the Council's committees. Responsibilities are recorded to make clear how the executive and non-executive functions operate within the Council. The Constitution reflects the legislative arrangements for defining executive and non-executive functions. A fundamental review of the Constitution was undertaken in 2013/14. The responsibility for these functions, and the relevant committees which operate under either Council or Executive function, can be found in Section 14 of the Council's revised Constitution.
- 3.3.2 The Scheme of Delegation defines the general power to act granted to the Chief Executive and Strategic Directors within the areas of their service responsibility.
- 3.3.3 The Constitution is published on the Council's website. A training exercise regarding the Council's Constitution, was undertaken by the Council's Officer Senior Management Group (SMG) in March 2014.
- 3.3.4 Members are responsible for ensuring that effective policy making, scrutiny and monitoring of activities occur. A clear committee structure assists such responsibilities to be effectively carried out. Member expertise and involvement is further enhanced by the Portfolio roles of Cabinet Members and the on-going training and development of Members.
- 3.3.5 The Council has a statutory responsibility to have a Section 151 Officer and a Monitoring Officer. The Strategic Director of Finance, Policy and Governance is the Section 151 Officer (Chief Finance Officer (CFO)) who has a duty to the Council's taxpayers to ensure

Annual Governance Statement

that public money is being appropriately spent and managed. The Monitoring Officer is the Corporate Manager of Legal Services who acts as guardian of the Council's Constitution to ensure lawfulness, probity and fairness of Council decision making.

- 3.3.6 The CFO reports directly to the Chief Executive. The CFO ensures that appropriate advice is given on all financial matters, is responsible for keeping proper financial records and accounts and for maintaining an effective system of internal control.
- 3.3.7 Officer decision-making at a strategic level is led by the Senior Management Team, comprising the Chief Executive, Strategic Directors, Heads of Service and Corporate Managers. This met throughout 2013/14 and addressed at each meeting: finance, policy, governance, human resource issues and performance including the delivery of the Priorities for the District.
- 3.3.8 The Council's financial management arrangements conform with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 3.3.9 To ensure that a constructive working relationship exists between elected Members and officers, there is an agreed protocol which governs Member and Officer working relationships. This was revised in 2013/14 to ensure it remained current.
- 3.4 **Promotes values for the Council and demonstrates the values of good governance through upholding high standards of conduct and behaviour**
- 3.4.1 To ensure Councillors, co-opted Members of the District Council and all Town, Parish and Community Councillors in the District behave in a way that exemplifies high standards of conduct and effective governance, the Standards Committee promotes and maintains high standards of conduct. Council Officers are likewise expected to maintain such high standards of conduct.
- 3.4.2 A revised Member Code of Conduct was approved by Council in 2013.
- 3.4.3 The Council has a staff Code of Conduct that is on the Council's intranet in the same way as all Council policies.
- 3.4.4 Regular records of advice on Code issues are kept by the Monitoring Officer. The Standards Committee oversees the number and types of complaints dealt with through the local referrals process.
- 3.4.5 Declaring interests under the Code of Conduct is a standing item on the agenda at every committee meeting and declarations are minuted by the clerk. A legal adviser attends all Council, Cabinet, Planning and Licensing Committee meetings to advise on Code and other issues where this is requested or otherwise considered appropriate. Advice on Code-related issues is also given in the Members Information Service when necessary (a weekly briefing also produced on the intranet that gives Members regular updates on civic engagements, press releases and other items of interest or that need to be noted by Members etc). A Planning Code of Conduct is in place and is adhered to by Members who sit on the Planning Committee.
- 3.4.6 Members and Officers comply with a Gifts & Hospitality policy and the Registers are reviewed by the relevant Strategic Director/Monitoring Officer. They can also be called in at any time by the Monitoring Officer.
- 3.4.7 There is an internet page explaining how complaints can be made against Councillors. This can be done by either downloading a complaint form or making a complaint on line. The web page also has links to the Code of Conduct within the Constitution. A confidential Monitoring Officer email inbox continues to be available to receive complaints.

Annual Governance Statement

- 3.4.8 A register of Council contracts is published on the Council's website. In addition details of the Council's spend above £500 (excluding VAT) is published on a monthly basis.
- 3.5 Take informed and transparent decisions which are subject to effective scrutiny and managing risk**
- 3.5.1 Underpinning the Council's financial management arrangements is a regulatory framework comprising Financial Regulations, Contract Procurement Rules, annual audits of key financial systems, audits of other systems undertaken on a risk-based basis and the role of the statutory Section 151 officer.
- 3.5.2 There are some corporate groups that collectively monitor a range of Council processes and procedures. The Contracts and Procurement Group monitors the Contract Procurement Rules and the Procurement Strategy. The Statutory Officers Group reviews internal and Member governance issues. The Risk Management Group monitors the Council's risk management framework.
- 3.5.3 A regular review and update of Financial Regulations and Contract Procurement Rules is undertaken. These reviews are led by the Head of Finance, Performance and Asset Management and involve relevant key Officers. Key financial systems have supporting procedure notes and manuals, which are regularly reviewed to ensure they remain current.
- 3.5.4 The Risk and Opportunities Management Policy and Strategy was reviewed in 2013/14 and will be reviewed triennially unless there are significant changes that require the documents to be updated in the interim. In addition to the Risk Management Group, monitoring is provided by the Finance, Audit & Risk Committee and if necessary referrals are made to Cabinet. An annual report is presented to Full Council.
- 3.5.5 The strategic importance of robust risk management is further emphasised by the designation of a Senior Officer (Head of Finance, Performance & Asset Management) and Member (Portfolio Holder for Finance and IT) as 'Risk Champions'. Both 'Champions' attend the Risk Management Group and oversee the implementation of the Risk Management Strategy.
- 3.5.6 The Monitoring Officer has processes for review of legislative changes which feed into the annual review of the Constitution. Consultation meetings and other forms of communication between the Monitoring Officer and senior managers as appropriate ensures that managers can contribute to revisions of the scheme of delegation and terms of reference. The annual review of the Council's Constitution which includes all terms of reference and scheme of delegation is discussed with the Leader of the Council and opposition group leaders and is formally agreed by Council. The Monitoring Officer retains overall responsibility for monitoring the Constitution.
- 3.5.7 The Council's policies and procedures are drawn up and regularly reviewed to ensure compliance with current legislation and regulations. Legal Services assists with updating and amending relevant policies and advises on legal implications including legislative impacts on decisions put forward in committee reports. Equalities implications, and the need to complete an equality analysis as necessary, are also considered as part of the committee reports.
- 3.5.8 Concerns regarding non-compliance with policies, procedures, laws and regulations can be reported through the Council's Anti-Fraud and Corruption and Confidential Reporting (Whistleblowing) policies. Concerns raised are investigated and acted on following clearly defined guidelines.
- 3.5.9 The Whistleblowing policy is published on the Council's intranet and internet to raise awareness and outlines procedures in place to staff, contractors and the public and features in the induction for new staff. The review of this policy was commenced in 2013/14. The Anti- Fraud and Corruption and Anti-bribery and Corruption policies are on

Annual Governance Statement

the intranet and are given to all new members of staff as part of our comprehensive staff induction process.

- 3.5.10 The Monitoring Officer, after consulting with the Chief Executive and Section 151 Officer, has statutory powers to report to Council or Cabinet in relation to any function, any proposal, decision or omission that he or she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- 3.5.11 The Finance, Audit & Risk Committee receives regular reports from the Council's External Auditor, the Shared Internal Audit Service, Risk Management Group and the Accountancy Manager. Where appropriate, comment is made on non-compliance with legislation that has been identified as part of a routine audit. The Chief Financial Officer has direct access to this Committee as well as to external auditors.
- 3.5.12 All members of the Finance, Audit & Risk Committee have received formal training in risk management so as to allow them to appreciate the nature of risk presented to the Council through its activities. Training on internal audit has been given to augment the Committee's knowledge of this function.
- 3.5.13 The Constitution includes the delegation to the Head of Finance, Performance & Asset Management to undertake the role of Anti-Money Laundering Officer in the event of any concerns being reported.
- 3.6 **Develop the capacity and capability of members and officers to be effective:**
- 3.6.1 The Council's Appraisal Process not only identifies progress and performance, but also skills gaps. Any identified gaps are then addressed through an individual's personal development plan. Personal development and delivery against agreed personal objectives are monitored through agreed six monthly appraisal reviews for managers and on-going one to one discussions. This process ensures that the Council continually has in post individuals equipped to carry out their functions with due regard to law, policy and regulation.
- 3.6.2 As part of the business planning process, each service plan includes learning and development needs linked to specific actions. This ensures that the skills sets required to deliver the key priorities and actions for the Council are identified and training and development planned and provided.
- 3.6.3 Changes to and development of training programmes are disseminated to relevant staff through the Council's training and development programme published on the intranet and more broadly using the Council's other internal communication mechanisms.
- 3.6.4 The Council fully supports the development of Members and the budget for member training has been delegated to each of the political groups. Members are encouraged to have personal development programmes.
- 3.7 **Engage with local people and other stakeholders to ensure robust public accountability**
- 3.7.1 The Overview & Scrutiny Committee is, as are all our committees, held in public to take into account the views and needs of local people. The Scrutiny process allows councillors from all political parties to challenge Council policy and actions democratically and additionally considers the performance of statutory partners dealing with Crime and Disorder matters. The Overview & Scrutiny Committee has topic specific Task & Finish Groups. The chairmanship of these groups rotates between the political groups. The Overview & Scrutiny Committee publishes an annual report as both evidence of its activities and its contribution to the Council's policy making process. The Overview &

Annual Governance Statement

Scrutiny Committee, having reviewed policy recommendations, can make representations to Cabinet which reflect their own findings and those of the communities the Council represents.

- 3.7.2 Our Corporate Business Planning process includes an annual timetable of formal consultation events, ensuring our statutory, voluntary, community parish and town council, and business partners have the opportunity to comment on budget proposals (both investments and efficiencies) under consideration.

4. Review of Effectiveness

- 4.1 North Hertfordshire District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Assurance for SIAS' annual report and also by comments made by the external auditors and, where relevant, other review agencies and inspectorates.
- 4.2 The Senior Management Team, chaired by the Chief Executive, reviews the Council's governance framework and control environment and is responsible for the preparation of this Annual Governance Statement (AGS).
- 4.3 Each Head of Service and Corporate Manager is responsible for producing their own assurance statements and developing an improvement action plan to rectify any identified governance weaknesses within their service areas. The Chairman of the Finance, Audit & Risk Committee has prepared and signed an assurance statement for the Committee as part of the overall assurance framework supporting the AGS. The Monitoring Officer reviews all of these documents. The Finance, Audit & Risk Committee members have been informed of progress on producing this Annual Governance Statement and will review it and evaluate the robustness of the underlying assurance statements and evidence.
- 4.4 No cases of maladministration were found against the Council by the Local Government Ombudsman during 2013/14.
- 4.5 The Finance, Audit & Risk Committee has reviewed progress against the AGS 2012/13 action plan that was implemented in 2013/14. Some of the key areas in the AGS of work that have been completed include:
- A review of the Contract Procurement Rules was completed and the new Rules are appended to the Constitution.
 - The actions that were agreed following the internal audit review on Corporate Governance were implemented. These included a review of responsibility for Member training, amendments to the Strategic Director job descriptions and the completion of the register of sub-delegations.
 - A thorough review of the Constitution was completed to make it clearer and more accessible to all. This defines and documents the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements. It included the procedures for convening meetings, including extraordinary meetings, of all relevant committees. It also included procedural direction to officers and members were any committee meeting to need to be closed before business were finished, due to adverse weather conditions, and in response to such a situation arising previously.
 - To support the Council's zero tolerance of fraud, an e-learning module was launched as essential learning for staff. This provides an overview of the types of fraud that might be committed and how this should be reported using the anti-fraud framework that is in place. This is also available to Members.

Annual Governance Statement

- Although Universal Credit has yet to be implemented in the District, the Council is aware of the risks arising from this and is prepared to submit relevant data to ensure minimal impact on housing benefit recipients.
 - The Council chose to make a capitalisation contribution towards its superannuation liabilities to reduce the burden on the General Fund.
- 4.6 The supplier of the Council's payroll system gave notice that the system would not be supported from 1 April 2014. The Council had limited time to implement a replacement service and decided to adopt a similar arrangement to that operated by Hertfordshire County Council Shared Managed Service and enter into a contract for payroll services with Serco PLC. In April 2014 the provision of the NHDC payroll service transferred to Serco with the latter responsible for both: maintenance of the NHDC payroll data within their SAP system; and processing of BACS payroll payments on a monthly basis. It was envisaged that, as part of the transition to these new arrangements, parallel payroll runs to facilitate a comparison of outputs between NHDC's legacy system and Serco's SAP system would take place between January and March 2014. Due to issues with the timely transfer of payroll data to the SAP system only one parallel run took place before Serco completed the first payroll run in 14/15. As a result of this, there were still a number of issues that needed to be resolved as at 1 April 2014 and this is referred to under Section 5 – Significant Governance Issues.
- 4.7 The Shared Internal Audit Service (SIAS) ensures that internal audit duties are performed independently. On the area of Information Technology there were three internal audits (IT Disaster Recovery, Document Retention and Email Encryption) that gave a moderate* level of assurance. The agreed recommendations that remain outstanding from these audits will be implemented in 2014/15.
* see table 1 in section 3.2.13
- 4.7.1 In particular the following actions arising from the High level recommendations will be monitored by the Finance Audit and Risk Committee
- there is a full comparison of the NHDC Business Continuity Plan alongside the current IT Disaster Recovery capabilities to ensure the same expectations/realities are reflected in both so that the true business service risks are clearly understood by all parties in the event of an incident occurring; in respect of BACS payments to investigate the possibility of output files from source systems being produced as 'read only' to prevent the risk of fraudulent re-routing of funds.
 - a formal plan is defined and agreed with clear ownership, specified actions and appropriate deadlines so that, immediately after the implementation of the Retention and Destruction Module, all personal data in the I@W system that are no longer required are identified and deleted together with information that exceeds the timescales in the corporate Retention Schedule.
- 4.8 A review of learning and development for Members will be completed to ensure all Members, particularly new Members will be aware of the standards expected of them and their responsibility for any Committees or roles to which they are appointed. This will be supported by guidance for Members appointed to outside bodies.
- 4.9 We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Finance Audit and Risk Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 5. Significant Governance Issues**
- 5.1 The Council will continue to work with SERCO to ensure that key controls and processes are maintained for the administration of the payroll service. This includes a month by month variance analysis. Any variances will be investigated as appropriate.

Annual Governance Statement

- 5.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

.....
Leader of the Council on behalf of
North Hertfordshire District Council

Signed

.....
Chief Executive on behalf of
North Hertfordshire District Council

**Statement of Accounts
2013/2014**

**North
Hertfordshire
District Council**



Contents

The Statement of Responsibilities for the Statement of Accounts	1
Independent Auditor's Report	2
Foreword by the Strategic Director of Finance, Policy & Governance	5
Statement of Accounting Policies	12
Comprehensive Income and Expenditure Account	28
Movement in Reserves Statement	29
Balance Sheet	30
Cash Flow Statement	31
Notes to the Core Financial Statements	32
Collection Fund Accounts	80

The Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director of Finance, Policy & Governance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

The Strategic Director of Finance, Policy and Governance Responsibilities

The Strategic Director of Finance, Policy and Governance 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 the statement of accounts, the Strategic Director of Finance, Policy & Governance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Discussed all of the above with the Finance Portfolio Holder.

The Strategic Director of Finance, Policy & Governance has also:

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

I certify that the statement of accounts gives a true and fair view of the financial position of the Authority at the 31 March 2014 and its income and expenditure for the year then ended.

Norma Atlay

Strategic Director of Finance, Policy & Governance

The Chairman of the Approving Committee Responsibilities

I confirm that these accounts were approved by the Finance, Audit & Risk Committee at the meeting held on 18 September 2014. Signed on behalf of North Hertfordshire District Council:

Chairman of meeting approving the accounts:

Councillor M.Weeks, Chairman of the Finance, Audit & Risk Committee

Date: 18 September 2014

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH HERTFORDSHIRE DISTRICT COUNCIL

Opinion on the Authority financial Statements

We have audited the financial statements of North Hertfordshire District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of North Hertfordshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director of Finance, Policy and Governance and the auditor

As explained more fully in the Statement of the Strategic Director of Finance, Policy and Governance's Responsibilities, the Strategic Director of Finance, Policy and Governance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Finance, Policy and Governance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of North Hertfordshire District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Independent Auditor's Report

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, North Hertfordshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Phil Westerman, Partner
for and on behalf of Grant Thornton UK LLP

Grant Thornton House,
Melton Street,
Euston,
London
NW1 2EP
18 September 2014

Foreword by the Strategic Director of Finance, Policy & Governance

1 . INTRODUCTION TO THE STATEMENT OF ACCOUNTS

- 1.1 The Authority is legally required to produce a statement of accounts detailing the year's financial activities and the overall financial position at the 31 March. This foreword is to provide an overview of how the accounts are presented and highlight the most significant financial matters.
- 1.2 The Statement of Accounts for the year ending 31 March 2014 are set out in this document and consist of a number of statements. Much of the information in the document is of a technical nature and has been completed to be compliant with the 2013/14 Local Authority Accounting Code of Practice and Service Reporting Code of Practice. The Statement of Accounting Policies explains the policies adopted by the Council to compile these accounts.
- 1.3 The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are 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 and reflect the adjustments between the accounting basis and the funding basis under regulations (see 1.4 below). 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.
- 1.4 The Comprehensive Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. The statement is compiled 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; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- 1.5 The Balance Sheet shows the value as at the 31 March of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve, that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Foreword by the Strategic Director of Finance, Policy & Governance

- 1.6 The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.
- 1.7 The Notes relating to the statements are detailed after the statements and provide further detail to the numbers contained within the statements.
- 1.8 The Authority is a billing authority for the collection of Council Tax and National Non-Domestic Rates (NDR) for the District. The Collection Fund Account is a notional account to show all the income collected and how it is distributed. Because the Authority is acting as an agent only the Authority's share of the Collection Fund balance is reflected in the rest of the Authority's accounts and the other statements.

