

**Annual Governance
Statement
and
Statement of Accounts
(Audited)
2014/2015**

**North
Hertfordshire
District Council**

**Annual Governance
Statement
2014/2015**

**North
Hertfordshire
District Council**

Annual Governance Statement

Annual Governance Statement 2014 to 2015

1. Scope of Responsibility

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.

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.

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 2014/15 and no amendments were required to the Local Code of Corporate Governance.

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

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.

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 on-going 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.

The governance framework has been in place at NHDC for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

3. The Key Elements of the Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described in Table 2.

Assurances provided by the Council's internal audit function that is delivered by a Shared Internal Audit Service (SIAS) are a significant source of assurance.


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 below:

Table 1 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.



Table 2: KEY ELEMENTS OF THE GOVERNANCE FRAMEWORK – HOW WE MEET OUR COMMITMENT TO GOOD GOVERNANCE SET OUT IN OUR CODE.



Principle 1. Focus on the purpose of the Council and in outcomes for the community and create and implement a vision for North Hertfordshire.		
How we meet this principle	Policies & Procedures in place	Assurance received and any issues identified
<p>The Sustainable Community Strategy was developed after extensive consultation with our partners and the public.</p> <p>The Council's Priorities were revised for 2014/15. We publish our plans in the Priorities for the District and details of our performance are reported quarterly to the Overview & Scrutiny Committee.</p> <p>The Council publishes external assessments of our performance.</p> <p>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.</p> <p>The financial elements of our Corporate Business Planning Process are set</p>	<p>Sustainable Community Strategy</p> <p>Council Vision & Priorities</p> <p>Performance Management</p> <p>Year end Performance Indicator report</p> <p>Signed audit opinion</p> <p>Corporate Business Planning Timetable</p> <p>Medium Term Financial Strategy</p>	<p>The Council will review the impact of the removal of the statutory duty to produce a Sustainable Community Strategy.</p> <p>Achievement of the Priorities for the District has been monitored throughout 2014/15 via the Council's Senior Management Team and a mid-year update and end of year report to Overview & Scrutiny Committee. The monitoring of delivery against the priorities reviews the Council's capacity to deliver agreed projects within the agreed cost, time and resources.</p> <p>Analysis and reporting of performance for 2014/15 indicates we achieved most of our targets</p> <p>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.</p>

<p>out in the Medium Term Financial Strategy which looks five years ahead to ensure the Council's commitment to the delivery of its Priorities.</p> <p>The Council has a Treasury Management Strategy that is reviewed each year and monitored quarterly.</p>	<p>Treasury Management Strategy</p>	<p>The Medium Term Financial Strategy will continue to take account of the current economic climate and the forthcoming changes to Local Authority funding. The Finance Audit & Risk Committee and Cabinet reviews the Council's revenue, capital and treasury management activity on a quarterly basis.</p> <p>The Council's key financial systems are subject to an annual review by internal audit</p> <p>Quarterly reviews ensure the Council has sound processes and controls over the Treasury function that minimise risks to the Council.</p>
<p>Principle 2: Work to achieve the agreed objectives within clearly defined Member and Officer roles.</p>		
<p>How we meet this principle</p>	<p>Policies & Procedures in place</p>	<p>Assurance received and any issues identified</p>
<p>The Council's 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.</p>	<p>Constitution</p>	<p>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. The Constitution will be revised in 2015/16 to take into account recent legislative requirements. </p>

<p>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.</p> <p>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)). The Monitoring Officer is the Corporate Manager of Legal Services.</p> <p>There is an agreed Officer and Member protocol.</p> <p>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.</p>	<p>Scheme of Delegation</p> <p>Organisation Structure Chart</p> <p>Member/Officer Protocol</p> <p>Overview & Scrutiny Committee</p>	<p>A minor review is included in the 2015/16 Constitution Review and a more substantive review will follow any restructure of the senior management team.</p> <p>The CFO has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed. 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.</p> <p>The Council's financial management arrangements conform with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).</p> <p>The Monitoring Officer acts as guardian of the Council's Constitution to ensure lawfulness, probity and fairness of Council decision making.</p> <p>A constructive working relationship largely exists between elected Members and Officers</p> <p>The Overview & Scrutiny Committee publishes an annual report.</p>
<p>Principle 3: Promotes values for the Council and demonstrates the values of good governance through upholding high standards of conduct and behaviour</p>		




How we meet this principle	Policies & Procedures in place	Assurance received and any issues identified
<p>The Standards Committee promotes and maintains high standards of conduct</p> <p>The Council operates Codes of Conduct for Members and Staff and maintain arrangements for reporting and investigating any allegations of misconduct</p> <p>A Planning Code of Conduct is in place and is adhered to by Members who sit on the Planning Committee.</p> <p>The Council maintains records of the personal interests of Members and senior staff and report those of Members on our website</p> <p>Members and Officers comply with a Gifts & Hospitality policy and the Registers are reviewed by the Strategic Directors.</p> <p>The Council operates a “zero tolerance” approach to any type of fraud or corruption perpetrated against the Authority. The Council maintains robust arrangements for dealing with any issues that are discovered.</p>	<p>Standards Committee</p> <p>Member Code of Conduct Complaining about a Councillor</p> <p>Councillors' Declaration of Interests</p> <p>Anti Fraud & Corruption Policy</p>	<p>The Standards Committee oversees the number and types of complaints dealt with through the local referrals process.</p> <p>Regular records of advice on Member Code of Conduct issues are kept by the Monitoring Officer.</p> <p>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).</p> <p>The Planning Code of Good Practice will be reviewed in 2015/16. </p> <p>Declaring interests under the Code of Conduct is a standing item on the agenda at every Council 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.</p> <p>The Conflicts of Interest Policy will be reviewed in 2015/16 </p> <p>The Gifts & Hospitality Registers can be called in at any time by the Monitoring Officer.</p> <p> The Gifts & Hospitality policy is will be reviewed in 2015/16.</p> <p>Having considered all the principles, the Council is satisfied that it has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. A Shared Anti Fraud Service will be operational from 1 April 2015.</p> <p>Other than benefit fraud against the Council there have been no known instances of fraud and corruption by Officers & Members in 2014/15.</p>

<p>The Council operates arrangements to enable staff to report inappropriate behaviour or conduct.</p> <p>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. A confidential Monitoring Officer email inbox continues to be available to receive complaints</p> <p>The Council encourages feedback from service users whether good or bad.</p>	<p>Confidential Reporting (Whistleblowing)</p> <p>complaining about a councillor</p> <p>Comments, Compliments and Complaints</p>	<p>No complaints have been made via the whistleblowing policy in 2014/15. The policy has been identified as requiring an update. </p> <p>With regard to complaints against District and Parish Councillors, there has been a slight increase in complaints received. All those concluded to date have been resolved by the Monitoring Officer determining there was no prima facie case to answer.</p> <p>Details of the 3 C's are reported to the Overview & Scrutiny Committee. Very few complaints are made to the Local Government Ombudsman each year. As at 2 April 2015, nine complaints had been made in 2014/15 and only one resulted in the payment of £100 compensation in respect of back dating a claim for housing benefit/ Council Tax Reduction Scheme.</p>
Principle 4. Take informed and transparent decisions which are subject to effective scrutiny and risk		
How we meet this principle	Policies & Procedures in place	Assurance received and any issues identified
<p>The Council makes all Authority and committee agendas, meeting papers and minutes available on the website.</p> <p>The Council aims to comply with the Local Government Transparency Codes 2014 and 2015.</p> <p>Underpinning the Council's financial</p>	<p>Council & Democracy</p> <p>Open data</p> <p>Financial Regulations Contract Procurement Rules</p>	<p>A review of the publication of Delegated Executive Decisions and certain Non-Executive Decisions made by Officers, sometimes in consultation with Cabinet Portfolio Holders, and since 25 March 2015 have made these available on our website</p> <p>We are not fully compliant with the requirement to publish the data required by the Transparency Code. Information relating to the Council's arrangements for detecting and preventing fraud and monthly information on grants to voluntary community and social enterprise organisations were not published in the required formats. The relevant Services have been advised of the data that needs to be published and this will be monitored to ensure future compliance. </p> <p>The Financial Regulations were reviewed and approved by Full</p>



<p>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.</p> <p>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.</p> <p>The Council has a Risk and Opportunities Management Policy and Strategy In addition to the Risk Management Group</p> <p>The key risks that could threaten the delivery of services and the achievement of our Priorities are actively managed.</p> <p>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</p>	<p>Contracts Register Spend data</p> <p>Risk & Opportunities Management Policy</p> <p>Risk & Opportunities Management Strategy</p> <p>Finance Audit and Risk Committee Minutes</p> <p>Monitoring Officer role</p>	<p>Council on 12 February 2015.</p> <p>The Contract Procurement Rules were reviewed and approved by Full Council on 5 September 2013. These will be reviewed again in 2015/16 to ensure they reflect the latest legislation.</p> <p> The internal audits on the Council's key financial systems all provided a substantial level of assurance in 2014/15.</p> <p>We commissioned the East of England LGA (EELGA) to undertake a review of our procurement and commissioning activities, and we will continue to implement the agreed recommendations from this in 2015/16. </p> <p>The Strategy and Policy were reviewed in 2014 and will be reviewed triennially unless there are significant changes that require the documents to be updated in the interim.</p> <p>An internal Officer group reviews the risk management framework. This is attended by the Council's risk management "champions" (Head of Finance, Performance & Asset Management and Portfolio Holder for Finance and IT).</p> <p>An internal audit on risk management in 2014/15 gave a Full* level of assurance.</p> <p>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.</p> <p>No such report has been issued. The approach of the Monitoring Officer is to seek to resolve any potential issue in advance, including by ensuring relevant legal and governance advice is included within Committee reports, so that use of the statutory power would be as a last resort.</p>
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<p>to unlawfulness or any decision or omission that has given rise to maladministration. Such a report will have the effect of stopping the being implemented until the report has been considered.</p> <p>The Council's 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.</p> <p>The Finance, Audit and Risk Committee provide on-going monitoring and review of financial management.</p> <p>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.</p>	<p><u>Overview & Scrutiny Committee</u></p> <p><u>Terms of reference for the Finance Audit and Risk Committee</u></p> <p><u>Annual report from Shared Internal Audit Service</u></p>	<p>Further challenge is provided by Members through meetings with portfolio holders, comments received by consultation with area committees and Member workshops</p> <p>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</p>
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Principle 5: Develop the capacity and capability of members and officers to be effective


How we meet this principle	Policies & Procedures in place	Assurance received and any issues identified
<p>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.</p> <p>The Council's People Strategy incorporates the Workforce Development Plan.</p> <p>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</p> <p>The Council operates a vacancy management process which provides a corporate overview of vacancy management and to ensure compliance with proper recruitment practices</p>	<p>Meetings of Joint Staff Consultative Committee</p>	<p>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.</p> <p>The Council was reassessed for the Investors in People Standard in 2014 and will continue to address the recommendations from this in 2015/16. </p> <p>The Joint Staff Consultative Committee formally reviews progress against the delivery of the Strategy. A refreshed Strategy is to be developed in 2015. </p> <p>The Council has a Top Risk relating to Workforce Planning which identifies the risks from the Council's ability to recruit & retain staff that have the skills and experience needed. The People Strategy will aim to address the identified risks.</p> <p>An internal audit on Vacancy Management provided a moderate* level of assurance. Following this audit, the Council will complete a review on vacancy control. This was discussed at a corporate Board Meeting in February 2015 and it was decided to keep some form of process and proposals will be agreed. </p> <p>The Council reports on a number of performance indicators to the</p>

