

# Statement of Accounts for the year ended 31 March 2018





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# Statement of Responsibilities

## The Council's Responsibilities

The Council 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 Council, that officer is the Corporate Director.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## Responsibilities of the Corporate Director

The Corporate Director is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the Corporate Director has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates which were reasonable and prudent.
- Complied with the local authority Code.
- Kept proper accounting records that were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Confirmation of the Corporate Director:

**I confirm that this Statement of Accounts presents a true and fair view of the financial position of Hertsmere Borough Council at 31 March 2018 and its Income & Expenditure for the year then ended.**



**Sajida Bijle**  
Corporate Director

Date: 30 July 2018

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERTSMERE BOROUGH COUNCIL

## Opinion

We have audited the financial statements of Hertsmere Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Collection Fund and the related notes 6.2 to 6.3; and
- the related notes 5.1 to 5.38 to the Authority accounts and notes 7.5 to 7.6 to the group accounts.

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Hertsmere Borough Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Corporate Director is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources. In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Hertsmere Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## Responsibility of the Corporate Director

As explained more fully in the Statement of the Corporate Director's Responsibilities set out on page 1, the Corporate Director 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Corporate Director is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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.



## Certificate

We certify that we have completed the audit of the accounts of Hertsmere Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## Use of our report

This report is made solely to the members of Hertsmere Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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

A handwritten signature in blue ink that reads "Andrew Brittain".

Andrew Brittain (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Reading

30 July 2018

The maintenance and integrity of the Hertsmere Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 3. Narrative Statement

### Overview from the Corporate Director

#### Introduction

I am pleased to introduce the Council's Statement of Accounts for the year 2017/18. Hertsmere Borough Council is situated to the north of London in southwest Hertfordshire and has a population of c103,500. There are approximately c42,800 dwellings in the area and c3,186 commercial properties. The Borough covers an area of 39 square miles and includes the communities of Aldenham, Bushey, Potters Bar, Radlett, Elstree and Borehamwood and is bordered by three London Boroughs. Despite its close proximity to London, 80 per cent of the Borough is Green Belt, much of which is in agricultural use.

Compared to metropolitan boroughs, Hertsmere Borough Council is a small council and is made up of distinctly individual communities and a number of smaller settlements. Although the Council is located within Hertfordshire, it faces many similar challenges to those faced by its neighbouring London boroughs. Its close proximity to the city also brings its own challenges, in particular competition for highly skilled labour in an area paying London weighted salaries that can only be offered by the larger London Boroughs.

The Chancellor had previously announced that the government has abandoned its commitment to reduce public sector net borrowing to a surplus by the end of this Parliament. However, central government departmental plans include headline figures for the four-year period to 2019/20. Hertsmere along with 97% of all local authorities, accepted the four-year settlement by 14 October 2016 and in accepting this we were required to produce an Efficiency Plan setting out the measures we intend to make over the medium term to manage our finances.

The Autumn 2017 and Spring 2018 budgets did little to impact on funding for Local Government and the government remains committed to the overall plans for departmental resource spending until 2019/20.

For Hertsmere in 2017/18 we have seen the planned reduction in Revenue Support Grant (RSG) from £1.3m to £0.6m and in New Homes Bonus (NHB) of £2.3m to £2.0m. The RSG fell to £0.2m in 2018/19 with a further planned drop in NHB of £0.6m. The Council are working towards reducing the funding gap in the medium term, to produce a balanced budget in an extremely challenging financial climate.

We also face uncertainty in some of our own funding which can be dependent on certain external drivers as well as factors at play within our own borough, e.g. impact of the ongoing trade and other negotiations on the terms of our EU exit, levels of employment and business growth and demand for affordable housing.

The Council has responded to the challenges by adopting a new Corporate Plan, "Hertsmere's 2020 Vision" which has identified three Corporate Goals which each have a number of outcome-based objectives, which support the development of priorities for action.

- Being an enterprising Council
- Planning for the future
- Supporting our communities

This includes the Council having a more entrepreneurial approach and focussed on expanding our ability to generate income as well as reducing costs by entering into partnerships with other councils and looking for commercial opportunities such as establishing our own property development company. We currently have partnerships with other local authorities for Building Control, CCTV, Customer Services, Audit and Anti-Fraud.

We have already built some excellent quality houses for rent and will be developing more to generate rental income while also contributing to meeting local demand for housing; our Elstree Studios remains in a healthy state with Strictly, Big Brother, the Crown and the BBC featuring large in their portfolio of clients.

We have enhanced our debt collection team, generating income through speedy collection of debts while also ensuring we invest Community Infrastructure Levy and S106 monies in local projects and infrastructure.

We have set up Hertsmere Development Ltd to take forward developments on council-owned land and continue to progress with other major projects such as the development of Elstree Way Corridor in partnership with the Police & Crime Commissioner, Health Service and the County Council. A number of proposals for development are to be presented to the Company's shareholder in the summer.

The financial statements links closely to the Corporate Plan and enables delivery of the Council's goals and objectives. The Council is continuing with its programme of improvement in performance and service delivery. This is underpinned by the Corporate Governance framework which is the mechanism through which our priorities are filtered down throughout the organisation.

The Council's Annual Governance Statement (page 105) provides further details of the strategies implemented to achieve our objectives which have been developed and reviewed during the year.

The Audit Committee meets quarterly and is attended by the external auditors. It works to promote and safeguard financial probity throughout the Council. The Accounts and Audit Regulations 2015 require the Statement of Accounts to be confirmed as true and fair by the Chief Financial Officer by 31 May and the external auditors by 31 July, from 2017/18 onwards. The Annual Governance Statement which is included in this statement of accounts has been approved by the Audit committee.

The narrative statement also provides information about the Council and its performance during the year as well as highlighting the key issues affecting the Council in the coming years.

It includes information on:

- Hertsmere Services
- Local Councillors
- Management Structure
- Aims and Objectives
- Performance (financial and non-financial)
- Revenue Outturn 2017/18
- Capital Outturn 2017/18
- Finance Strategy overview
- Corporate Risks
- Council Finances
- Explanation of Core and Supplementary Statements

Once again I would like to take this opportunity to express my gratitude to all colleagues from the finance team and other services for their assistance in preparing these accounts, and for their support throughout the year.

If you would like to have any further information on the accounts, you can forward details of your request to the council by post using the following address:

Sajida Bijle  
Corporate Director  
Civic Offices, Elstree Way, Borehamwood, Hertfordshire, WD6 1WA

Alternatively you may wish to send your query by using our website ([www.hertsmere.gov.uk](http://www.hertsmere.gov.uk)).

## What services is Hertsmere responsible for?

Hertsmere Borough Council is responsible for providing services including street cleaning, kerbside waste and recycling collections, community safety, environmental health, housing needs, benefits, leisure and parks, licensing and planning services.

We work in partnership with other local authorities to improve the quality of life for residents but we do not have any control over services which are statutorily provided by other organisations e.g. education, children & adult social care, roads and street lights as they are the responsibility of Hertfordshire County Council. There are also five Town and Parish Councils which operate in some areas of Hertsmere.

## Your local Councillors

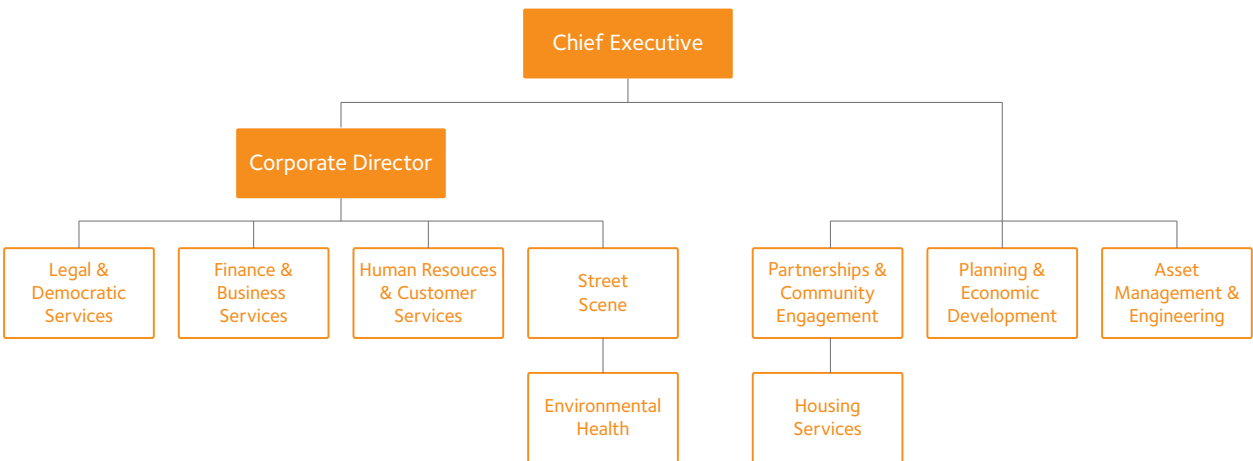
Hertsmere has 39 Councillors in 15 wards who are elected to serve for four years at a time. The number of seats held by political groups is currently:

- Conservative            35
- Labour                    4

## Management Structure

Supporting the work of Councillors is the organisational/management structure of the Council headed by the Chief Executive, Donald Graham.

The council is managed by a Chief Executive and a Director. They each have a number of Heads of Service who report to them, covering a variety of areas of business. The Council currently employs approximately 300 people in full and part time roles.



## The Council's aim for service provision

### 2020 Vision - A corporate plan for Hertsmere

2020 Vision is the collective name for the suite of documents that make up Hertsmere's new Corporate Plan 2017-2020, which will guide the work of the council for the next three to four years. The Plan reflects the decision of the council to focus on key actions which will have the biggest impact on our work whilst also reflecting our desire to continue to deliver high quality services to our residents.

Hertsmere's 2020 Vision articulates the council's high level vision, values and priorities in a simple one page document which represents the key challenges we face over the next period and how we intend to respond to them whilst also maintaining focus on key service delivery.

**Figure 2 - Hertsmere's 2020 Vision**



The council's corporate action plan 2017-18 sets out the key high level actions the council will be undertaking over the year. It highlights those projects which are over and above our day to day service delivery and will have an impact on our residents in either how services are delivered or how we generate income.

In addition to internal monitoring, progress against the action plan will be reported quarterly to the Executive.

**Annual report** - this retrospective document will detail work done by the council over the previous year and report back on progress against the Corporate Action Plan. It will be produced alongside the Corporate Action Plan for the forthcoming year. The first Annual Report will be published in July 2018

**Performance Management Framework** - The updated Performance Management Framework sets out how we will monitor progress against the Corporate Action Plan and also our key services. It aims to reduce the burden on Officers of collecting performance statistics whilst also recognising the need to understand how well we are performing both against our priorities but also in our aim to deliver high quality services to Hertsmere residents.

The Operations Review Committee receives quarterly performance reports to monitor the delivery of the corporate priorities.

The Corporate Plan 2017-2020 was updated in September 2017.

## 3.1. Our Performance

### Non-Financial Performance

#### Being an Enterprising Council

In the current financial climate, local authorities have to think creatively about how to reduce costs whilst still delivering high quality services. Hertsmere remains committed to making the most of our assets whilst finding new ways to deliver services that meet the needs of our residents. The Council is in a healthy financial position, and aims to maintain its financial resilience and work towards self-sufficiency.

#### Income maximisation

The Council have generated £13m in income, including funding, project specific grants, fees charges and investment income, also drawdowns from reserves to fund expenditure. This income is used to support the delivery of our services.

#### Apprenticeships

We have looked at new ways to recruit and develop staff, particularly in hard to recruit to professions. There are currently four apprentices across three different Council departments.

#### Leisure Service Improvements

In partnership with Hertsmere Leisure, we have agreed plans to deliver a range of improvements in facilities across the borough's main centres costing up to £5m.

#### Elstree Studios

The world renowned, council-owned studios, continue to provide over £1.4m in rental payments and investment income to the council each year.

#### Parking Partnership

In addition to our existing partnerships for the delivery of services, such as building control and the anti-fraud service, the Council has negotiated a partnership arrangement with Three Rivers DC to start 1 April 2018, generating efficiencies for both Council's, which covers all enforcement and support services.

### Planning for the Future

A key role of the Council is to help shape the future of the borough.

#### 100% Application of Business Rate Relief Scheme Grant

Hertsmere successfully distributed 100% of government funding that was provided to help mitigate the losses caused to businesses as a result of the 2017 revaluation of business properties.

#### New Housing - 1500 units in five years

The Council has delivered 1500 units of housing since 2012, 20% of which were affordable. We continue to work with developers to ensure that the appropriate number of affordable housing units are being built in line with planning guidance.

#### Expenditure on Parks

Expenditure was incurred during 2017/18 on a number of local parks including King George Recreation Ground and Mary Forsedyke Gardens in Bushey, ensuring that green and open spaces are available for future use.

## Consultation on developing the Local Plan

Residents have been involved in the development of the Local Plan. Consultation included door to door leaflet drop and five exhibitions, which were attended by over 500 people.

## Lead role on ParksHerts delivery

Hertsmere Council have taken the lead on the ParksHerts website. This is funded by all ten District councils in Hertfordshire, to promote all year round outdoor exercise by encouraging people to visit Hertfordshire's free to access parks and open spaces.

## Supporting our Communities

The Council recognises the need to develop and grow our local partnerships to deliver the best outcomes for our residents. Working with a range of organisations, from statutory and voluntary, to engage with residents to help keep them happy, healthy and safe.