2. REVIEW OF 2013/14

- 2.1 This section provides a high level summary of the financial activities of the year and highlights the most significant aspects of the financial position at the 31 March 2014. Further detail on the year end position of the usable reserves can be found in the Revenue Budget Outturn 2013/14 Report and the Capital Programme Outturn 2013/14 Report. Both of these reports were presented to Cabinet on the 24 June 2014 and are available on the Council's website.
- 2.2 The Authority has a cyclical process to determine its priorities and align both resources and finances to achieve those priorities. The high level priorities for 2013/14 were as follows:
- Living within our means to deliver cost-effective services;
 - Working with local communities; and
 - Protecting our environment for our communities
- 2.3 The priorities formed the basis for the Priorities for the District document for 2013/14 and the Authority has continued with a number of high level actions against each Priority.
- 2.4 The Authority has continued to follow the medium term financial strategy during 2013/14 and has contained spending within available resources. This strategy was developed in a period of national economic austerity and uncertainty which has played a significant part in generating the financial pressures the Authority has experienced. A new Local Government Finance Regime began on the 1 April 2013 with the Council taking on responsibility for setting a local Council Tax Reduction Scheme and taking on more risks and rewards with the Business Rate Retention Scheme. After reviewing all the key financial considerations the strategy identified that between £0.5million and £0.7million of efficiencies would need to be found to balance the budget for 2013/14.
- 2.5 The Authority subsequently budgeted and achieved ongoing identified efficiencies of £0.9million in 2013/14. This follows the achievement of on-going savings of £0.6million in 2012/13 and £1.9million in the 2011/12 budget process. Looking forward, Central Government funding is already confirmed to reduce by a further £0.4million (or 4.5%) in 2014/15 and the Authority anticipates further reductions in future years, although at the time of writing the amount of reduction is uncertain. The Authority has identified a further £1.5million of ongoing efficiencies in 2014/15 in order to set a balanced budget. It is likely the Authority will need to take a flexible approach to using available resources and continue to

Foreword by the Strategic Director of Finance, Policy & Governance

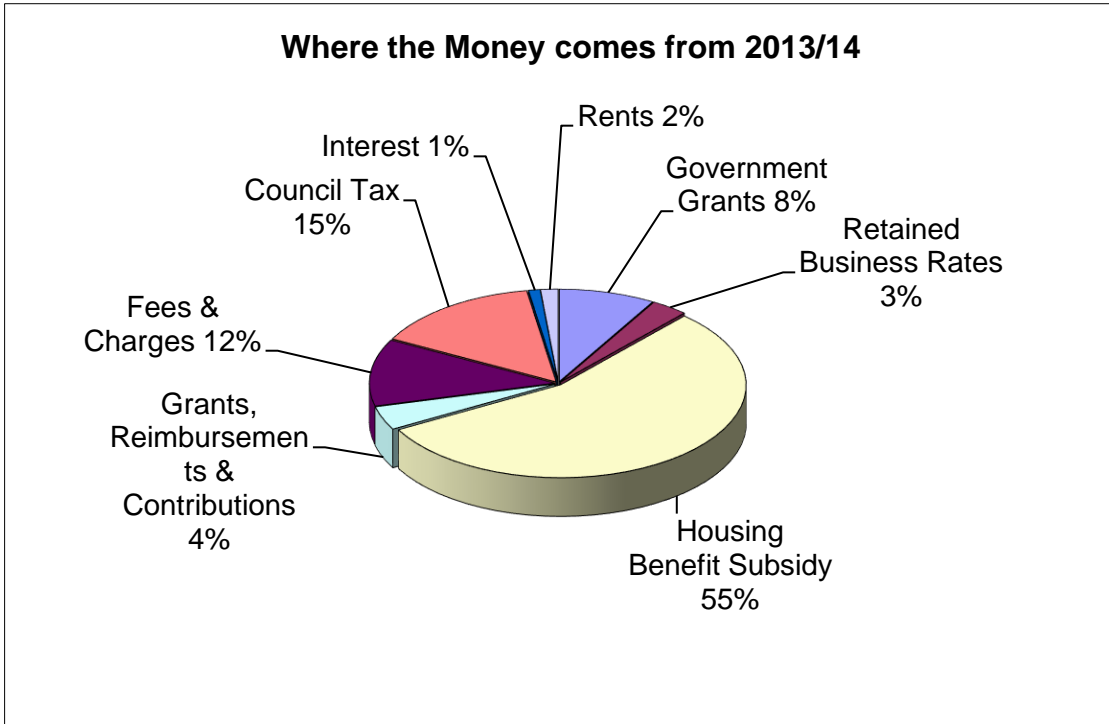
seek alternative means of working in order to continue to manage spend within the overall available resources.

- 2.6 The net worth of the Authority is £75.3million. This represents the theoretical net value of all the Authority's assets and liabilities. Of this value £65million is contained within un-usable reserves. For example, a significant proportion of the Authority's value is contained within its property portfolio. The Authority does, however, have a total of £10.3million (£8.2million at 31 March 2013) of usable reserves at 31 March 2014, which can be used to fund revenue and capital expenditure. The Authority seeks to manage the amount of available reserves in a prudent way to ensure there are adequate resources for unknown financial risks and plans for ongoing capital investment. During 2013/14 the Authority has increased its general fund reserves by just under £0.8million to £3.9million in order to cushion against unknown financial risks and funding uncertainty. The remainder of the increase in usable reserves is primarily due to a planned increase in the special reserve in order to have funds available for investment in changing services and delivering new ways of working.
- 2.7 The Authority continues to be in the position of a negative capital financing requirement (CFR). This means the Authority does not have a debt liability and has not needed to make a minimum revenue provision towards the cost of capital in 2013/14. However, the Authority has taken an approach to continue with capital investment on projects which deliver on-going revenue savings and has reduced this negative CFR to -£23.3million by not applying usable capital receipt funding to all of its capital expenditure in 2013/14. The effect of this has been to reduce the amount of cash investments available to earn interest for the general fund.
- 2.8 The Authority participates in the Local Government Pension Scheme. The scheme is administered by Hertfordshire County Council. The net position of the pension fund has a significant impact on the Authority's accounts because of the estimated size of future liabilities. The Authority has been notified by the fund actuary that the net liability has decreased by £6million during 2013/14 to £46.4million. This decrease is partly because the financial assumptions at 31 March 2014 are more favourable than they were at 31 March 2013 and partly because the Council paid a lump sum contribution of £2.4million during 2013/14 in order to reduce the on-going revenue lump sum contributions.

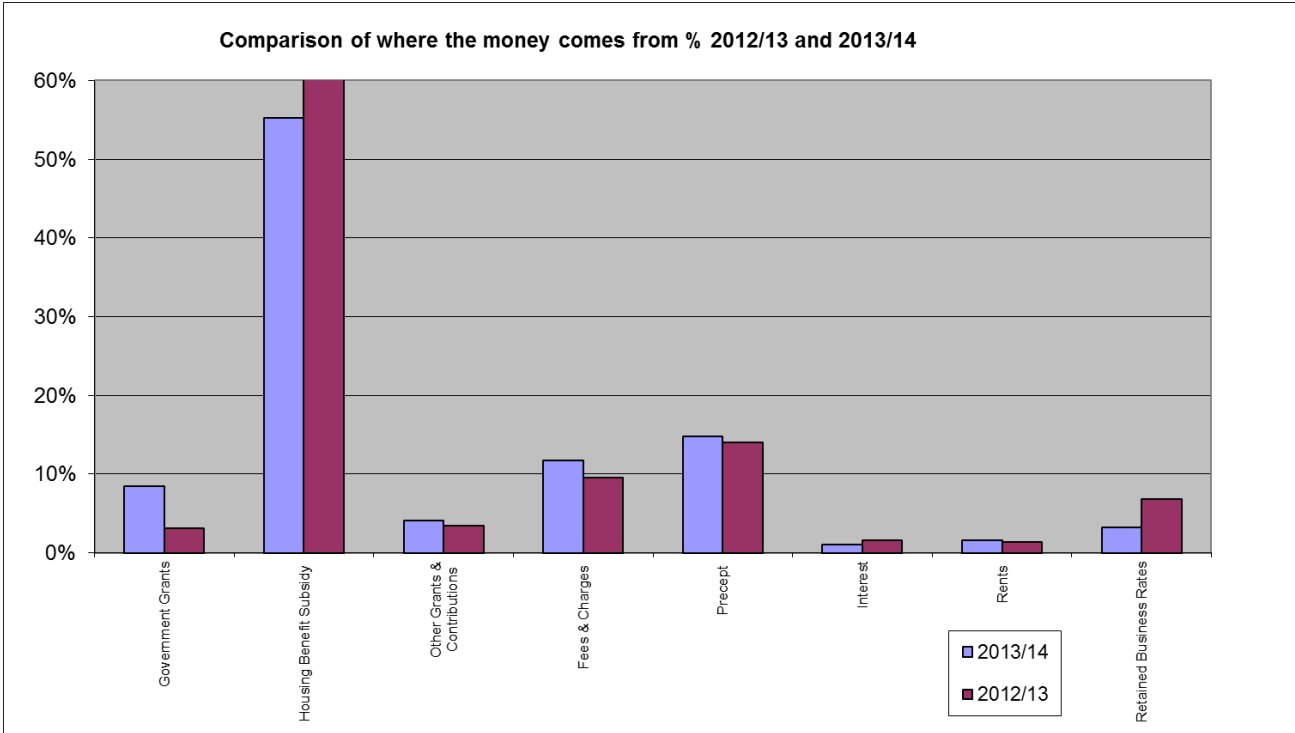
3. INCOME AND EXPENDITURE

- 3.1 There was a net deficit on the provision of services of £6.417million in 2013/14 (£4.784million restated 2012/13). While this is an accounting reflection of the financial performance of the Authority there are £7.1million of "book entries" included in order to be compliant with the Code of Practice that are not costs to be met by the General Fund or funded by Council tax. In particular, the capital charges for depreciation and impairment of assets. These adjustments are listed in note 7 to the accounts. The four charts below show in broad terms where the money came from and what it was spent on in 2013/14. There is also a comparison with the previous financial year.
- 3.2 The 2013/14 gross income (after payment of the Business Rate Tariff) was £70million. This reflects all the income to the Authority recognised in the *Surplus or Deficit on Provision of Services* line in the Comprehensive Income and Expenditure Statement and not just the gross income shown in the Net Cost of Services. The largest single item of income was housing benefit subsidy, providing 55% of the income total. The precept from taxpayers accounted for 15%, fees and charges accounted for 12% of income and Government Grants accounted for 8% of the income.

Foreword by the Strategic Director of Finance, Policy & Governance



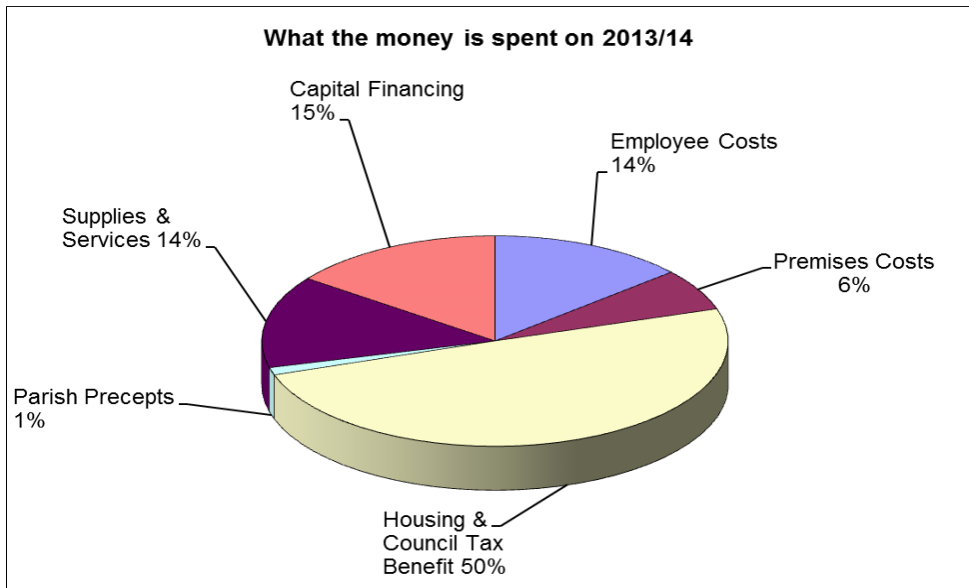
3.3 The 2013/14 income of £70million is £7million lower than the £77million received in 2012/13. The chart below compares in percentage terms the two years' sources of income.



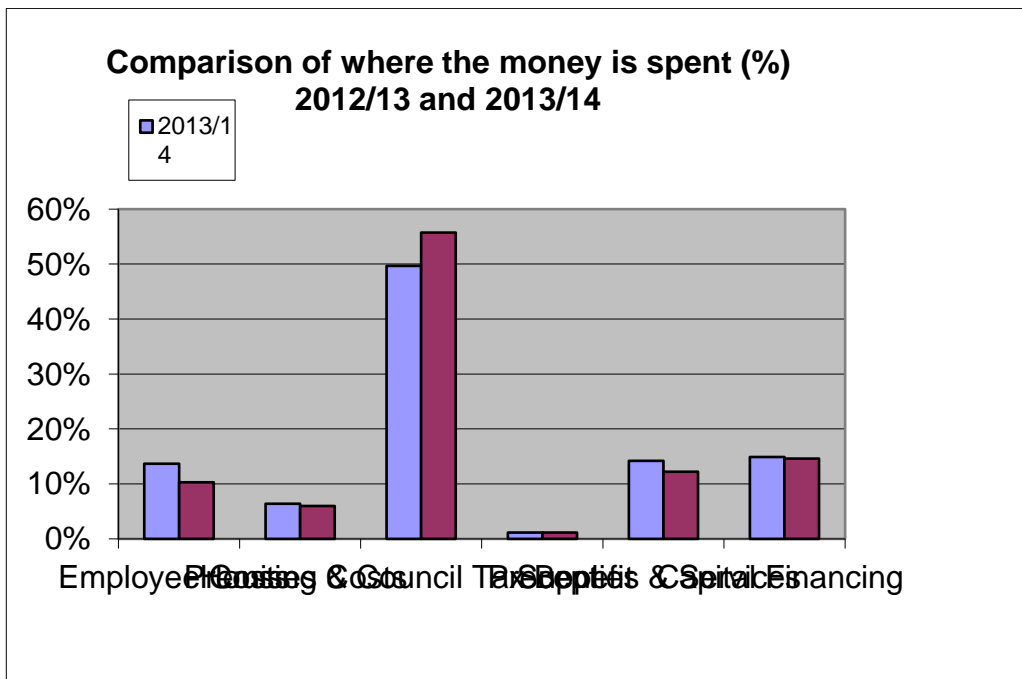
3.4 The 2013/14 gross expenditure was £76million. This reflects all the Authority's expenditure recognised in the *Surplus or Deficit on Provision of Services* line in the Comprehensive Income and Expenditure Statement. The largest single item of expenditure was housing and council tax benefit payments, which account for 50% of all expenditure. Capital financing

Foreword by the Strategic Director of Finance, Policy & Governance

charges account for 15% of the total and consist mainly of payments of interest on loans and contributions for capital expenditure. Employee costs (including associated costs such as training and recruitment costs) account for 14% of costs. Supplies and services, such as operating vehicles and purchase of goods and services were 14% of the total expenditure. Premises costs (including rents, rates, utilities and repairs and maintenance) made up 6% of costs and the Parish Precept set by the Parishes and Town Councils in the District accounted for 1%.



3.5 The 2013/14 gross expenditure of £76million is £6million (or 7.3%) lower than the £82million spent in 2012/13. The chart below compares in percentage terms the two years' sources of expenditure and in percentage terms housing benefit payments remains the biggest source of spend for both years (55% 2012/13).



Foreword by the Strategic Director of Finance, Policy & Governance

4. GENERAL FUND BUDGET

- 4.1 The 2013/14 Original General Fund Net Budget was £17.7million (including parish precept payments of £1million) and the balance at year-end on the General Fund was estimated to be a surplus of £2.3million. The actual General Fund balance as at the 31 March 2014 was a surplus of £3.9million. The 2013/14 general fund actual net spend was £15.4million. The reduction in spend over the original budget is the net result of a number of both adverse and favourable variances identified during the year. In particular the continual active management to reduce costs wherever possible and an increase in income from fees and charges for services provided, for example, parking and planning applications. This is perhaps reflective of an upbeat in the economy generally during 2013/14.
- 4.2 The Authority has a policy of seeking to maintain a prudent level of General Fund balance. At 31 March 2014, with a balance totalling £3.9million, the General Fund balance was above the recommended minimum balance of £2million for 2013/14, approved by Members of the Council in February 2013.