<p>The Council has a Corporate Equality Strategy to ensure we treat everyone fairly & equally. The Council is committed to equality of opportunity in employment and aims to have a workforce that is representative of the community that it serves</p> <p>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.</p>	<p>Workforce profile Equality Strategy</p>	<p>Joint Staff Consultative Committee on the workforce profile of our staff.</p> <p>Following the election in May 2015, new Councillors will be provided with development opportunities to support them in their role.</p>
<p>Principle 6: Engage with local people and other stakeholders to ensure robust public accountability</p>		
<p>How we meet this principle</p>	<p>Policies & Procedures in place</p>	<p>Assurance received and any issues identified</p>
<p>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, having reviewed policy recommendations, can make representations to</p>	<p>Overview & Scrutiny Committee</p> <p>Annual report of Overview & Scrutiny Committee</p>	<p>The Overview & Scrutiny Committee publishes an annual report as both evidence of its activities and its contribution to the Council's policy making process</p>

<p>Cabinet which reflect their own findings and those of the communities the Council represents.</p> <p>The Council has a Corporate Business Planning process that 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.</p> <p>The Council has a Customer Service Strategy that aims to put people first.</p> <p>The Council complies with legislation arising from the Freedom of Information Act. Proper control and security is exercised over personal data entrusted to the Council.</p> <p>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 2015, 'Outlook' will contain a Council review of the 2014/15 financial year summarising key achievements against the priorities with details of expenditure.</p> <p>Use of social media sites and a text alerts service have been introduced to widen the range of</p>	<p>Corporate Business Planning Timetable</p> <p>Customer Service Strategy</p> <p>Freedom of Information overview Data Protection Statement</p> <p>Outlook</p> <p>Council Tax Leaflet</p>	<p>The timetable was reviewed and agreed by Cabinet in June 2014 and as it has been well developed and is robust will remain in place for forthcoming years. Any significant variations will be reported to Cabinet.</p> <p>An internal audit on the Customer Service Centre in 2014/15 provided a moderate* level of assurance. Agreed actions from this audit will be implemented in 2015/16 </p> <p>An internal audit on Data Protection and Freedom of Information gave a moderate* level of assurance. Work will be undertaken in 2015 to implement the recommendations from this audit. In particular, ensuring data sharing agreements are in place for all known data sharing arrangements. </p> <p>Views on readership and the look of Outlook are obtained when the District Wide Survey is undertaken.</p>
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communication methods with local residents.		
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*Definition of assurance levels given in Table 1

 Identified improvement action

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 Areas where the Council's Governance Framework can be improved have been identified in the third column of Table 2. These have been included in the Improvement Action Plan in section 5.
- 4.3 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).
- 4.4 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.
- 4.5 The Council reviews and acts on justified complaints made through its Comments, Complaints and Compliments procedures. No cases of maladministration were found against the Council by the Local Government Ombudsman during 2014/15.
- 4.6 The Finance, Audit & Risk Committee has reviewed progress against the AGS 2013/14 action plan that was implemented in 2014/15. Some of the key areas of work that were completed include:
- **IT Disaster Recovery** - a full comparison of the NHDC Business Continuity Plan alongside the current IT Disaster Recovery capabilities was undertaken 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 addition, IT Disaster Recovery has been greatly improved following the development of a mirror system in a nearby Council building.
 - **Document Retention** – a Retention and Destruction Module has been installed on the Council's electronic filing system, I@W, to automatically delete personal information that is no longer required.
 - **Member Training** - a review of learning and development for Councillors was completed to ensure all Councillors, particularly new Councillors will be aware of the standards expected of them and their responsibility for any Committees or roles to which they are appointed. This was supported by the provision of guidance for Councillors appointed to outside bodies.
 - **BACS Processing** – an automated process was introduced to prevent fraudulent re-routing of funds.
- 4.7 The contractor providing coin collection services for council car parks went into liquidation in November 2014, holding approximately £130,000 of council income at the time. The Council's Legal team are seeking to recover this sum and it is currently recorded as a debtor in the accounts. The full outcomes of

Annual Governance Statement

- the liquidation, and reasons for it are not currently known, but fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the contractor’s financial statements have not been ruled out. The Council had identified this as a financial risk in 2014/15. A new contract has been put in place for collecting coins from our car park machines. This will be closely monitored to ensure all performance measures are adhered to.
- 4.8 The Development Agreement with Hitchin Town Hall Ltd to deliver the new North Herts Museum and community facility at Hitchin Town Hall (recorded as a Top Risk) is important to the Council. The governance arrangements for this work which is primarily through the Project Board, which includes the Portfolio Holder, are adequate. Regular information notes have been sent to Area Committees. In addition, there have been periodic reports to Overview & Scrutiny and Council to report on significant issues for decision where appropriate.
- 4.9 Ensuring the Council has an up to date Local Plan is identified as a Top Risk. The May 2015 general election and any changes to the National Planning Policy framework will need to be taken into account in its development.
- 4.10 Following an internal audit report on Non Domestic Rates avoidance that gave a moderate* level of assurance, the Council engaged an external consultant to review its policies and procedures. This has led to the implementation of some changes including permanently moving a member of staff to work exclusively on Business Rates with the Senior Revenues Officer. These members of staff will monitor movements in and out of the Rating List and will follow up on referrals from a new service the Council has signed up to called Local Analyze. This product uses aerial photography to identify possible changes to properties that may affect their rateable value. This could be extensions, changes of use etc. Early indications are that this could provide the Council with a number of positive cases. Finally, the Council has established a process for dealing with companies taking advantage of the six week rule for qualifying for Empty Rate.
- 4.11 Following changes to procurement legislation, the Council’s Contract Procurement Rules have been updated and reviewed at the Finance Audit & Risk Committee in June. These will be incorporated in the revised Constitution at the July 2015 Council meeting.

5. Significant Governance Issues

In 2013/14, there was a significance governance issue identified surrounding controls with our new payroll supplier. A number of actions were completed to provide assurance on the provision of service and ongoing contract management by the external payroll provider. The Council considers this issue to be resolved and no longer a significant control issue.

No significant governance issues have arisen as a result of the review of effectiveness for the 2014/15 financial year.

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
2014/2015**

**North
Hertfordshire
District Council**

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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 2015 and its income and expenditure for the year then ended.

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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 24 September 2015. 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: 24 September 2015

Independent Auditor's Report

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

We have audited the financial statements of North Hertfordshire District Council for the year ended 31 March 2015 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 CashFlow Statement, the 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 2014/15.

This report is made solely to the members of North Hertfordshire District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 Resources and auditor

As explained more fully in the Statement of the Strategic Director of Finance, Policy and Resource's Responsibilities, the Strategic Director of Finance, Policy and Resources 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 2014/15, 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 also 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 Resources; 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 material inconsistencies with the audited financial statements and 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:

Independent Auditor's Report

- give a true and fair view of the financial position of North Hertfordshire District Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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.

Matters on which we report by exception

We are required to 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 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response;
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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 in October 2014.

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

Independent Auditor's Report

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, 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 2015.

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.

Iain G Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston London
NW1 2EP

September 2015

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 2015 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 2014/15 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 2014/15

- 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 2015. Further detail on the year end position of the usable reserves can be found in the Revenue Budget Outturn 2014/15 Report and the Capital Programme Outturn 2014/15 Report. Both of these reports were presented to Cabinet on the 16 June 2015 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 2014/15 were as follows:
- Living within our means;
 - Working with our communities; and
 - Promoting sustainable growth
- 2.3 The priorities formed the basis for the Priorities for the District document for 2014/15 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 2014/15 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. After reviewing all the key financial considerations the strategy identified that between £0.5million and £0.6million of efficiencies would need to be found to balance the budget for 2014/15
- 2.5 The Authority subsequently budgeted and achieved ongoing identified efficiencies of £1.514million in 2014/15. This follows the achievement of on-going savings of £0.9million in 2013/14 and £0.6million in the 2012/13 budget process. The Authority anticipates further reductions in the next 5 years of 12%. The Authority has identified a further £0.44million of ongoing efficiencies in 2015/16 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 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 £66.2million. This represents the theoretical net value of all the Authority's assets and liabilities. Of this value £53.4million is contained within un-usable reserves. For example, a significant proportion of the Authority's value is contained within its

Foreword by the Strategic Director of Finance, Policy & Governance

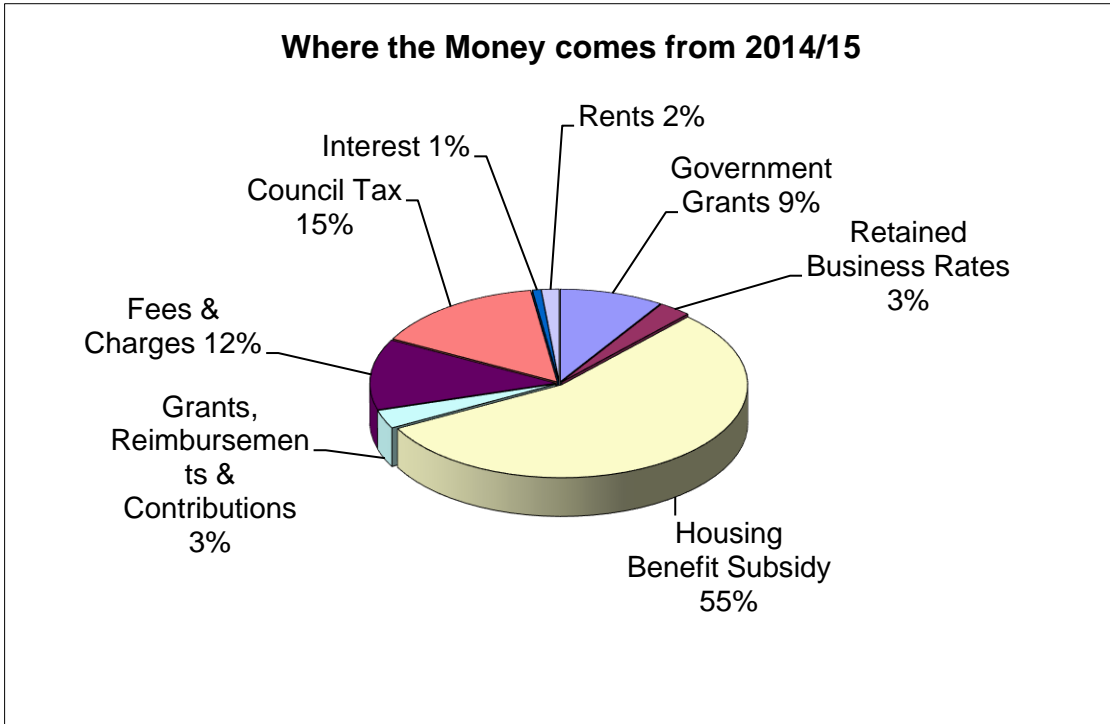
property portfolio. The Authority does, however, have a total of £12.8million (£10.3million at 31 March 2013) of usable reserves at 31 March 2015, which can be used to fund revenue and capital expenditure. The Authority seeks to manage the amount of available reserves in a prudent way to ensure there are adequate resources for unknown financial risks and plans for ongoing capital investment. During 2014/15 the Authority has increased its general fund reserves by just over £2million to £6million in order to cushion against unknown financial risks and funding uncertainty. The remainder of the increase in usable reserves is primarily due to transferring S31 grants to an earmarked reserve to fund the collection fund deficit in 2015/16.