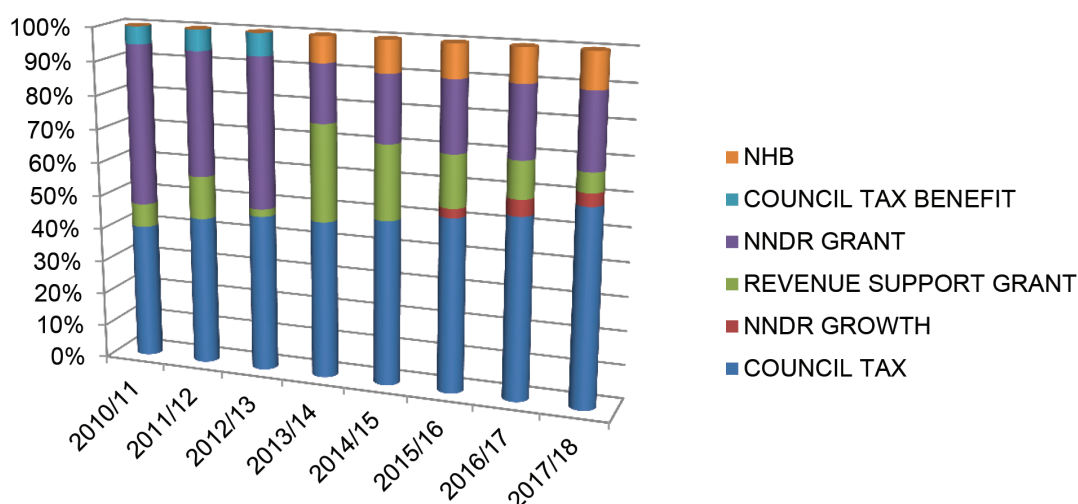
A number of initiatives took place during the year, including:

- Community Safety Partnership engaging residents in Radlett and Borehamwood on feeling safer.
- Physical activity programmes that target getting women moving.
- Grants to the voluntary sector in the region of £0.4m, including to sports clubs and Hertfordshire Citizens Advice.
- Delivery of the Herts Warmer Homes giving free or discounted energy improvements, such as insulation and heating repairs, to eligible households.
- Delivered over 2500 training opportunities on modern slavery, mental health first aid, self-harm awareness, anti-radicalisation and drug awareness.

## Financial Performance

### Council Funding

In line with the rest of local government, the Council has seen an ongoing reduction in its core funding putting increasing pressure on local council tax.



For Hertsmere in 2017/18, central government funding, in the form of RSG (£0.6m) and retained business rates (£2.6m) represented only 27.8% of the funding required to meet the Council's budgeted net expenditure of £11.5m. The remainder was raised from other grants, contributions from reserves, retained growth from business rates, and from Council Tax.

Against this background, the Council continues to lead the way in rising to the financial challenges facing local government by implementing a number of strategies.

- : • We have adopted a more entrepreneurial approach and focussed on expanding our ability to generate income as well as reducing costs.
- Entering into partnerships with other Councils.
- Looking for commercial opportunities.
- Building new affordable housing for rent to meet local demand.
- Promoting Elstree Film Studios.
- Improving debt collection.
- Establishing our own property development company to take forward developments on Council-owned land.



## Financial Management

### Revenue outturn

In 2017/18 the budget for the Council's cost of services was set at £11.478 million after funding from reserves. The actual spend for the year is £10.948 million, which has resulted in an overall favourable variance of £0.530 million, reflecting sound financial management and budgetary control:

<b>FINANCIAL MONITORING POSITION</b> <b>31-Mar-18</b> <b>SUMMARY OF PERFORMANCE</b>	<b>PROFILED BUDGET</b>  <b>£'000</b>	<b>ACTUAL SPEND FOR THE YEAR</b>  <b>£'000</b>	<b>SURPLUS / (DEFICIT)</b>  <b>£'000</b>
Planning & Economic Development	1,189	1,085	104
Housing Services	900	1,065	(165)
Environmental Health	1,016	976	40
Street Scene Services	4,253	4,203	50
Engineering Services	27	33	(6)
Asset Management	(2,943)	(3,062)	119
Partnership & Community Engagement	1,173	1,158	15
Finance & Business Services	2,363	2,351	12
Legal & Democratic Services	1,340	1,246	94
Human Resources & Customer Services	1,107	1,058	49
Executive Directors	491	506	(15)
Audit & Assurance	111	121	(10)
General Expenses	244	77	167
Audit Fees, Bank Charges Not Recharged	139	139	-
Investment Interest	(200)	(250)	50
Central Contingency	26	-	26
Minimum Revenue Provision	242	242	-
<b>Total Costs</b>	<b>11,478</b>	<b>10,948</b>	<b>530</b>

### 3.2. Reconciliation from the reported underspend for the year to the movement in the General Fund balance.

	£000	£000
<b>Financial Monitoring Surplus</b>		<b>530</b>
<b>Items not reported in Financial Monitor</b>		
Insurance Claim provision	(450)	
Provision for Hertfordshire Building Control Losses	(134)	
Other	18	<b>(566)</b>
<b>Collection Fund</b>		
Deficit for the year	(783)	
Collection Fund Adjustment Account	648	<b>(135)</b>
S31 Grants		<b>231</b>
<b>Movement on the General Fund balance</b>		<b>60</b>

Reconciliation from the reported spend for the year to the Expenditure and Funding analysis – Net General Fund Expenditure (page 52):

<b>Service</b>	<b>Revenue Outturn</b>	<b>Other movements post outturn</b>	<b>Trading Account Recharges</b>	<b>Contribution (to)/ from earmarked reserves reflected in outturn</b>	<b>Shown below net cost of services</b>	<b>EFA Column 1</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Asset Management	(3,062)	19	-	13	553	(2,477)
Audit & Assurance	121	-	-	-	-	121
Corporate Management	506	-	(3)	-	-	503
Engineering Services	33	(6)	-	359	-	386
Environmental Health	976	(2)	-	(71)	-	903
Finance & Business Services	2,351	(414)	(27)	212	-	2,122
General Expenses	458	415	(2)	(43)	(242)	586
Housing Services	1,065	28	-	(270)	-	823
Human Resources & Customer Services	1,058	1	(16)	-	-	1,043
Legal & Democratic Services	1,246	(15)	(1)	8	-	1,238
Partnership & Community Engagement	1,158	243	-	3	-	1,404
Planning & Building Control	1,085	146	-	96	-	1,327
Street Scene Services	4,203	(254)	49	(365)	(21)	3,612
Investment Interest	(250)	(72)	-	-	322	-
	<b>10,948</b>	<b>89</b>	<b>-</b>	<b>(58)</b>	<b>612</b>	<b>11,591</b>

## Capital outturn

The Council spent £3.929million on capital expenditure during 2017/18 and is committed to spending a total of c£17.120m over the remaining 3 year programme. The outstanding major capital commitments include car park resurfacing, development of housing, disabled facilities grants, investment in recycling and refuse equipment.

<b>FINANCIAL MONITORING POSITION 31-Mar-18</b>	<b>2016-17 £'000</b>	<b>2017-18 £'000</b>
<b>SUMMARY OF CAPITAL SPEND</b>		
Asset Management	1,410	650
Planning & Building Control	10	17
Environmental Health	733	955
Street Scene and Park Services	912	310
Finance And Business Services	67	217
Housing Services	579	1,780
<b>Total Capital Expenditure</b>	<b>3,711</b>	<b>3,929</b>
<b>FUNDING SOURCES</b>		
Usable Capital Receipts	542	466
Reserves	1,095	964
Grants	1,481	1,104
Donated Assets	564	1,380
Revenue	29	15
<b>Total Funding Sources</b>	<b>3,711</b>	<b>3,929</b>

## Economic climate

Economic growth was weak in the first half of 2017, the slowest for the first half of a year since 2012. The main reason was the sharp inflation caused by the devaluation of sterling after the EU referendum, feeding increases in costs of imports into the economy. This caused a reduction in disposable income and consumer spending power as inflation exceeded average wage increases.

Forecasts for growth over the next three years are now considerably lower than had been projected in previous years, falling slightly lower than even the modest projection of last year. It is not surprising therefore, that the Chancellor maintained his shift in fiscal policy, in particular that a budget surplus was no longer a target for this Parliament, to address this climate.

Since 2010 Hertsmere Borough Council has faced severe financial pressures due to the government austerity agenda. This is still ongoing and is expected to last until 2019/20 at the very least. When considered alongside the triggering of Article 50 on the 29 March 2017, and the announcement that Britain should officially leave the EU on 29 March 2019), this macro-economic and political volatility is likely to continue to cause uncertainty around public sector budgets.

The Comprehensive Spending Review 2015, announced as part of the Chancellor's Autumn Statement on 25 November 2015, set out the strategic direction of travel for public expenditure. It included the announcement of the complete phasing out of the Revenue Support Grant (RSG) by 2019/20.

Other announcements with an ongoing affect to local government finances include:

- Further localisation of business rates from 2019/20, which will see a greater share of the revenue from non-residential property levy devolved to local government, with authorities retaining all the growth. This will likely come with additional responsibilities (Housing Benefit Administration, Public Health, and Attendance Allowance).
- There was a Business Rates revaluation on 1 April 2017.
- The New Homes Bonus (NHB) funding pot has decreased by £800m nationally and will see the NHB payments reduce from six years to four years, phased over two years from 2017/18.
- All District Councils can increase Council Tax by up to £5 or 2% which-ever is greater, until 2019/20.

## Finance Strategy

The Finance Strategy is generally reviewed and updated annually to assist the Corporate Director in planning the Council's financial resources in the short to medium term (3 to 5 years) with a view to deliver the Council's service priorities. It also sets out the framework and principle on which the Council plans and manages its finances. As such it forms an integral part of the Council's Budget and Policy framework.

The strategy also takes into account the national and regional context and links those with the Council's corporate goals and priorities. The Strategy has been updated to reflect ongoing reductions in Government funding and the other financial pressures noted in this statement.

## Corporate Risks

As set out in the Annual Governance Statement, the Council routinely identifies, monitors and reports its risks to the Corporate Governance Group and the Audit Committee. The process of managing these risks not only controls the threats but also provides a means to identify and respond to opportunities.

The strategic risks that have been considered by the Corporate Governance Group and the Audit Committee are those that can affect the delivery of the Council's corporate goals and that relate to significant change projects.

Key corporate strategic risks include:

- Impact of Housing & Planning Act
- Cyber Risks
- Establishment of a Development Company
- Community Infrastructure Levy (CIL)
- External Financial Pressures
- Workforce Capacity
- Business Continuity Management
- Data Protection
- Elstree Way Corridor
- Affordable Social Housing
- Collection of Housing Benefit Overpayments
- Future development plans for Elstree Studios

## The Council Finances

### The General Fund

The Council maintains an unallocated reserve, the General Fund. The maintenance of such a fund is necessary to cover both planned and unforeseen expenditure and to provide adequate levels of reserves for the Council's operations. At 31 March 2018 the balance on the General Fund is £28.025 million (2016/17 £26.690 million) – out of this, £7.962 million is held as a contingency for unforeseen events and £20.063 million has been earmarked for specific projects.

Members of the Council make every effort to maintain levels of service provision and periodically consult residents on their priorities for spending. Historically, levels of investment income provided a useful supplement to the basic budget for service provision. However, in addition to experiencing reductions in grant funding, the Council has for some years now been unable to rely on such levels of investment income given the returns available on investments that it is prudent for the Council to make; nor can it compensate for losses in grant income simply by increasing fees and charges. It is therefore vital that robust levels of reserves are maintained in order to safeguard services.

### Earmarked reserves

Earmarked reserves are funds generated through the revenue account that have been specifically set aside for future revenue and capital projects. The Council has once again been able to make good use of its earmarked reserves by using them to help pay for the shortfalls in income, and redirecting those that were reserved for projects no longer required or considered a priority. During the year a net £1.275 million was transferred to Earmarked reserves. Total funds earmarked for future use at 31 March 2018 were £20.063 million. The breakdown of this sum is provided at note 5.31.2.

### Capital expenditure programme and associated financing

During the year the Council incurred expenditure of £3.929 million on capital projects (including £1.380 million of donated assets recorded as additions), which can include anything from the purchase or replacement of vehicles and equipment to the refurbishment of existing assets. The most significant projects undertaken during the year included the compulsory purchase of a property in Potters Bar, acquiring the lease of the Cannon Public House, new roof on the Andrew Mitchell building at Elstree Studios and Bushey Splashpark facilities.

The Council also generated capital receipts of £2.127 million through repayment of the Local Authority Mortgage Scheme Loan, parcel of land sold to a developer, realisation of the Council's interest in S106 donated assets and Right to Buy sales of properties previously owned by the Council but transferred to local Housing Associations. The receipts went into the usable capital receipts reserve and will be used for future capital projects. Usable capital receipts available for such projects totalled £8.246 million at the balance sheet date.

At the balance sheet date the Council was committed to capital spending of £17.120 million; it is anticipated that £3.082 million of this sum will be funded through earmarked reserves or capital grants. Significant work will continue on a wide range of community facilities, the resurfacing of several car parks, the purchase of new street scene vehicles and the development of housing for affordable rents on Council-owned land.

Funds have also been committed for further structural repairs and refurbishment of the Council's many properties including the civic offices and the Council has established a wholly owned property development company for the purpose of revenue generation, to promote mixed use development and utilisation of council owned surplus sites.