5. CAPITAL AND BORROWING

- 5.1 At the time of the presentation of the last Statement of Accounts in June 2013 the Authority had a capital budget for 2013/14 of £10.4million. The actual spend on capital schemes during the year was £11.5million, of which £9.7million was not funded in the accounts but paid for by drawing down cash investments and increasing the capital financing requirement. The remaining £1.8million was funded from capital receipts, government grants, third party contributions and revenue contributions.
- 5.2 The economic climate has delayed the completion of asset disposals and hence reduced the availability of capital receipts for the funding of the capital programme although it is noticeable that the market has picked up during the final quarters of 2013/14. The Authority sold two areas of land to Housing Associations in order to facilitate the delivery of affordable housing and also granted a long lease to a community group for Baldock Town Hall. The Authority is progressing with sales of other land interests in order to generate further capital receipts.
- 5.3 In previous years the Authority has funded part of the capital programme from loans. The value of long term loans owed to external parties for capital spending amount to £1.6million as at 31 March 2014. However, this sum should be viewed in relation to the value of the assets, which are valued by a combination of replacement cost and historic cost, and have a net book value of £85million. Furthermore, the Authority had cash investments of £37.5million.
- 5.4 For 2014/15 - 2016/17 the Authority has an approved capital programme of £16.5million. The categories of schemes are identified in the following table:

Capital Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Community Services	447	0	0	447
Computer Software and Equipment	251	0	0	251
Leisure Facilities	1,095	0	0	1,095
Museum & Arts Services	3,815	0	0	3,815
Advances & Cash Incentives	613	1,153	1,153	2,919
Asset Management	610	3,250	0	3,860
Parking Services	964	0	0	964
Growth Fund Projects	714	0	0	714
CCTV	3	0	0	3
Renovation & Reinstatement Grants	780	780	780	2,340
Town Centre Enhancement	141	0	0	141
Total	9,433	5,183	1,933	16,549

Foreword by the Strategic Director of Finance, Policy & Governance

To be Financed By:				
Capital Receipts	2,132	1,590	1,678	5,400
Government Grants and Other Contributions	2,691	255	255	3,201
Sums set aside from Revenue	89	88	0	177
Total Funded	4,912	1,933	1,933	8,778
Not Funded – drawdown of cash investments	4,521	3,250	0	7,771
Total	9,433	5,183	1,933	16,549

6. INTERESTS IN COMPANIES AND OTHER ENTITIES

- 6.1 Local Authorities have to consider all their interests, subsidiaries, associates and joint ventures and where material include the value of the interest in Group Accounts. The Authority has reviewed all such categories and has no material interest that would require the Authority to complete Group Accounts.
- 6.2 The Authority is engaged in a jointly controlled operation for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmere Council. Each member of the arrangement accounts for their share of the assets, liabilities and cash flows of the CCTV in their accounts. In 2013/14 all partner authorities agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV partnership. It is anticipated that the incorporation of this new company will take place during 2014/15.

7. POST BALANCE SHEET EVENTS

- 7.1 Events may occur between the balance sheet date and the date the accounts are signed by the Strategic Director of Finance, Policy and Governance which may have a bearing on the financial results of the year. Under IAS 10 (Events after the reporting period) there is a requirement to disclose the date after which events will not have been recognised in the Statement of Accounts. This date is 27 June 2014, this being the date the un-audited statement of accounts are signed by the Strategic Director.

8. FURTHER INFORMATION

- 8.1 Further information about the accounts can be obtained by contacting the Strategic Director of Finance, Policy and Governance at the Council Offices, Gernon Road, Letchworth Garden City, Herts. SG6 3JF.

Statement of Accounting Policies

1. GENERAL

- 1.1. The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and the position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003. Those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

2. ACCRUALS OF INCOME AND EXPENDITURE

- 2.1. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards or ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
 - Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
 - Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
 - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
 - Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
 - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
 - 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.

Principal and Agent Accounting

- 2.2 The majority of Council activity is completed with the Council acting entirely on its own behalf with full ownership of any risks and rewards of the transaction. This is known as the Council acting as a Principal.
- 2.3 There are some situations, however, whereby the Council is acting as an intermediary for all or part of a transaction or service. This is known as the Council acting as an Agent. The two main instances where this occurs are in relation to the collection and distribution of Council Tax and National Non-Domestic Business Rates. The Council collects Council Tax and Business Rates income on behalf of itself and preceptors (Hertfordshire County Council, Hertfordshire Police and Crime Commissioner and local town and parish councils in relation

Statement of Accounting Policies

to Council Tax and the Department for Communities and Local Government (DCLG) and Hertfordshire County Council in relation to Business Rates).

- 2.4 Any balance sheet transactions at the year end in relation to these Agent relationships are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

3. ACQUIRED AND DISCONTINUED OPERATIONS

Acquired Operations

- 3.1. Acquired operations are those which the Authority has acquired during the accounting period. Transactions in relation to newly acquired functions are disclosed separately on the face of the Comprehensive Income and Expenditure Statement and distinguished from the other continuing functions. Functions that are transferred from another Authority are also disclosed separately in the comparative year. Examples of acquired operations are:
- Services and/or geographical areas for which responsibility has passed to the Authority due to the reorganisation of local government, or
 - Services acquired as a consequence of legislation, e.g. a new statutory responsibility transferred from another entity.

Discontinued Operations

- 3.2 Discontinued operations are activities which the Authority has ceased completely (and not simply transferred to another part of the public sector). Transactions in relation to operations that are discontinued are presented separately on the face of the Comprehensive Income and Expenditure Statement and the Balance Sheet (including prior period comparatives).

4. BUSINESS IMPROVEMENT DISTRICTS

- 4.1 Business Improvement District (BID) schemes apply in Hitchin, Royston and Letchworth. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as an agent only under the scheme and so income is not shown in the Comprehensive Income and Expenditure Statement since the BID levies are collected on behalf of the relevant BID body.

5. CASH AND CASH EQUIVALENTS

- 5.1. 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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
- 5.2. 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 Authority's cash management.

6. EMPLOYEE BENEFITS

Benefits Payable During Employment

- 6.1. Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave, paid sick leave, and banked hours in the flexi scheme for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) 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 wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out

Statement of Accounting Policies

through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

- 6.2. Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis in the Comprehensive Income and Expenditure Statement and recognised at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring that involves the payment of termination benefits.
- 6.3. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

- 6.4. As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.
- 6.5. The Authority participates in one pension scheme, the Local Authority Pension Scheme, administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Local Government Pension Scheme

- 6.6. The Local Government Pension Scheme is accounted for as a defined benefits scheme:
- The liabilities of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit 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 earnings for current employees.
 - Liabilities are discounted to their value at current prices, using a discount rate based on the indicative current rate of return on high quality corporate bonds of equivalent currency and term as the liabilities (rated at the level of AA or equivalent).
 - The assets of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the balance sheet at their fair value:

quoted securities	– bid price
unquoted securities	– professional estimate
unitised securities	– average of the bid and offer rates
property	– market value.
- 6.7. The change in the net pensions liability is analysed into the following components:
Service cost comprising:
Current service cost – the increase in liabilities as a result of years of service earned in the financial year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Statement of Accounting Policies

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Net Interest on the net defined benefit liability (asset) – i.e. the net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any charges in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Hertfordshire Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

- 6.8. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 notional 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.

Discretionary Benefits

- 6.9. The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. EVENTS AFTER THE BALANCE SHEET DATE

- 7.1. 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 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.
- 7.2. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. EXCEPTIONAL ITEMS

Statement of Accounting Policies

- 8.1. When items of income and expenditure are material and significant to the understanding of the Council's financial performance, their nature and amount is disclosed separately in the notes to the accounts.

9. FINANCIAL INSTRUMENTS

- 9.1. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities.

Financial Liabilities

- 9.2. 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 carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings, the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
- 9.3. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
- 9.4. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

FINANCIAL ASSETS

- 9.5. Financial assets are classified into two types:
- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
 - Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments
- 9.6. The Authority does not have any available for sale assets.

Loans and Receivables

- 9.7. Assets of this type will arise where the Council provides money, goods or services to another party and contracts to defer the settlement of the debt that arises, but in the meantime will not plan to trade the receivable on the market. Loans and receivables 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 of Accounting Policies

Statement of interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

- 9.8. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.
- 9.9. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. GOVERNMENT GRANTS AND CONTRIBUTIONS

- 10.1. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:
- The Authority will comply with the conditions attached to the payments, and
 - The grants or contributions will be received.
- 10.2. Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
- 10.3. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. 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 revenue grants have been ring-fenced to a specific service and have not been spent at the Balance Sheet date they are reversed out of the General Fund Balance and posted to an ear-marked reserve (revenue grants with less than £1,000 left unspent at the Balance Sheet date are treated as Creditors and not transferred to an ear-marked reserve).
- 10.4. 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 capital expenditure.

11. HERITAGE ASSETS

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

- 11.1 Heritage assets have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. The Authority's Heritage Assets consist of collections of assets or artefacts either exhibited or stored in the Authority's Museums (Letchworth and Hitchin

Statement of Accounting Policies

Museums and Art Galleries) or the Museum Resource Centre, and items of public Sculpture and Artwork.

- 11.2 Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as described below. The Authority's heritage assets are accounted for as follows:
- 11.3 Art Collection
- The art collection includes paintings (both oil and watercolour) and sketches and consists of approximately 2,600 items. The Museums' Manager undertakes an annual programme of valuations by reviewing the archives of auctions houses to identify similar paintings by the same artist which have sold in the recent past.
 - Other than a small number of items of significant interest the majority of the art collection is not considered to have a material monetary value and so the Authority does not recognise the collection on the Balance Sheet. Much of the art collection has been donated from local painting societies and therefore is not by artists who would attract value for their work. The small number that are recognised on the Balance Sheet are deemed to have indeterminate lives and a high residual value; hence the authority does not consider it appropriate to charge depreciation.
 - Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the Museum's Manager or external valuer with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.
- 11.4 Archaeology
- The Authority does not consider that reliable cost or valuation information can be obtained for all but one of the items held in its archaeological collection (approximately 360,000 items). This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Authority does not recognise these assets on the Balance Sheet.
 - The exception to this rule is a silver coin collection which is valued in the same way as described for the art collection above.
 - Acquisitions are principally by donation. The Authority does not (normally) make any purchases of archaeological items.
- 11.5 Other Museum Collections
- Other collections include ceramics and glass (approximately 600 items), costume and costume accessories (approximately 4,500 items), documents (approximately 20,000 items), military (approximately 1,000 items), natural sciences (approximately 500,000 items), photography (approximately 500,000 items) and social history (approximately 22,000 items).
 - The Authority considers that obtaining valuations for the vast majority of these collections would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Authority does not recognise these collections on the Balance Sheet.
 - Acquisitions are recognised at cost or, if bequeathed or donated at nil consideration, at valuation.
- 11.6 Public Sculptures / Artwork
- Where the Authority has commissioned and installed public sculptures and/or artwork in the District the items are recognised on the balance sheet at cost or market valuation, if available.
 - Acquisitions are initially recognised at cost with valuations provided by the Museums Manager or external valuer, if appropriate.

Statement of Accounting Policies

11.7 The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see section 17 in this summary of significant accounting policies.

11.8 The Authority has a policy for the acquisition and disposal of Museum collections. The policy states there is a strong presumption against the disposal of any items in the museum's collection and decisions to dispose of items will not be made with the principal aim of generating funds. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

12. INTANGIBLE ASSETS

12.1. Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

12.2. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

12.3. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

12.4. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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 in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

12.5. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

13. INVENTORIES AND LONG TERM CONTRACTS

13.1. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in Progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

13.2. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Statement of Accounting Policies

14. INVESTMENT PROPERTY

- 14.1. Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
- 14.2. 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 arms-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.
- 14.3. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

- 15.1. Jointly controlled operations are activities undertaken by the Authority in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.
- 15.2. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other partners, with the assets being used to obtain benefits for the partners. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

16. LEASES

- 16.1. 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. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
- 16.2. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee Finance Leases

- 16.3. 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. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.
- 16.4. 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

Statement of Accounting Policies

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- 16.5. 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 Authority at the end of the lease period).
- 16.6. The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

- 16.7. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance leases

- 16.8. Where the Authority 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 assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and loss on disposal. A gain, representing the Authority'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.
- 16.9. 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).
- 16.10. 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.
- 16.11. The written-off value of disposals 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Statement of Accounting Policies

Operating Leases

- 16.12. Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained on 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.

17. OVERHEADS AND SUPPORT SERVICES

- 17.1. The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
 - Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.
- 17.2. These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

18. PROPERTY, PLANT AND EQUIPMENT

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

Recognition

- 18.2. Expenditure, above the de-minimis level, on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. 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) or is below the de-minimis level, is charged as an expense when it is incurred.
- 18.3. The Authority's de-minimis level is £20,000 for property and £10,000 for vehicles, plant and equipment.

Measurement

- 18.4. 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.
- 18.5. The Authority capitalises any borrowing costs directly incurred whilst an asset is under construction. Borrowing costs are not permitted to be capitalised once an asset is operational.
- 18.6. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Statement of Accounting Policies

- 18.7. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.
- 18.8. Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – depreciated historical cost.
 - All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- 18.9. Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. In such cases an estimate of the cost to re-build a similar asset (to provide the same function), using modern building practices and the latest information from the Building Cost Information Services is used as the value of the asset.
- 18.10. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.
- 18.11. Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of a loss previously charged to a service.
- 18.12. Where decreases in value are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
 - Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- 18.13. 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.

Impairment

- 18.14. 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.
- 18.15. 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.

Statement of Accounting Policies

- 18.16. 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

- 18.17. Depreciation is provided for all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

- 18.18. Depreciation is calculated on a straight line allocation over the useful life of the property as estimated by the valuer. There is no depreciation in the year of disposal but a full year's depreciation charge in the year of acquisition. Assets are typically depreciated over the following lives:

Fixed Asset	Life
Operational Buildings	Up to 50 years
Vehicles & Plant	5 to 10 years
Community Assets	Up to 50 years
Infrastructure	Up to 40 years

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

- 18.20. An individual item of property, plant or equipment is componentised and each resultant significant component is recognised and depreciated separately subject to the following principles:

- Individual assets with a carrying value less than £500k are disregarded for componentisation (subject to an assessment of the materiality of any group of assets that have been disregarded).
- A component is judged to be significant and hence recognised and depreciated separately if the cost of the component is at least 20% of the overall cost of the asset and the component's useful life and required method of depreciation is different to the overall asset.
- The significance of a component relative to the overall asset is determined when an asset is enhanced, acquired or revalued (e.g. as part of the five-year rolling programme).
- The cost of a component is based on best estimates where historical cost of assets and components is not available.

- 18.21. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

- 18.22. When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses

Statement of Accounting Policies

recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

- 18.23. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
- 18.24. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
- 18.25. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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.
- 18.26. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.
- 18.27. The written-off value of disposals 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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

19. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

- 19.1. Prior period adjustments may arise as a result of a change in accounting policy 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.
- 19.2. 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 Authority's financial position or financial performance. When 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.
- 19.3. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

- 20.1. 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.
- 20.2. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and

Statement of Accounting Policies

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.

- 20.3. 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 (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
- 20.4. 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 obligation is settled.

Contingent Liabilities

- 20.5. A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will not be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

- 20.6. A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21. RESERVES

- 21.1. The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.
- 21.2. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

22. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

- 22.1. Expenditure incurred during the year that may be capitalised under statutory provisions but 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.
- 22.2. Where the Authority 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 then reverses out the amounts charged so that there is no impact on the level of council tax.
- 22.3. While the Authority has a de-minimis level for capitalising expenditure on its own assets there is no de-minimis level for revenue expenditure funded from capital under statute.

Statement of Accounting Policies

23. TRUST FUNDS AND THIRD PARTY ASSETS

- 23.1. Where the Authority acts as sole managing trustee for a Trust the net balance of the transactions incurred in running the Trust is included in the Comprehensive Income and Expenditure Statement. The Authority also holds income received for S106 legal agreements and unilateral undertakings relating to the submission of planning applications and these are treated as receipts in advance in the Balance Sheet before they are applied.

24. VAT

- 24.1. Value Added Tax (VAT) payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Comprehensive Income and Expenditure Account

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; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated 2012/13			Note	2013/14		
£'000	£'000	£'000		£'000	£'000	£'000
3,947	(1,129)	2,818		3,488	(1,291)	2,197
7,649	(646)	7,003		6,115	(548)	5,567
8,458	(3,054)	5,404		9,147	(3,226)	5,921
3,003	(1,108)	1,895		2,608	(1,042)	1,566
50,604	(48,736)	1,868		42,251	(40,692)	1,559
2,596	(2,044)	552		2,324	(2,497)	(173)
2,825	(5)	2,820		2,864	(3)	2,861
49	0	49		2,529	0	2,529
79,131	(56,722)	22,409		71,326	(49,299)	22,027
		938	Other Operating Expenditure	8		2,212
		138	Financing and Investment Income & Expenditure	9		736
		(18,701)	Taxation and Non-Specific Grant Income & Expenditure	10		(18,558)
		4,784	(Surplus) or Deficit on Provision of Services			6,417
		(3,960)	(Surplus) or Deficit on Revaluation of non-current assets			(1,071)
		5,281	Re-measurements of the net defined benefit liability	15		(8,394)
		1,321	Other Comprehensive Income and Expenditure			(9,465)
		6,105	Total Comprehensive Income and Expenditure			(3,048)

Service Reporting Code of Practice:

The above revenue service analysis is compliant with the latest accounting code of practice.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are 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 and reflect the adjustments between the accounting basis and the funding basis under regulations.. 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.

The Movement in Reserves Statement has been restated for 2012/13. This is explained in note 6.

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	2,674	2,776	1,197	210	6,857	71,460	78,317
Restated Movement in Reserves during 2012/13:							
Surplus or (deficit) on provision of services	(4,784)	0	0	0	(4,784)	0	(4,784)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(1,321)	(1,321)
Total Comprehensive Expenditure and Income	(4,784)	0	0	0	(4,784)	(1,321)	(6,105)
Adjustments between accounting basis & funding basis under regulations (Note 7)	5,208	0	46	890	6,144	(6,144)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	424	0	46	890	1,360	(7,465)	(6,105)
Transfers to/from Earmarked Reserves (Note 38)	63	(63)	0	0	0	0	0
Increase / (Decrease) in Year	487	(63)	46	890	1,360	(7,465)	(6,105)
Balance at 31 March 2013	3,161	2,713	1,243	1,100	8,217	63,995	72,212
Movement in Reserve during 2013/14							
Surplus or (deficit) on provision of services	(6,417)	0	0	0	(6,417)	0	(6,417)
Other Comprehensive Expenditure and Income	0	0	0	0	0	9,465	9,465
Total Comprehensive Expenditure and Income	(6,417)	0	0	0	(6,417)	9,465	3,048
Adjustments between accounting basis & funding basis under regulations (Note 7)	8,477	0	96	(36)	8,537	(8,537)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,060	0	96	(36)	2,120	928	3,048
Transfers to/from Earmarked Reserves (Note 38)	(1,289)	1,289	0	0	0	0	0
Increase / (Decrease) in Year	771	1,289	96	(36)	2,120	928	3,048
Balance at 31 March 2014	3,932	4,002	1,339	1,064	10,337	64,923	75,260

Balance Sheet as at 31 March 2014

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

31 March 2013 £'000		Note	31 March 2014 £'000
67,326	Property, Plant and Equipment	23	70,535
512	Heritage Assets	28	556
14,469	Investment Property	24	14,530
86	Intangible Assets	29	59
8,758	Long Term Investments (non-property)	34	7,758
172	Mortgages	34	165
31	Loans	34	22
2,073	Other Long Term Debtors	34	2,073
93,427	Long Term Assets		95,698
64	Inventories	31	81
4,684	Short Term Debtors	32	6,283
37,746	Short Term Non Property Investments	34	29,012
0	Assets Held for Sale	25	2,000
1,593	Cash & Cash Equivalents	11	1,240
44,087	Current Assets		38,616
(2,619)	Short Term Borrowing	34	(1,498)
(3,904)	Short Term Creditors	33	(4,370)
(2,918)	Receipts in Advance	33	(3,413)
(9,441)	Current Liabilities		(9,281)
(1,660)	Long Term Borrowing	34	(1,572)
(1,171)	Long Term Creditors	30	(1,149)
(163)	Provisions (> 1 year)	36	(569)
(52,458)	Liability related to Pension Scheme	15	(46,372)
49	Deferred Credits		49
(458)	Capital Grants Receipt in Advance	17	(160)
(55,861)	Long Term Liabilities		(49,773)
72,212	Net Assets		75,260
8,217	Usable Reserves	38	10,336
63,995	Unusable Reserves	39	64,924
72,212	Total Reserves		75,260

The un-audited accounts were issued on 27 June 2014. The audited accounts were authorised for issue on the 10 September 2014.