- 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 2014/15. However, the Authority has taken an approach to continue with capital investment on projects which deliver ongoing revenue savings and has reduced this negative CFR to -£20.2million by not applying usable capital receipt funding to all of its capital expenditure in 2014/15. 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 increased by £9million during 2014/15 to £55.6million. This increase is due because of adverse changes in the financial assumptions in 2014.

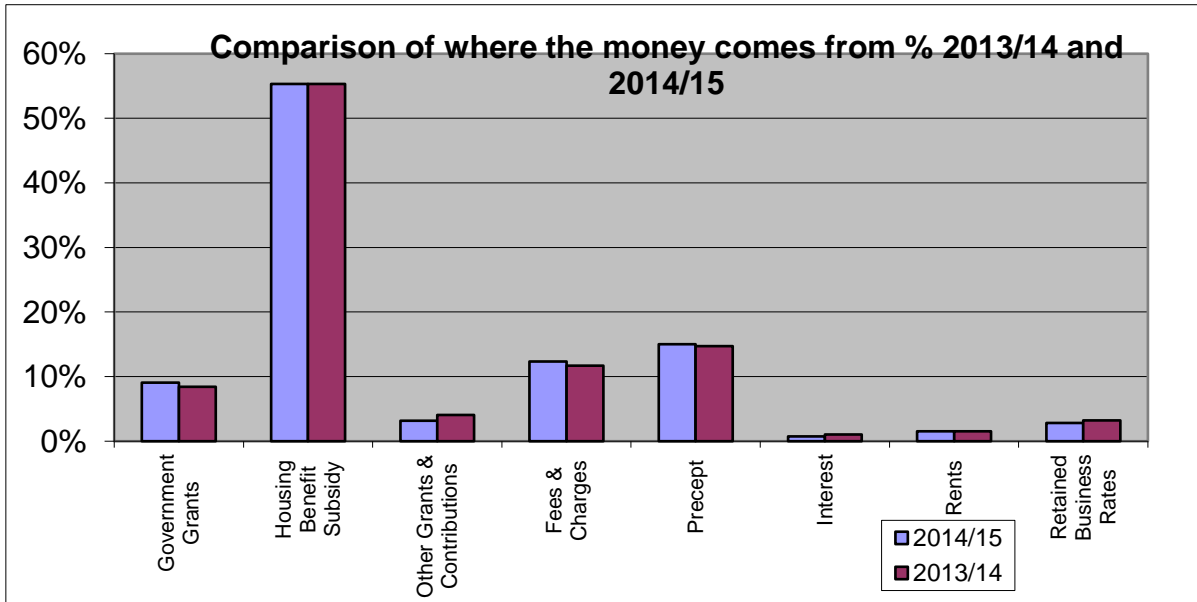
3. INCOME AND EXPENDITURE

- 3.1 There was a net deficit on the provision of services of £2.054million in 2014/15 (£6.417million in 2013/14). While this is an accounting reflection of the financial performance of the Authority there are £4.1million 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 2014/15. There is also a comparison with the previous financial year.
- 3.2 The 2014/15 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%, retained business rates accounted for 3%, fees and charges accounted for 12% of income and Government Grants accounted for 9% of the income.

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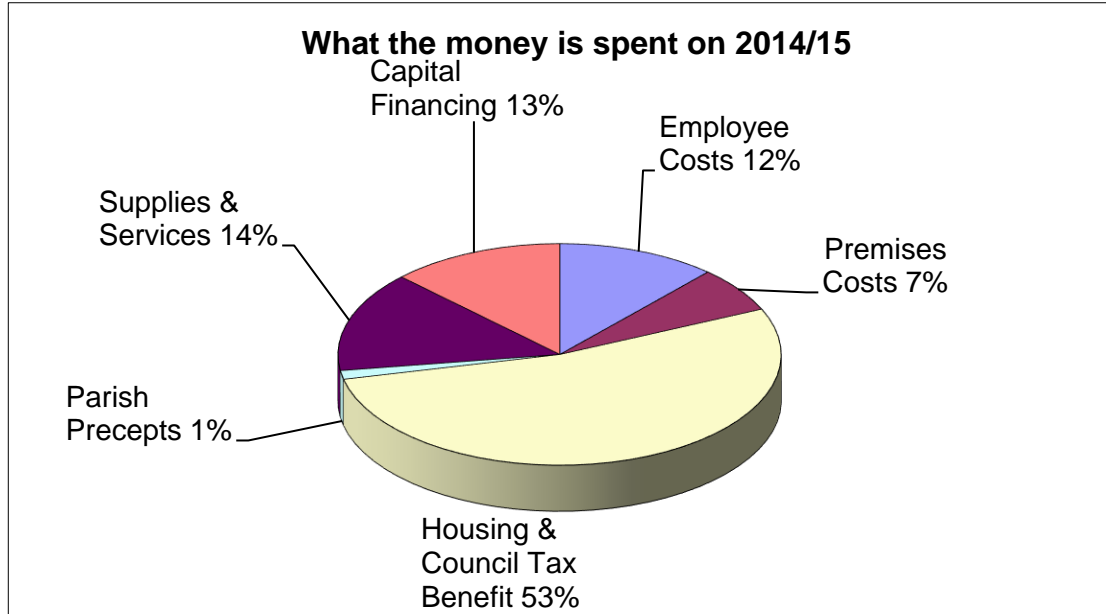
3.3 The 2014/15 income of £70million is only £0.6million lower than the £69.5million received in 2013/14. The chart below compares in percentage terms the two years' sources of income.



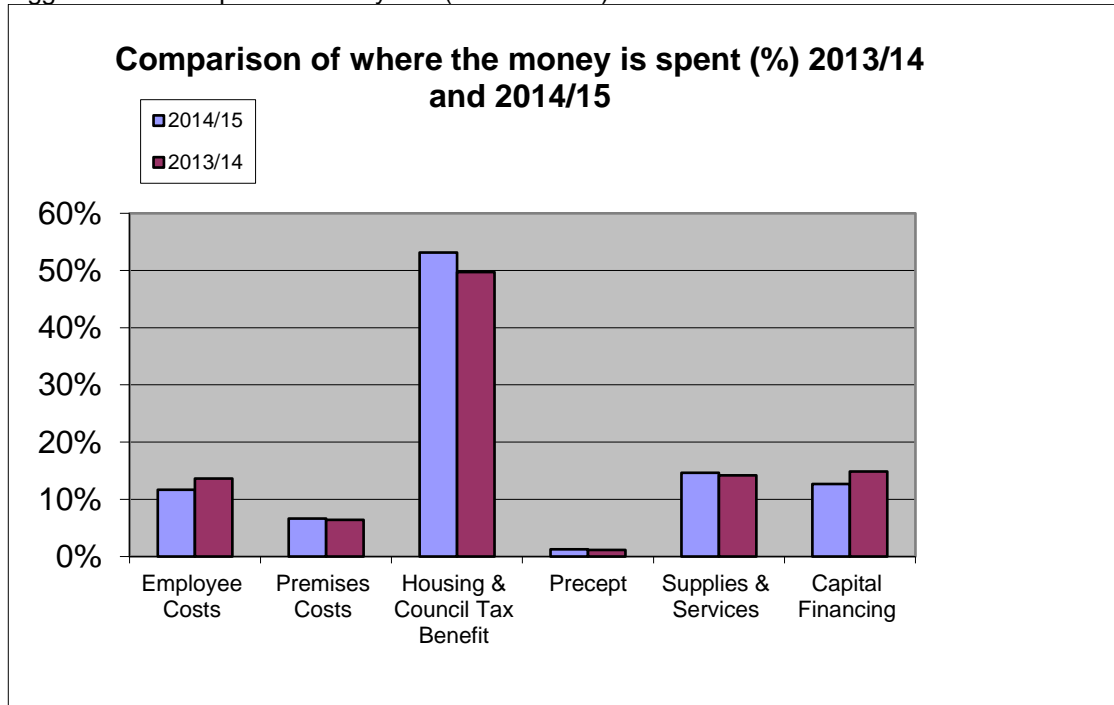
3.4 The 2014/15 gross expenditure was £72million. This reflects all the Authority's expenditure/recognised in the *Surplus or Deficit on Provision of Services* line in the Comprehensive Income and Expenditure Statement. The largest single item of expenditure was housing and council tax benefit payments, which account for 53% of all expenditure. Capital financing charges account for 13% 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 12% of costs. Supplies and services, such as operating vehicles and purchase of goods and services were 14% of the total expenditure.

Foreword by the Strategic Director of Finance, Policy & Governance

Premises costs (including rents, rates, utilities and repairs and maintenance) made up 7% of costs and the Parish Precept set by the Parishes and Town Councils in the District accounted for 1%.



3.5 The 2014/15 gross expenditure of £72million is £3.7million (or 5.2%) lower than the £76million spent in 2013/14. 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 (50% 2013/14).



4. GENERAL FUND BUDGET

4.1 The 2014/15 Original General Fund Net Budget was £16.6million (including parish precept payments of £1million) and the balance at year-end on the General Fund was estimated to

Foreword by the Strategic Director of Finance, Policy & Governance

be a surplus of £1.5million. The actual General Fund balance as at the 31 March 2015 was a surplus of £2.09million. The 2014/15 general fund actual net spend was £14.8million. 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 2014/15.

- 4.2 The Authority has a policy of seeking to maintain a prudent level of General Fund balance. At 31 March 2015, with a balance totalling £6million, the General Fund balance was above the recommended minimum balance of £2million for 2014/15, approved by Members of the Council in February 2014.

5. CAPITAL AND BORROWING

- 5.1 At the time of the presentation of the last Statement of Accounts in June 2014 the Authority had a capital budget for 2014/15 of £9.4million. The actual spend on capital schemes during the year was £4.5million, of which £3.2million was not funded in the accounts but paid for by drawing down cash investments and increasing the capital financing requirement. The remaining £1.3million 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. The Authority is progressing with sales of land interests in order to generate further capital receipts in 2015/16.
- 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 2015. 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 £88million. Furthermore, the Authority had cash investments of £33.0million.
- 5.4 For 2015/16 - 2017/18 the Authority has an approved capital programme of £23.6million. The categories of schemes are identified in the following table:

Capital Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	Total £'000
Community Services	377	0	0	377
Computer Software and Equipment	397	0	0	397
Leisure Facilities	4,751	525	760	6,036
Museum & Arts Services	1,448	0	0	1,448
Advances & Cash Incentives	598	548	0	1,146
Asset Management	1,974	3,300	300	5,574
Parking Services	1,208	325	130	1,663
Growth Fund Projects	548	126	0	674
CCTV	12	0	0	12
Renovation & Reinstatement Grants	805	805	805	2,415
Town Centre Enhancement	141	0	0	141
Waste Collection	0	260	3,400	3,660
Corporate Items	95	0	0	95
Total	12,354	5,889	5,395	23,638
To be Financed By:				
Capital Receipts	4,228	1,105	925	6,258
Government Grants and Other Contributions	2,733	676	270	3,679
Sums set aside from Revenue	92	88	0	180

Foreword by the Strategic Director of Finance, Policy & Governance

Total Funded	7,053	1,869	1,195	10,117
Not Funded – drawdown of cash investments	5,301	4,020	4,200	13,521
Total	12,354	5,889	5,395	23,638

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 Hertsmeire Borough 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. This new company, Hertfordshire CCTV Partnership Ltd, started trading on the 1st April 2015.