## Pension fund liability

The Council's net pension fund deficit has decreased over the last year, from £38.215 million to £35.509 million due mainly to the effect of the re-measurement of actuarial assumptions. The value of assets held within the scheme increased from £81.615 million to £85.183 million whilst the liabilities have increased from £119.830 million to £120.692 million. It should be noted that movements on the pension fund liability are not taken to the General Fund, which is only charged with pension fund contributions actually paid by the Council. Instead they are charged or credited to the Pensions Reserve (see note 5.32.5 to the accounts) which absorbs the differences between accounting adjustments and actual charges in accordance with statute.

It is important to recognise that the pension fund liability reflects the outlook using assumptions which cover an extremely long term. The net liability reflects the valuation of assets which themselves can be subject to wide fluctuations over the long term. In common with other employers who participate in the scheme, the Council will continue to fund the scheme at the rate recommended by the actuary to enable the scheme to meet its obligations.

The last triennial valuation of the fund was carried out as at 31 March 2016 and the results were incorporated in the actuary's report, with assumptions updated where appropriate.

## Significant changes to provisions

The Council's accounts include its share of the provision in respect of the cost of successful appeals against valuations for business rates (see note 5.27). At 31 March 2017 the Council's share stood at £1.201 million and after taking into account the sums utilised in 2017/18, the provision increased to £2.505 million at 31 March 2018. The increase is due to the introduction of Check, Challenge, Appeal process, which has resulted in a considerable delay in appeals, also a significant backlog in the Valuation Office dealing with appeals. There is also a significant provision in respect of an uninsured loss of £0.450 million, and the Council's share of Hertfordshire Building Control Limited potential losses.

## The Council's accounting policies

The Council reviews its accounting policies each year and implements any changes necessary to ensure that it complies with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom

## Statement of Accounts

The Council's financial statements for the year ended 31 March 2018 are set out following this narrative statement in pages 25 to 143. Where appropriate, figures for 2016/17 are also shown to enable comparisons between the two years.

Under provisions contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, the Statement of Accounts for 2017/18 will be available for inspection on the Council's website, and at the Council offices from 1 June – 12 July 2018. In addition to this report, the Council is required to meet certain statutory requirements. Details of these responsibilities and the officer responsible are disclosed in the Statement of Responsibilities.

## Summary Position

Despite the economic pressures both locally and nationally, the Council's financial and non-financial performance in 2017/18 was once again strong. The revenue outturn of £10,948 million is in line with expectations, and the Council was able to provide fully for other unplanned costs of £0.566 million. The capital investment of £3.929 million includes a donated housing share through s106, expenditure on parks, recycling and compulsory purchase of property, as well as the provision of disabled facilities grants. The

Council has also invested in the future of income earning assets, such as Elstree Film Studio roof to ensure continued financial stability into the future.

Together with strong governance and financial reporting procedures the Council is well placed to meet the challenges for 2018/19 and beyond.

## The Core Financial Statements

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Total Comprehensive Income and Expenditure shows the true economic cost of providing the Council's services. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes, which is arrived at by combining the Total Comprehensive Income and Expenditure with the Adjustments between accounting basis and funding basis under regulations.

The 2016/17 Accounting Code of Practice identified Earmarked Reserves to be part of the General Fund balance. The earmarking of reserves has no formal status in financial reporting or statute for local government.

Further analysis of the General Fund is disclosed in the notes to the accounts, in Note 5.31, identifying where part of the fund has been earmarked for a specific purposes. The Surplus or Deficit on the Provision of Services line has been removed from the Movement In Reserves Statement (MIRS) and is now incorporated in the Total Comprehensive Income and Expenditure line.

### Comprehensive Income & 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. Councils 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.

### Balance Sheet

The Balance Sheet shows the values as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e., those reserves that the Council 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 may only be used to fund capital expenditure or repay debt).

The second category of reserves comprises those that the Council 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 fund 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.'

### Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

## Supplementary Statements

### The Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows for each of the Council's services:

- the amount spent under the Council's rules for monitoring expenditure against the funding in the annual budget for the General Fund shown as Net General Fund Expenditure in the Expenditure and Funding Analysis
- the resources actually consumed in the year as measured by proper accounting practices in the Comprehensive Income and Expenditure Statement shown as Amounts included in the Comprehensive Income and Expenditure Statement in the Expenditure and Funding Analysis.

The reasons for differences between the two amounts for each service are explained in the tables following the Expenditure and Funding Analysis (5.15.1 – Note to the Expenditure and Funding Analysis).

### The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities (i.e., those that raise bills for council tax and business rates) to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and business rates.

### Group Accounts

These show the consolidated position of the Council with its 100% owned subsidiary Elstree Film Studios Limited. Group accounts are presented, in addition to the Council's single entity statements, in order to provide a full picture of the Council's economic activities and financial position. The Group Accounts comprise:

- Group Movement in Reserves Statement;
- Group Comprehensive Income and Expenditure Statement;
- Group Balance Sheet;
- Group Cash Flow Statement.

These statements, together with explanatory notes and accounting policies, are set out on pages 98–104.



## 4.1. Movement in Reserves

<b>2016/17</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2016</b>	(24,557)	(6,267)	(925)	(31,749)	(78,643)	(110,392)
Total comprehensive income and expenditure	(3,265)	-	-	(3,265)	(18,558)	(21,823)
Adjustments between accounting basis and funding basis under regulations (Note 5.14)	1,132	(318)	(3,907)	(3,093)	3,093	-
<b>Total Increase / (decrease) during the year</b>	<b>(2,133)</b>	<b>(318)</b>	<b>(3,907)</b>	<b>(6,358)</b>	<b>(15,465)</b>	<b>(21,823)</b>
<b>Balance at 31 March 2017</b>	<b>(26,690)</b>	<b>(6,585)</b>	<b>(4,832)</b>	<b>(38,107)</b>	<b>(94,108)</b>	<b>(132,215)</b>

<b>2017/18</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2017</b>	(26,690)	(6,585)	(4,832)	(38,107)	(94,108)	(132,215)
Total comprehensive income and expenditure	2,653	-	-	2,653	(9,623)	(6,970)
Adjustments between accounting basis and funding basis under regulations (Note 5.14)	(3,988)	(1,661)	(1,775)	(7,424)	7,424	-
<b>Total Increase / (decrease) during the year</b>	<b>(1,335)</b>	<b>(1,661)</b>	<b>(1,775)</b>	<b>(4,771)</b>	<b>(2,199)</b>	<b>(6,970)</b>
<b>Balance at 31 March 2018</b>	<b>(28,025)</b>	<b>(8,246)</b>	<b>(6,607)</b>	<b>(42,878)</b>	<b>(96,307)</b>	<b>(139,185)</b>

## 4.2. Comprehensive Income and Expenditure Statement

		2016/17				2017/18
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,264	(4,795)	2,469	Asset Management	5,634	(4,588)	1,046
109	-	109	Audit & Assurance	121	-	121
760	-	760	Corporate Management	542	-	542
720	(335)	385	Engineering Services	847	(379)	468
1,187	(337)	850	Environmental Health	1,224	(276)	948
43,085	(40,958)	2,127	Finance & Business Services	41,968	(39,565)	2,403
451	(117)	334	General Expenses	790	(184)	606
2,641	(1,046)	1,595	Housing Services	3,249	(1,553)	1,696
1,263	(284)	979	Human Resources & Customer Services	1,434	(272)	1,162
1,682	(590)	1,092	Legal & Democratic Services	1,862	(570)	1,292
2,581	(323)	2,258	Partnership & Community Engagement	1,664	(199)	1,465
2,524	(1,110)	1,414	Planning & Building Control	2,387	(911)	1,476
7,222	(3,306)	3,916	Street Scene Services	10,339	(3,396)	6,943
<b>71,489</b>	<b>(53,201)</b>	<b>18,288</b>	<b>Net cost of services</b>	<b>72,061</b>	<b>(51,893)</b>	<b>20,168</b>

# Comprehensive Income & Expenditure Statement

<b>2016/17</b> <b>Net (Income)</b> <b>/ Expenditure</b>  <b>£'000</b>		<b>Note</b>	<b>2017/18</b> <b>Net (Income)</b> <b>/ Expenditure</b>  <b>£'000</b>
373	Other Operating Expenditure	5.7	877
(93)	Financing and Investment Income and Expenditure	5.8	134
(21,833)	Taxation and Non-Specific Grant Income	5.9	(18,526)
<b>(3,265)</b>	<b>(Surplus)/Deficit for the year on Provision of Services</b>		<b>2,653</b>
(23,928)	(Surplus) / Deficit on revaluation of non-current assets	5.32.1	(5,052)
5,370	Re-measurements of net pension liability	5.30.1	(4,571)
<b>(18,558)</b>	<b>Other Comprehensive (Income) and Expenditure</b>		<b>(9,623)</b>
<b>(21,823)</b>	<b>Total Comprehensive (Income) and Expenditure</b>		<b>(6,970)</b>

## 4.3. Balance Sheet

<b>31 Mar 2017 £'000</b>		<b>Note</b>	<b>31 Mar 2018 £'000</b>
124,138	Property Plant and Equipment	5.16	124,840
1,335	Heritage Assets	5.19	1,312
8,673	Investment Properties	5.20	8,674
300	Intangible Assets	5.21	403
20	Long Term Investments	5.23	-
2,958	Long Term Debtors	5.22	3,169
<b>137,424</b>	<b>Long Term Assets</b>		<b>138,398</b>
46,084	Short Term Investments	5.23	51,088
-	Assets Held for Sale	5.24	-
6,092	Short Term Debtors	5.22	4,234
81	Inventories		106
3,178	Cash and Cash Equivalents	5.25	4,567
<b>55,435</b>	<b>Current Assets</b>		<b>59,995</b>
(13,332)	Short Term Creditors	5.26	(11,492)
(416)	Provisions	5.27	(1,014)
<b>(13,748)</b>	<b>Current Liabilities:</b>		<b>(12,506)</b>
(880)	Provisions	5.27	(2,170)
(38,215)	Liability related to defined benefit pension scheme	5.30.3	(35,509)
-	Other Long Term Liabilities	5.26	(400)
(7,801)	Capital Grants Received In Advance	5.28	(8,623)
<b>(46,896)</b>	<b>Long Term Liabilities</b>		<b>(46,702)</b>
<b>132,215</b>	<b>Net Assets</b>		<b>139,185</b>
(38,107)	Useable Reserves	5.31	(42,878)
(94,108)	Unusable Reserves	5.32	(96,307)
<b>(132,215)</b>	<b>Total Reserves</b>		<b>(139,185)</b>

This Statement of Accounts, which replaces the unaudited Statement of Accounts issued on 31 May 2018, was authorised for issue on 30 July 2018.

**Sajida Bijle**  
Corporate Director



**Cllr A Sachdev**  
Chairman of the Audit Committee



## 4.4. Cash Flow Statement

<b>31 Mar 2017 £'000</b>		<b>Note</b>	<b>31 Mar 2018 £'000</b>
(3,265)	(Surplus) / Deficit on Provision of Services	4.2	2,653
(6,410)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	5.33	(9,814)
6,158	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	5.33	4,121
<b>(3,517)</b>	<b>Net cash (inflow) / outflow from Operating Activities</b>		<b>(3,040)</b>
12,219	Investing Activities	5.34	1,517
(79)	Financing Activities	5.35	134
<b>8,623</b>	<b>Decrease / (increase) in cash and cash equivalents</b>		<b>(1,389)</b>
11,801	Cash and cash equivalents at the beginning of the reporting period		3,178
<b>3,178</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	5.25	<b>4,567</b>

## 5. Notes to the Accounts

### 5.1. Accounting Policies

#### Basis of Preparation

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounts have been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified for the revaluation of certain non-current assets.

The accounting policies are reviewed regularly to ensure that they remain the most appropriate to the Council's particular circumstances. Any change to the accounting policies will only be made if it is judged that the new policy will result in the accounts providing reliable and more relevant information about the Council's financial position or if the change is required by the Code.

#### Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable on an accruals basis in the period in which the supply or service is delivered by the Council. Revenue includes fees, charges, rents and any other income receivable by the Council for services provided; and excludes any discounts, refunds and value added tax. Council tax is measured at the full amount receivable (net of any impairment losses).

#### Property, Plant and Equipment

##### Basis of Recognition

The cost of an item of property, plant and equipment is recognised (and hence capitalised) on the Council's Balance Sheet provided that the asset yields benefits to the Council, and the service it provides is for a period of more than one year.

However, due to the high administrative burden that would be required if all such items were included on the asset register, a de-minimis level has been set to determine which items will be capitalised and which will be expensed in the Surplus or Deficit on the Provision of Services. The de-minimis level is applied against the collective total of project costs except for items of Vehicles, Plant & Equipment which are measured on an individual item basis.

Asset Category:	De-minimis level:
Other land & buildings	£5,000
Vehicles, plant, furniture & equipment	£5,000
Infrastructure assets	£5,000
Community assets	£1,000

Where an item of Property, Plant and Equipment has major components, the cost of which is significant in relation to the total cost of the item, the components are depreciated separately. Where such components have significantly different asset lives, the depreciation is charged over the useful economic life of each component. Where a component is replaced or restored (i.e. enhancements) the carrying amount of the old component is derecognised and the cost of the new component is reflected in the carrying amount of the asset.

### Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost and capitalised on an accruals basis. The cost of an asset comprises all expenditure directly attributable to bring the asset into working condition for its intended use. Assets are subsequently valued using the following basis and are carried net of accumulated depreciation and impairment.