Note 6 to the accounts details prior period adjustments reflected in the accounts for 2012/13 as a result of a change in policy with regard to employment benefits. The restatement has not had an impact on the position of the net liability of the pension fund as at 31 March 2013 and so there is no change to the Balance Sheet. For this reason the Authority has decided it is not necessary to provide a third balance sheet, as would normally be the requirement under IAS 8.

Cash Flow Statement

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

2012/13 £'000	2013/14 £'000
(4,192) Net surplus or (deficit) on the provision of services	(6,417)
6,444 Adjustments for non-cash movements	6,203
(1,217) Adjustments for items that are investing and financing activities	8,097
1,035 Net cash flows from operating activities	7,883
(1,311) Investing Activities	(6,312)
(429) Financing Activities	(1,924)
(705) Net Increase or (decrease) in cash and cash equivalents	(353)
2,298 Cash and Cash Equivalents at the beginning of the year	1,593
1,593 Cash and Cash Equivalents at the end of the year	1,240

Notes to the Core Financial Statements

Index of Explanatory Notes to the Core Financial Statements

Financial Statement	Note No.	Note	Page
All	1	Accounting Standards that have been issued but not yet adopted	33
All	2	Critical judgements in applying accounting policies	34
All	3	Assumptions made about the future and other major sources of estimation uncertainty	34
CIES	4	Material items of income and expense	36
All	5	Acquired and discontinued operations	36
All	6	Prior period adjustments	36
Movement in Reserves	7	Adjustments between accounting basis and funding basis under regulations	38
CIES	8	Other operating expenditure	40
CIES	9	Financing and investment income and expenditure	40
CIES	10	Taxation & non-specific grant income and expenditure	40
Balance sheet	11	Cash and cash equivalents	41
All	12	Undischarged obligations arising from long term contracts	41
All	13	Trading operations	42
CIES	14	Contribution to Housing Pooled capital receipts	42
All	15	Pension schemes	42
CIES	16	Agency services	46
CIES	17	Grant income	47
CIES	18	Employees remuneration	48
CIES	19	Termination benefits and exit packages	51
CIES	20	Members' Allowances	51
CIES	21	Fees payable to the authority's appointed external auditors	51
CIES	22	Related party transactions	52
Balance sheet	23	Property, plant and equipment	52
CIES	24	Investment properties	55
Balance sheet	25	Assets held for sale	55
Balance sheet	26	Capital expenditure and financing	56
Balance sheet	27	Construction contracts	56
Balance sheet	28	Heritage assets	57
Balance sheet	29	Intangible assets	58
Balance sheet	30	Assets held under lease and for lease	59
Balance sheet	31	Inventories	60
Balance sheet	32	Debtors	61
Balance sheet	33	Short term creditors and receipts in advance	61
Balance sheet	34	Financial instruments	62
Balance sheet	35	Insurance	66
Balance sheet	36	Provisions	66
All	37	Trust funds and third party funds	67
Movement in Reserves	38	Usable reserves	67
Movement in Reserves	39	Unusable reserves	70
Movement in Reserves	40	Amounts reported for resource allocation decisions	74
All	41	Contingent assets	77
All	42	Contingent liabilities	77
All	43	Events after the reporting period	78
Cash flow stmt	44	Notes relating to the cash flow statement	78

Notes to the Core Financial Statements

INTRODUCTION

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013 (the Code) and the accounting policies set out prior to the financial statements. The notes that follow (1 to 44) set out supplementary information to assist readers of the accounts.

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards that will be adopted by a future Code and are likely to apply are detailed as follows:

IAS 10 Consolidated Financial Statements (May 2011)

The assessment to determine if there should be consolidation (or group accounts) of another entity into the Authority's financial statements is by means of a control test. This standard introduces a new single definition of "control" and identifies control as the basis for consolidation into the financial statements. The consolidation process is unchanged.

The Authority does not have an interest which currently requires group accounts and this change is not expected to change that position as at 31 March 2014. Consequently, *IAS 27 Consolidation and Separate Financial Statements (as amended in May 2011)* is also not expected to have an impact on the presentation of the 2013/14 accounts.

IFRS 11 Joint Arrangements (May 2011)

The focus of the assessment of a Joint Arrangement will no longer be on legal structure but on how rights and obligations are shared by parties to the arrangement. The pre-requisite to accounting as a joint arrangement is that there needs to be joint control (two or more parties). There will also be only two models for classification of joint arrangements into:

- Joint Ventures
- Joint Operation

It is not anticipated the amended standard will have a material retrospective impact on the 2013/14 accounts. The Authority is a partner in a joint arrangement with Stevenage, East Herts and Hertsmere Councils for the provision of CCTV. In 2013/14 all partner authorities agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV partnership.

IFRS 12 Disclosure of Interests in Other Entities (May 2011)

This is a new standard with the objective to require an entity to disclose information that enables users of its financial statements to evaluate:

- The nature of, and risks associated with, its interest in other entities; and
- The effects of those interests on its financial position, financial performance and cash flows.

The aim is to improve disclosure of interests in other entities – particularly structured entities. This standard could result in additional disclosures in the future although it is expected the application of the materiality and substance over form principals will limit this.

IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)

An Associate is an entity over which an investor has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control), and investments in associates are, with limited exceptions, required to be accounted for using the equity method.

The Authority does not hold such influence over another entity as at 31 March 2014 and so no retrospective impact is anticipated when the changes are adopted by the Code.

Notes to the Core Financial Statements

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011)

This standard attempts to clarify the approach to offsetting derivative contracts and other financial instruments and consider disclosure requirements that would allow users to more easily compare credit exposure. It is not expected that these changes will have a significant impact on the presentation of the Authority's relatively un-complex financial instruments.

IAS 1 Presentation of Financial Statements (as amended in May 2011)

The amended standard seeks to clarify the presentation of items of Other Comprehensive Income and is not anticipated to have a material impact on the presentation of the Authority's financial statements as at 31 March 2014.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies (see the Statement of Accounting Policies), the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication of the degree to which the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has determined that the lease of Letchworth multi-storey car park from Letchworth Garden City Heritage Foundation is a finance lease and has recognised the property as an asset on the balance sheet with a carrying value at the 31 March 2014 of £171,600. A liability for the lease repayments has also been recognised. This judgement has been made due to; the length of the lease being most of the useful life of the building, the significant capital investment by the Authority in the building and the materiality of the income earned from operating the property.
- The majority of the Authority's investment properties are industrial sites which attract rental income at the market rate. As such, the properties clearly meet the definition for classification as investment. The Authority has determined that the ownership of the Churchgate site in Hitchin is also an investment property (carrying value of £1.6million) as there is no alternative policy for ownership other than for rental income or capital appreciation.
- The Authority launched a Local Authority Mortgage Scheme during 2012/13. The Scheme is a national Scheme which operates in a uniform and consistent manner and is open to all local authorities and all mortgage lenders. Participating local authorities set aside a sum of money to support a financial indemnity for the partner mortgage lender(s). This indemnity enables the applicant to apply for a mortgage with only a 5% deposit as opposed to the deposits of around 10% to 20% required by most mortgage lenders. A total of £2million was provided to cash back the scheme of which £1million was provided by this Authority and £1million provided by Hertfordshire County Council. The cash advance has been judged to be financial assistance as the advance payment is used "towards" the acquisition of a house by the mortgagor, although it does not result in Local Authority expenditure. As such, the advance is judged to comply with the statutory definition of capital expenditure in the regulations. A long term debtor has been recognised in the accounts which will be paid on termination of the scheme.

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Notes to the Core Financial Statements

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over estimated useful lives. If for any reason an individual asset should deteriorate at a quicker rate than expected then this could bring into doubt the useful lives assigned to individual assets. This could happen, for example, if the current period of austerity meant the necessary programme of repairs and maintenance was delayed.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £166,000 for every year that useful lives had to be reduced.
Investment Properties	Investment Properties are not depreciated but are revalued annually according to market conditions. In the current economic climate it is uncertain if there will be a significant change in property prices over the next 12 months. However, the majority of the Authority's investment properties are ground leases which are considered to be relatively secure investments and less liable to large swings in value.	A yield of 7.5% has been used in the calculation of the value of investment properties. A 0.5% reduction in the yield would reduce the carrying value of investment property by approximately £1million (this is a simple estimation for illustration only and does not consider the complexities and circumstances of individual assets).
Debtors	At 31 March 2014 the Authority had a balance of short term debtors of £7.6million. A review of the trend in collection rates and the age profile of the outstanding debt suggested an impairment of just under £1.4million was appropriate. However, in the current economic climate it is not certain if such an allowance is sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment of the doubtful debt would require an additional £1.4million to be set aside.
National Non Domestic Rates – Provision for Appeals	The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. The Authority, acting as an agent on behalf of the major preceptors, central government and itself (as principal) is required to make provisions in accordance with the requirements of the Code and legislation for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years.	A provision of £527,000 has been made, as at 31 March 2014, for the Authority's share of refunding outstanding appeals that are successful. This amount is based on the amount of outstanding appeals with the Valuation Office Agency, as at 31 March 2014, after applying an estimated overall success factor of 4%. An increase of 0.4% in the success factor would increase the amount of provision required by £63,000.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured and the sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out in the table below. The assumptions interact in complex ways. During 2013/14, the Authority's actuaries advised that the net pensions liability had decreased by £6million.

Notes to the Core Financial Statements

Change in assumptions at year ended 31 March 2014	Approximate % Increase to Employer Liability	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	11%	15,847
1 year increase in Member Life Expectancy	3%	4,244
0.5% increase in the Salary Increase Rate	4%	5,097
0.5% increase in the pension increase rate	7%	10,532

4. MATERIAL ITEMS OF INCOME AND EXPENSE

The Code of Practice requires the disclosure of the nature and amount of any material items of income and expenditure which are not separately disclosed on the face of the Comprehensive Income and Expenditure Statement.

The following material items of income and expenditure are included in the Cost of Services in the Comprehensive Income and Expenditure Statement:

Category	Description of Material Item	Comment
Housing Services	Housing and Council Tax Benefits	The Authority paid a total of £37.9million of Housing Benefit payments in 2013/14 (£37.9million in 2012/13). This was funded by a grant subsidy from the Department for Work and Pensions of £37.6million (£37.6million in 2012/13). The Local Council Tax Reduction Scheme was introduced on 1 st April 2013 and replaced the Council Tax Benefit Scheme. The reductions on Council Tax have been accounted for within the Collection Fund in 2013/14. Council Tax benefit paid and reflected in here in 2012/13 was £8million.
Non Distributed Costs	Lump Sum pension fund contribution	In the knowledge of the latest Actuary valuation of the pension fund, the Council applied and was granted a direction by the Secretary of State to capitalise a lump sum contribution of £2.447million to the Pension Fund. This contribution was paid and treated as Revenue Expenditure Funded by Capital Under Statute.

5. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2013/14 or 2012/13. These would normally arise following boundary changes or from legislation, neither of which affected North Hertfordshire District Council during 2013/14. All operations are therefore classified as '*continuing operations*'.

6. PRIOR PERIOD ADJUSTMENTS

Post Employment Benefits

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in one pension scheme; the Local Government Pension Scheme (LGPS), administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Note 15 provides information provided by the scheme actuary about the financial position of the Authorities share of the pension fund. The note demonstrates the relevant transactions included in these financial statements.

Notes to the Core Financial Statements

The accounting policy with regards to employee benefits has been updated to be compliant with the 2013/14 Code. As such, it is necessary to reflect the change in policy in the 2012/13 financial year in order for these figures to be a useful comparison for 2013/14.

The Code now requires the net interest cost on the net defined benefit liability to be charged to the Surplus or Deficit on the Provision of Services and then the expected return on plan assets to be charged to Other Comprehensive Income and Expenditure. The expected return on plan assets was previously recognised in the Surplus or Deficit on the Provision of Services.

The effect of the restatement on the 2012/13 financial statements are as follows:

- An increase in the deficit on the provision of services by £592,000.
- A decrease of £592,000 in the actuarial loss charged to Other Comprehensive Income and Expenditure.
- A corresponding adjustment between the accounting basis and funding basis under regulations in the Movement in Reserves Statement.

The restatement has not had an impact on the position of the net liability of the pension fund as at 31 March 2013 and so there is no change to the Balance Sheet. For this reason the Authority has decided it is not necessary to provide a third balance sheet, as would normally be the requirement under IAS 8.

Disclosure Error – New Homes Bonus

In the 2012/13 Comprehensive Income and Expenditure Statement the New Homes Bonus was shown within the Corporate and Democratic Core line of the Cost of Services. This was incorrect because the New Homes Bonus is un-ringfenced funding and is not spent on any one specific service. As such, it should have been shown within the Taxation and Non-Specific Grant Income line as it is for 2013/14. The change does not have an impact on the Net Deficit on Provision of Services for 2012/13 but at £1.042million was a material error in the presentation of the Comprehensive Income and Expenditure Statement.

Effect on Comprehensive Income and Expenditure Statement

	As Previously Stated 2012/13 £'000	As Restated 2012/13 £'000	Correction 2012/13 £'000
Corporate & Democratic Core	1,778	2,820	1,042
Cost of Services	21,367	22,409	1,042
Financing & Investment Income & Expenditure (note 9)	(454)	138	592
Taxation & Non-specific Grant Income & Expenditure	(17,659)	(18,701)	(1,042)
Deficit on Provision of Services	4,192	4,784	592
Actuarial losses on pension assets / liabilities	5,873	5,281	(592)
Total Comprehensive Income & Expenditure	6,105	6,105	0

Effect on Movement in Reserves Statement (General Fund Balance)

	As Previously Stated 2012/13 £'000	As Restated 2012/13 £'000	Correction 2012/13 £'000
Deficit on Provision of Services	(4,192)	(4,784)	(592)
Adjustments between accounting basis & funding basis under regulations (note 7)	4,616	5,208	592
Increase / (Decrease) in Year	487	487	0
Balance at 31 March 2013	3,161	3,161	0

Notes to the Core Financial Statements

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The first table shows the adjustments made in the comparative year 2012/13:

Restated 2012/13	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(4,312)	0	0	4,312
Movements in the fair value of Investment Properties	87	0	0	(87)
Amortisation of Intangible Assets	(183)	0	0	183
Capital Grants and contributions applied	1,760	0	(890)	(870)
Revenue Expenditure funded from capital under statute	(1,164)	0	0	1,164
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	0	0	0	0
General Fund Grants and contributions previously recognised as capital expenditure	(232)	0	0	232
Heritage Assets Grants and contributions applied	30	0	0	(30)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	41	0	0	(41)
General Fund expenditure previously recognised as capital expenditure	524	0	0	(524)
Capital Expenditure charged against the General Fund	181	0	0	(181)
Adjustments involving the Capital Receipts Reserve:				
Use of the capital receipts reserve to finance new capital expenditure	0	(41)	0	41
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	(11)	11	0	0
Transfer from deferred capital receipts reserve upon receipt of cash	0	(16)	0	16
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,863)	0	0	3,863
Employers pensions contributions and direct payments to pensioners payable in year	1,914	0	0	(1,914)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	22	0	0	(22)
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(2)	0	0	2
Total Adjustments	(5,208)	(46)	(890)	6,144

Notes to the Core Financial Statements

The following table shows the adjustments made in 2013/14:

2013/14	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments Primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(2,235)	0	0	2,235
Movements in the fair value of Investment Properties	61	0	0	(61)
Amortisation of Intangible Assets	(52)	0	0	52
Capital Grants and contributions applied	1,514	0	36	(1,550)
Revenue Expenditure funded from capital under statute	(3,364)	0	0	3,364
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(1,719)	0	0	1,719
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	11	0	0	(11)
Capital Expenditure charged against the General Fund	24	0	0	(24)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account.	384	(384)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	292	0	(292)
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	(5)	5	0	0
Transfer from deferred capital receipts reserve upon receipt of cash	0	(9)	0	9
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,244)	0	0	4,244
Employers pensions contributions and direct payments to pensioners payable in year	1,936	0	0	(1,936)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	(769)	0	0	769
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(19)	0	0	19
Total Adjustments	(8,477)	(96)	36	8,537

Notes to the Core Financial Statements

8. OTHER OPERATING EXPENDITURE

2012/13 £000		2013/14 £000
927	Parish council precepts	871
11	Payments to the Government Housing Capital Receipts Pool	6
0	(Gains)/losses on the disposal of non-current assets	1,335
938	Total	2,212

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Restated 2012/13 £000		2013/14 £000
253	Interest payable and similar charges	200
2,163	Pensions interest cost and expected return on pensions assets	2,306
(1,209)	Interest receivable and similar income	(706)
(1,069)	Income and expenditure in relation to investment properties	(1,064)
138	Total	736

10. TAXATION & NON-SPECIFIC GRANT INCOME AND EXPENDITURE

Restated 2012/13 £000		2013/14 £000	2013/14 £000
(10,894)	Council Tax Income		(10,255)
(350)	Revenue Support Grant		(3,598)
	National Non-Domestic Business Rates (NNDR)		
0	Share of total collectible	(15,303)	
0	Less NNDR Tariff	12,266	
0	Less NNDR Collection Fund Deficit	796	
(5,258)	Net Recognised NNDR		(2,241)
(1,042)	New Homes Bonus		(1,554)
(1,157)	Capital Grants and Contributions (see below)		(910)
(18,701)			(18,558)
2012/13 £'000	Capital Grants and Contributions		2013/14 £'000
268	S106 Developer Contributions		167
0	Electric Charging Points Grant		18
889	Growth Area Fund		0
0	Co-Mingled Recycling Bins and Flats Recycling Grant		704
0	Westmill Community Centre		21
1,157	Total		910

In 2013/14 there was a change to the method for distributing and accounting for national non-domestic business rates (NNDR) income. Prior to 1 April 2013 NNDR were collected by the Council and paid over to the Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant. The Business Rates Retention Scheme came into effect on 1 April 2013 and from this date 50% of the business rates collected for the area is retained locally (North Hertfordshire Council (40%), Hertfordshire County Council (10%)). The remaining 50% is paid to central government. In addition the government has set a base level of business rates for each Council and either a top-up grant is received (if business rates collected are below this base level) or a tariff is paid to central government (if business rates collected are above this base level). North Hertfordshire District Council is a tariff Authority and paid £12.265million in 2013/14.