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 16th June 2015; 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 2014/15 financial year and the position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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 (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

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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 Statement

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

2013/14			Note	2014/15		
£'000	£'000	£'000		£'000	£'000	£'000
3,488	(1,291)	2,197		4,069	(1,124)	2,945
6,115	(548)	5,567		5,455	(507)	4,948
9,147	(3,226)	5,921		8,833	(3,627)	5,206
2,608	(1,042)	1,566		2,536	(1,245)	1,291
42,251	(40,692)	1,559		43,045	(41,179)	1,866
2,324	(2,497)	(173)		2,502	(2,800)	(298)
2,864	(3)	2,861		2,740	(6)	2,734
0	0	0		16	(16)	0
2,529	0	2,529		31	0	31
71,326	(49,299)	22,027	Cost of Services	69,227	(50,504)	18,723
		2,212	Other Operating Expenditure	8		922
		736	Financing and Investment Income & Expenditure	9		549
		(18,558)	Taxation and Non-Specific Grant Income & Expenditure	10		(18,140)
		6,417	(Surplus) or Deficit on Provision of Services			2,054
		(1,071)	(Surplus) or Deficit on Revaluation of non-current assets			(217)
		(8,394)	Re-measurements of the net defined benefit liability	15		7,204
		(9,465)	Other Comprehensive Income and Expenditure			6,987
		(3,048)	Total Comprehensive Income and Expenditure			9,041

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.

	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 2013	3,161	2,713	1,243	1,100	8,217	63,995	72,212
Restated Movement in Reserves 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
Movement in Reserve during 2014/15							
Surplus or (deficit) on provision of services	(2,054)	0	0	0	(2,054)	0	(2,054)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(6,987)	(6,987)
Total Comprehensive Expenditure and Income	(2,054)	0	0	0	(2,054)	(6,987)	(9,041)
Adjustments between accounting basis & funding basis under regulations (Note 7)	5,079	0	(489)	(83)	4,507	(4,507)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,025	0	(489)	(83)	2,453	(11,494)	(9,041)
Transfers to/from Earmarked Reserves (Note 38)	(936)	936	0	0	0	0	0
Increase / (Decrease) in Year	2,089	936	(489)	(83)	2,453	(11,494)	(9,041)
Balance at 31 March 2015	6,021	4,938	850	981	12,790	53,429	66,219

Balance Sheet as at 31 March 2015

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 2014 £'000		Note	31 March 2015 £'000
70,535	Property, Plant and Equipment	23	71,843
556	Heritage Assets	28	586
14,530	Investment Property	24	14,530
59	Intangible Assets	29	187
7,758	Long Term Investments (non-property)	34	7,758
165	Mortgages	34	112
22	Loans	34	19
2,073	Other Long Term Debtors	34	2,036
95,698	Long Term Assets		97,071
81	Inventories	31	70
6,283	Short Term Debtors	32	7,205
29,012	Short Term Non Property Investments	34	25,479
2,000	Assets Held for Sale	25	2,000
1,240	Cash & Cash Equivalents	11	2,030
38,616	Current Assets		36,784
(1,498)	Short Term Borrowing	34	(66)
(4,370)	Short Term Creditors	33	(3,281)
(3,413)	Receipts in Advance	33	(4,676)
(9,281)	Current Liabilities		(8,023)
(1,572)	Long Term Borrowing	34	(1,515)
(1,149)	Long Term Creditors	30	(1,139)
(569)	Provisions (> 1 year)	36	(1,009)
(46,372)	Liability related to Pension Scheme	15	(55,632)
49	Deferred Credits		49
(160)	Capital Grants Receipt in Advance	17	(367)
(49,773)	Long Term Liabilities		(59,613)
75,260	Net Assets		66,219
10,336	Usable Reserves	38	12,789
66,924	Unusable Reserves	39	53,430
75,260	Total Reserves		66,219

The un-audited accounts were issued on 16 June 2015. The audited accounts were authorised for issue on the 24 September 2015.

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.

2013/14	2014/15
£'000	£'000
(6,417) Net surplus or (deficit) on the provision of services	(2,054)
6,203 Adjustments for non-cash movements	5,197
8,097 Adjustments for items that are investing and financing activities	3,057
7,883 Net cash flows from operating activities	6,200
(6,312) Investing Activities	(3,518)
(1,924) Financing Activities	(1,892)
(353) Net Increase or (decrease) in cash and cash equivalents	(790)
1,593 Cash and Cash Equivalents at the beginning of the year	1,240
1,240 Cash and Cash Equivalents at the end of the year	2,030

Notes to the Core Financial Statements

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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 2014 (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 adopted in the 2015/16 Code and will need to be applied from 1 April 2015 include:

IFRS 13 Fair Value Measurement

The 2015/16 Code clarifies the current adaptation of the measurement requirements for property, plant and equipment following the adoption of IFRS 13 and has introduced the concept of current value. Current value will include four measurement bases. This new definition of current value means that the measurement requirements for property, plant and equipment providing service potential for an authority have not changed from the 2014/15 Code. The 2015/16 Code has changed the measurement requirements for assets classified as surplus assets. These assets will need to be measured at fair value in accordance with the definition in IFRS 13 and without any adaptations to that definition.

The large majority of surplus assets held by this Authority are land assets that are already held at market value*. It is not expected that the new definition of current value will have a material impact on the valuation of these assets.

The adoption of IFRS 13 in the Code is not a change of accounting policy that will require the publication of a third Balance Sheet.

*Market value: estimated amount for which an asset should exchange between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset.

Annual Improvements to IFRSs 2011 – 2013 Cycle

The issues included in the Annual Improvements to IFRSs 2011 – 2013 cycle are:

IFRS 1: Meaning of effective IFRSs;

IFRS 3: Scope exceptions for joint ventures;

IFRS 13: Scope of paragraph 52 (portfolio exception); and

IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

It is not anticipated at this stage that the improvements to IFRSs from the 2011 – 2013 cycle will have a material impact on the financial statements.

IFRIC 21 Levies

IFRIC 21 Levies provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC relates to when to recognise a liability to pay a levy that is accounted for in accordance with IAS 37. Where an authority considers it has relevant transactions it shall refer to IFRIC 21. It is not anticipated that the IFRIC will have a material impact on the financial statements.

Notes to the Core Financial Statements

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 2015 of £158,400. 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 £1 million 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.

The items in the Authority's Balance Sheet at 31 March 2015 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	If the useful life of assets is reduced, depreciation increases and the carrying

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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.	amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £179,000 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 2015 the Authority had a balance of short term debtors of £8.7million. A review of the trend in collection rates and the age profile of the outstanding debt suggested an impairment of £1.6million 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 £1.6million 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 £951,000 has been made, as at 31 March 2015, 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 2015, after applying a success factor of 25% and likely reduction in RV of 16%. An increase of 1% in the success factor would increase the amount of provision required by £250,000.
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 2014/15, the Authority's actuaries advised that the net pensions liability had increased by £9million. This is due to the discount rate falling from 4.1% to 3.1%. This has been caused by the fall in bond yields over the past 12 months which the discount rate is derived from.

Notes to the Core Financial Statements

Change in assumptions at year ended 31 March 2015	Approximate % Increase to Employer Liability	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	12%	19,435
1 year increase in Member Life Expectancy	3%	4,843
0.5% increase in the Salary Increase Rate	4%	6,565
0.5% increase in the pension increase rate	8%	12,472

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 £38.4million of Housing Benefit payments in 2014/15 (£37.9million in 2013/14). This was funded by a grant subsidy from the Department for Work and Pensions of £37.9million (£37.6million in 2013/14).

5. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2014/15 or 2013/14. These would normally arise following boundary changes or from legislation, neither of which affected North Hertfordshire District Council during 2014/15. All operations are therefore classified as '*continuing operations*'.

6. PRIOR PERIOD ADJUSTMENTS

There were no prior period adjustments that needed disclosing in 2014/15.

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 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

Notes to the Core Financial Statements

Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(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

The following table shows the adjustments made in 2014/15:

2014/15	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	(2,382)	0	0	2,382
Amortisation of Intangible Assets	(67)	0	0	67
Capital Grants and contributions applied	653	0	83	(736)
Revenue Expenditure funded from capital under statute	(805)	0	0	805
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	10	0	0	(10)
Capital Expenditure charged against the General Fund	65	0	0	(65)
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	0	541	0	(541)
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	(1)	1	0	0

Notes to the Core Financial Statements

Transfer from deferred capital receipts reserve upon receipt of cash	0	(53)	0	53
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,904)	0	0	3,904
Employers pensions contributions and direct payments to pensioners payable in year	1,848	0	0	(1,848)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	(484)	0	0	484
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(11)	0	0	11
Total Adjustments	(5,078)	489	83	4,506

Notes to the Core Financial Statements

8. OTHER OPERATING EXPENDITURE

2013/14 £000		2014/15 £000
871	Parish council precepts	920
6	Payments to the Government Housing Capital Receipts Pool	2
1335	(Gains)/losses on the disposal of non-current assets	0
2,212	Total	922

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £000		2014/15 £000
200	Interest payable and similar charges	170
2,306	Pensions interest cost and expected return on pensions assets	1,902
(706)	Interest receivable and similar income	(529)
(1,064)	Income and expenditure in relation to investment properties	(994)
736	Total	549

10. TAXATION & NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2013/14 £000		2014/15 £000	2014/15 £000
(10,255)	Council Tax Income		(10,531)
(3,598)	Revenue Support Grant		(3,384)
	National Non-Domestic Business Rates (NNDR)		
(15,303)	Share of total collectible	(15,149)	
12,265	Less NNDR Tariff	12,657	
797	Less NNDR Collection Fund Deficit	505	
(2,241)	Net Recognised NNDR		(1,987)
(1,554)	New Homes Bonus		(1,991)
(910)	Capital Grants and Contributions (see below)		(247)
(18,558)		(18,140)	

2013/14 £'000	Capital Grants and Contributions	2014/15 £'000
167	S106 Developer Contributions	118
18	Electric Charging Points Grant	21
0	Museum Lottery Funding	100
704	Co-Mingled Recycling Bins and Flats Recycling Grant	8
21	Westmill Community Centre	0
910	Total	247

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 £12.505million in 2014/15

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 2014/15 NHDC were required to make a levy payment of £153k.