<b>Asset Category:</b>	<b>Basis of Valuation:</b>
Other land & buildings	Current value (Existing use) except in the case of specialised assets where depreciated replacement cost is used
Vehicles, plant & equipment	Depreciated Historical Cost
Infrastructure assets	Depreciated Historical Cost
Community assets	Depreciated Historical Cost
Assets under construction	Historical Cost

In the case of specialised assets, depreciated replacement cost is established using the modern equivalent asset methodology, which provides the current cost of replacing an asset with its modern equivalent, less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

The Council ensures that the carrying amount of items of property (and other land and buildings, see note 15) does not differ materially from that which would be determined using current value at the end of each reporting period. Such items are grouped for valuation purposes in a manner which ensures that each asset is revalued in full at least every three years. All assets are reviewed annually for evidence of material changes in current value.

### Increases and decreases on revaluation

An increase in the carrying amount of an asset arising on revaluation is credited to the Revaluation Reserve unless the increase is reversing a previous revaluation decrease charged to the Surplus or Deficit on the Provision of Services on the same asset or reversing a previous impairment loss (see below) charged to the Surplus or Deficit on the Provision of Services on the same asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the increase that would reinstate the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

A decrease in the carrying amount of an asset arising on revaluation is charged to the Revaluation Reserve up to the value of the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

## Depreciation

Items of property, plant and equipment (other than land, community assets to be held in perpetuity and having no determinable useful life and assets under construction) are depreciated over their expected useful economic lives on a straight line basis over the following number of years:

<b>Asset Category:</b>	<b>Depreciation Basis:</b>
Infrastructure Assets	Up to 20 Years
Other Land & Buildings	Up to 50 Years
Vehicles, Plant & Other Equipment	3 to 14 Years

## Impairment

The Council's assets are reviewed for any evidence of impairment (e.g., a significant decline in the asset's carrying amount which is specific to the asset, obsolescence or damage) at each balance sheet date. Any impairment loss is charged to the Revaluation Reserve up to the value of the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

## Disposals

On disposal of assets the difference between the net disposal proceeds after any fees and the carrying amount of the asset is included in the Comprehensive Income & Expenditure Statement. However such a gain or loss on de-recognition is not deemed a proper credit or charge in the General Fund and is subsequently reported in the Movement in Reserves Statement with an amount equal to the net disposal proceeds being credited to the Capital Receipts Reserve and an amount equal to the carrying amount of the asset being charged to the Capital Adjustment Account.

## Charges to the Comprehensive Income & Expenditure Statement for the Use of Assets

Service revenue accounts, support services and trading accounts are charged with the real cost of utilising assets through depreciation, revaluation and impairment losses as disclosed above. However local government statute does not require the council to raise council tax to cover these charges and they are subsequently transferred from the General Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

## Heritage assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Such assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for property, plant and equipment. However, some of the measurement rules are relaxed when the Council is of the view that to obtain a valuation of the asset would involve a cost disproportionate to the benefit of the user of the accounts.

Heritage assets are not subject to depreciation except where it has been determined that they have a finite useful life. The carrying amounts of such assets are reviewed when there is evidence of impairment and any such impairment is recognised and measured in accordance with the Council's accounting policies for property, plant and equipment.

The proceeds of disposal of heritage assets are accounted for in accordance with the Council's accounting policies for property, plant and equipment.



## Investment Property

Properties that are held solely for the purpose of earning rentals, for capital appreciation or for both purposes are classified as investment properties. Where part of an investment property is replaced, the carrying amount of the part which is replaced is derecognised and the cost of the new part is reflected in the carrying amount of the asset.

Investment properties are initially recognised at cost and are subsequently measured at fair value (market value) at the balance sheet date. A gain or loss arising from a change in the fair value of an investment property is recognised in the Comprehensive Income & Expenditure Statement. On disposal of an investment property the difference between the net disposal proceeds and the carrying amount of the property is included in the Comprehensive Income & Expenditure Statement. However such a gain or loss on de-recognition is not a proper credit or charge in the General Fund and is subsequently reported in the Movement in Reserves Statement with an amount equal to the net disposal proceeds being credited to the Capital Receipts Reserve and an amount equal to the carrying amount of the asset being charged to the Capital Adjustment Account. Investment properties are not subject to depreciation.

## Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only where it is probable that expected future benefits attributable to the asset will flow to the Council. They are measured initially at cost and subsequently at amortised cost. Subsequent expenditure that does not enhance the asset is charged to Surplus or Deficit on the Provision of Services when incurred. The depreciable amount of an intangible asset with a finite useful life is amortised on a systematic basis over its useful life, beginning when the intangible asset is available for use.

### Internally generated intangible assets

Internally generated assets are recognised only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or for sale.
- the intention to complete the intangible asset and use it.
- the ability to sell or use the intangible asset.
- how the intangible asset will generate probable future economic benefits or service potential.
- the availability of adequate technical, financial and other resources to complete the intangible asset and to use or sell the intangible asset.
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

## Software

Software which is integral to the operation of hardware e.g. an operating system is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

## Revenue Expenses Funded by Capital Under Statute

Expenditure that may be capitalised under statutory provisions, but does not result in the creation of non-current assets, has been charged as expenditure to the relevant service revenue account in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account via the Movement in Reserves Statement then reverses out the amounts charged in the Comprehensive Income and Expenditure Statement, thereby ensuring there is no impact on the level of General Fund Balances.

## Grants and Other Contributions

There are several instances whereby the Council may receive a grant or contribution towards expenditure from central government or other bodies. Where there is reasonable assurance that the grants or contributions will be received and that the Council will comply with the conditions attached to them, grants and contributions which relate to both revenue and capital expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income as follows:

- Specific Revenue Grants

Specific revenue grants are credited to service revenue accounts, support services, trading accounts and corporate accounts

- General Revenue Grants

General revenue grants, such as the Revenue Support Grant (RSG), are credited after net operating expenses

- Capital Grants and Contributions

Capital grants and contributions relate to specific capital expenditure. Where assets are capitalised, the associated grants and contributions are credited to the Comprehensive Income and Expenditure Statement after net operating expenses

The receipt of a capital grant or contribution is not a proper credit to the General Fund and where such a grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement.

## Section 106

Capital contributions received under Section 106 are recognised on receipt as a liability and are released to the Comprehensive Income and Expenditure Statement following the completion of off-site facilities related to the development in question. For contributions received in lieu of a cash receipt a debtor is recognised and matched by a deferred capital receipt.

## Community Infrastructure Levy

The Community Infrastructure Levy (CIL) was introduced by the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 and is a discretionary charge which relevant local authorities are empowered to charge on new development in their area. CIL charges will be based on a formula which relates the charge to the size of the development. Income from CIL charges, with the exception of amounts applied in accordance with the CIL regulations to meet administrative expenses, must be applied to fund infrastructure to support the development of the area.

Where CIL charges to be applied to fund capital expenditure have been received prior to the commencement date for the chargeable development, the CIL charges are transferred from the General Fund to the Capital Grants Unapplied Account until such a time that the charges are applied to capital expenditure. When CIL charges have been applied to fund capital expenditure, the CIL charges are transferred from the General Fund (or the Capital Grants Unapplied Account) to the Capital Adjustment Account.

Where CIL charges are to be applied to fund revenue expenditure (such as administration expenses), the CIL charges shall not be transferred out of the General Fund.

## Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as short term investments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability
- Level 3 – unobservable inputs for the asset or liability

## Financial Assets

### Recognition

Financial assets are recognised in the Balance Sheet when the Council becomes party to the financial instrument contract or, in the case of debtors, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

### Measurement

Financial assets are classified into two types:

- Loans and receivables – assets with a fixed or determinable payments but not quoted in an active market (e.g., trade debtors, fixed term investments)
- Available for sale assets – assets with no fixed determinable payments (e.g., equity investments)

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Council has the following loans and receivables:

### Debtors

Debtors are carried at original invoice or contractual amount less an estimate made for impairment (below). Bad debts are written off when identified. Debtors falling due after more than one year are classified as long-term assets, which also include council house mortgages.

### Impairment

Where the future receipt deriving from a debtor is uncertain, allowance is made for the impairment of the

asset. The Council bases such allowances on a review of all outstanding amounts at the year end, taking into account known disputes in respect of invoices, previous experience of the collection of debts, the age of any outstanding invoices and the categories of debtors.

### Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents include investments that mature in 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value and are held for the purpose of meeting short-term cash commitments and not for investment purposes.

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

Due to their nature and short term maturity, the fair values for debtors due within one year and cash and cash equivalents are estimated using their carrying values.

### Investments

The Council has investments, which may be both long and short-term, with various financial institutions. Investments are carried at their amortised cost, which comprises their principal amount plus accrued interest at the Balance Sheet date.

The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the Balance Sheet date.

The Council currently has no available for sale assets.

### Financial Liabilities

#### Recognition

Financial liabilities are recognised on the balance sheet when the Council becomes party to the contractual provisions of the financial instrument or, in the case of creditors, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

#### Measurement

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Council has the following liabilities measured at amortised cost:

#### Creditors

Creditors are carried at their original invoice amount.

#### Bank Overdrafts

Bank overdrafts comprise amounts owed to banks and similar institutions, and are repayable on demand. Due to their nature and short term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.

#### Loans

Borrowings are carried at their amortised cost, which comprises their principal amount plus accrued interest

as at the Balance Sheet date. The fair value of borrowings is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same loan to a comparable institution, available at the Balance Sheet date.

## Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of a past event, it is probable that the Council will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. When recognised provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement.

## Financial guarantees

Financial guarantees are recognised when the Council enters into an agreement which requires it to make specified payments to reimburse the other party to the agreement for a loss that party incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Initial recognition of the guarantee is at fair value based on an estimate of the probability of the guarantee being called and the likely amount payable

In subsequent years the fair value of the guarantee is amortised over the period of the underlying risk exposure to the extent that the exposure is expected to fall over the life of the guarantee. Where payment of the guarantee becomes probable, the fair value of the guarantee will be deemed to be equivalent to the amount that would be determined for a provision in accordance with International Accounting Standard (IAS) 37, Provisions, Contingent Liabilities and Contingent Assets.

## Inventories

Inventories are valued at the lower of cost or net realisable value, using the first-in, first-out (FIFO) method.

## Cost of Support Services

The 2017/18 Accounting Code of Practice requires the segmental analysis and amounts disclosed in the Comprehensive Income and Expenditure Statement to be based on the Council's financial monitoring reporting process. The cost of support services, with the exception of those recharged to trading accounts which are required to be disclosed on a total cost basis, are not reallocated and are disclosed in the Comprehensive Income and Expenditure segment that hosts the support service.

## Contingent Assets & Liabilities

Contingent assets and liabilities arise from past events but where the future asset or obligation are uncertain and cannot be reliably ascertained. Material contingent assets and liabilities are disclosed in the Notes to the Accounts but are not provided for in the core financial statements.

## Reserves

### Usable reserves

Usable reserves are those reserves that can be applied to fund revenue or capital expenditure or reduce local taxation. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts from the General Fund and are separately disclosed in the Usable Reserves note to the balance sheet. When expenditure is financed from a reserve, it is charged to the appropriate service revenue account in that year, including it in the Surplus or

Deficit on the Provision of Services as required under the Code. The amounts are subsequently charged to the appropriate reserve in the Usable Reserves note.

All other movements in usable reserves, including adjustments between accounting basis and funding basis under regulations, are reported in the Movement in Reserves Statement.

### Unusable reserves

Certain reserves are maintained to manage the accounting process for property, plant and equipment, financial instruments, retirement and other employee benefits, the collection of council tax / business rates and deferred capital receipts and do not represent resources available to the Council. Specific details relating to these reserves are included elsewhere in these accounting policies and details on all reserves are included within the reserves note to the accounts.

### Pensions

The Council participates in the Hertfordshire Local Government Pension Scheme (LGPS), a defined benefit scheme operated by Hertfordshire County Council.

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method.
- Liabilities are discounted to their value at current prices, using a discount rate that is based upon the indicative rate of return on a high quality corporate bond of equivalent currency and term to the scheme's liabilities.
- The assets of the LGPS attributable to the Council are included in the Balance Sheet at their fair value.

Changes in the net pensions liability are analysed into the following components:

#### Service Costs:

- Current service cost – the increase in liabilities as a result of service earned during the year is charged to the Comprehensive Income and Expenditure Statement (i.e. to the services for which the employees worked);
- Past service cost – the increase in liabilities arising from a current year pension scheme amendment or a curtailment, whose effect relates to years of service earned in earlier years, is debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement; and
- Gains/losses on settlements – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees are credited or debited to the Surplus/Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement.

#### Net interest expense:

- The change during the period in the net pension liability arising from the passage of time. It includes interest income on plan assets and interest costs on the pension liability. It is calculated by applying the discount rate used to measure the net pension obligation at the beginning of the period to the net pension liability at the beginning of the period – taking into account any changes in the net pension liability during the period as a result of contribution and benefit payments. It is charged or credited to the 'Financing and Investment Income and Expenditure' line within the Comprehensive Income and Expenditure Statement.

### Re-measurements of the net pension liability

These are recognised as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement and are charged to the Pensions Reserve. They comprise:

- Return on plan assets – interest, dividends and other income derived from the scheme’s assets (excluding amounts included in net interest on the net defined benefit liability), together with realised and unrealised gains or losses on those assets, less costs of managing the assets and any taxes payable.
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions.

### Contributions paid to the LGPS

Cash paid as employer’s contributions to the Pension Fund; these are not accounted for as an expense within the Comprehensive Income and Expenditure Statement. Statutory provisions restrict the amount that the Council can fund through council tax to the amounts actually payable each year, and as a result all other movements are funded by the pension reserve, by means of transfers which are reported in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

### Short Term Employee Benefits

Salaries, wages and employment related payments are recognised in the period in which the service is received from employees. The cost of annual and flexible leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period. The estimation of such costs is based on records of annual and flexible leave taken and contractual entitlements to payment.