Notes to the Core Financial Statements

If a local authority increases its business rates income it is allowed to retain a proportion of this increased income, whilst paying 50% across to central government. This payment is known as a levy payment. The Government has also stated that no local authority will suffer a reduction in business rate income of more than 7.5% of its Business Rates funding baseline. If business rates income falls below this 7.5% level then the Government will make a safety net payment. In 2013/14 the amount of business rates income did not require a levy payment or trigger a safety net payment.

11. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2013 £000		31 March 2014 £000
21	Cash held by the Authority	85
247	Bank current accounts	125
1,325	Short-term Deposits with Banks/Building Societies	1,030
1,593	Total	1,240

12. UNDISCHARGED OBLIGATIONS ARISING FROM LONG TERM CONTRACTS

The Authority is committed to making payments estimated at £11.1million in 2014/15. The estimated liability of the contracts from 1 April 2014 to contract expiry is £27.9million. Those contracts with an annual value of over £25,000, and with more than one year left to run, are shown below.

Contractor	Service	Payment 14/15 £'000	Contract expiry date
British Gas	Electricity	165	30 September 2018
Birkin Cleaning Services	Office Cleaning	158	29 September 2018
SSC	Compliance & Maintenance Services	165	31 March 2018
Veolia	Waste Collection, Recycling, Street Cleansing	5,908	31 July 2017
John O'Connor	Grounds Maintenance, pest control, play grounds, paddling pools, cemeteries	1,809	31 March 2017
Steve Dear Tree Services Ltd	Tree Maintenance	200	31 March 2017
Danfo	Public Convenience Cleaning	74	31 March 2017
Parkeon Limited	Car Park pay and display equip	35	15 March 2017
BDP.	Bancroft Parks for All project consultancy.	59	31 December 2016
Hitchin Markets Ltd	Operation and Management of Hitchin Market	28	31 July 2016
Jontek Ltd	Telecare/ Care Line Equipment	50	14 April 2016
Travelers Lot 1 / Zurich Lot 2 / Risk Mgt Partners Lot 3 / Acre Lot 5	Provision of Insurance Services	161	31 March 2016
Phoenix Software	Microsoft Enterprise with SA Agreement	82	07 March 2016
Northgate Information Solutions UK Limited	Post scanning and Indexing	48	30 November 2015
Coin Co	Car Park Coin Collection	35	01 July 2015
Total		8,977	
Other Contract Payments		2,163	
Total Contract Payments		11,140	

Notes to the Core Financial Statements

13. TRADING OPERATIONS

The Council has no trading operations.

14. CONTRIBUTION TO HOUSING POOLED CAPITAL RECEIPTS

The Council transferred its housing stock in March 2003. However, capital receipts of £7,400 relating to the remaining outstanding right to buy mortgages were received in 2013/14. The payment to the pool of £5,550 is shown in the Comprehensive Income and Expenditure Account under Other Operating Expenditure (See Note 8).

15. PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in one pension scheme; the Local Government Pension Scheme (LGPS), administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

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

Local Government Pension Scheme	2012/13 Restated	2013/14
	£'000	£'000
Comprehensive Income and Expenditure Account: **		
Cost of Services:		
Service cost comprising:		
Current Service Cost *	1,688	1,893
Past Service Costs	12	45
Financing and Investment Income and Expenditure:		
Net Interest Expense	2,163	2,306
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,863	4,244
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined liability comprising:		
Return on Plan Assets	(8,464)	5,526
Actuarial (gains) and losses arising on changes in demographic assumptions	0	(4,596)
Actuarial (gains) and losses arising on changes in financial assumptions	14,127	(2,564)
Other	(255)	(4,371)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	9,271	(1,761)

Notes to the Core Financial Statements

Movement in Reserves Statement:	2012/13	2013/14
	£'000	£'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,863)	(4,244)
Actual Amount charged against the General Fund balance for pensions in the year:		
• Employers' contributions payable to the scheme ***	2,041	1,878
Net chargeable amount against the General Fund balance	2,041	1,878

* The service cost figures include an allowance for administration expenses of 0.4% of payroll.

** Changes to IAS19 came into effect for the financial year to 31 March 2014. The changes are adopted retrospectively for the prior year, in accordance with IAS8, and the figures restates accordingly

*** The payment of pension strain costs for early retirements in 2011/12 was made in 2012/13 and appropriately accrued back into 2011/12. As a result the actual employers contributions recognised in the general fund were £1.914million in 2012/13 (£127,000 lower than shown) and £2.117million in 2011/12 (£127,000 higher than shown). There is a corresponding adjustment in the actuarial loss recognised in the Income and Expenditure Statement. The figure of £1.878million for employers contributions to the scheme in 2013/14 was an estimate for the year, used by the Actuary, based on the first nine months contributions. The actual amount paid in the general fund in 2013/14 was £1.936million (£58k more than shown). There is a corresponding adjustment in the actuarial gain recognised in the Income and Expenditure Statement.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Government Pension Scheme	2012/13	2013/14
	£'000	£'000
Present value of the defined benefit obligation	(148,476)	(141,453)
Fair Value of plan assets	96,018	95,081
Sub-total	(52,458)	(46,372)
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	(52,458)	(46,372)

Reconciliation of the Movements in the Fair Value of Scheme Assets:

Local Government Pension Scheme	2012/13	2013/14
	£'000	£'000
Opening fair value of scheme assets	85,631	96,018
Interest Income	4,059	4,324
Re-measurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	8,464	(5,526)
Other		
The effect of changes in foreign exchange rates		
Contributions from employer	2,041	4,325
Contributions from employees into the scheme	542	524
Benefits paid	(4,719)	(4,584)
Closing fair value of scheme assets	96,018	95,081

Notes to the Core Financial Statements

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Local Government Pension Scheme	2012/13	2013/14
	£'000	£'000
Opening balance at 1 April	130,859	148,476
Current service cost	1,688	1,893
Interest cost	6,222	6,630
Contributions from scheme participants	542	524
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	0	(4,596)
Actuarial (gains) / losses arising from changes in financial assumptions	14,127	(2,564)
Other	(255)	(4,371)
Past Service Cost	12	45
Benefits paid	(4,719)	(4,584)
Closing balance at 31 March	148,476	141,453

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets			
	31 March 2013		31 March 2014	
	£'000	% of total assets	£'000	% of total assets
Cash and cash equivalents	3,574	4%	3,094	3%
Equity instruments:				
Consumer	9,613	10%	9,574	10%
Manufacturing	10,794	11%	10,955	12%
Energy and utilities	4,627	5%	4,224	4%
Financial Institutions	9,834	10%	10,326	11%
Health and care	2,202	2%	1,460	2%
Information technology	6,558	7%	6,687	7%
Other	970	1%	1,084	1%
Sub-total equity	44,598	46%	44,310	47%
Bonds:				
Corporate	7,622	8%	7,882	8%
UK Government	7,689	8%	5,857	7%
Other	2,605	3%	2,012	2%
Sub-total bonds	17,916	19%	15,751	17%
Private equity:				
All	4,042	4%	3,854	4%
Real Estate:				
UK Property	4,242	4%	3,681	4%
Overseas Property	877	1%	2,089	2%
Sub-total real estate	5,119	5%	5,770	6%
Investment funds and Unit Trusts:				
Equities	14,802	16%	14,467	15%
Bonds	1,919	2%	2,318	3%
Commodities	359	0%	404	0%
Other	3,641	4%	5,030	5%
Sub-total other investment funds	20,721	22%	22,219	23%
Derivatives:				
Forward foreign exchange contracts	48	0%	83	0%
Total assets	96,018		95,081	

Notes to the Core Financial Statements

All scheme assets have quoted prices in active markets with the exception of private equity, real estate, and derivative assets.

The scheme history is as follows:

	31 March 2010 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2014 £'000
Present Value of Liabilities	(137,185)	(118,639)	(130,858)	(148,476)	(141,453)
Fair Value of Assets	76,699	86,450	85,630	96,018	95,081
Deficit in the scheme	(60,486)	(32,189)	(45,228)	(52,458)	(46,372)

The liabilities show the underlying commitments that the Authority has in the long run to pay for post employment (retirement) benefits. The total liability of £141,453million has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £46,372million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- 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 contributions paid by the Authority are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2013), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2017 are set out in the Rate and Adjustments certificate. Further details on the approach adopted to set contribution rates for the Authority are available in the 2013 actuarial valuation report dated 28 March 2013.

The total contributions expected to be made to the Local Government Pension scheme by the Authority in the year to 31 March 2015 is £1,753,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest formal valuation of the Fund as at 31 March 2014. The significant assumptions used in their calculations are:

	31 March 2013 %	31 March 2014 %
Mortality Assumptions:		
Longevity at 65 for current pensioners*:		
Men	21.0	22.3
Women	23.8	24.3
Longevity at 65 for future pensioners*		
Men	22.9	24.3
Women	25.7	26.7
Rate of inflation	2.8	2.6
Rate of increase in salaries **	5.1	3.9
Rate of increase in pensions	2.8	2.6
Rate for discounting scheme liabilities	4.5	4.1
Proportion of Employees opting to take a commuted sum		
- pre April 2008 service	50.0	50.0
- post April 2008 service	75.0	75.0

Notes to the Core Financial Statements

* Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2010 model assuming current rates of improvement have peaked and will converge to a long term rate 1.25% p.a. Based on these assumptions the average future life expectancies at age 65 are as shown. Mortality rates have been changed since the previous accounting period.

** Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions 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, is on an actuarial basis using the projected unit credit method.

	Impact on the Defined Benefit Obligation in the scheme	
	% Increase to Liability £'000	Monetary amount £'000
Longevity (increase in 1 year)	3%	4,244
Real Discount Rate (decrease by 0.5%)	11%	15,847
Rate of increase in salaries (increase by 0.5%)	4%	5,097
Rate of increase in pensions (increase by 0.5%)	7%	10,532

Pension Fund Membership Analysis

The following table provides context to the future liabilities in terms of the proportion of active members (current contributors) to deferred members and pensioners.

	31 December 2012		31 December 2013	
	Number	Proportion	Number	Proportion
Actives	287	19%	289	19%
Deferred Pensioners	585	38%	572	38%
Pensioners	646	43%	656	43%
	1,518		1,517	

16. AGENCY SERVICES

The Authority provided highway verge maintenance and ground maintenance at Letchworth Library for Hertfordshire County Council. It also provides a grounds and building maintenance service to Royston Town Council. Income and expenditure relating to these services are listed below:

	2012/13 £'000	2013/14 £'000
Expenditure incurred in providing highway verge and grounds maintenance services at Letchworth Library to Hertfordshire County Council	310	266
Management fee payable by the County Council	(293)	(255)
Net deficit arising on the agency agreement	17	11
Expenditure incurred in providing a grounds and building maintenance service to Royston Town Council	41	25
Management fee payable by the Town Council	(21)	4
Net deficit arising on the agency agreement	20	29

Notes to the Core Financial Statements

17. GRANT INCOME RECOGNISED IN THE COST OF SERVICES

The Authority credited the following **capital** grants, contributions and donations to the net cost of services in the Comprehensive Income and Expenditure Statement:

	2012/13	2013/14
	£'000	£'000
Disabled Facilities Grant	427	287
Growth Area Fund	67	0
Hertfordshire County Council Contributions	11	0
Developer Contribution	95	13
Commuted Sums	0	304
Total	600	604

The Authority credited the following **revenue** grants, contributions and donations to the net cost of services in the Comprehensive Income and Expenditure Statement:

	Restated 2012/13	2013/14
	£'000	£'000
Benefits Administration and Fraud Initiative Grants	888	984
Housing and Council Tax Benefit Subsidy	45,848	37,545
Waste minimisation – Herts County Council contribution	395	362
Waste Service Transport Subsidy	33	30
National Non-Domestic Rates Administration Grant	181	182
Portas Grant	10	0
Homelessness Prevention Grant	88	0
Community Safety Grants	28	27
Individual Electronic Registration Grant	0	27
Council Tax Reduction Scheme – New Burdens Grant	89	66
New Burden NNDR Deferrals - DWP	3	0
Play Project – HCC	2	0
Community Right to Bid	13	16
Great Ashby Gardens	13	0
Ivel Springs - Biffa	-2	0
Air Monitoring, Defra	0	28
HCC Health and Well Being Grant	0	10
Pix Brook Project	-2	0
DCLG Waste Grants for Flats Recycling	0	58
Hertfordshire Museums – Letchworth Museum Project	0	1
Heritage Lottery Fund – Discovering Ickleford	0	9
Total	47,587	39,345

CAPITAL GRANTS RECEIVED IN ADVANCE

The Authority has received a grant in 2012/13 from the DCLG for the Weekly Collection Support Scheme. This grant is recognised as income in the Comprehensive Income and Expenditure Statement over the life of the scheme as there are conditions attached that may require the monies to be returned if the criteria of the grant are not met. The balance at the 31 March 2014 is £152,672.

The Authority has received a grant in 2013/14 of £7,131 from the DEFRA for the development work needed to the Property Land Gazateer. This grant may need to be returned to DEFRA if the conditions of the grant criteria are not met.

Notes to the Core Financial Statements

18. EMPLOYEES REMUNERATION

The Authority is required to include in the notes to the accounts the number of employees in the accounting period whose remuneration was in excess of £50,000. The remuneration is shown in each bracket of a scale in multiples of £5,000. For this purpose remuneration means all amounts paid to or receivable by an employee, other than employers pension contributions, and includes sums due by way of taxable expenses and the estimated money value of any benefits.

Remuneration Band	2012/13	2013/14
	Employees	Employees
£50,000-54,999	11	10
£55,000-£59,999	1	1
£60,000-£64,999	5	4
£65,000-£69,999	2	2
£70,000-£84,999	0	0
£85,000-£89,999	2	2
£90,000-£114,999	0	0
£115,000-£119,999	1	1
Total	22	20

Notes to the Core Financial Statements

Senior Employee Remuneration in 2013/14

The Authority is also required to disclose individual remuneration details for senior employees whose salary is £50,000 or more per year. The first table which follows details the individual remuneration for senior employees whose salary was £50,000 or more in 2013/14. The second table details the equivalent information for the comparative year, 2012/13. The Authority is voluntarily opting to disclose the name of the Chief Executive and Strategic Directors. The actual salary for the financial year might be less than £50,000 if the employee only worked for part of the year.

Post Title	Salary (including fees & allowances) £	Expense Allowances £	Benefits in Kind (e.g. Lease Car) £	Total Remuneration (excluding pension contributions) £	Pension Contributions £	Total Remuneration (including pension contributions 2013/14) £
David Scholes * Chief Executive	112,051	0	0	112,051	16,748	128,799
Norma Atlay Strategic Director of Finance Policy and Governance	85,837	0	2,333	88,170	13,046	101,216
John Robinson Strategic Director of Customer Services	88,137	0	0	88,137	13,046	101,183
Head of Development and Building Control	69,235	85	0	69,320	10,189	79,509
Head of Housing and Public Protection Service	64,364	0	2,708	67,072	9,903	76,975
Head of Policy Partnership and Community Development	62,297	244	0	62,541	9,114	71,655
Head of Finance Performance and Asset Management	62,477	0	0	62,477	9,114	71,591
Head of Revenues and Benefits	58,891	137	3,406	62,434	9,114	71,548
Head of Leisure and Environmental Services	62,406	0	0	62,406	9,114	71,520
Corporate Human Resources Manager	53,878	137	0	54,015	7,882	61,897
Corporate Legal Manager	48,444	0	0	48,444	6,966	55,410

* The Chief Executive also held the position of Returning Officer for the Council and received £4,715 of expense allowances for this role in 2013/14.

Notes to the Core Financial Statements

Senior Employee Remuneration in 2012/13

Post Title	Salary (including fees & allowances) £	Expense Allowances £	Benefits in Kind (e.g. Lease Car) £	Total Remuneration (excluding pension contributions) £	Pension Contributions £	Total Remuneration (including pension contributions 2012/13) £
David Scholes * Chief Executive	108,485	0	0	108,485	16,187	124,672
Norma Atlay Strategic Director of Finance Policy and Governance	83,370	0	4,000	87,370	12,922	100,292
John Robinson Strategic Director of Customer Services	87,337	0	0	87,337	12,922	100,259
Head of Revenues and Benefits	58,215	448	3,500	62,163	9,023	71,186
Head of Policy, Partnerships and Community Development	61,715	482	0	62,197	9,023	71,220
Head of Housing and Public Protection Service	63,586	0	3,000	66,586	9,833	76,419
Head of Leisure and Environmental Services	61,754	0	0	61,754	9,023	70,777
Corporate Human Resources Manager	61,765	207	0	61,972	9,023	70,995
Head of Development and Building Control	68,260	55	0	68,315	10,038	78,353
Head of Finance Performance and Asset Management	60,149	0	0	60,149	8,753	68,902
Acting Corporate Legal Manager and Monitoring Officer	51,601	0	0	51,601	7,487	59,088

* The Chief Executive also held the position of Returning Officer for the Council and received £6,572 of expense allowances for this role in 2012/13..