11. CASH AND CASH EQUIVALENTS

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

31 March 2014 £000		31 March 2015 £000
85	Cash held by the Authority	5
125	Bank current accounts	1,975
1,030	Short-term Deposits with Banks/Building Societies	50
1,240	Total	2,030

12. UNDISCHARGED OBLIGATIONS ARISING FROM LONG TERM CONTRACTS

The Authority is committed to making payments estimated at £9.9million in 2015/16. The estimated liability of the contracts from 1 April 2015 to contract expiry is £22.7million. 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 15/16 £'000	Contract expiry date
Birkin Cleaning Services	Office Cleaning	70	30 September 2018
Veolia	Waste Collection, Recycling, Street Cleansing	6,170	08 May 2018
SSE Contracting Limited	Compliance & Maintenance Services	165	31 March 2018
Ernst & Young	Audit Services	95	20 May 2017
*To be awarded	Car Park Coin Collection	30	19 May 2017
John O'Connor	Grounds Maintenance, pest control, play grounds, paddling pools, cemeteries	1,860	31 March 2017
Steve Dear Tree Services Ltd	Tree Maintenance	200	31 March 2017
Corona	Gas Supply	58	31 March 2017
Danfo	Public Convenience Cleaning	49	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
Total		8,819	
Other Contract Payments		1,112	
Total Contract Payments		9,931	

13. TRADING OPERATIONS

The Council has no trading operations.

14. CONTRIBUTION TO HOUSING POOLED CAPITAL RECEIPTS

Notes to the Core Financial Statements

The Council transferred its housing stock in March 2003. However, capital receipts of £1,910 relating to the remaining outstanding right to buy mortgages were received in 2014/15. The payment to the pool of £1,432 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	2013/14	2014/15
	£'000	£'000
Comprehensive Income and Expenditure Account:		
Cost of Services:		
Service cost comprising:		
Current Service Cost *	1,893	1,989
Past Service Costs	45	13
Financing and Investment Income and Expenditure:		
Net Interest Expense	2,306	1,902
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,244	3,904
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined liability comprising:		
Return on Plan Assets	5,526	(9,379)
Actuarial (gains) and losses arising on changes in demographic assumptions	(4,596)	0
Actuarial (gains) and losses arising on changes in financial assumptions	(2,564)	17,850
Other	(4,371)	(1,253)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(1,761)	11,122
Movement in Reserves Statement:	2013/14	2014/15
	£'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	(4,244)	(3,904)

Actual Amount charged against the General Fund balance for pensions in the year:

Notes to the Core Financial Statements

• Employers' contributions payable to the scheme **	1,878	1,835
Net chargeable amount against the General Fund balance	1,878	1,835

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

** The figure of £1.835million for employers contributions to the scheme in 2014/15 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 2014/15 was £1.848million (£13k 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	2013/14	2014/15
	£'000	£'000
Present value of the defined benefit obligation	(141,453)	(161,422)
Fair Value of plan assets	95,081	105,790
Sub-total	(46,372)	(55,632)
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	(46,372)	(55,632)

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

Local Government Pension Scheme	2013/14	2014/15
	£'000	£'000
Opening fair value of scheme assets	96,018	95,081
Interest Income	4,324	3,845
Re-measurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	(5,526)	9,379
Other		
The effect of changes in foreign exchange rates		
Contributions from employer	4,325	1,862
Contributions from employees into the scheme	524	587
Benefits paid	(4,584)	(4,964)
Closing fair value of scheme assets	95,081	105,790

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

Local Government Pension Scheme	2013/14	2014/15
	£'000	£'000
Opening balance at 1 April	148,476	141,453
Current service cost	1,893	1,989
Interest cost	6,630	5,747
Contributions from scheme participants	524	587
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	(4,596)	0

Notes to the Core Financial Statements

Actuarial (gains) / losses arising from changes in financial assumptions	(2,564)	17,850
Other	(4,371)	(1,253)
Past Service Cost	45	13
Benefits paid	(4,584)	(4,964)
Closing balance at 31 March	141,453	161,422

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets			
	31 March 2014		31 March 2015	
	£'000	% of total assets	£'000	% of total assets
Cash and cash equivalents	3,094	3%	2,790	3%
Equity instruments:				
Consumer	9,574	10%	9,341	9%
Manufacturing	10,955	12%	11,066	10%
Energy and utilities	4,224	4%	3,054	3%
Financial Institutions	10,326	11%	9,508	9%
Health and care	1,460	2%	1,569	1%
Information technology	6,687	7%	6,571	6%
Other	1,084	1%	780	1%
Sub-total equity	44,310	47%	41,889	39%
Bonds:				
Corporate	7,882	8%	0	0%
UK Government	5,857	7%	0	0%
Other	2,012	2%	0	0%
Sub-total bonds	15,751	16%	0	0%
Private equity:				
All	3,854	4%	4,382	4%
Real Estate:				
UK Property	3,681	4%	0	0%
Overseas Property	2,089	2%	0	0%
Sub-total real estate	5,770	6%	0	0%
Investment funds and Unit Trusts:				
Equities	14,467	15%	15,200	14%
Bonds	2,318	3%	28,218	28%
Commodities	404	0%	458	0%
Infrastructure	0	0%	94	0%
Other	5,030	5%	12,988	12%
Sub-total other investment funds	22,219	22%	56,958	54%
Derivatives:				
Forward foreign exchange contracts	83	0%	(229)	0%
Total assets	95,081		105,790	

All scheme assets have quoted prices in active markets with the exception of private equity, Infrastructure, and Investment Fund assets.

The scheme history is as follows:

	31 March 2011 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000
Present Value of Liabilities	(118,639)	(130,858)	(148,476)	(141,453)	(161,422)
Fair Value of Assets	86,450	85,630	96,018	95,081	105,790
Deficit in the scheme	(32,189)	(45,228)	(52,458)	(46,372)	(55,632)

Notes to the Core Financial Statements

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 £161,422million has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £55,632million. 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 2016 is £1,891,000.

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 2015. The significant assumptions used in their calculations are:

	31 March 2014 %	31 March 2015 %
Mortality Assumptions:		
Longevity at 65 for current pensioners*:		
Men	22.3	22.3
Women	24.3	24.5
Longevity at 65 for future pensioners**		
Men	24.3	24.3
Women	26.7	26.7
Rate of inflation	2.6	2.1
Rate of increase in salaries	3.9	3.5
Rate of increase in pensions	2.6	2.1
Rate for discounting scheme liabilities	4.1	3.1
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

* 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 are identical to those used in the previous accounting period. **Figures assume members aged 45 as at the last formal valuation date.

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

Notes to the Core Financial Statements

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%	4,843
Real Discount Rate (decrease by 0.5%)	12%	19,435
Rate of increase in salaries (increase by 0.5%)	4%	6,565
Rate of increase in pensions (increase by 0.5%)	8%	12,472

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 2013		31 December 2014	
	Number	Proportion	Number	Proportion
Actives	289	19%	318	21%
Deferred Pensioners	572	38%	548	36%
Pensioners	656	43%	664	43%
	1,517		1,530	

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:

	2013/14 £'000	2014/15 £'000
Expenditure incurred in providing highway verge and grounds maintenance services at Letchworth Library to Hertfordshire County Council	266	407
Management fee payable by the County Council	(255)	(346)
Net deficit arising on the agency agreement	11	61
Expenditure incurred in providing a grounds and building maintenance service to Royston Town Council	25	7
Management fee payable by the Town Council	4	(5)
Net deficit arising on the agency agreement	29	2

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:

	2013/14 £'000	2014/15 £'000
Disabled Facilities Grant	287	296
Developer Contribution	13	110
Commuted Sums	304	0
Total	604	406

Notes to the Core Financial Statements

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

	2013/14 £'000	2014/15 £'000
Benefits Administration and Fraud Initiative Grants	984	984
Housing and Council Tax Benefit Subsidy	37,545	37,875
Waste minimisation – Herts County Council contribution	362	606
Waste Service Transport Subsidy	30	17
National Non-Domestic Rates Administration Grant	182	193
HCC Locality Grants Traffic Schemes	0	8
Homelessness Prevention Grant	0	58
Community Safety Grants	27	24
Individual Electronic Registration Grant	27	54
Council Tax Reduction Scheme – New Burdens Grant	66	82
DCLG Neighbourhood Plans	0	30
Public Health Grant	0	16
Community Right to Bid	16	16
Inspire Grant – Defra	0	2
Ivel Springs – Biffa	0	0
Air Monitoring, Defra	28	0
HCC Health and Well Being Grant	10	0
Pix Brook Project	0	0
DCLG Waste Grants for Flats Recycling	58	74
Hertfordshire Museums – Letchworth Museum Project	1	0
Heritage Lottery Fund – Discovering Ickleford	9	0
Total	39,345	40,039

CAPITAL GRANTS RECEIVED IN ADVANCE

The Authority 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 2015 is £367,307.

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	2013/14	2014/15
	Employees	Employees
£50,000-54,999	10	10
£55,000-59,999	1	0
£60,000-64,999	4	5
£65,000-69,999	2	1
£70,000-74,999	0	0
£75,000-79,999	0	1
£80,000-84,999	0	0

Notes to the Core Financial Statements

£85,000-£89,999	2	2
£90,000-£114,999	0	0
£115,000-£119,999	1	0
£120,000-£124,999	0	1
£125,000-£129,999	0	0
Total	20	20

Notes to the Core Financial Statements

Senior Employee Remuneration in 2014/15

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 2014/15. The second table details the equivalent information for the comparative year, 2013/14. 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 £	Total Remuneration (excluding pension contributions) £	Pension Contributions £	Total Remuneration (including pension contributions 2013/14) £
David Scholes * Chief Executive	114,628	0	114,628	17,147	131,775
Norma Atlay Strategic Director of Finance Policy and Governance	88,378	0	88,378	13,079	101,457
John Robinson Strategic Director of Customer Services	88,378	8	88,386	13,079	101,465
Head of Development and Building Control	76,928	0	76,928	11,381	88,309
Head of Housing and Public Protection Service	68,609	0	68,609	10,085	78,694
Head of Policy Partnership and Community Development	62,443	0	62,443	9,136	71,579
Head of Finance Performance and Asset Management	61,090	6	61,096	0	61,096
Head of Revenues and Benefits	62,443	787	63,230	9,136	72,366
Head of Leisure and Environmental Services	62,565	0	62,565	9,136	71,701
Corporate Human Resources Manager	54,006	462	54,468	7,902	62,370
Corporate Legal Manager*	36,679	0	36,679	8,652	45,331

* The Chief Executive also held the position of Returning Officer for the Council and received £7,286 of expense allowances for this role in 2014/15.

* The Corporate Legal Manager had taken maternity leave from August 2014

Notes to the Core Financial Statements

Senior Employee Remuneration in 2013/14

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

19. TERMINATION BENEFITS AND EXIT PACKAGES

The Authority terminated the contracts of six employees in 2014/15, incurring liabilities of £102,155 (£46,887 in 2013/14).

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 reported for 2013/14, but not shown in the table below, is for pay in lieu.

Exit Package Band	2013/14		2014/15	
	Number of Employees	Total Cost £	Number of Employees	Total Cost £
£0 - £49,999	2	46,482	6	102,155
£50,000 - £74,999	0	-	0	0
Total	2	46,482	6	102,155

20. MEMBERS' ALLOWANCES

The following table shows the amount of Members' allowances paid in 2014/15 compared to the previous financial year:

	2013/14 £'000	2014/15 £'000
Allowances	327	329
Expenses	19	15
Total	346	344

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 2014/15 audit fees have been estimated for the element of grant based audit work in conjunction with the Council's external auditors.