### Leases

The determination of whether an arrangement is, or contains, a lease is based upon the substance of the arrangement at inception date.

#### The Council as lessee

Finance leases, which transfer to the Council substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are classified as operating leases. Payments under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of the lease.

#### The Council as lessor

Finance leases – the Council recognises assets held under finance leases as a receivable at an amount equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal and finance income, with the interest element shown in Interest receivable and similar income on the Comprehensive Income and Expenditure Statement and the principal element reducing a long term debtor on the Balance Sheet. The finance income is calculated so as to produce a constant periodic rate of return on the net investment. The asset itself is derecognised from Property, Plant and Equipment.

Operating leases – items of property, plant and equipment let out under operating leases are presented according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term, even where this does not match the pattern of payments.

### Interests in Companies and Other Entities

The Council is required to produce group accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. Group accounts have been prepared for Elstree Studios Ltd (100% owned subsidiary) to consolidate with the Council's single entity accounts. The Group Accounts are shown in a separate section following the notes to the single entity accounts. In the Council's accounts, the interests in companies are recorded as investments. The Council also owns 100% of the share capital in Hertsmere Development Limited. Its activities at this stage have been assessed as not material enough to disclose in the Group activities of the Council for 2017/18.

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 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.

### Non-Current Assets Held for Sale

Where it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued use, it is reclassified as an asset held for sale. A non-current asset classified as held for sale is measured at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting period. Any subsequent gains and losses are posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Assets held for sale are only recognised where a property is being actively marketed, and is likely to result in a probable sale within 12 months of the balance sheet date.

### Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions of the billing authority in relation to business rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund, in accordance with relevant legislation. The Collection Fund is consolidated with other accounts of the Council, is prepared on an accruals basis and provision is made for potential uncollectable amounts and Business Rates appeals.



## 5.2. Accounting Standards that have been Issued but have not yet been adopted

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The nature of the changes are not expected to have a material effect on the Council.

## 5.3. Critical Accounting Estimates and Judgements

The preparation of accounts in accordance with the Code requires management to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The key areas of judgement and estimation uncertainty routinely applied by management are set out in the accounting policies above and in individual notes to the accounts which support the amounts disclosed in the Council's Balance Sheet. In addition, the following critical judgements have been applied in preparing the Statement of Accounts:

- The Council has an obligation to meet a proportion of insurance claims paid by Mutual Municipal Insurance following the appointment of a Scheme Administrator. After considering all available information concerning the likelihood of future calls, the Council initially provided for 34% of the estimated liability (£1.060 million).
- The Council is not represented on the board of Hertsmere Leisure Trust, a charitable organisation that operates the leisure facilities owned by the Council and formerly operated by the Council. Accordingly it has been determined that the Council does not have control of the Trust and that the Trust is not a subsidiary of the Council.
- The Council has considered its relationships with other entities with which it has entered into collaborative arrangements, details of which are given at note 5.38. The council has concluded that the inclusion of such interests in a set of group financial statements should only be made where there is a material effect on the Council's financial position and its obligations and such an effect is therefore material for an understanding of its financial affairs.
- The Council has made provision in its Collection Fund of £6.263 million for the future cost of making repayments of business rates to payers who successfully appeal against the rateable value of their property as determined by the local Valuation Office at 1 April 2010 or at a later date. Note 5.27 to the Statement of Accounts discloses the share of this provision allocated to the Council (£2.505 million - 40% of the total).

## 5.4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and 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 Council's balance sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if actual results differ from assumptions
<i>Property Plant &amp; Equipment</i>	<p>The valuation of certain items of Property, Plant and Equipment is based on a number of estimated factors such as remaining useful life, regularity of rent reviews and levels of repairs and maintenance.</p> <p>When valuing Specialised Operational Properties no obsolescence factor is applied to assets less than 10 years old. For properties older than 10 years our valuer applies a depreciation &amp; obsolescence factor of 1% per year up to a cap of 50%.</p> <p>As this group of assets include high value properties (e.g. Leisure Centres) these assumptions are seen as key.</p> <p>Uncertainty in such areas is mitigated by the use of professional advisors to conduct valuations. As part of the valuation exercise they carry out physical inspections and take condition into account when applying estimates.</p> <p>Any methodologies for estimation are made with reference to the professional standards of the Royal Institute of Chartered Surveyors (RICS), the Red Book and the Code of Practice</p> <p>The Council has Property, Plant and Equipment with a carrying value of £124.840 million on the Balance Sheet as at 31st March 2018, with £2.532 million charged as depreciation during the year.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £53k for every year that useful lives had to be reduced, based on depreciation calculated on opening values from 2017/18. Average life change from 39 years to 38 years.</p> <p>If the obsolescence factor is decreased the carrying value of the asset increases.</p> <p>It is estimated that the overall value of Specialised Properties would change by £375k for every 1% that the obsolescence factor changed, based at the date of last revaluation in 2017, no further specialised assets were valued in 2017/18.</p>
<i>Pensions Liability</i>	<p>Estimations 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 mortality rates and expected returns on pension fund assets. The Council concurs with the assumptions to be applied by the independent actuary to the Hertfordshire Local Government Pension Scheme.</p>	<p>The effect on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £10.9 million. Note 5.30.5 sets out details of the assumptions made by the independent actuary to the Hertfordshire Local Government Pension Scheme together with further examples.</p>
<i>Non Domestic Rates Appeals provision</i>	<p>The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2018. The carrying amount of the provision is £6.263 million, of which the Council's share of £2.505 million is reflected in the accounts. The provision figure is growing, mainly due to the delay in appeals under the check, challenge, appeal process.</p>	<p>If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Hertfordshire County Council and Central Government. The split of short term from long term provisions is estimated as a percentage based on 50% of the 2016/17 apportionment. This is because settlement is being estimated on appeals that have not yet been lodged, and therefore less likely to be settled in the next 12 months.</p>

<i>Fair value estimations</i>	The fair values of investment properties are principally based on the available market evidence for the sale and purchase of similar assets. Under IFRS 13 fair value hierarchy these have been shown as a level 2 input namely using quoted prices for similar assets or liabilities in active markets at the balance sheet date. If this information is not available estimates are undertaken in accordance with RICS professional guidelines.	Most estimates are based on current market information therefore material changes are not expected.  Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.
<i>Debtors</i>	The debtor in the accounts relating to assets donated and subsequently derecognised, under s106 agreements have not been subject to revaluation during 2017/18. The intention is to revalue every three years in line with other asset valuations, starting in 2018/19.	The debtor value was at date of valuation in 2017. The value is likely to have increased, but will not be material to the Council.

## 5.5. Events after the Balance Sheet Date

No adjustment to the Statement of Accounts is required in respect of transactions which took place after the balance sheet date.

## 5.6. Trading Operations

The Council has established the following two trading units which the service manager is required to operate in a commercial environment and balance the unit's budget by generating income from other parts of the Council or other organisations. The following sums have not been allocated to the relevant services in the Comprehensive Income and Expenditure Statement.

<b>2016/17 £'000</b>		<b>Expenditure £'000</b>	<b>Income £'000</b>	<b>2017/18 £'000</b>
<b>119</b>	<b>Cemeteries / Burial Grounds:</b>  The Council maintains two closed cemeteries (not available for burials) and one lawn cemetery that incurs expenditure – the trading objective is to minimise the subsidy funded from council tax.	222	(78)	<b>144</b>
<b>(138)</b>	<b>Trade Refuse:</b>  The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	444	(582)	<b>(138)</b>
<b>(19)</b>	<b>Net surplus on trading accounts</b>	<b>666</b>	<b>(660)</b>	<b>6</b>

## 5.7. Other Operating Expenditure

<b>2016/17</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
1,134	Parish and town council precepts	1,172
(761)	Losses / (gains) on the disposal of non-current assets	(295)
<b>373</b>	<b>Total</b>	<b>877</b>

## 5.8. Financing and Investment Income and Expenditure

<b>2016/17)</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
20	Interest payable and similar charges	38
(351)	Interest receivable and similar income	(361)
(383)	(Increase) / decrease in the fair value of investment property	18
-	Impairment of Financial Assets	20
(453)	Income in relation to investment properties	(553)
(19)	(Surplus) / deficit on trading undertakings not included in net cost of services	6
1,093	Net interest cost on the defined benefit pension liability	966
<b>(93)</b>	<b>Total</b>	<b>134</b>

## 5.9. Taxation and non-specific grant income

During the year, the Council credited the following items of taxation, grants and contributions to the Comprehensive Income and Expenditure Statement:

<b>2016/17)</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
(6,410)	Amount collectable from council tax	(6,709)
(1,134)	Amount collectable on behalf of parishes	(1,172)
(208)	Share of surplus on collection fund for the year	(159)
<b>(7,752)</b>		<b>(8,040)</b>
	<b>Non-domestic rates income and expenditure (see note below):</b>	
(18,842)	Amount collectable from business rates	(17,470)
15,217	Tariff payable	14,600
(889)	Share of surplus/(deficit) on collection fund for the year	509
419	Growth levy payable to Hertfordshire County Council	387
(424)	Grant in respect of small business and other rates reliefs	(1,169)
<b>(4,519)</b>		<b>(3,143)</b>
	<b>General Government Grants:</b>	
(1,253)	Revenue support grants	(613)
3	Allocated to support Parishes	-
(2,361)	New Homes Bonus	(2,024)
<b>(3,611)</b>		<b>(2,637)</b>
	<b>Capital grants and contributions:</b>	
	Recognised capital grants and contributions:	
(738)	Disabled facilities grant	(962)
(4)	Lottery funding	(28)
(3,939)	Community Infrastructure Levy	(1,584)
(706)	Section 106 monies utilised	(244)
-	Other capital contributions	(60)
<b>(5,387)</b>		<b>(2,878)</b>
(564)	Section 106 agreement donated assets	(1,828)
<b>(21,833)</b>	<b>Total Taxation and non-specific grant income</b>	<b>(18,526)</b>

Note: The total amount of business rates collected by the Council, less certain reliefs and other deductions, has been allocated amongst the Council, Hertfordshire County Council as a preceptor and MHCLG. The Council's share is subject to a tariff, being the amount by which the share exceeds the funding level determined by central government as being appropriate to the borough's needs.

The Council's Comprehensive Income and Expenditure Statement includes a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any losses on collection, the Council's income falls below a threshold set by central government, a safety net grant is paid by central government. Should the Council's income exceed the threshold, a levy is payable to central government but the Council may retain a proportion of the surplus.

A deficit of £0.509 million (2016/17: surplus £0.889 million) on the collection of business rates and a levy of £0.387 million payable to MHCLG (2016/17: a levy payable to Hertfordshire County Council £0.419 million) have been recognised in the Comprehensive Income and Expenditure Statement for the year. During 2016/17 the Council was a member of the Hertfordshire Business Rates Pool. The Pool was dissolved in 2017/18.

## 5.10. Members' Allowances & Expenses

The following allowances and expenses were paid to members during the year:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
	<b>Allowance / Expense:</b>	
219	Basic allowance	221
119	Special responsibility allowance	120
2	Travel and other allowances	2
<b>340</b>	<b>Total</b>	<b>343</b>

## 5.11. Employees' Remuneration

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose:

(i) the remuneration of the Council's senior employees, analysed over the following categories:

	<b>Salary excluding allowances £'000</b>	<b>Termination Benefits £'000</b>	<b>Car allowance £'000</b>	<b>Medical Insurance £'000</b>	<b>Pension- employers contribution £'000</b>	<b>2016/17 Total £'000</b>
Chief Executive	143	-	6	-	24	173
Corporate Director	98	-	6	-	17	121
Director of Environment	98	159	6	3	17	283
<b>Total</b>	<b>339</b>	<b>159</b>	<b>18</b>	<b>3</b>	<b>58</b>	<b>577</b>

	<b>Salary excluding allowances £'000</b>	<b>Termination Benefits £'000</b>	<b>Car allowance £'000</b>	<b>Medical Insurance £'000</b>	<b>Pension- employers contribution £'000</b>	<b>2017/18 Total £'000</b>
Chief Executive	154	-	6	-	30	190
Corporate Director	108	-	6	-	21	135
<b>Total</b>	<b>262</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>51</b>	<b>325</b>

Employers' contributions to the pension scheme represent the amount determined at the last actuarial valuation as being required to meet the cost of future pension accrual.

- (ii) the number of employees in the accounting period, in addition to senior employees included at (i) above, whose remuneration was £50k or more in bands of £5k. For this purpose, remuneration means all amounts paid to or receivable by an employee and includes sums due by way of taxable expenses and the estimated money value of any other benefits. Pension contributions payable by the Council are excluded.

<b>2016/17 Employees No.</b>	<b>Remuneration Band:</b>	<b>2017/18 Employees No.</b>
5	£50,000 - £54,999	4
3	£55,000 - £59,999	6
-	£60,000 - £64,999	1
1	£65,000 - £69,999	1
4	£70,000 - £74,999	2
-	£75,000 - £79,999	1
-	£80,000 - £84,999	3
-	£115,000 - £119,999	1
<b>13</b>	<b>Total</b>	<b>19</b>

## 5.12. Termination Benefits

The Council terminated the contracts of a number of employees in 2017/18 incurring liabilities of £151k (2016/17: £219k).