Notes to the Core Financial Statements

19. TERMINATION BENEFITS AND EXIT PACKAGES

The Authority terminated the contracts of two employees in 2013/14, incurring liabilities of £46,887 (£197,902 in 2012/13).

The number and cost of exit packages agreed and included within the termination benefit liability is shown below. The other liabilities included within the total of £46,887, but not shown in the table below, is for pay in lieu.

Exit Package Band	2012/13		2013/14	
	Number of Employees	Total Cost £	Number of Employees	Total Cost £
£0 - £49,999	10	173,286	2	46,482
£50,000 - £74,999	0	-	0	0
Total	10	173,286	2	46,482

20. MEMBERS' ALLOWANCES

The following table shows the amount of Members' allowances paid in 2013/14 compared to the previous financial year:

	2012/13 £'000	2013/14 £'000
Allowances	325	327
Expenses	18	19
Total	343	346

21. FEES PAYABLE TO THE AUTHORITY'S APPOINTED EXTERNAL AUDITORS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the Authority's external auditors. The 2013/14 audit fees have been estimated for the element of grant based audit work in conjunction with the Council's external auditors.

	2012/13 £'000	2013/14 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	68	68
Fees payable to the Audit Commission with regard to external audit services.	0	-6
Fees payable for the certification of grant claims and returns for the year	11	11
Fees payable in respect of other services provided by external auditors during the year	0	7
Total	79	80

22. RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties - bodies or individuals that have potential to control or influence the Authority or to be controlled or influenced by the Authority.

Central Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits).

Notes to the Core Financial Statements

Members have direct control over the Authority's financial and operating policies. During 2013/14, works and services to the value of £41,663 were commissioned from companies in which 11 Members had an interest. In addition, grants totalling £322,450 were paid to voluntary organisations in which 2 Members had an interest. The grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussions or decision relating to the grants. Details of all of these transactions are recorded in the Register of Members' Interest and Disclosure of Personal Interest at Meetings. Both these documents are available for public inspection at Council Offices, Gernon Road, Letchworth Garden City, Hertfordshire.

Four Council Members have a place on the board of North Hertfordshire Homes. Receipts from Service Level Agreements (SLA's), between the Authority and North Hertfordshire Homes (NHH) totalled £379,819. £120,972 was paid to NHH under reciprocal SLA's.

The Authority has no substantial interests in companies or joint ventures.

23. PROPERTY, PLANT AND EQUIPMENT

The movement on property, plant and equipment balances during the year and in the 2012/13 comparable year is detailed in the following tables.

Within each classification heading are the following types of assets:

Land & Buildings	– Offices, Depots, Leisure Facilities, Community Centres, Museums and Pavilions
Infrastructure Assets	– Capital Works to Public Roads and Drainage Schemes
Community Assets	– Commons and Parks

REVALUATIONS

The Authority has a 5 year rolling revaluation programme for its properties. Revaluations completed during the year are reflected as at 1 April of the financial year when the valuation takes place. Valuations of the Authority's properties are overseen by the Senior Estates Surveyor, Mr David Charlton, who is a professional member of the Royal Institution of Chartered Surveyors. Specialist external valuers are used for assets which require particular knowledge on the type of asset e.g. Leisure Centres.

Revaluations have been undertaken in 2013/14 in line with the 5 year rolling programme. These have resulted in a net increase to the carrying value of property, plant and equipment of just under £972,000. This increase is predominately due to two factors. Firstly, a change in valuation basis for the Authority's recreation grounds, which now have a combined carrying value of £576,000. In a previous economic climate these assets were assumed to have no market value but have now been given an existing use value using local market evidence for this type of asset. Secondly, an increase in valuation prior to the disposal of land (see below).

An impairment review was completed as at 31 March 2014 to ascertain if the carrying value of the assets had decreased materially since the last revaluation. The review also considered if, as a result of the revaluations completed in 2013/14, there was any cause to suggest that the carrying values of assets that have not been revalued in this financial year are materially different to the current fair value. The Senior Estates Surveyor did not identify any such need to either impair or further revalue any assets as at 31 March 2014.

DISPOSALS

The Authority sold two sites of land during 2013/14 (Dark Lane, Sandon and land off Templars Lane, Preston), at below market value to Housing Associations in order to facilitate the provision of new affordable social housing that might otherwise have remained as limited benefit to the community.

The Authority also disposed of Baldock Town Hall through the granting of a 99 year peppercorn lease to a local community group. The combined carrying value of these three assets at the time of disposal was £1.7million. The combined total of receipts received was £384,000.

Notes to the Core Financial Statements

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2012/13

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2012	60,059	6,930	93	5,760	1,638	769	75,249
Additions	576	342	0	59	0	308	1,285
Disposals	0	(19)	0	0	0	0	(19)
Reclassifications	(151)	26	0	0	3,750	(501)	3,124
Upward and Downward Revaluations taken to Revaluation Reserve	1,691	0	0	31	334	0	2,056
Impairments recognized in the Surplus/Deficit on the Provision of Services	(2,183)	0	0	0	(121)	0	(2,304)
At 31 March 2013	59,992	7,279	93	5,850	5,601	576	79,391
Depreciation & Impairments							
At 1 April 2012	(6,279)	(5,171)	(23)	(476)	(12)	0	(11,961)
Depreciation Charge for 2012/13	(1,417)	(466)	(2)	(117)	(5)	0	(2,007)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	1,891	0	0	0	12	0	1,903
At 31 March 2013	(5,805)	(5,637)	(25)	(593)	(5)	0	(12,065)
Balance Sheet amount at 31 March 2013	54,187	1,642	68	5,257	5,596	576	67,326
Balance Sheet amount at 1 April 2012	53,780	1,759	70	5,284	1,626	769	63,288

Notes to the Core Financial Statements

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2013/14

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2013	59,992	7,279	93	5,850	5,601	576	79,391
Additions	5,230	1,379	0	72	0	1,454	8,135
Disposals	(949)	0	0	0	(771)	0	(1,720)
Reclassifications	3	65	0	166	(2,000)	(234)	(2,000)
Upward and Downward Revaluations taken to Revaluation Reserve	582	0	0	0	404	0	986
Impairments recognized in the Surplus/Deficit on the Provision of Services	(50)	0	0	(2)	(2)	0	(54)
At 31 March 2014	64,808	8,723	93	6,086	3,232	1,796	84,738
At 1 April 2013	(5,805)	(5,637)	(25)	(593)	(5)	0	(12,065)
Depreciation Charge for 2013/14	(1,511)	(527)	(3)	(132)	(5)	0	(2,178)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	40	0	0	0	0	0	40
At 31 March 2014	(7,276)	(6,164)	(28)	(725)	(10)	0	(14,203)
Balance Sheet amount at 31 March 2014	57,532	2,559	65	5,361	3,222	1,796	70,535
Balance Sheet amount at 1 April 2013	54,187	1,642	68	5,257	5,596	576	67,326

Notes to the Core Financial Statements

24. INVESTMENT PROPERTIES

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

	2012/13 £'000	2013/14 £'000
Rental Income from Investment Property	(1,000)	(1014)
Deminimis land sales	0	(7)
Direct Operating Expenses arising from Investment Property	18	9
Net Gain / (Loss)	(982)	(1012)

There are no restrictions on the Authority's ability to realise the value inherent in investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The future minimum lease payments (rental income) expected from contractual obligations are:

	2012/13 £'000	2013/14 £'000
Not later than one year	(826)	(862)
Later than one year and not later than five years	(3,303)	(3,448)
Later than five years	(63,398)	(61,622)

The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £'000	2013/14 £'000
Balance at Start of the Year	13,755	14,469
Net Gains / (Losses) from Fair Value adjustments	87	61
Transfers to/from Property, Plant and Equipment*	627	0
Balance at End of Year	14,469	14,530

* On the 3rd September 2012 Letchworth Town Hall was leased to North Hertfordshire College. The transfer of this property from the Property, Plant and Equipment classification to Investment recognises the decisions taken by the Authority with regard to the Property during the year and the reasons those decisions were taken.

25. ASSETS HELD FOR SALE (Non-Current)

	2012/13 £'000	2013/14 £'000
Balance at Start of the Year	3,750	0
Assets newly classified as held for sale	0	2,000
Assets declassified as held for sale	(3,750)	0
Balance Outstanding at End of Year	0	2,000

Notes to the Core Financial Statements

26. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Of the total expenditure of £11.53million, only £1.87million has been financed immediately, resulting in an increase of £9.66million in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR remains negative (£23million at 31 March 2014) because the Authority has set aside capital receipts which exceed the amount of outstanding loans and borrowings.

	2012/13 £'000	2013/14 £'000
Capital Investment:		
Operational Assets		
Land & Buildings	576	5,166
Vehicles, Plant & Equipment	342	1,445
Community Assets	59	73
Non-Operational Assets		
Assets Under Construction	308	1,454
Intangible Assets - Software	24	24
Revenue Expenditure Funded from Capital under Statute	1,163	3,364
Total Capital Investment	2,472	11,526
Sources of Finance:		
Capital Receipts	283	292
Government Grants and Other Contributions	494	1,550
Sums set aside from Revenue	181	24
Total Finance Sources	958	1,866

Capital expenditure and income is accounted for on an accruals basis, and is financed in the year the accrual appears in the accounts.

27. CONSTRUCTION CONTRACTS

As at the 31 March 2014 the Council had committed to £3.724million of capital expenditure for a number of capital schemes within the capital programme (see the Foreword, page 11). These are as follows:

Capital Scheme	Commitment £'000
Health and Safety Compliance works	29
Transport Plans	106
Disabled Facilities Grants	329
North Herts Leisure Centre Roof Replacement	91
District Museum & Community Facility	3,040
Customer Relationship Software	76
Electronic Charging Points	53
Total Commitments	3,724

Notes to the Core Financial Statements

28. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Museum Collections	Public Sculpture / Artwork	Total Heritage Assets
	£'000	£'000	£'000
1 April 2012	435	47	482
In year Movements	30	0	30
31 March 2013	465	47	512
1 April 2013	465	47	512
Additions	20	0	20
Revaluations	25	0	25
31 March 2014	510	47	557

Museum Collections

A small number of items in the Authority's art collection and one item of the Authority's archaeology collection are reported in the Balance Sheet at insurance valuations which are based on market values. These valuations are updated annually.

Many of the paintings owned by the Authority have been donated by local painting societies and are, therefore, not by artists who would attract value for their work. Of the grand total of 2,600 items in the art collection many of them are simple sketches which have no value.

The items of the art collection recognised on the Balance Sheet include eight paintings of note by William Ratcliffe. The Authority has been donated a number of Ratcliffe paintings, prints and drawings and has added to the collection by the occasional purchase. The Authority was donated a painting called Viaduct at Hampstead Heath by Ratcliffe during 2013/14. The collection is documented in a book on William Ratcliffe published by the Authority in 2011.

Other individual items of the Museum's collections, recognised on the Balance Sheet, include a Henry Moore Sculpture, an oil painting by Spencer Gore called The Road and "The Wymondley Hoard", which consists of 600 silver Tudor coins. There are a number of other paintings in the collection, of the local area. These are of local interest but do not have a significant monetary value to a national audience.

The Authority's Museums Manager carried out a full valuation of the collections as at 31 March 2012 and reviewed these valuations as at 31 March 2014. The valuations were based on commercial markets, including transaction information from auctions where similar paintings are regularly being purchased.

The principal museum collections are not considered to have a significant monetary value and include (all numbers are approximations):

- Archaeological (small finds such as coins, jewellery, nails) – 10,000 items
- Archaeological (other finds such as pots and broken pottery, human and animal bone, building materials) – 350,000 items
- Art collection – 2,600 items
- Ceramics and glass – 600 items
- Costume and costume accessories – 4,500 items
- Documents – 20,000 items
- Military – 1,000 items
- Natural Sciences – 500,000 items
- Photography – 500,000 items
- Social History – 22,000 items

Notes to the Core Financial Statements

The majority of the collections are not recognised in the Authority's Balance Sheet since there is no readily available information on the cost or market value of such items and to obtain such information would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. The unvalued collections are insured for £2million as at 31 March 2014.

Public Sculpture / Artwork

The Authority has two items of public sculpture in Letchworth. These are the Bronze Statue of Sappho installed in Howard Gardens during 2011 and the centenary artwork 'Paradise Is' located next to the Town Hall on Gernon Road.

The Authority's civic regalia is not recognised in the financial statements. There are four ceremonial chains, which are insured in total for £9,750.

There are other Authority assets which could be considered to have attributes consistent with the definition of Heritage Assets. However, because it is deemed that they are maintained for purposes other than for their contribution to knowledge and culture they have been classified in the financial statements as Community Assets. These include the Hitchin War Memorial and open spaces and parks such as Priory Memorial Gardens in Royston and Broadway Gardens in Letchworth.

Heritage Asset Transactions

A summary of the transactions relating to Heritage Assets over the period 1 April 2013 to 31 March 2014 is as follows:

The Authority received 9 separate donations or groups of donations in the year which are of generally low or negligible value and consisted of a postcard, cap badge and two shoulder badges of George Waller, WW1; Herts Yeomanry Cap Badge; carpenters tools and a Hitchin Fire Brigade Bell; Anti-Incinerator badge (1990s); two small magazines 'Letchworth Observer' (1970s); a dozen small archaeological archives and the collection of tile wasters from Brooker's Yard in Hitchin; Late Bronze Age socketed gouge mould from Little Wymondley; Picture Post magazines; 1960s hair and dressing table items.

The Authority have added two assets on the Heritage Asset Register. The Viaduct at Hampstead Heath was previously loaned to the Museums and has now been donated. The Reclining Boy Sculpture had been donated several years ago but due to the increased valuation of the asset it has now been included on the Asset Register.

There have been no significant disposals and no impairments have been recognised.

29. INTANGIBLE ASSETS

	Purchased Software Licences £'000
Original Cost	1,359
Amortisations to 1 April 2013	(1,273)
Balance at 1 April 2013	86
Expenditure in Year	25
Written off to Revenue in Year	(52)
Balance at 1 April 2014	59

Software Licences are held for a number of systems which are detailed below, (there has been no change to the method of amortisation):

Notes to the Core Financial Statements

Software	Original Cost £'000	Life of software
Citrix	51	3 years
Service @ North-Herts	536	3-5 years
Elections Management System	13	5 years
Human Resources System	10	5 years
Electronic Payments System	20	3 years
Northgate E System	35	5 years
GIS System	34	5 years
Property & Asset Management System (GVAS)	36	5 years
IWorld Server Software	6	5 years
Traffic Mgt Act Equipment	9	5 years
Remote / Mobile Working	157	5 years
Corporate Management Performance System	23	5 years
Archiving Data System	13	5 years
Corporate Customer Property Index	47	5 years
Enterprise / Citrix / Plantech	255	3 years
Telephony	53	5 years
Integra	62	5 years
Generic Import Module	20	5 years
3Sixty Citizen Web Access	3	3 years
Total	1,383	

30. ASSETS HELD UNDER LEASE AND FOR LEASE

Operating Leases

Vehicles, Plant and Equipment

The Authority uses service vans and I.T. equipment financed under terms of an operating lease. The amount paid under these arrangements in 2013/14 was £82,041 (2012/13 at £102,920).

Property

The Authority paid £195,323 in rent / leasing charges for properties in 2013/14. The most significant amount of £148,050 was paid for the District Council Offices for the period prior to the purchase of the property in November 2013.

Commitments under operating leases

The Authority was committed at 31 March 2014 to making payments of £1.393 million under operating leases over the following periods:

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	279	89
Later than one year and not later then five years	389	182
Later than five years	141	1,122
	809	1,393

Authority as Lessor

The Authority has granted various leases to commercial and industrial organisations under terms of an operating lease. The amount received under these arrangements in 2013/14 was £1,007,659 (2012/13 £1,003,038). The gross value of assets held for these leases is £14.530 million and is detailed in Note 24, Investment Properties.

Notes to the Core Financial Statements

Finance leases

The Authority leases the Letchworth multi-storey car park from the Letchworth Garden City Heritage Foundation. The lease term is 60 years from 19 April 1977.

The Authority also has two remaining other finance leases at 31 March 2013. A lease for wheeled compost bins which had an initial value of £26,390 and a lease for an envelope inserter machine which had an initial value of £32,325.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2013 £'000	31 March 2014 £'000
Other Land and Buildings	185	172
Vehicles, Plant & Equipment	13	5
	198	177

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest and the finance costs payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2013 £'000	31 March 2014 £'000
Finance Lease-Liabilities	171	159
Finance costs in future years	211	193
Minimum Lease Payments	382	352

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	30	26	11	10
Later than one year and not later than five years	78	67	26	19
Later than five years	274	259	134	130
	382	352	171	159

31. INVENTORIES

	31 March 2013 £'000	31 March 2014 £'000
Inventory:		
Paper and Stationery	11	8
Postage	2	6
Waste & Recycling equipment	21	33
Museum merchandise	15	14
Careline Telecare Equipment	13	17
Other	2	4
Total	64	82

Notes to the Core Financial Statements

32. DEBTORS

	31 March 2013 £'000	31 March 2014 £'000
Central Government Bodies	508	883
Impairment	0	0
Net Total Central Government Bodies	508	883
Other Local Authorities	1,139	1,408
Impairment	0	0
Net Total Other Local Authorities	1,139	1,408
Ratepayers/Council Tax payers	1,213	2,156
Impairment	(412)	(771)
Net Total Ratepayers / Council Tax payers	801	1,385
Housing Benefit Overpayments	1,228	1,387
Impairment	(388)	(373)
Net Total Housing Benefit Overpayments	840	1,014
Other Entities and Individuals	1,602	1,812
Impairment	(206)	(219)
Net Total Other Entities and Individuals	1,396	1,593
Total Net Debtors	4,684	6,283

33. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

Short Term Creditors	31 March 2013 £000	31 March 2014 £000
Central government bodies	1,559	1,708
Other local authorities	416	397
NHS bodies	1	1
Other entities and individuals*	1,928	2,264
Total	3,904	4,370

* As at 31 March 2014 there were £22k of prepayments received in the last couple of days of the year (£78k as at 31 March 2013).