	2013/14 £'000	2014/15 £'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.	-6	-16
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	7	0
Total	80	63

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 2014/15 works and services to the value of £12,965 were commissioned from companies in which 5 Members had an interest. No additional grants were paid to voluntary organisations in which Members had an interest. 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.

Three 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 £399,742. £137,685 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 2013/14 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. The Authority's Investment properties are valued annually. 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. When necessary, specialist external valuers are used for assets which require particular knowledge of the asset valued.

Revaluations have been undertaken in 2014/15 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 over £67,000.

An impairment review was completed as at 31 March 2015 to ascertain if the carrying value of the assets had decreased materially since the last revaluation. The value of the depot at Icknield Way, Letchworth Garden City was impaired by an external valuer by £120,000.

DISPOSALS

No assets were disposed of during 2014/15.

Notes to the Core Financial Statements

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

	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 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
Depreciation & Impairments							
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

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2014/15

	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 2014	64,808	8,723	93	6,086	3,232	1,796	84,738
Additions	232	299	0	8	0	3,007	3,546
Disposals	0	0	0	0	0	0	0
Reclassifications	659	31	0	95	0	(785)	0
Write Off to Revenue	0	0	0	0	0	(43)	(43)
Upward and Downward Revaluations taken to Revaluation Reserve	88	0	0	0	0	0	88
Impairments recognized in the Surplus/Deficit on the Provision of Services	0	0	0	0	(120)	0	(120)
At 31 March 2015	65,787	9,053	93	6,189	3,112	3,975	88,209
At 1 April 2014	(7,276)	(6,164)	(28)	(725)	(10)	0	(14,203)
Depreciation Charge for 2014/15	(1,567)	(550)	(2)	(138)	(4)	0	(2,261)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	86	0	0	12	0	0	98
At 31 March 2015	(8,757)	(6,714)	(30)	(851)	(14)	0	(16,366)
Balance Sheet amount at 31 March 2015	57,030	2,339	63	5,338	3,098	3,975	71,843
Balance Sheet amount at 1 April 2014	57,532	2,559	65	5,361	3,222	1,796	70,535

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:

	2013/14	2014/15
	£'000	£'000
Rental Income from Investment Property	(1,014)	(1,021)
Deminimis land sales	(7)	0
Direct Operating Expenses arising from Investment Property	9	27
Net Gain / (Loss)	(1,012)	(994)

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:

	2013/14	2014/15
	£'000	£'000
Not later than one year	(862)	(875)
Later than one year and not later than five years	(3,448)	(3,500)
Later than five years	(61,622)	(61,547)

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

	2013/14	2014/15
	£'000	£'000
Balance at Start of the Year	14,469	14,530
Net Gains / (Losses) from Fair Value adjustments	61	0
Transfers to/from Property, Plant and Equipment*	0	0
Balance at End of Year	14,530	14,530

25. ASSETS HELD FOR SALE (Non-Current)

	2013/14	2014/15
	£'000	£'000
Balance at Start of the Year	0	2,000
Assets newly classified as held for sale	2,000	0
Assets declassified as held for sale	0	0
Balance Outstanding at End of Year	2,000	2,000

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

Notes to the Core Financial Statements

£4.53million, only £1.37million has been financed immediately, resulting in an increase of £3.16million 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 (£20million at 31 March 2015) because the Authority has set aside capital receipts which exceed the amount of outstanding loans and borrowings.

	2013/14 £'000	2014/15 £'000
Capital Investment:		
Operational Assets		
Land & Buildings	5,166	232
Vehicles, Plant & Equipment	1,445	305
Community Assets	73	2
Non-Operational Assets		
Assets Under Construction	1,454	3,007
Intangible Assets - Software	24	196
Revenue Expenditure Funded from Capital under Statute	3,364	790
Total Capital Investment	11,526	4,532
Sources of Finance:		
Capital Receipts	292	566
Government Grants and Other Contributions	1,550	737
Sums set aside from Revenue	24	65
Total Finance Sources	1,866	1,368

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 2015 the Council had committed to £1.467 million 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
Disabled Facilities Grants	184
Neighbourhood Parks Renovation	47
District Museum & Community Facility	951
Purwell Recreation Ground Improvements	25
Refurbishment of DCO	120
Transport Plans Implementation	105
Letchworth Multi Storey Car Park	35
Total Commitments	1,467

28. HERITAGE ASSETS

Notes to the Core Financial Statements

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 2013	465	46	511
In year Movements	45	0	45
31 March 2014	510	46	556
1 April 2014	510	46	556
Additions	0	0	0
Revaluations	30	0	30
31 March 2015	540	46	586

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 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 2015. 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

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

Notes to the Core Financial Statements

to the users of the Authority's financial statements. The unvalued collections are insured for £2million as at 31 March 2015.

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.

The Authority's sculpture of a bronze bust of Erica Lee by Reginald Hine and an M4 painting by Richard Smith is not recognised in the financial statements. These are insured for £7,000 and £5,000 respectively.

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 2014 to 31 March 2015 is as follows:

The Authority received 53 separate donations or groups of donations in the year which are of generally low value, and include documents relating to Hitchin Fire Brigade and to the League of North Herts Hospital Friends; 6 albums of photos of Whitwell; a Boer War handkerchief; a Spirella brassiere; a 4th century gold finger ring; a watercolour by Samuel Lucas of a coastal scene; a T-shirt given to donor when working as a volunteer steward for the Olympic Torch Relay through Letchworth in 2012; a 17th century silver hooked tag from Lilley; a silver crotal bell (used on horse-drawn vehicles) from Codicote.

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

29. INTANGIBLE ASSETS

	Purchased Software Licences £'000
Original Cost	1,384
Amortisations to 1 April 2014	(1,325)
Balance at 1 April 2014	59
Expenditure in Year	196
Written off to Revenue in Year	(68)
Balance at 1 April 2015	187

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

Software	Original	Life of
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Notes to the Core Financial Statements

	Cost £'000	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
Cust Relationship Mgr Software	26	5 years
Customer Self Serve Module	10	5 years
Income Mgmt System	160	5 years
Total	1,579	

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 2014/15 was £48,583 (2013/14 at £82,041).

Property

The Authority paid £44,632 in rent / leasing charges for properties in 2014/15. The most significant amount of £24,000 was paid for the King James Way Car Park. This agreement is due to expire in January 2024.

Commitments under operating leases

The Authority was committed at 31 March 2015 to making payments of £1.333 million under operating leases over the following periods:

	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	89	85
Later than one year and not later then five years	182	167
Later than five years	1,122	1,100
	1,393	1,352

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 2014/15 was £1,022,074 (2013/14 £1,007,659). 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 one remaining other finance lease at 31 March 2015. 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 2014 £'000	31 March 2015 £'000
Other Land and Buildings	172	158
Vehicles, Plant & Equipment	5	0
	177	158

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 2014 £'000	31 March 2015 £'000
Finance Lease-Liabilities	159	149
Finance costs in future years	193	177
Minimum Lease Payments	352	326

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
	Not later than one year	26	23	10
Later than one year and not later than five years	67	58	19	12
Later than five years	259	245	130	127
	352	326	159	149

31. INVENTORIES

	31 March 2014 £'000	31 March 2015 £'000
Inventory:		
Paper and Stationery	8	5
Postage	6	6
Waste & Recycling equipment	33	14
Museum merchandise	14	13
Careline Telecare Equipment	17	30
Other	3	2
Total	81	70

Notes to the Core Financial Statements

32. DEBTORS

	31 March 2014 £'000	31 March 2015 £'000
Central Government Bodies	883	1,189
Impairment	0	0
Net Total Central Government Bodies	883	1,189
Other Local Authorities	1,408	1,447
Impairment	0	0
Net Total Other Local Authorities	1,408	1,447
Ratepayers/Council Tax payers	2,156	1,962
Impairment	(771)	(773)
Net Total Ratepayers / Council Tax payers	1,385	1,189
Housing Benefit Overpayments	1,387	1,851
Impairment	(373)	(481)
Net Total Housing Benefit Overpayments	1,014	1,370
Other Entities and Individuals	1,812	2,334
Impairment	(219)	(324)
Net Total Other Entities and Individuals	1,593	2,010
Total Net Debtors	6,283	7,205

33. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

Short Term Creditors	31 March 2014 £000	31 March 2015 £000
Central government bodies	1,718	1,588
Other local authorities	397	393
NHS bodies	1	1
Other entities and individuals*	2,254	1,299
Total	4,370	3,281

* As at 31 March 2015 there was £8k of prepayments received in the last couple of days of the year (£22k as at 31 March 2014).

Receipts in Advance	31 March 2014 £000	31 March 2015 £000
Central government bodies	75	36
Other local authorities	169	200
Other entities and individuals	3,169	4,440
Total	3,413	4,676

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 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Financial Liabilities at amortised cost:				
Creditors payable in one year	0	0	4,370	3,281
Borrowing	1,572	1,515	1,498	66
Total Financial Liabilities:	1,572	1,515	5,868	3,347
Financial Assets (loans and receivables):				
Debtors	2,260	2,167	6,283	7,205
Investments	7,758	7,758	29,012	25,479
Cash & Cash Equivalents	0	0	1,240	2,030
Total Financial Assets:	10,018	9,925	36,535	34,714

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	
	2014	2015	2014	2015	2014	2015
Interest Expense	(200)	(171)	0	0	(200)	(171)
Interest Payable & Similar Charges	(200)	(171)	0	0	(200)	(171)
Interest Income	0	0	707	530	707	530
Interest & investment income	0	0	707	530	707	530
Net gain/(loss) for year	(200)	(171)	707	530	507	359

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 2015 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 2014		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	7,440	8,076	4,852	5,617

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 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans & Receivables	46,543	46,543	42,837	42,837

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 2014/15 or 2013/14. The table below details the investment limits for 2014/15.

Notes to the Core Financial Statements

	Maximum Amount of Investment Allowable £ million	Amount Invested as at 31 March 2015* £ million
UK Clearing Banks	9.00	5.050
UK Clearing Banks (Wholly owned Subsidiaries)	9.00	0
Building Societies (Assets £4.5bn)	9.00	10.750
Building Societies (Assets £2.5bn - £4.5bn)	9.00	0
Building Societies (Assets £1bn to £2.5bn)	6.00	4.500
Building Societies (Assets £0.3bn to £1bn)	4.00	12.750
Public Corporations	9.00	0
Other Local Authorities	9.00	0
Total Invested		33.050

* This column shows the total invested in all counterparties in the group (for example, there was £12.75million invested in five separate building societies, assets £0.3bn to £1bn, as at 31 March 2015). The Council has not invested above the maximum allowable per counterparty at any time during the year.

The analysis of these £33.05million 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	£10.8million	£5.0million	£17.25million

* 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 2014/15 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 2014 £'000	31 March 2015 £'000
Public Works Loan Board	660	573
Banks and Other Monetary Sectors	2,400	1,000
Total Borrowing	3,060	1,573
Less: Debt Maturing in 12 Months	1,487	58
Total Long Term Borrowing	1,573	1,515

Notes to the Core Financial Statements

At 31 March 2015 the average rates of interest on the different varieties of loans were as follows:

	%
Other Loans	10.125
Public Works Loan Board	8.872

The consolidated rate of interest, the rate used for internal transactions, was 9.52%.