The number of contracts terminated ('exit packages') with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

<b>Exit package cost band</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages by cost band</b>		<b>Total cost of exit packages in each band</b>	
	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
£0-£20,000	1	1	3	-	4	1	30	12
£20,001-£40,000	-	1	1	1	1	2	30	69
£60,000-£80,000	-	1	-	-	-	1	-	70
£150,001-£160,000	1	-	-	-	1	-	159	-
<b>Total</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>6</b>	<b>4</b>	<b>219</b>	<b>151</b>

### 5.13. Audit Fees

During the year the Council incurred the following fees relating to external audit and inspection:

<b>2016/17 £'000</b>	<b>Audit Fees:</b>	<b>2017/18 £'000</b>
60	External audit services carried out	56
16	Certification of grant claims and returns	24
3	Non-Audit services	-
<b>79</b>	<b>Total</b>	<b>80</b>

### 5.14. Adjustments Between Accounting Basis and Funding Basis under Regulation

The Comprehensive Income and Expenditure Statement show the Council's actual financial performance for the year and is measured in terms of resources consumed and generated. However, the Council is required to raise council tax on a different accounting basis with the two main differences being as follows:

Capital investment is accounted for as it is financed rather than when the asset is consumed; and

Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The General Fund contains the excess to date of income over expenditure in the Comprehensive Income and Expenditure Statement. It also takes account the use of reserves built up in the past and contributions to reserves earmarked for future specific expenditure.

The following note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Movements in earmarked reserves are set out in note 5.31.2.



2016/17	Usable Reserves			Movement in Unusable Reserves £'000	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000		
Reversal of items debited or credited to the CIES					
Amortisation of intangible assets	(157)	-	-	157	Capital Adjustment Account
Depreciation and Impairment	(6,950)	-	-	6,950	
Movements in the market value of Investment Properties	383	-	-	(383)	
Revenue expenditure funded from capital under statute	(833)	-	-	833	
Non-current assets written out on disposal	(574)	-	-	574	
Donated Assets	564	-	-	(564)	
Grant income transferred to Capital Grants Unapplied	5,387	-	(5,387)	-	
Transfers between revenue and capital resources					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	1,335	(860)	-	(475)	Deferred Capital Receipts Reserve
Minimum Revenue Provision	241	-	-	(241)	Capital Adjustment Account
Capital expenditure charged against the General Fund	1,124	-	-	(1,124)	
Adjustments to capital resources					
Use of Capital Receipts to finance capital expenditure	-	542	-	(542)	Capital Adjustment Account
Application of capital grants and other contributions to finance capital expenditure	-	-	1,480	(1,480)	
Adjustments between accounting and funding basis under regulations					
Pension costs	(283)	-	-	283	Pensions Reserve
Council Tax and NNDR	882	-	-	(882)	Collection Fund Adjustment Account
Holiday Pay	13	-	-	(13)	Accumulated Absences Account
Total Adjustments	1,132	(318)	(3,907)	3,093	

2017/18	Usable Reserves			Movement in Unusable Reserves £'000	Relevant Unusable Reserve
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		
Reversal of items debited or credited to the CIES					
Amortisation of intangible assets	(157)	-	-	157	Capital Adjustment Account
Depreciation and Impairment	(6,562)	-	-	6,562	
Movements in the market value of Investment Properties	(17)	-	-	17	
Revenue expenditure funded from capital under statute	(960)	-	-	960	
Non-current assets written out on disposal	(500)	-	-	500	
Donated Assets	1,380	-	-	(1,380)	
Donated Assets	448	-	-	(448)	Deferred Capital Receipts Reserve
Grant income transferred to Capital Grants Unapplied	2,878	-	(2,878)	-	
Transfers between revenue and capital resources					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	794	(1,127)	-	333	Deferred Capital Receipts Reserve
Other capital receipts	-	(1,000)	-	1,000	Capital Adjustment Account
Minimum Revenue Provision	241	-	-	(241)	
Capital expenditure charged against the General Fund	979	-	-	(979)	
Adjustments to capital resources					
Use of Capital Receipts to finance capital expenditure	-	466	-	(466)	Capital Adjustment Account
Application of capital grants and other contributions to finance capital expenditure	-	-	1,103	(1,103)	
Adjustments between accounting and funding basis under regulations					
Pension costs	(1,865)	-	-	1,865	Pensions Reserve
Council Tax and NNDR	(648)	-	-	648	Collection Fund Adjustment Account
Holiday Pay	1	-	-	(1)	Accumulated Absences Account
Total Adjustments	(3,988)	(1,661)	(1,775)	7,424	

## 5.15. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows for each of the Council's services;

- the amount spent under the Council's rules for monitoring expenditure against the funding in the annual budget for the General Fund shown as Net General Fund Expenditure in the Expenditure and Funding Analysis
- the resources actually consumed in the year as measured by proper accounting practices in the Comprehensive Income and Expenditure Statement shown as Amounts included in the Comprehensive Income and Expenditure Statement in the Expenditure and Funding Analysis

The reasons for differences between the two amounts for each service are explained in the tables following the Expenditure and Funding Analysis (5.15.1 Note to the Expenditure and Funding Analysis).

2016/17			
SERVICE	Net General Fund Expenditure £'000	Adjustments between funding and accounting basis £'000	Amounts included in the Comprehensive Income and Expenditure Statement £'000
Asset Management	(3,270)	5,739	2,469
Audit & Assurance	109	-	109
Corporate Management	809	(49)	760
Engineering Services	391	(6)	385
Environmental Health	909	(59)	850
Finance & Business Services	2,153	(26)	2,127
General Expenses	316	18	334
Housing Services	914	681	1,595
Human Resources & Customer Services	1,032	(53)	979
Legal & Democratic Services	1,139	(47)	1,092
Partnership & Community Engagement	1,348	910	2,258
Planning & Economic Development	1,467	(53)	1,414
Street Scene Services	3,381	535	3,916
<b>Total</b>	<b>10,698</b>	<b>7,590</b>	<b>18,288</b>
Other Income and Expenditure	(12,831)	(8,722)	(21,553)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(2,133)</b>	<b>(1,132)</b>	<b>(3,265)</b>
<b>Opening Balance on the General Fund</b>	<b>24,557</b>		
Surplus / (Deficit) for the year	2,133		
<b>Closing Balance on the General Fund</b>	<b>26,690</b>		

2017/18			
<b>SERVICE</b>	<b>Net General Fund Expenditure</b>	<b>Adjustments between funding and accounting basis</b>	<b>Amounts included in the Comprehensive Income and Expenditure Statement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Asset Management	(2,477)	3,523	1,046
Audit & Assurance	121	-	121
Corporate Management	503	39	542
Engineering Services	386	82	468
Environmental Health	903	45	948
Finance & Business Services	2,122	281	2,403
General Expenses	586	20	606
Housing Services	823	873	1,696
Human Resources & Customer Services	1,043	119	1,162
Legal & Democratic Services	1,238	54	1,292
Partnership & Community Engagement	1,404	61	1,465
Planning & Economic Development	1,327	149	1,476
Street Scene Services	3,612	3,331	6,943
<b>Total</b>	<b>11,591</b>	<b>8,577</b>	<b>20,168</b>
Other Income and Expenditure	(12,926)	(4,589)	(17,515)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(1,335)</b>	<b>3,988</b>	<b>2,653</b>
<b>Opening Balance on the General Fund</b>	<b>26,690</b>		
Surplus / (Deficit) for the year	1,335		
<b>Closing Balance on the General Fund</b>	<b>28,025</b>		

### 5.15.1. Expenditure and Funding Analysis

2016/17				
Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute.	Adjustments relating to the use of non-current assets	Adjustments relating to employee benefits	Other adjustments	Total adjustments
SERVICE	£'000	£'000	£'000	£'000
Asset Management	5,309	(22)	452	5,739
Audit & Assurance	-	-	-	-
Corporate Management	-	(45)	(4)	(49)
Engineering Services	26	(33)	1	(6)
Environmental Health	5	(67)	3	(59)
Finance & Business Services	119	(144)	(1)	(26)
General Expenses	19	-	(1)	18
Housing Services	-	(31)	712	681
Human Resources & Customer Services	26	(80)	1	(53)
Legal & Democratic Services	-	(48)	1	(47)
Partnership & Community Engagement	957	(43)	(4)	910
Planning & Economic Development	46	(99)	-	(53)
Street Scene Services	602	(198)	131	535
<b>Net Cost of Services</b>	<b>7,109</b>	<b>(810)</b>	<b>1,291</b>	<b>7,590</b>
Other Income and Expenditure	-	1,093	(9,815)	(8,722)
<b>Adjustments between funding and accounting basis</b>	<b>7,109</b>	<b>283</b>	<b>(8,524)</b>	<b>(1,132)</b>

2017/18				
<b>Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute.</b>	<b>Adjustments relating to the use of non-current assets</b>	<b>Adjustments relating to employee benefits</b>	<b>Other adjustments</b>	<b>Total adjustments</b>
<b>SERVICE</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Asset Management	3,499	25	(1)	3,523
Audit & Assurance	-	-	-	-
Corporate Management	-	39	-	39
Engineering Services	49	35	(2)	82
Environmental Health	(33)	73	5	45
Finance & Business Services	119	164	(2)	281
General Expenses	19	1	-	20
Housing Services	-	41	832	873
Human Resources & Customer Services	30	86	3	119
Legal & Democratic Services	-	60	(6)	54
Partnership & Community Engagement	13	49	(1)	61
Planning & Economic Development	51	104	(6)	149
Street Scene Services	2,974	222	135	3,331
<b>Net Cost of Services</b>	<b>6,721</b>	<b>899</b>	<b>957</b>	<b>8,577</b>
Other Income and Expenditure	-	966	(5,555)	(4,589)
<b>Adjustments between funding and accounting basis</b>	<b>6,721</b>	<b>1,865</b>	<b>(4,598)</b>	<b>3,988</b>

### 5.15.2. Subjective Analysis

The analysis by service on the face of the Comprehensive Income and Expenditure Statement reflects how the Council monitors and reports its financial performance during the year. A reconciliation from the reported underspend for the year to the movement in the General Fund balance is provided in the Narrative Statement.

The Council's monitoring reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure whereas depreciation, amortisation and revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement.
- The cost of retirement benefits is based on the payment of the employer's pension contributions rather than the current service cost of benefits accrued in the year.
- Expenditure on support services is recharged to trading services.

A subjective analysis of the Council's net cost of services as disclosed in the Comprehensive Income and Expenditure Statement is shown in the following tables.

<b>Year ended 31 March 2017</b>	<b>Employee Related Costs</b>	<b>Premises Related Expenditure</b>	<b>Transport Related Expenditure</b>	<b>Supplies &amp; Services</b>	<b>Agency &amp; Contracted Services</b>	<b>Transfer Payments</b>	<b>Depreciation, Impairment &amp; REFCUS</b>	<b>Income</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Asset Management	449	1,324	2	180	-	-	5,309	(4,795)	2,469
Audit & Assurance	-	-	-	-	109	-	-	-	109
Corporate Management	737	-	2	21	-	-	-	-	760
Engineering Services	405	20	33	236	-	-	26	(335)	385
Environmental Health	1,008	-	8	160	6	-	5	(337)	850
Finance & Business Services	2,311	-	8	778	178	39,691	119	(40,958)	2,127
General Expenses	73	-	-	351	8	-	19	(117)	334
Housing Services	566	10	2	1,333	-	13	717	(1,046)	1,595
Human Resources & Customer Services	1,008	2	2	197	28	-	26	(284)	979
Legal & Democratic Services	1,215	58	7	402	-	-	-	(590)	1,092
Partnership & Community Engagement	648	30	2	381	133	430	957	(323)	2,258
Planning & Building Control	1,740	-	32	587	88	31	46	(1,110)	1,414
Street Scene Services	3,491	486	790	1,627	112	8	708	(3,306)	3,916
<b>Total</b>	<b>13,651</b>	<b>1,930</b>	<b>888</b>	<b>6,253</b>	<b>662</b>	<b>40,173</b>	<b>7,932</b>	<b>(53,201)</b>	<b>18,288</b>

<b>Year ended 31 March 2018</b>	<b>Employee Related Costs</b>	<b>Premises Related Expenditure</b>	<b>Transport Related Expenditure</b>	<b>Supplies &amp; Services</b>	<b>Agency &amp; Contracted Services</b>	<b>Transfer Payments</b>	<b>Depreciation, Impairment &amp; REFCUS</b>	<b>Income</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Asset Management	570	1,339	2	224	-	-	3,499	(4,588)	1,046
Audit & Assurance	-	-	-	-	121	-	-	-	121
Corporate Management	526	-	1	15	-	-	-	-	542
Engineering Services	453	21	44	280	-	-	49	(379)	468
Environmental Health	1,121	1	8	120	7	-	(33)	(276)	948
Finance & Business Services	2,583	-	8	750	164	38,344	119	(39,565)	2,403
General Expenses	57	-	-	703	11	-	19	(184)	606
Housing Services	774	-	2	1,622	11	9	831	(1,553)	1,696
Human Resources & Customer Services	1,172	-	1	201	30	-	30	(272)	1,162
Legal & Democratic Services	1,365	55	4	438	-	-	-	(570)	1,292
Partnership & Community Engagement	716	18	3	393	133	388	13	(199)	1,465
Planning & Economic Development	1,609	1	25	556	0	145	51	(911)	1,476
Street Scene Services	4,045	509	860	1,721	105	6	3,093	(3,396)	6,943
<b>Total</b>	<b>14,991</b>	<b>1,944</b>	<b>958</b>	<b>7,023</b>	<b>582</b>	<b>38,892</b>	<b>7,671</b>	<b>(51,893)</b>	<b>20,168</b>