Receipts in Advance	31 March 2013 £000	31 March 2014 £000
Central government bodies	29	75
Other local authorities	129	169
Other entities and individuals	2,760	3,169
Total	2,918	3,413

Notes to the Core Financial Statements

34. FINANCIAL INSTRUMENTS

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Financial Liabilities at amortised cost:				
Creditors payable in one year	0	0	3,904	4,370
Borrowing	1,660	1,572	2,619	1,498
Total Financial Liabilities:	1,660	1,572	6,523	5,868
Financial Assets (loans and receivables):				
Debtors	2,276	2,260	4,684	6,283
Investments	8,758	7,758	37,746	29,012
Cash & Cash Equivalents	0	0	1,593	1,240
Total Financial Assets:	11,034	10,018	44,023	36,535

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

	Financial Liabilities At amortised cost £'000		Financial Assets Loans & Receivables £'000		Total £'000	
	2013	2014	2013	2014	2013	2014
Interest Expense	(253)	(200)	0	0	(253)	(200)
Interest Payable & Similar Charges	(253)	(200)	0	0	(253)	(200)
Interest Income	0	0	1,208	707	1,208	707
Interest & investment income	0	0	1,208	700	1,208	707
Net gain/(loss) for year	(253)	(200)	1,208	707	955	507

Financial Liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value is assessed as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, using the following assumptions:

- A 'premature repayment' set of rates, supplied by the Council's financial advisors, in force on the 31 March 2014 has been used to supply the fair value for loans
- Transaction costs on all financial liabilities and financial assets are immaterial (transaction costs do not include internal administrative costs)
- Interest payable and receivable reflects market rates
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	8,183	9,100	7,440	8,076

Notes to the Core Financial Statements

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

	31 March 2013		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans & Receivables	55,057	55,057	46,543	46,543

The fair value of the loans & receivables is no different to the carrying amount because the Authority's portfolio of investments reflects the interest market rates available at the Balance Sheet date and the relevant transaction costs are immaterial.

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a Central Treasury Team, under policies approved in the annual Treasury Management Strategy. The Authority 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.

Credit Risk

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

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Treasury Management Strategy ensured that its counterparty lists and limits reflected a prudent attitude towards organisations with whom funds were deposited, and limited its investment activities to the instruments, methods and techniques referred to in the Treasury Management Practices adopted by the Authority. It also maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements. There were no defaults on investments in 2013/14 or 2012/13. The table below details the investment limits for 2013/14.

Notes to the Core Financial Statements

	Maximum Amount of Investment Allowable £ million	Amount Invested as at 31 March 2014* £ million
UK Clearing Banks	9.00	6.030
UK Clearing Banks (Wholly owned Subsidiaries)	9.00	1.000
Building Societies (Assets £4.5bn)	9.00	7.750
Building Societies (Assets £2.5bn - £4.5bn)	9.00	0
Building Societies (Assets £1bn to £2.5bn)	6.00	6.500
Building Societies (Assets £0.3bn to £1bn)	4.00	16.250
Public Corporations	9.00	0
Other Local Authorities	9.00	0
Total Invested		37.530

* This column shows the total invested in all counterparties in the group (for example, there was £16.25million invested in seven separate building societies, assets £0.3bn to £1bn, as at 31 March 2014). The Council has not invested above the maximum allowable per counterparty at any time during the year.

The analysis of these £37.53million of investments by credit rating at year end is as follows:

	AAA or equivalent	AA / AA-or equivalent	A / A- or equivalent	BBB+/BBB or equivalent	Not rated*
Investments	0	0	£12.28million	£2.5million	£22.75million

* Many Building Societies do not pay to be credit rated. The Authority has chosen not to exclude Building Societies from its counterparty list for this reason alone and has continued to make cash deposits with Building Societies during the year. The Authority has chosen not to invest in any foreign financial institutions.

The Authority does not allow credit facilities for customers with relationship to payments for the provision of services.

Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority reviews its borrowing requirements as part of its annual Treasury Management Strategy and the standard policy has been to limit the amount of borrowing and reduce the exposure to liquidity risk. The strategy during 2013/14 was to utilize capital receipts set aside reserves and no new long term borrowing was taken out.

The total financial liability is made up as follows:

	31 March 2013 £'000	31 March 2014 £'000
Public Works Loan Board	1,265	660
Banks and Other Monetary Sectors	3,000	2,400
Total Borrowing	4,265	3,060
Less: Debt Maturing in 12 Months	2,605	1,487
Total Long Term Borrowing	1,660	1,573

Notes to the Core Financial Statements

At 31 March 2014 the average rates of interest on the different varieties of loans were as follows:

	%
Other Loans	9.09
Public Works Loan Board	8.39

The consolidated rate of interest, the rate used for internal transactions, was 9.15%.

The maturity analysis of the long term financial liabilities is as follows:

	P.W.L.B. £'000	Banks etc. £'000	Other £'000	Total £'000
Maturing in more than 1 and less than 2 years	57	0	0	57
Maturing in more than 2 and less than 5 years	76	1,000	0	1,076
Maturing in more than 5 and less than 10 years	93	0	0	93
Maturing in more than 10 years	347	0	0	347
Total	573	1,000	0	1,573

Market Risk

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be included in the Surplus or Deficit on Provision of Services and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 30% of borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2014 if interest rates had been 1% higher with all other variables held constant, the effects seen in the Income and Expenditure Statement would have been an increase of £21k in interest receivable from cash investments. The fair value of the loans outstanding would have been £19k higher (cost of repayment would have increased). This is shown below:

Notes to the Core Financial Statements

	£'000
Increase in interest receivable on variable rate investments	(21)
Impact on Income and Expenditure Account	(21)
Decrease in fair value of fixed rate loans	19

Price risk

The Council does not have any equity shares or shareholdings and thus has no exposure to a loss arising from movements in the prices of shares.

Foreign exchange risk

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

35. INSURANCE

The Council maintains and reviews an insurance reserve which at 31 March 2014 had a balance of £27,720, a decrease of £10,616 from the balance at 31 March 2013. The reserve is in place to cover the self-insurance of a number of items for which there is no external insurance cover.

The Council does not insure its own properties against the perils of malicious damage, accidental damage and subsidence. Theft from buildings (such as lead) is not covered although theft of contents is insured.

The Council has decided to self-insure some assets such as Town Centre CCTV equipment (£232,200), damage to car park machines (£186,610 total value at risk) and reprographics equipment (£303,768).

36. PROVISIONS**Provisions (> 1year)**

	Insurance	Other	Total
	£'000	Provisions	£'000
		£'000	£'000
Balance at 1 April 2013	141	22	163
Additional provisions made in 2013/14	28	527	555
Amounts used in 2013/14	(145)	0	(145)
Unused amounts reversed in 2013/14	0	(4)	(4)
Unwinding of discounting in 2013/14	0	0	0
Balance at 31 March 2014	24	545	569

Insurance Provision

The Insurance Provision is money held to cover outstanding claims from previous years. As described in note 35 above, funds have been transferred from the reserve into the provision for the MMI Scheme of Arrangement for potential claims relating to asbestos related illnesses.

The 15% levy for the MMI Scheme, included in the provision at 31 March 2013, was paid during 2013/14 from the provision. The administrators of the scheme have not indicated that a further amount is due as at 31 March 2014. The insurance manager has assessed all other outstanding claims and revised the level of the provision appropriately.

Notes to the Core Financial Statements

Other Provisions

Business Rate Payers are entitled to appeal against the rateable value allocated to it by the Valuation Office Agency (VOA). From 1 April 2013 onwards, in the event that the appeal is successful, the Council is responsible for repaying its share of Business Rate income to the ratepayer. A provision of £527,000 has been made based on the expected outcome of the appeals outstanding with the VOA as at 31 March 2014

A provision has been retained for rebuilding Baldock Road pavilion which was burnt down a number of years ago. The monies were generated as a result of an insurance claim.

37. TRUST FUNDS AND THIRD PARTY FUNDS

TRUST FUNDS

The Authority acts as the sole managing trustee for the following trusts:

- Hitchin Town Hall Gymnasium and Workman's Hall Trust
- King George V Playing Fields Trust.
- Smithson Recreation Ground Trust

Without the annual contribution from the Council, the Trusts would not have had adequate resources to manage the facilities during the year. The Trust's accounts reflect the fixed assets and the in year expenditure and income incurred in running the facilities. The net balance of these transactions, as at the 31 March 2014, is included in the Authority's accounts.

THIRD PARTY FUNDS

The Authority holds income received for S106 legal agreements or unilateral undertakings relating to the submission of planning applications. This income is 'ring-fenced' to different types of capital expenditure/locations within the district. The funds will be used to finance the Council's capital programme, when schemes meet the funding criteria. Until then the funds are treated as a receipt in advance in the Balance Sheet, under current liabilities.

The total value of all S106 contributions as at the 31 March 2014, available to fund capital and revenue activities is £2,345,398. (2012/13 £2,315,562)

38. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and the following notes.

	Balance at 1 April 2013 £'000	Net Movement in Year £'000	Balance at 31 March 2014 £'000
Usable Capital Receipts	1,243	96	1,339
Earmarked Reserves	2,713	1,289	4,002
Capital Grants Unapplied	1,100	(36)	1,064
General Fund Reserve	3,161	771	3,932
Total Usable Reserves	8,217	2,120	10,337

Notes to the Core Financial Statements

USABLE CAPITAL RECEIPTS	2012/13 £'000	2013/14 £'000
Amounts receivable	17	393
Amounts applied to finance new capital investment	40	(292)
Payments to Capital Receipts Pool	(11)	(5)
Total increase in realised capital resources	46	96
Balance brought forward at 1 April	1,197	1,243
Balance carried forward at 31 March	1,243	1,339

EARMARKED RESERVES

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

	Balance as at 1 April 2012	Transfers out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Transfers out 2013/14	Transfers in 2013/14	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Special Reserve	967	0	0	967	0	800	1,767
Housing & Planning Delivery	647	(302)	0	345	(102)	0	243
Information Technology Reserve	382	(66)	0	316	(23)	0	293
Environmental Warranty Reserve	209	0	0	209	0	0	209
Insurance Reserve	90	(80)	7	17	0	11	28
Cemetery Mausoleum Reserve	96	0	0	96	0	0	96
S106 Monitoring Reserve	72	(18)	17	71	(15)	31	87
Building Control Reserve	42	(9)	13	46	(46)	0	0
Museum Exhibits Reserve	12	0	1	13	0	0	13
Property Maintenance Reserve	15	(7)	10	18	0	10	28
Hitchin Museum Donations	2	0	0	2	(2)	0	0
Leisure Management Maintenance	12	0	20	32	0	17	49
Performance Reward Grant	71	(10)	3	64	(14)	0	50
DWP Additional Grants Reserve	41	(29)	21	33	(16)	11	28
Homelessness Reserve	72	(37)	8	43	(25)	10	28
Climate Change Grant Reserve	28	(3)	0	25	0	28	53
Children's Services Reserve	6	0	2	8	(8)	7	7
Paintings Conservation Reserve	11	(1)	0	10	0	3	13
Community Right to Challenge	0	0	14	14	(1)	16	29
Traffic Regulation Orders	0	(7)	185	178	0	2	180
Town Centre Maintenance	0	(19)	43	24	(2)	9	31
Street Furniture	0	0	2	2	(3)	4	3
Office Move IT Works	0	0	7	7	0	0	7
LAMS Interest Reserve	0	(3)	9	6	0	25	31
DLCG Grants Reserve	0	0	10	10	(10)	492	492
Growth Area Fund Reserve	0	0	53	53	0	0	53
Community Development Reserve	0	0	7	7	(6)	0	1
Land Charges Reserve	0	0	97	97	(9)	64	152
Street Name Plates	0	0	0	0	0	4	4
Individual Electronic Registration	0	0	0	0	0	9	9
Taxi Reserve	0	0	0	0	0	18	18
Total Earmarked Reserves	2,775	(591)	529	2,713	(282)	1,571	4,002

The Authority has taken the decision to set aside resources in a number of Earmarked Reserves to be used for specific purposes. The Reserves are reviewed annually during the budget estimate

Notes to the Core Financial Statements

process to ensure the balance available is appropriate for the purpose. A description of each earmarked reserve is provided below:

The **Special Reserve** was originally the residual balance from the HRA that was used to fund the realignment of costs of the Authority following stock transfer. As part of the Authority's medium term financial strategy to manage budget movements, this reserve is maintained for any special financial pressures such as pump priming for initiatives for shared services, changes in working practice, major contract renewals, unexpected contract variation and other financial pressures.

The **Housing & Planning Delivery Reserve** was first formed when in 2002 the Government announced additional funding to Authorities in the form of the Planning Delivery Grant (PDG), to realise the Government's Communities Plan Objectives. The Council has taken a medium to long term approach to the allocation of HPDG funding (the grant was renamed Housing & Planning Delivery). HPDG spending plans are approved by Cabinet and unspent funding is held in a specific reserve to meet approved spending in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose.

The **Information Technology Reserve** is used to ensure the Authority has adequate resources to purchase hardware and software items when they are required.

The **Environmental Warranty Reserve** is required because an environmental warranty was provided to North Herts Homes on the transfer of the Housing stock. The Authority needs to make a provision for these warranties and a sum of £208,845 was set aside for this purpose.

The **Insurance Reserve** is used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority.

The **Cemetery Mausoleum reserve** is held to cover the Authority's obligation to supply Mausoleum niches at the Wilbury Hills Cemetery and is funded from the sale of currently available niches.

The **S106 Planning Monitoring** reserve is used to cover the cost of monitoring s106 obligations in future years.

The **Building Control Reserve** is required as in accordance with guidance. Building Control surpluses are held in a separate account. These surpluses are then available to be used to offset any projected future costs when carrying out reviews of Scheme Charges or to be reinvested into the service to improve quality and performance in line with the duty of providing best value.

The **Museum Exhibits Reserve** funds the purchase of museum exhibits and is funded from donations.

The **Property Maintenance Reserve** is to cover the cost of any unplanned emergency maintenance costs that may occur at any of the Authority's properties.

Hitchin Museum Donations fund the purchase of museum exhibits specifically related to Hitchin Museum.

The **Leisure Management Maintenance Reserve** is to cover the cost of any future repairs liabilities on the leisure facilities.

The **Performance Reward Grant** was awarded for success against targets in the Local Area Agreement. This earmarked reserve represents the revenue element of the grant and is allocated to schemes in the District.

DWP Grants are awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit scheme. These grants will be used when the initiatives or changes are carried out.

The **Homelessness Grant** is awarded to help prevent homelessness in the district. All of the grant is earmarked for different homelessness projects or resources.

The **Climate Change Grant** was awarded to help combat the effects of climate change. The grant is used to help modify the Authority's buildings in order for them to be more energy efficient and other green projects.

The **Children's Services Reserve** is being used to help fund children's play projects in the district and is funded from grant income.

The **Paintings Conservation Reserve** is being used to help restore paintings. This is funded through donations and publication income.

Town Wide Review / Town Centre Maintenance are reserves for the implementation of the Town Wide Reviews and ad hoc town centre maintenance.

Notes to the Core Financial Statements

Community Right to BID represents the one-off grant funding received to recognize the additional burden of the new legislation.

Street Furniture is a reserve to fund new street furniture as and when required.

Office Move IT Works is a reserve to cover the cost of moving cabling between Town Lodge and the other Authority buildings when required.

LAMS Interest Reserve, interest received from the Local Authority Mortgage scheme. Interest will remain in reserve for 5 years and if customers default on their mortgage the interest will be used to offset the cost. If nobody defaults the interest will go back into the general fund.

DCLG Grants Reserve, reserve where ad hoc grants from DCLG will be transferred if not spent within the financial year, ready to be drawn down when grant is spent.

Growth Area Fund Reserve, reserve where revenue Growth Area Grant has been transferred.

Community Development Reserve – various grants for Community Development.

Land Charges Reserve – reserve established to help meet the potential cost should the financial risk of the repayment of personal search fees occur.

Street Name Plate Reserve is a new reserve to fund Street Name Plates as and when required.

Individual Electronic Registration Reserve is a new reserve where a grant from the electoral commission for the IER project will be spent. This government led project will see a change from households registering to vote to each individual in the household registering to vote.

Taxi Reserve is a new reserve where any surplus from the taxi service will be transferred to the earmarked reserve where it can be used to offset any future deficit or to fund investment in the taxi service.

39. UNUSABLE RESERVES

	Balance at 1 April 2013 £'000	Net Movement in Year £'000	Balance at 31 March 2014 £'000
Revaluation Reserve (note 39A)	26,689	(28)	26,661
Capital Adjustment Account (note 39B)	89,805	(4,335)	85,470
Deferred Capital Receipts (note 39C)	16	(7)	9
Pensions Reserve (note 39D)	(52,458)	6,086	(46,372)
Short Term Accumulating Compensated Absences Account	(82)	(19)	(101)
Collection Fund Adjustment Account (note 39E)	25	(768)	(743)
Total Unusable Reserves	63,995	929	64,924

Note 39A – Revaluation Reserve

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

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

Notes to the Core Financial Statements

	2012/13 £'000	2013/14 £'000
Balance at 1 April	23,332	26,689
Upward revaluation of assets	7,725	1,124
Downward revaluation of assets and Impairment losses not charged to the surplus/deficit on the Provision of Services.	(3,765)	(53)
Difference between fair value depreciation and historical cost depreciation.	(603)	(604)
Accumulated gains on assets sold or scrapped.	(0)	(495)
Balance at 31 March	26,689	26,661

Note 39B – 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 which 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 Authority as finance for the costs of acquisition, construction and enhancement. The Account has also been credited with all the Housing capital receipts required by regulation to be set aside at the time of the Housing stock transfer in 2003.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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 7 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	93,402	89,805
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation and impairment of non-current assets	(4,312)	(2,195)
Amortisation of Intangible assets	(183)	(52)
Revenue expenditure funded from capital under statute	(1,164)	(3,364)
General Fund expenditure previously recognised as capital expenditure	524	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive Income & Expenditure Statement.	0	(1,224)
Sub-Total	(5,135)	(6,835)
Adjusting amounts written out of the Revaluation Reserve.	603	564
Capital Financing applied in the year:		

Notes to the Core Financial Statements

	2012/13 £'000	2013/14 £'000
Use of the Capital Receipts Reserve to finance new capital expenditure	(41)	292
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	669	1,514
Application of grants to capital financing from the Capital Grants Unapplied Account	0	36
Statutory provision for the financing of capital investment charged against the General Fund	39	9
Capital expenditure charged against the General Fund	181	24
Sub-Total	848	1,875
Movements in the market value of investment properties	87	61
Balance carried forward at 31 March	89,805	85,470

Note 39C – 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. These arise principally from mortgages on sales of Council Houses and form the main part of mortgages held under long term debtors. Under statutory arrangements, the Authority 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.