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

	P.W.L.B.	Banks etc.	Other	Total
	£'000	£'000	£'000	£'000
Maturing in more than 1 and less than 2 years	35	1,000	0	1,035
Maturing in more than 2 and less than 5 years	58	0	0	58
Maturing in more than 5 and less than 10 years	97	0	0	97
Maturing in more than 10 years	325	0	0	325
Total	515	1,000	0	1,515

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 2015 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 £30k in interest receivable from cash investments. The fair value of the loans outstanding would have been £11k 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	(30)
Impact on Income and Expenditure Account	(30)
Decrease in fair value of fixed rate loans	11

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 2015 had a balance of £37,677, an increase of £9,956 from the balance at 31 March 2014. 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), vehicle electric charging points (£13,720) and other miscellaneous items totalling £106,409.

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

	Insurance	Other	Total
	£'000	Provisions	£'000
		£'000	£'000
Balance at 1 April 2014	24	545	569
Additional provisions made in 2014/15	46	1,038	1,084
Amounts used in 2014/15	(30)	(614)	(644)
Unused amounts reversed in 2014/15	0	0	0
Unwinding of discounting in 2014/15	0	0	0
Balance at 31 March 2015	40	969	1,009

Insurance Provision

The insurance provision covers the uninsured aspect of outstanding insurance claims (the amount of our policy excess and any self-insured losses to be covered by the Insurance Fund). This varies throughout the year and the provision amount is adjusted at the end of each quarter on receipt of revised estimates from insurers. The amount that could potentially be paid out for claims was greater at the end of 2014/15 than it was at the end of 13/14.

Other Provisions

From 1 April 2013 the Authority needed to recognise a provision for NNDR appeals liabilities. The NNDR provision on the balance sheet in 2013/14 was £474k. In 2014/15 the authority has increased this provision by an additional 1.038million. The

Notes to the Core Financial Statements

Valuation Office report has shown an increase in the number of appeals lodged, as the final deadline for lodging an appeal for business rates was the 31st March 2015. The proportion of NHDC provision of appeals that is showing in the balance sheet is £951k. Please see working paper 6117 for detailed workings on how the provision was calculated.

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 2015, 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 2015, available to fund capital and revenue activities is £3,598,900. (2013/14 £2,345,398)

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 2014 £'000	Net Movement in Year £'000	Balance at 31 March 2015 £'000
Usable Capital Receipts	1,339	(489)	850
Earmarked Reserves	4,002	936	4,938
Capital Grants Unapplied	1,063	(83)	980
General Fund Reserve	3,932	2,089	6,021
Total Usable Reserves	10,336	2,453	12,789

Notes to the Core Financial Statements

USABLE CAPITAL RECEIPTS	2013/14 £'000	2014/15 £'000
Amounts receivable	393	53
Amounts applied to finance new capital investment	(292)	(541)
Payments to Capital Receipts Pool	(5)	(1)
Total increase in realised capital resources	96	(489)
Balance brought forward at 1 April	1,243	1,339
Balance carried forward at 31 March	1,339	850

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 2013	Transfers out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers out 2014/15	Transfers in 2014/15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Special Reserve	967	0	800	1,767	(47)	0	1,720
Housing & Planning Delivery	345	(102)	0	243	(112)	128	259
Information Technology Reserve	316	(23)	0	293	(141)	0	152
Environmental Warranty Reserve	209	0	0	209	0	0	209
Insurance Reserve	17	0	11	28	0	10	38
Cemetery Mausoleum Reserve	96	0	0	96	0	7	103
S106 Monitoring Reserve	71	(15)	31	87	(16)	24	95
Building Control Reserve	46	(46)	0	0	0	0	0
Museum Exhibits Reserve	13	0	0	13	0	0	13
Property Maintenance Reserve	18	0	10	28	0	30	58
Hitchin Museum Donations	2	(2)	0	0	0	0	0
Leisure Management Maintenance	32	0	17	49	0	20	69
Performance Reward Grant	64	(14)	0	50	0	0	50
DWP Additional Grants Reserve	33	(16)	11	28	(26)	41	43
Homelessness Reserve	43	(25)	10	28	(6)	0	22
Climate Change Grant Reserve	25	0	28	53	(4)	0	49
Children's Services Reserve	8	(8)	7	7	(5)	10	12
Paintings Conservation Reserve	10	0	3	13	0	1	14
Community Right to Challenge	14	(1)	16	29	(1)	16	44
Traffic Regulation Orders	178	0	2	180	(11)	0	169
Town Centre Maintenance	24	(2)	9	31	(2)	9	38
Street Furniture	2	(3)	4	3	(4)	4	3
Office Move IT Works	7	0	0	7	0	0	7
LAMS Interest Reserve	6	0	25	31	0	25	56
DLCG Grants Reserve	10	(10)	492	492	(235)	788	1,045
Growth Area Fund Reserve	53	0	0	53	0	0	53
Community Development Reserve	7	(6)	0	1	0	0	1
Land Charges Reserve	97	(9)	64	152	(4)	38	186
Street Name Plates	0	0	4	4	(4)	0	0
Individual Electronic Registration	0	0	9	9	(9)	0	0
Taxi Reserve	0	0	18	18	(15)	0	3
Waste Reserve	0	0	0	0	0	387	387
Neighbourhood Plan Reserve	0	0	0	0	0	40	40
Total Earmarked Reserves	2,713	(282)	1,571	4,002	(642)	1,578	4,938

Notes to the Core Financial Statements

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 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. The entire 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.

Notes to the Core Financial Statements

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

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 reserve to fund Street Name Plates as and when required.

Individual Electronic Registration Reserve is 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 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.

Waste Reserve – is a new reserve where AFM monies will be transferred to help mitigate any potential risk to the waste service for example construction of potential Northern Transfer Station.

Neighbourhood Plan Reserve – This is a new reserve where funds received for neighbourhood Plans from the DCLG will be transferred. DCLG gave funding to authorities who received neighbourhood plans as funding will be needed in future years as plans are developed and public examinations and public referendums are required

39. UNUSABLE RESERVES

	Balance at 1 April 2014 £'000	Net Movement in Year £'000	Balance at 31 March 2015 £'000
Revaluation Reserve (note 39A)	26,661	(366)	26,295
Capital Adjustment Account (note 39B)	85,470	(1,371)	84,099
Deferred Capital Receipts (note 39C)	9	(2)	7
Pensions Reserve (note 39D)	(46,372)	(9,260)	(55,632)
Short Term Accumulating Compensated Absences Account	(101)	(11)	(112)
Collection Fund Adjustment Account (note 39E)	(743)	(484)	(1,227)
Total Unusable Reserves	64,924	(11,494)	53,430

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.

Notes to the Core Financial Statements

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.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	26,689	26,661
Upward revaluation of assets	1,124	217
Downward revaluation of assets and Impairment losses not charged to the surplus/deficit on the Provision of Services.	(53)	0
Difference between fair value depreciation and historical cost depreciation.	(604)	(583)
Accumulated gains on assets sold or scrapped.	(495)	0
Balance at 31 March	26,661	26,295

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.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	89,805	85,470
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation and impairment of non-current assets	(2,195)	(2,355)
Amortisation of Intangible assets	(52)	(67)
Revenue expenditure funded from capital under statute	(3,364)	(805)
General Fund expenditure previously recognised as capital expenditure	0	0

Notes to the Core Financial Statements

	2013/14 £'000	2014/15 £'000
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.	(1,224)	(0)
Sub-Total	(6,835)	(3,227)
Adjusting amounts written out of the Revaluation Reserve.	564	555
Capital Financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	292	541
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	1,514	653
Application of grants to capital financing from the Capital Grants Unapplied Account	36	83
Statutory provision for the financing of capital investment charged against the General Fund	9	(41)
Capital expenditure charged against the General Fund	24	65
Sub-Total	1,875	1,301
Movements in the market value of investment properties	61	0
Balance carried forward at 31 March	85,470	84,099

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.

	2013/14 £'000	2014/15 £'000
Balance at 1st April	16	9
Transfer to the Capital Receipts Reserve upon receipt of cash	(7)	(2)
Balance at 31st March	9	7

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 pay 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

	2013/14	2014/15
	£'000	£'000
Balance at 1st April	(52,458)	(46,372)
Actuarial gains or losses on pension assets and liabilities	5,947	(7,204)
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	(2,351)	(1,915)
Employer's pensions contributions and direct payments to pensioners payable in the year.	43	(141)
Capitalisation of Pension Costs	2,447	0
	(46,372)	(55,632)

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.

	2013/14	2014/15
	£'000	£'000
Balance at 1 April	25	(743)
Movement in the Authority's share of the Collection Fund surplus / deficit	(768)	(484)
Balance at 31 March	(743)	(1,227)

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, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2013/14	2014/15
	£'000	£'000
Balance at 1 April	(82)	(102)
Amounts accrued at the end of the current year	(19)	(11)
Balance at 31 March	(101)	(113)

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.

2013/14 has been restated due to reclassification of some items of expenditure and income. There is a slight difference in the bottom line of the net cost of services in the management accounts, due to the parish grant being excluded from the management account figures, in order for the bottom line to reconcile with the published position on the general fund.

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 2015	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(5)	(2,253)	(4,924)	(1,583)	(8,765)
Recharges to other services	(834)	(5,449)	(5,633)	(9,496)	(21,412)
Investment property rentals	0	0	(57)	(1,022)	(1,079)
Interest income	(4,363)	0	0	(11)	(4,374)
Government grants	(156)	(836)	(1,125)	(39,234)	(41,351)
Total Income	(5,358)	(8,538)	(11,739)	(51,346)	(76,981)
Employee expenses	(823)	3,556	2,594	4,870	10,197
Other operating expenses	839	1,755	10,042	41,644	54,280
Interest payments	5,907	0	0	11	5,918
Support service recharges	2,344	6,777	5,525	6,020	20,666
Depreciation, amortisation and impairment	(2,525)	617	1,716	907	715
Total Operating Expenses	5,742	12,705	19,877	53,452	91,776
Net Cost of Services	384	4,167	8,138	2,106	14,795

Notes to the Core Financial Statements

The restated income and expenditure of the Authority's Directorates for the comparative year 2013/14 is as follows:

	Chief Executive	Planning, Housing & Enterprise	Customer Services	Finance, Policy & Governance	Total
	£'000	£'000	£'000	£'000	£'000
For the year ended 31 March 2014					
Fees, charges & other service income	(9)	(2,189)	(4,623)	(1,426)	(8,247)
Recharges to Other Services	(1,549)	(5,821)	(5,843)	(9,831)	(23,044)
Investment Income	0	0	(57)	(1,008)	(1,065)
Interest Income	(5,018)	0	0	(13)	(5,031)
Government grants	(187)	(826)	(831)	(38,961)	(40,805)
Total Income	(6,763)	(8,836)	(11,354)	(51,239)	(78,192)
Employee expenses	702	3,749	2,727	5,195	12,373
Other operating expenses	891	1,456	10,504	41,269	54,120
Interest Payments	6,818	0	0	12	6,830
Support Service Recharges	2,499	7,157	5,461	6,083	21,200
Depreciation, amortisation and impairment	(4,035)	909	1,687	547	(892)
Total operating expenses	6,875	13,271	20,379	53,106	93,631
Net Cost of Services	112	4,435	9,025	1,867	15,439

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.