## 5.16. Property, Plant and Equipment

2016-17	Property, Plant & Equipment					
	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
<b>At 1 April 2016</b>	<b>108,058</b>	<b>4,063</b>	<b>186</b>	<b>3,878</b>	<b>4,354</b>	<b>120,539</b>
Reclassifications	335	-	-	-	(335)	-
Additions	456	189	6	174	1,476	2,301
Impairments	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(16,610)	-	-	(170)	-	(16,780)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	23,478	-	-	449	-	23,927
Donated assets	543	21	-	-	-	564
Derecognition - Disposals	(553)	(229)	-	-	-	(782)
Assets reclassified (to) / from Investment Properties	-	-	-	-	(775)	(775)
<b>At 31 March 2017</b>	<b>115,707</b>	<b>4,044</b>	<b>192</b>	<b>4,331</b>	<b>4,720</b>	<b>128,994</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2016</b>	<b>(12,121)</b>	<b>(2,447)</b>	<b>(135)</b>	<b>(212)</b>	<b>-</b>	<b>(14,915)</b>
Reclassifications	-	-	-	-	-	-
Depreciation charge	(2,122)	(414)	(9)	(46)	-	(2,591)
Impairments	-	-	-	-	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	12,342	-	-	100	-	12,442
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-
Derecognition - Disposals	-	208	-	-	-	208
<b>At 31 March 2017</b>	<b>(1,901)</b>	<b>(2,653)</b>	<b>(144)</b>	<b>(158)</b>	<b>-</b>	<b>(4,856)</b>
<b>Net Book Value</b>						
<b>At 31 March 2016</b>	<b>95,937</b>	<b>1,616</b>	<b>51</b>	<b>3,666</b>	<b>4,354</b>	<b>105,624</b>
<b>At 31 March 2017</b>	<b>113,806</b>	<b>1,391</b>	<b>48</b>	<b>4,173</b>	<b>4,720</b>	<b>124,138</b>



2017-18	Property, Plant & Equipment					
	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
<b>At 1 April 2017</b>	<b>115,707</b>	<b>4,044</b>	<b>192</b>	<b>4,331</b>	<b>4,720</b>	<b>128,994</b>
Reclassifications	3,403	350	-	0	(4,346)	(593)
Additions	98	100	-	43	1,161	1,402
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,262	-	-	-	-	3,262
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,096)	-	-	-	-	(1,096)
Impairments	(397)	-	-	(2,516)	-	(2,913)
Donated assets	1,828	-	-	-	-	1,828
De-recognition - disposals	-	-	-	-	-	-
Other movements in cost or valuation	(447)	-	-	-	-	(447)
<b>At 31 March 2018</b>	<b>122,358</b>	<b>4,494</b>	<b>192</b>	<b>1,858</b>	<b>1,535</b>	<b>130,437</b>
<b>Accumulated Depreciation</b>						
<b>At 1 April 2017</b>	<b>(1,901)</b>	<b>(2,653)</b>	<b>(144)</b>	<b>(158)</b>	<b>-</b>	<b>(4,856)</b>
Reclassifications						-
Depreciation	(2,023)	(443)	(11)	(55)	-	(2,532)
Impairments						-
Depreciation written out to the Revaluation Reserve	1,791	-	-	-	-	1,791
De-recognition - disposals	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>(2,133)</b>	<b>(3,096)</b>	<b>(155)</b>	<b>(213)</b>	<b>0</b>	<b>(5,597)</b>
<b>Net Book Value</b>						
<b>As at 31 March 2017</b>	<b>113,806</b>	<b>1,391</b>	<b>48</b>	<b>4,173</b>	<b>4,720</b>	<b>124,138</b>
<b>As at 31 March 2018</b>	<b>120,225</b>	<b>1,398</b>	<b>37</b>	<b>1,645</b>	<b>1,535</b>	<b>124,840</b>

Assets included in note 5.16 within 'Other Land and Buildings' with a carrying value of £120.2 million at March 2018 were revalued in full at the following dates (31 January 2018 £35.3m, 28 February 2017 £67.7m, 29 February 2016 £16.2m and 31 March 2015 £0.9m). Valuations as at 31 January 2018 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS) have been carried out on behalf of the Council by Messrs Wilks Head and Eve LLP, Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historical cost.

### 5.16.1. Rolling Revaluation

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total	Investment Property
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	-	1,398	37	1,196	1,535	<b>4,166</b>	0
Valued at Fair Value							
As at 31 January 2018	35,347	-	-	-	-	<b>35,347</b>	8,674
As at 28 February 2017	67,683	-	-	449	-	<b>68,132</b>	-
As at 29 February 2016	16,248	-	-	-	-	<b>16,248</b>	-
As at 31 March 2015	947	-	-	-	-	<b>947</b>	-
<b>Total cost or valuation as at 31 March 2018</b>	<b>120,225</b>	<b>1,398</b>	<b>37</b>	<b>1,645</b>	<b>1,535</b>	<b>124,840</b>	<b>8,674</b>

## 5.17. Capital Expenditure and Financing Statement

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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase to the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

<b>2016/17</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
<b>5,932</b>	<b>Opening Capital Financing Requirement</b>	<b>5,691</b>
-	Repayment of Local Authority Mortgage Scheme Loan	1,000
	<b>Capital Investment:</b>	
2,865	Property, plant and equipment	2,782
-	Intangible assets	168
13	Investment properties	19
833	Revenue expenditure funded from capital under statute	960
	<b>Sources of finance:</b>	
(1,481)	Government grants and other contributions	(1,104)
(542)	Capital receipts	(466)
(1,124)	Revenue contribution to capital	(979)
(564)	S106 Donated asset	(1,380)
	<b>Provision for repayment of debt:</b>	
(241)	Minimum revenue provision	(241)
<b>5,691</b>	<b>Closing Capital Financing Requirement</b>	<b>6,450</b>
	<b>Explanation of movements in year:</b>	
(241)	(Decrease) / Increase in the underlying need to borrow	759

### 5.17.1. Capital Commitments

<b>2017/18 £'000</b>	<b>Capital Commitments</b>	<b>2017/18 £'000</b>
3,151	Asset Management	6,491
9	Engineering Services	-
109	Planning & Building Control	-
1,290	Environmental Health	2,973
36	Partnerships & Community Engagement	4,800
1,112	Street Scene Services	1,980
298	Finance And Business Services	526
-	Loan to Hertsmere Development Company	350
<b>6,005</b>	<b>Total</b>	<b>17,120</b>

### 5.18. Leases

#### The Council as Lessee

##### Operating Leases

There are no operating leases at 31 March 2018.

#### The Council as Lessor

##### Operating Leases

The Council has a license fee arrangement with Elstree Film Studios Limited (EFS), a 100% owned subsidiary company, under which the Council receives income for use of premises occupied by EFS. The amount received in 2017/18 was in £1,450k (2016/17: £1,600k).

The income is ongoing in nature, although there is no formal lease.

The property for 2017/18 is let under an annual operating licence. The Council is working towards leasing the asset on a longer lease, to provide security to EFS in negotiating new business for the Studios.

### 5.19. Heritage assets

#### Heritage assets held by the authority

Heritage assets comprise the restored Grade II listed Rose Garden in Herkomer Road, Bushey the Borough's war memorials and a small number of paintings and sculptures. In addition, the Council holds some items of civic regalia. The collective value of these assets is not considered to be material.

## Carrying value

The following table summarises the movement in the carrying value of heritage assets over the year:

<b>2017/18</b>	<b>Artwork</b>	<b>Rose Garden</b>	<b>War Memorial</b>	<b>Total Heritage Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Gross Carrying Amounts</b>				
<b>At 1 April</b>	<b>110</b>	<b>1,353</b>	<b>50</b>	<b>1,513</b>
Additions in year	-	-	-	-
Valuation movements				
<b>At 31 March</b>	<b>110</b>	<b>1,353</b>	<b>50</b>	<b>1,513</b>
<b>Depreciation</b>	<b>-</b>	<b>(178)</b>	<b>-</b>	<b>(178)</b>
<b>At 1 April</b>				
Depreciation charged in year	-	(23)	-	(23)
<b>At 31 March</b>	<b>-</b>	<b>(201)</b>	<b>-</b>	<b>(201)</b>
<b>Net Carrying Amounts</b>				
<b>31 March 2017</b>	<b>110</b>	<b>1,175</b>	<b>50</b>	<b>1,335</b>
<b>31 March 2018</b>	<b>110</b>	<b>1,152</b>	<b>50</b>	<b>1,312</b>

## 5.20. Investment Property

Rental income from investment property of £553k (2016/17: £453k) has been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment property over the year:

<b>2017/18</b>	<b>Commercial Properties</b>	<b>Development Land</b>	<b>Depots</b>	<b>Total Investment Properties</b>
<b>Investment Properties</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>4,302</b>	<b>4,056</b>	<b>315</b>	<b>8,673</b>
Assets reclassified (to) / from Property, plant and equipment	0	0	0	0
Additions in year	0	19	0	19
Net gains / (losses) from Fair Value adjustments	116	(134)	0	(18)
<b>Level 2 balances at 31 March</b>	<b>4,418</b>	<b>3,941</b>	<b>315</b>	<b>8,674</b>
<b>Total</b>	<b>4,418</b>	<b>3,941</b>	<b>315</b>	<b>8,674</b>

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes. (See Note 5.1 – Accounting Policies for explanation of fair value levels). In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Level 2 inputs are those that are observable for the asset (other than quoted prices). They are based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets in the local authority area.

Typical valuation inputs which have been analysed in arriving at Fair Valuations include;

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence

## 5.21. Intangible Assets

The movement on Intangible Asset balances during the year is as follows:

<b>2016/17</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
	<b>Gross Carrying Amount</b>	
<b>1,098</b>	<b>At 1 April</b>	<b>1,098</b>
-	Additions in year	<b>168</b>
-	Reclassified from Property, Plant and Equipment	92
<b>1,098</b>	<b>At 31 March</b>	<b>1,358</b>
	<b>Amortisation</b>	
<b>(640)</b>	<b>At 1 April</b>	<b>(798)</b>
(158)	Charged in year	(157)
<b>(798)</b>	<b>At 31 March</b>	<b>(955)</b>
<b>300</b>	<b>Net Carrying Amount</b>	<b>403</b>

## 5.22. Debtors

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
	<b>Amounts Receivable Within One Year:</b>	
	<i>Financial assets</i>	
2,739	Sundry debtors and accrued income	2,133
2,016	Local authority mortgage scheme	-
39	Employee car loans	43
<b>4,794</b>	<b>Total</b>	<b>2,176</b>
	<i>Non-financial assets and statutory debt</i>	
189	Council tax	200
233	Business rates	284
98	HM Revenue and Customs	92
311	Government departments and other local authorities	968
149	Housing Benefits overpaid	188
318	Prepayments	326
<b>1,298</b>	<b>Total</b>	<b>2,058</b>
<b>6,092</b>	<b>Total amounts receivable within one year</b>	<b>4,234</b>
	<b>Amounts receivable after one year:</b>	
	<i>Financial assets</i>	
2,447	Equity charge on S106 properties	2,562
67	Employee car loans	86
250	Loans to subsidiary undertakings	414
194	Other loans	107
<b>2,958</b>	<b>Total amounts receivable after one year</b>	<b>3,169</b>

### 5.22.1. Credit Risk

Included in the above debtors are the following balances which the Council considers impaired and for which an allowance for impairment has been made:

31-Mar-17			31-Mar-18	
Debtor £'000	Allowance £'000	Impaired Financial Assets:	Debtor £'000	Allowance £'000
3,349	2,374	General Fund	3,872	2,589
744	322	Council's share of collection fund items	864	380
<b>4,093</b>	<b>2,696</b>	<b>Total</b>	<b>4,736</b>	<b>2,969</b>

The debtors included on the balance sheet are net of the above allowances for impairment.

Concentration of credit risk on these balances is limited due to the Council's large and unrelated customer base. On this basis the Council believes there is no further recognition of credit risk required in addition to the allowances for impairment already made.

The ageing of the impaired balances due in respect of General Fund balances may be analysed as follows:

31-Mar-17 £'000		31-Mar-18 £'000
1,017	Less than three months	1,310
224	Three months to six months	218
2,108	Greater than six months	2,344
<b>3,349</b>	<b>Total</b>	<b>3,872</b>



## 5.23. Investments

Investments were held as follows:

<b>31-Mar-17</b> <b>£'000</b>		<b>31-Mar-18</b> <b>£'000</b>
<i>Amortised Cost</i>		<i>Amortised Cost</i>
	<b>Long Term Investments:</b>	
-	Investments in subsidiaries	-
20	Other	-
<b>20</b>	<b>Total long term investments</b>	<b>-</b>
	<b>Short Term Investments:</b>	
33,082	Banks	30,074
2,001	Building Societies	5,005
11,001	Local Authorities	16,009
<b>46,084</b>	<b>Total Short Term Investments</b>	<b>51,088</b>

The Council's investment in subsidiaries comprises 100 ordinary shares of £1 each in Hertsmere Developments Limited which had not commenced trading as at 31 March 2017 and 1 ordinary share of £1 each in Elstree Film Studios Limited which is further disclosed in the Group Accounts section. Both companies are 100% owned by the Council.

In addition, the Council held 14 (14%) of the ordinary shares of £1 each issued by Hertfordshire CCTV Partnership Limited (note 5.38) at 31 March 2018 (2017: 14%).

Other long term investments comprise 20,000 shares of £0.01 each in UK Municipal Bonds Agency PLC.