	2012/13 £'000	2013/14 £'000
Balance at 1st April	32	16
Transfer to the Capital Receipts Reserve upon receipt of cash	(16)	(7)
Balance at 31st March	16	9

Note 39D – Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority 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 Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Notes to the Core Financial Statements

	2012/13 £'000	2013/14 £'000
Balance at 1st April	(45,228)	(52,458)
Actuarial gains or losses on pension assets and liabilities	(5,873)	5,947
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	(3,271)	(4,244)
Employer's pensions contributions and direct payments to pensioners payable in the year.	1,914	1,936
Capitalisation of Pension Costs	0	2,447
Balance at 31st March	(52,458)	(46,372)

Note 39E – Collection Fund Adjustment Account

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

	2012/13 £'000	2013/14 £'000
Balance at 1 April	2	25
Movement in the Authority's share of the Collection Fund surplus / deficit	23	(768)
Balance at 31 March	25	(743)

Note F 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, eg 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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	(80)	(82)
Amounts accrued at the end of the current year	(2)	(19)
Balance at 31 March	(82)	(101)

Notes to the Core Financial Statements

40. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- Charges in relation to capital expenditure (depreciation, revaluation, impairment losses, amortisations and revenue expenditure funded by capital under statute charged to services in the Comprehensive Income and Expenditure Statement) are reported to the relevant directorates but reversed out on the bottom line reported to Cabinet.
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Interest received and paid and income and expenditure relating to investment properties is reported (whereas it is included on the Comprehensive Income and Expenditure Statement below the net cost of services).
- Transfer to and from earmarked reserves are reported in the budget reports but excluded on the Comprehensive Income and Expenditure Statement.

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

	Chief Executive	Planning, Housing & Enterprise	Customer Services	Finance, Policy & Governance	Total
For the year ended 31 March 2014	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(11)	(1,381)	(4,669)	(1,404)	(7,465)
Recharges to other services	(640)	(5,111)	(5,843)	(9,839)	(21,433)
Investment property rentals	0	0	(11)	(1,008)	(1,019)
Interest income	(5,017)	0	0	(13)	(5,030)
Government grants	(1,097)	(978)	(831)	(38,975)	(41,881)
Total Income	(6,765)	(7,470)	(11,354)	(51,239)	(76,828)
Employee expenses	703	2,954	2,726	5,195	11,578
Other operating expenses	888	1,206	10,504	41,360	53,958
Interest payments	6,818	0	0	12	6,830
Support service recharges	2,502	6,841	5,461	6,083	20,887
Depreciation, amortisation and impairment	(4,034)	904	1,687	547	(896)
Total Operating Expenses	6,877	11,905	20,378	53,197	92,357
Net Cost of Services	112	4,435	9,024	1,958	15,529

Notes to the Core Financial Statements

The income and expenditure of the Authority's Directorates for the comparative year 2012/13 is as follows:

	Chief Executive	Planning, Housing & Enterprise	Customer Services	Finance, Policy & Governance	Total
For the year ended 31 March 2013					
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(14)	(1,244)	(4,299)	(1,187)	(6,744)
Recharges to Other Services	(617)	(5,072)	(5,942)	(10,539)	(22,170)
Investment Income	0	0	(14)	(982)	(996)
Interest Income	(5,845)	0	0	(15)	(5,860)
Government grants	(1,291)	(800)	(829)	(47,315)	(50,235)
Total Income	(7,767)	(7,116)	(11,084)	(60,038)	(86,005)
Employee expenses	(840)	2,918	2,726	5,482	10,286
Other operating expenses	910	1,348	9,353	49,809	61,420
Interest Payments	6,464	0	0	12	6,476
Support Service Recharges	2,386	7,081	5,629	6,521	21,617
Depreciation, amortisation and impairment	(3,257)	1,047	2,420	2,103	2,313
Total operating expenses	5,663	12,394	20,128	63,927	102,112
Net Cost of Services	(2,104)	5,278	9,044	3,889	16,107

Reconciliation of Directorate Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

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

	2012/13 £'000	2013/14 £'000
Cost of Services in Service Analysis	16,107	15,529
Add services not included in main analysis	0	0
Add amounts not reported by Directorate Analysis	(212)	1,266
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	6,513	5,232
Net Cost of Services in Comprehensive Income and Expenditure Statement	22,408	22,027

Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

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

The reconciliation for 2013/14 is as follows:

Reconciliation to Subjective Analysis	Service Analysis £'000	Not reported to mgmt £'000	Not included in I&E £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(7,465)	0	0	0	(7,465)	0	(7,465)
Recharges to Other Services	(21,433)	0	0	0	(21,433)	0	(21,433)
Interest and investment income	(6,049)	0	1,716	0	(4,333)	(1,716)	(6,049)
Income from council tax	0	0	0	0	0	(10,255)	(10,255)
Government grants and contributions	(41,881)	0	0	0	(41,881)	(8,303)	(50,184)
Total Income	(76,828)	0	1,716	0	(75,112)	(20,274)	(95,386)
Employee expenses	11,578	0	0	3,760	15,338	2,306	17,644
Other service expenses	53,958	3,572	5,057	17,127	79,714	0	79,714
Support Service recharges	20,887	0	0	(20,887)	0	0	0
Depreciation, amortisation and impairment	(896)	0	0	0	(896)	(54)	(949)
Interest Payments	6,830	(2,306)	(200)	0	4,324	200	4,524
Precepts & Levies	0	0	0	0	0	871	871
Payments to Housing Capital Receipts Pool	0	0	(6)	0	(6)	6	0
Gain or Loss on Disposal of Fixed Assets	0	0	(1,335)	0	(1,335)	1,335	0
Total operating expenses	92,357	1,266	3,516	0	97,139	4,664	101,804
(Surplus) or deficit on the provision of services	15,529	1,266	5,232	0	22,027	(15,610)	6,417

Notes to the Core Financial Statements

The reconciliation for comparative year 2012/13 is as follows:

Reconciliation to Subjective Analysis	Service Analysis £'000	Not reported to mgmt £'000	Not included in I&E £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(6,744)	0	0	0	(6,744)	0	(6,744)
Recharges to Other Services	(22,170)	0	0	0	(22,170)	0	(22,170)
Interest and investment income	(6,856)	0	2,209	0	(4,647)	(2,209)	(6,856)
Income from council tax	0	0	0	0	0	(10,894)	(10,894)
Government grants and contributions	(50,235)	0	0	0	(50,235)	(7,807)	(58,042)
Total Income	(86,005)	0	2,209	0	(83,796)	(20,910)	(104,706)
Employee expenses							
Other service expenses	10,286	0	0	3,026	13,312	2,163	15,475
Support Service recharges	61,420	1,359	4,569	18,591	85,939	0	85,939
Depreciation, amortisation and impairment	21,617	0	0	(21,617)	0	0	0
Interest Payments	2,313	0	0	0	2,313	(69)	2,244
Precepts & Levies	6,476	(1,571)	(254)	0	4,651	254	4,905
Payments to Housing Capital Receipts Pool	0	0	0	0	0	927	927
Gain or Loss on Disposal of Fixed Assets	0	0	(11)	0	(11)	11	0
Total operating expenses	102,112	(212)	4,304	0	106,204	3,286	109,490
(Surplus) or deficit on the provision of services	16,107	(212)	6,513	0	22,408	(17,624)	4,784

41. CONTINGENT ASSETS

The Council submitted a claim for "overpaid" VAT dating back to the early 1970's based on the outcome of well known VAT litigation "the Fleming case" which meant that certain items previously deemed to be Standard rated were considered to be exempt or outside the scope of VAT. Due to the age of these purchases, the Council has lodged significant claims of potential VAT refunds and compound interest with HMRC. Some VAT claims have been settled and amounts received are reflected in the Statement of Accounts. The outcome of the compound interest claim is dependent on the pending appeal.

42. CONTINGENT LIABILITIES

Property Search Claims

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £192,685 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and

Notes to the Core Financial Statements

Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. The Council has put aside funds of £152,000 as at 31 March 2014 in an earmarked reserve and has also made allowance in the general fund balance by identifying this issue as a financial risk.

Contractor Pension Fund Contributions

The Council has transferred the management of its waste collection service, leisure centres and grounds maintenance services to Veolia, Stevenage Leisure Ltd and John O'Connor Ltd, respectively. All of these bodies are members of the Hertfordshire Local Government Pension Fund. In order for these bodies to be admitted to the Pension Fund the Council has given a commitment to be ultimately liable for payments to the fund. In the event that the Contractor fails to make payment and there is no bond in place to cover the default, the Council would seek to offset the amount due from the contract price in the first instance. With regards to the contract with John O'Connor Ltd there is a bond in place with a value of £43,000 and that value is due for reassessment after 31 March 2017. The Council is liable only for the existing staff at the time of transfer of services to these bodies and as at the 31 March 2014 the Council has not been called upon to make any such payments.

Municipal Mutual Insurance Ltd Scheme of Arrangement

The Council has paid a 15% levy for the claw-back of claims under the MMI Scheme of Arrangement. The Council has made provision for a 15% levy with regard to a further known claim but would become liable for a further levy if more claims are made. There is also the risk that the 15% levy could be increased.

43. EVENTS AFTER THE REPORTING PERIOD

The Council is a partner in the CCTV partnership with Stevenage, East Herts and Hertsmere Councils. In 2013/14 all partner authorities agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV Partnership. It is anticipated that the incorporation of this new company will take place during 2014/15. This change is not expected to impact on the 2013/14 Statement of Accounts.

44. NOTES RELATING TO THE CASH FLOW STATEMENT

Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2012/13		2013/14
£'000		£'000
1,305	Interest Received	941
(260)	Interest Paid	(204)
1,045	Net cash flows from operating activities	737

Notes to the Core Financial Statements

The adjustments for non-cash movements are as follows:

2012/13 £'000		2013/14 £'000
2,008	Depreciation	2,181
2,304	Impairments and downward revaluations	54
183	Amortisation of intangible assets	52
373	Movement in Creditors	540
706	Movement in Debtors	(978)
(8)	Movement in Inventories	(18)
1,350	Pension Liability	2,308
0	Carrying amount of non-current assets sold	1,719
(559)	Movement in other provisions	406
87	Movement in the value of investment properties	(61)
6,444	Net Adjustment for non-cash movements	6,203

The adjustments for items that are investing or financing activities are as follows:

2012/13 £'000		2013/14 £'000
(1,761)	Grants applied to the financing of capital expenditure	(1,514)
544	Proceeds from the sale of non-current assets	9,611
(1,217)	Net Adjustment for investing or financing activities	8,097

Cash Flow Statement - Investing Activities

2012/13 £'000		2013/14 £'000
(1,556)	Purchase of property, plant and equipment, investment property and intangible assets	(7,580)
(160,177)	Purchase of short-term and long-term investments	(164,784)
(2,000)	Other payments for investing activities	0
14	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	392
160,177	Proceeds from short-term and long-term Investments	164,784
2,231	Other receipts from investing activities	876
(1,311)	Net cash flows from investing activities	(6,312)

Cash Flow Statement - Financing Activities

2012/13 £'000		2013/14 £'000
2,000	Cash receipts of short and long-term borrowing	6,010
275	Council Tax and NNDR adjustments	(708)
(60)	Cash payments for the reduction of finance leases liabilities	(11)
(2,644)	Repayments of short and long-term borrowing	(7,215)
(429)	Net Cash flows from financing activities	(1,924)

Collection Fund Accounts

The Collection Fund is a separate statutory fund under the provisions of the Local Government Act 1988. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates and its distribution to local government bodies and the Government. The Authority's share of the assets and liabilities are included in the Authority's Balance Sheet and its income and expenditure is included within the cash flow statement.

The accounts have been prepared on an accruals basis.

INCOME AND EXPENDITURE ACCOUNT

Council Tax £'000	2012/13 Business Rates £'000	Total £'000	Note	Council Tax £'000	2013/14 Business Rates £'000	Total £'000
Income						
(67,257)		(67,257)	2	(69,812)		(69,812)
(8,070)		(8,070)				
	(37,962)	(37,962)	1		(37,682)	(37,682)
	0	0			353	353
Contribution towards previous year deficit:						
(64)	0	(64)	3	0		0
(3)		(3)	3	0		0
0	0	0	3	0		0
(75,394)	(37,962)	(113,356)		(69,812)	(37,329)	(107,141)
Expenditure						
Precepts, Demands and Shares						
56,597	0	56,597	4	52,255	3,715	55,970
7,478		7,478		6,904		6,904
9,944	0	9,944		9,356	14,858	24,214
927		927		871		871
	37,193	37,193			18,573	18,573
Charges to Collection Fund						
0	185	185	1	0	182	182
197	585	782	1/2	117	381	498
	0	0	1		1,341	1,341
29	(1)	28	1/2	119	270	389
75,172	37,962	113,134		69,622	39,320	108,942
Movement on Fund Balance						
(222)	0	(222)		(190)	1,991	1,801
65	0	65		(157)	0	(157)
(157)	0	(157)		(347)	1,991	1,644
Share of Balance						
(116)	0	(116)		(259)	199	(60)
(15)		(15)		(34)		(34)
(26)	0	(26)		(54)	796	742
	0	0			996	996
(157)	0	(157)		(347)	1,991	1,644

Collection Fund Accounts

1. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates (NNDR) from business across the District based on local rateable values provided by the Valuation Office Agency (VOA) and multiplied by a uniform rate set nationally by Central Government.

In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

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 Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk to Councils, due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The North Herts share is 40% with the remainder paid over to Hertfordshire County Council (10%) and Central Government (50%).

NNDR surpluses in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The business rates shares payable for 2013/14 were estimated before the start of the financial year as £18.573m to Central Government, £3.715million to Hertfordshire County Council and £14.858million to North Hertfordshire District Council. These sums have been paid in 2013/14 and charged to the collection fund.

When the scheme was introduced, Central Government set a baseline level for each Authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive the set baseline amount. North Hertfordshire paid a tariff of £12.265million to Central Government from the General Fund in 2013/14.

The total net amount of NNDR income collectable in 2013/14, after all reliefs and deductions, was £37.682million. An increase of £270k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £786k as at 31 March 2014. A total of £381k of outstanding business rates were written off during 2013/14.

In addition to the tariff arrangement the Council must pay a levy of 50% to Central Government for income received above the baseline. If income from business rates should fall to 92.5% of the set baseline then the safety net will ensure the Council is reimbursed. The safety net level was not reached in 2013/14 and so no further payment will be received.

The retained business rates scheme has also meant responsibility for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list has transferred to the Authority, as the agent. As such it is necessary for the Authority to make provision for future successful appeals on behalf of itself the major preceptor and Central Government. A provision of £1.341million has been made and this amount is based on the amount of outstanding appeals with the Valuation Office Agency, as at 31 March 2014, after applying an estimated overall success factor of 4%.

The total non-domestic rateable value for North Hertfordshire District Council is £96.8 million, (£82.2 million in 2012/2013). The NNDR multiplier is 47.1p in the pound (45.8p in the pound in 2012/2013). The small business non domestic rating multiplier is 46.2p in the pound (45.0p in the pound in 2012/2013).

Collection Fund Accounts

2. COUNCIL TAX

The amounts credited to the Collection Fund can be analysed as follows:

	2012/13		2013/14	
	£'000	£'000	£'000	£'000
Original Debt	83,320		84,054	
Additional Debt	9,567		10,259	
		92,887		94,313
Less:				
Council Tax Reductions		8,070		6,974
Transitional Relief		(1)		(1)
Discounts		6,323		6,584
Amounts Written-off, Exemptions & Allowances		11,238		10,944
		67,257		69,812

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, The Police and Crime Commissioner and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). This basic amount of council tax for a Band D property, £1,466.97, (£1,463.24, 2012/2013) is multiplied by the proportion specified for a particular band to give an individual amount due.

Council tax bills were based on the following proportions for Bands A to H:

Proportion of Band D charge

Band	Property Numbers	Proportion	Basic Amount £
A	3,286	0.67	977.99
B	8,665	0.78	1,140.97
C	19,534	0.89	1,303.98
D	9,797	1.00	1,466.97
E	6,943	1.22	1,792.97
F	4,401	1.44	2,118.96
G	3,169	1.67	2,444.96
H	325	2.00	2,933.94
Total	56,120		

An increase of £119k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £1.497million as at 31 March 2014. A total of £117k of outstanding council tax was written off during 2013/14.

3. PAYMENT OF SURPLUS/ DEFICITS FROM THE COLLECTION FUND

The element of the surplus on the Collection Fund at 31 March 2014 will be distributed in subsequent financial years to Hertfordshire County Council, The Police and Crime Commissioner and the Council in proportion to the value of the respective precept demand made by the three Authorities on the Collection Fund. The apportioned (surplus)/deficit is shown at the bottom of the Income and Expenditure Statement.

Collection Fund Accounts

4. PRECEPTS

	2012/13	2013/14
	£'000	£'000
Hertfordshire County Council	56,597	52,255
Hertfordshire Police	7,478	6,904
North Hertfordshire District Council and Local Town and Parish Councils	10,872	10,227
	74,947	69,386

Following the introduction of council tax on 1 April 1993, parish precepts are now payable from the Council's General Fund and not the Collection Fund.