	Restated 2013/14 £'000	2014/15 £'000
Cost of Services in Service Analysis	15,439	14,794
Add services not included in main analysis	0	0
Add amounts not reported by Directorate Analysis	91	80
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	6,498	3,848
Net Cost of Services in Comprehensive Income and Expenditure Statement	22,028	18,722

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 2014/15 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	(8,765)	0	2	0	(8,763)	0	(8,763)
Recharges to Other Services	(21,412)	0	644	0	(20,768)	0	(20,768)
Interest and investment income	(5,453)	0	5,395	0	(58)	(1,551)	(1,609)
Income from council tax	0	0	0	0	0	(10,531)	(10,531)
Government grants and contributions	(41,351)	0	0	0	(41,351)	(7,609)	(48,960)
Total Income	(76,981)	0	6,041	0	(70,940)	(19,691)	(90,631)
Employee expenses	10,197	0	1,842	3,254	15,293	1,902	17,195
Other service expenses	54,280	79	(553)	17,323	71,129	0	71,129
Support Service recharges	20,666	0	(89)	(20,577)	0	0	0
Depreciation, amortisation and impairment	715	0	2,527	0	3,242	27	3,269
Interest Payments	5,918	0	(5,918)	0	0	171	171
Precepts & Levies	0	0	0	0	0	920	920
Payments to Housing Capital Receipts Pool	0	0	(1)	0	(1)	1	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0
Total operating expenses	91,776	79	(2,192)	0	89,663	3,021	92,684
(Surplus) or deficit on the provision of services	14,795	79	3,849	0	18,723	(16,670)	2,053

Notes to the Core Financial Statements

The restated reconciliation for comparative year 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	(8,247)	0	13	0	(8,234)	0	(8,234)
Recharges to Other Services	(23,044)	0	1,408	0	(21,636)	0	(21,636)
Interest and investment income	(6,096)	0	6,033	0	(63)	(1,717)	(1,780)
Income from council tax	0	0	0	0	0	(10,255)	(10,255)
Government grants and contributions	(40,805)	0	0	0	(40,805)	(8,303)	(49,108)
Total Income	(78,192)	0	7,454	0	(70,738)	(20,275)	(91,013)
Employee expenses	12,373	0	2,043	3,913	18,329	2,306	20,635
Other service expenses	54,120	91	(91)	17,113	71,233	0	71,233
Support Service recharges	21,200	0	(174)	(21,026)	0	0	0
Depreciation, amortisation and impairment	(892)	0	5,437	0	4,545	(54)	4,491
Interest Payments	6,830	0	(6,830)	0	0	200	200
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	93,631	91	(956)	0	92,766	4,664	97,430
(Surplus) or deficit on the provision of services	15,439	91	6,498	0	22,028	(15,611)	6,417

41. CONTINGENT ASSETS

In 2013/14 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 had lodged significant claims of potential VAT refunds and compound interest with HMRC. The VAT claims have been settled in 2014/15 and amounts received are reflected in the Statement of Accounts. There are no longer any known contingent assets.

Notes to the Core Financial Statements

42. CONTINGENT LIABILITIES

Property Search Claims

A group of Property Search Companies who have been seeking to claim refunds of property search fees paid to local councils for access to land charges data, have now agreed upon a final settlement. The Council has been given an indicative figure of the value of the claims which at present amounts to £200,080, additional sums for interest and costs is yet to be confirmed and added. The Council has put aside funds of £185,000 as at 31 March 2015 in an earmarked reserve and has also made allowance in the general fund balance by identifying this issue as a financial risk.

On the 30 April 2015, Solicitors acting on behalf of the local authorities confirmed that a final form of settlement will be issued in the form of a Settlement Agreement which will follow in the next few months. The Settlement Agreement will set out the basis for settlement and the detailed terms and will make it clear that the settlement sum will be in full and final settlement of all claims (known or unknown) which Claimants may have against the Council.

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 2015 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.

Administration of Contractor

During the year the council's contractor for the cash collection service, CoinCo, have entered into administration in November 2014. There is outstanding debt that the company have not paid amounting to £130k. The likelihood of the council receiving this payment is very low so the bad debt provision has been adjusted so that debt is 100% provided for.

43. EVENTS AFTER THE REPORTING PERIOD

CCTV

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. This company will start trading on the 1st April 2015. This change is not expected to impact on the 2014/15 Statement of Accounts.

Notes to the Core Financial Statements

Building Control

In 2014/15 North Herts along with 6 other councils explored forming a trading company to provide the councils building control services. The council made an in principle decision at March Cabinet that the project should move forward and produce a full business and financial case for approval in summer 2015. This change is not expected to impact on the 2014/15 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:

2013/14 £'000		2014/15 £'000
941	Interest Received	562
(204)	Interest Paid	(173)
737	Net cash flows from operating activities	389

The adjustments for non-cash movements are as follows:

2013/14 £'000		2014/15 £'000
2,181	Depreciation	2,263
54	Impairments and downward revaluations	120
52	Amortisation of intangible assets	67
540	Movement in Creditors	746
(978)	Movement in Debtors	(612)
(18)	Movement in Inventories	11
2,308	Pension Liability	2,056
1,719	Carrying amount of non-current assets sold	0
406	Movement in other provisions	546
(61)	Movement in the value of investment properties	0
6,203	Net Adjustment for non-cash movements	5,197

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

2013/14 £'000		2014/15 £'000
(1,514)	Grants applied to the financing of capital expenditure	(653)
9,611	Proceeds from the sale of non-current assets	3,711
(1,217)	Net Adjustment for investing or financing activities	3,058

Notes to the Core Financial Statements

Cash Flow Statement - Investing Activities

2013/14 £'000		2014/15 £'000
(7,580)	Purchase of property, plant and equipment, investment property and intangible assets	(4,316)
(164,784)	Purchase of short-term and long-term investments	(87,173)
0	Other payments for investing activities	0
392	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	53
164,784	Proceeds from short-term and long-term Investments	87,173
876	Other receipts from investing activities	745
(6,312)	Net cash flows from investing activities	(3,518)

Cash Flow Statement - Financing Activities

2013/14 £'000		2014/15 £'000
6,010	Cash receipts of short and long-term borrowing	570
(708)	Council Tax and NNDR adjustments	(394)
(11)	Cash payments for the reduction of finance leases liabilities	(10)
(7,215)	Repayments of short and long-term borrowing	(2,057)
(1,924)	Net Cash flows from financing activities	(1,891)

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	2013/14			Note	Council Tax	2014/15	
£'000	Business Rates	Total			£'000	Business Rates	
£'000	£'000	£'000			£'000	£'000	
Income							
(69,812)		(69,812)	Council Tax Receivable	2	(70,507)		(70,507)
			Council Tax Benefit				
	(37,682)	(37,682)	Business Rates Receivable	1		(37,649)	(37,649)
	353	353	Transitional Protection Payments Receivable			71	71
Contribution towards previous year deficit:							
0	0	0	Hertfordshire County Council	3	0		0
0		0	Hertfordshire Police Authority	3	0		0
0	0	0	North Hertfordshire District Council	3	0		0
(69,812)	(37,329)	(107,141)	Total Income		(70,507)	(37,578)	(108,085)
Expenditure							
Precepts, Demands and Shares							
52,255	3,715	55,970	Hertfordshire County Council	4	52,560	3,767	56,327
6,904		6,904	Hertfordshire Police Authority		6,944		6,944
9,356	14,858	24,214	North Hertfordshire District Council		9,590	15,067	24,657
871		871	Parishes, Town & Community Councils		920		920
	18,573	18,573	Central Government			18,501	18,501
Distribution of previous years Surplus							
			Hertfordshire County Council		240		240
			Hertfordshire Police Authority		30		30
Charges to Collection Fund							
0	182	182	Cost of Collection Allowance	1	0	181	181
117	381	498	Write off uncollectible amounts	1/2	175	435	610
	1,341	1,341	Increase / (decrease) in provision for appeals	1		1,038	1,038
119	270	389	Increase / (decrease) in bad debt provision	1/2	177	(148)	30
69,622	39,320	108,942	Total Expenditure		70,636	38,841	109,478
(190)	1991	1,801	Movement on Fund Balance		129	1,263	1,392
(157)	0	(157)	Balance at beginning of year		(347)	1,991	1,644
(347)	1991	1,644)	Balance at end of year		(218)	3,254	3,036
Share of Balance							
(259)	199	(60)	Hertfordshire County Council		(125)	325	200
(34)		(34)	Hertfordshire Police Authority		(18)		(18)
(54)	796	742	North Hertfordshire District Council		(75)	1,302	1,227
	996	996	Central Government			1,627	1,627
(347)	1,991	1,644			(218)	3,254	3,036

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 2014/15 were estimated before the start of the financial year as £18.834m to Central Government, £3.767million to Hertfordshire County Council and £15.248million to North Hertfordshire District Council. These sums have been paid in 2014/15 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 £12.505million to Central Government from the General Fund in 2014/15.

The total net amount of NNDR income collectable in 2014/15, after all reliefs and deductions, was £37.649million. An increase of £287k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £639k as at 31 March 2015. A total of £435k of outstanding business rates were written off during 2014/15.

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 council had to pay a levy to Central Government in 2014/15 of £153k.

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. An increase of £1.038 million has been made for the provision of outstanding appeals bringing the total provision to £2.38 million. This amount is based on the amount of outstanding appeals with the Valuation Office Agency, as at 31 March 2015, after applying an estimated overall success factor of 25%.

The total non-domestic rateable value for North Hertfordshire District Council is £96.3 million, (£96.8 million 2013/2014). The NNDR multiplier is 48.0p in the pound (47.1p in the pound in 2013/2014). The small business non domestic rating multiplier is 49.3p in the pound (46.2p in the pound in 2013/2014).

Collection Fund Accounts

2. COUNCIL TAX

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

	2013/14		2014/15	
	£'000	£'000	£'000	£'000
Original Debt	84,054		84,788	
Additional Debt	10,259		9,546	
		94,313		94,334
Less:				
Council Tax Reductions		6,974		6,722
Transitional Relief		(1)		(2)
Discounts		6,584		6,592
Amounts Written-off, Exemptions & Allowances		10,944		10,515
		69,812		70,507

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, £1,470.78, (£1,466.97, 2013/2014) 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	3,294	0.67	985.42
B	8,698	0.78	1,147.21
C	19,558	0.89	1,308.99
D	9,826	1.00	1,470.78
E	6,963	1.22	1,794.35
F	4,413	1.44	2,117.92
G	3,196	1.67	2,456.20
H	330	2.00	2,941.56
Total	56,278		

An increase of £352k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £1.67million as at 31 March 2015. A total of £175k of outstanding council tax was written off during 2014/15.

3. PAYMENT OF SURPLUS/ DEFICITS FROM THE COLLECTION FUND

The element of the surplus on the Collection Fund at 31 March 2015 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

	2013/14	2014/15
	£'000	£'000
Hertfordshire County Council	52,255	52,560
Hertfordshire Police	6,904	6,944
North Hertfordshire District Council and Local Town and Parish Councils	10,227	10,510
	69,386	70,014

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.