All investments are financial assets. The average interest rate received on core investments during the year was 0.61% (2016/17: 0.64%). Short-term investments are held for periods of one year or less.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions. The risk is minimised through the Council's Treasury Management Strategy. The Council has adopted the CIPFA Code of Practice on Treasury Management in Public Services. In assessing credit risk, the Council uses the creditworthiness service provided by Capita Treasury Services which combines assessments of credit ratings, credit watches, credit outlooks and credit default swap spreads to provide a weighted scoring system.

As well as using the matrix produced by Link Treasury Services, the Council limits its exposure to any one particular institution or group of banks and uses Fitch long-term ratings (or equivalent) to determine the amount of funds placed with each institution as follows (limits effective in 2017/18):

Category	Maximum Investment	Investment as at 31 March 2017	Call deposits at 31 March 2018 (included in cash and cash equivalents)
Higher Quality Rated Banks – rating AAA, AA+, AA and AA-	£8m	5 deposits not exceeding £8m	1 deposit not exceeding £8m
UK Medium Quality Rated Banks and Building Societies - rating A+, A	£6m	6 deposits not exceeding £6m	-
Medium Quality Rated Non UK Banks – rating A+, A	£4m	-	-
DMO, UK Government and Local Authorities	£10m	4 deposits not exceeding £10m	-
Part nationalised banks (50%+) and equivalents	£10m	-	-

The Council's Treasury Management Strategy reduces credit risk further by limiting the term of investments depending on the credit criteria of the financial institution and by limiting the amounts that may be invested in any one country (other than the UK).

#### Debt Management Office and Local & Public Authorities

Although not rated by Fitch Rating Services, the Government's Debt Management Office and other local and public authorities meet the criteria for the highest counterparty credit limit which permits the Council to invest with them up to £10m.

The Council's only historical experience of default on its investments is in respect of Heritable Bank PLC where the shortfall in the bank's recovery was approximately 0.3%. Based on the Council's investment portfolio including amounts placed on call of £55,050,000 at 31 March 2018 Link Asset Services assessment of potential default is estimated at £10k.

## 5.24. Assets Held for Sale

The movement during the year is as follows:

2016/17 £'000		2017/18 £'000
-	Balance at 1 April	£'000
	Assets newly classified as Held for Sale	
-	Property, Plant and Equipment	500
-	Assets sold	(500)
-	Balance at 31 March	-

## 5.25. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

<b>2016-17</b> <b>£'000</b>		<b>2017 -18</b> <b>£'000</b>
3	Cash held by the Council	3
1,394	Bank current accounts	513
1,781	Call deposit accounts and money market funds	4,051
<b>3,178</b>	<b>Total</b>	<b>4,567</b>

## 5.26. Creditors

<b>2016-17</b> <b>£'000</b>		<b>2017-18</b> <b>£'000</b>
	<b>Amounts payable within one year:</b>	
	<i>Financial Liabilities</i>	
1,008	Local Authority Mortgage Scheme (Hertfordshire County Council)	-
2,830	Sundry creditors	2,065
<b>3,838</b>	<b>Total</b>	<b>2,065</b>
	<i>Non-financial liabilities and statutory debts</i>	
95	Accrual for accumulated absences (note 5.32.6)	94
216	HM Revenue and Customs - payroll taxes	243
7,804	Due to government departments and other local authorities	7,759
1,376	Receipts in advance	1,331
3	Financial guarantees	-
<b>9,494</b>	<b>Total</b>	<b>9,427</b>
<b>13,332</b>	<b>Total included in current liabilities</b>	<b>11,492</b>
	<b>Amounts payable after one year:</b>	
	<i>Financial liabilities</i>	
-	Other creditors	400
<b>-</b>	<b>Total included in non-current liabilities</b>	<b>400</b>

## 5.27. Provisions

<b>2016/17</b>	<b>Municipal Mutual Insurance £'000</b>	<b>Business Rates Appeals £'000</b>	<b>Uninsured Losses £'000</b>	<b>Herts Building Control Ltd Losses £'000</b>	<b>Total £'000</b>
Balance as at 1 April 2016	95	2,335	-	-	2,430
Increase in provision during year	-	-	-	-	-
Amounts used	-	(624)	-	-	(624)
Amounts reversed	-	(510)	-	-	(510)
Classified as Long Term	-	(880)	-	-	(880)
<b>Balance as at 31 March 2017</b>	<b>95</b>	<b>321</b>	<b>-</b>	<b>-</b>	<b>416</b>

<b>2017/18</b>	<b>Municipal Mutual Insurance £'000</b>	<b>Business Rates Appeals £'000</b>	<b>Uninsured Losses £'000</b>	<b>Herts Building Control Ltd Losses £'000</b>	<b>Total £'000</b>
Balance as at 1 April 2017	95	1,201	-	-	1,296
Increase in provision during year	-	1,456	450	134	2,040
Amounts used	-	(152)	-	-	(152)
Amounts reversed	-	-	-	-	-
Classified as Long Term	-	(2,170)	-	-	(2,170)
<b>Balance as at 31 March 2018</b>	<b>95</b>	<b>335</b>	<b>450</b>	<b>134</b>	<b>1,014</b>

Municipal Mutual Insurance – a provision in respect of the Council's liabilities under the Municipal Mutual Insurance Scheme of Arrangement.

Business Rates Appeals – a provision in respect of the Council's share of the cost of successful appeals against valuations for business rates.

Uninsured Losses – a provision in respect of the cost of an action awarded against the Council.

Hertfordshire Building Control Ltd Losses – a provision to meet, based on the latest information available, the Council's share of losses as at 31 March 2018.

## 5.28. Capital Grants Received in Advance

The Council has received a number of grants and contributions, known as Section 106 receipts that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the giver in the event of non-compliance with the conditions. Pending application to the relevant projects, these grants are held on the balance sheet as capital grants received in advance.

Section 106 receipts are amounts paid to the Council by developers as a result of the granting of planning permission where improvement or new facility works are required as part of the condition of granting the planning permission. The responsibility to carry out the works is with the Council, however the monies are restricted to being spent only in accordance with the agreement concluded with the developer and are repayable in the event that there are surplus funds remaining following completion of the contract or that the project is ceased following the agreement of both parties.

A summary of the major Section 106 balances held as at 31 March 2018 is as follows:

<b>2016-17 £'000</b>		<b>Receipts £'000</b>	<b>Utilised £'000</b>	<b>2017-2018 £'000</b>
171	Oakland College	1	(19)	<b>153</b>
2,013	Horizon One	9	(29)	<b>1,993</b>
272	Isopad House	1	-	<b>273</b>
75	Rossway Drive	1	(6)	<b>70</b>
55	Allum Lane, Elstree	-	-	<b>55</b>
372	Watling St	1	8	<b>381</b>
108	3 London Rd	1,032	(90)	<b>1,050</b>
40	Blackwell House	-	-	<b>40</b>
703	Gemini House	3	(23)	<b>683</b>
580	Sparrow Herne	69	(19)	<b>630</b>
1,459	International University	7	-	<b>1,466</b>
431	Elder Court	2	-	<b>433</b>
1,522	Other balances below £100k	134	(260)	<b>1,396</b>
<b>7,801</b>	<b>Total</b>	<b>1,260</b>	<b>(438)</b>	<b>8,623</b>

Receipts include interest of £38k (2016/17: £19k) allocated to the balances whilst they are held on deposit by the Council.

## 5.29. Financial Instruments

### Financial Instruments by Category

The financial assets and liabilities included on the Balance Sheet comprise the following categories of financial instruments:

	Note	Long Term		Current	
		31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000
<b>Investments</b>					
Investments in subsidiaries		-	-	-	-
Banks, building societies and local authorities	5.23	-	-	51,088	46,084
Other	5.23	-	20	-	-
<b>Total Investments</b>		<b>-</b>	<b>20</b>	<b>51,088</b>	<b>46,084</b>
<b>Debtors</b>					
Financial assets	5.22	3,169	2,958	2,176	4,794
<b>Total Debtors</b>		<b>3,169</b>	<b>2,958</b>	<b>2,176</b>	<b>4,794</b>
<b>Cash and cash equivalents</b>					
Cash held by the council		-	-	3	3
Bank current accounts		-	-	513	1,394
Call deposit and money market funds		-	-	4,051	1,781
<b>Total Cash and cash equivalents</b>	<b>5.25</b>	<b>-</b>	<b>-</b>	<b>4,567</b>	<b>3,178</b>
<b>Creditors</b>					
Financial liabilities	5.26	400	-	2,065	3,838
<b>Total creditors</b>		<b>400</b>	<b>-</b>	<b>2,065</b>	<b>3,838</b>

### 5.29.1. Fair Value of Financial Assets and Liabilities

Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. The fair value can be assessed by calculating the present value of their future cash flows.

The fair values of the Council's financial instruments, together with the carrying amounts included on the Balance Sheet are analysed as follows:

31 March 2017			31 March 2018	
Carrying Value £'000	Fair Value £'000		Carrying Value £'000	Fair Value £'000
		<b>Financial Assets:</b>		
		<i>Loans and receivables</i>		
7,752	7,752	Total debtors	5,345	5,345
46,104	46,134	Total investments	51,088	51,088
3,178	3,178	Cash and equivalents	4,567	4,567
<b>57,034</b>	<b>57,064</b>	<b>Total</b>	<b>61,000</b>	<b>61,000</b>
		<b>Financial Liabilities:</b>		
		<i>Financial liabilities at amortised cost</i>		
3,838	3,838	Total creditors	2,465	2,465
<b>3,838</b>	<b>3,838</b>	<b>Total</b>	<b>2,465</b>	<b>2,465</b>

### Assumptions in Calculating Fair Values

#### Debtors / Creditors / Cash and Equivalents

Due to their nature and short term maturity, fair values have been estimated to approximate their carrying value.

#### Investments / Loans

Following a change in methodology by Link Asset Services, investments of less than one year have been excluded from fair value reports which the Council has used when comparing the carrying value of investments. Link Asset Services advises that there is minimal impact when comparing less than one year fair value adjustments. As the Council's investments are all less than one year in duration and low volatility in nature fair value is considered to be equal to carrying value.

#### Financial Instruments Gains and Losses

During the year the total investment income receivable relating to financial assets amounted to £361k (2016/17: £351k). During the year there were impairment losses relating to financial assets of £20k (2016/17: £nil).

During the year the total interest payable relating to financial liabilities amounted to £38k (2016/17: £20k).

## Liquidity Risk

As the majority of its investments are short term deposits, which are available at relatively short notice, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

## Interest Rate Risk

The Council only invests in fixed rate investment products in order to minimise its exposure to interest rate risk.

## 5.30. Defined Benefit Pension Scheme

### Participation in Pension Schemes

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

The Council participates in the Hertfordshire Local Government Pension Scheme which is administered by Hertfordshire County Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

### Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement may be awarded. This is an unfunded defined benefit arrangement under which liabilities are recognised when the award is made. No plan assets build up to meet these liabilities.

### Transactions Relating to Post-employment Benefits

The Council has recognised the cost of retirement benefits in the reported cost of services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been included within the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:



### 5.30.1. Comprehensive Income and Expenditure Statement

<b>2016/17 £'000</b>	<b>Comprehensive Income and Expenditure Statement</b>	<b>2017/18 £'000</b>
	<b>Cost of Services:</b>	
	<i>Service cost comprising:</i>	
1,845	Current service cost	3,180
-	Past service cost	1
	Finance and investment income and expenditure:	
1,093	Net interest expense	966
<b>2,938</b>	<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,147</b>
	<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	
	<i>Remeasurement of the net defined liability comprising:</i>	
(9,040)	Return on plan assets (excluding the amount included in the net interest expense)	(2,472)
18,899	Actuarial gains and losses arising on changes in financial assumptions	(2,099)
(1,264)	Actuarial gains and losses arising on changes in demographic assumptions	-
(3,225)	Other experience (gains) and losses	-
<b>5,370</b>	<b>Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement</b>	<b>(4,571)</b>

### 5.30.2. Movement in Reserves Statement

<b>2016/17 £'000</b>	<b>Movement in Reserves Statement</b>	<b>2017/18 £'000</b>
(2,938)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,147)
	<b>Actual amount charged against the General Fund for pensions for the year:</b>	
2,655	Employer's contributions payable to the scheme	2,282

### 5.30.3. Pensions Assets and Liabilities Recognised in the Balance Sheet

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

<b>2016-2017</b> <b>£'000</b>		<b>2017-18</b> <b>£'000</b>
(119,830)	Present value of defined benefit obligations	(120,692)
81,615	Fair value of scheme assets	85,183
<b>(38,215)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(35,509)</b>

The following table reconciles the present value of the scheme's defined benefit obligations and the fair value of the scheme assets:

<b>2016-17</b> <b>£'000</b>		<b>2017-18</b> <b>£'000</b>
	<b>Present Value of Defined Benefit Obligations:</b>	
<b>(103,553)</b>	<b>As at 1 April</b>	<b>(119,830)</b>
(1,845)	Current service cost	(3,180)
-	Past service gain	(1)
(3,491)	Interest cost	(2,993)
(518)	Contributions by scheme members	(534)
-	Gains / (losses) on curtailments	-
	<i>Remeasurement gains and (losses):</i>	
1,264	Actuarial gains and losses arising on changes in demographic assumptions	-
(18,899)	Actuarial gains and losses arising on changes in financial assumptions	2,099
3,225	Other experience gains and losses	-
3,987	Benefits paid	3,747
<b>(119,830)</b>	<b>As at 31 March</b>	<b>(120,692)</b>
	<b>Fair Value of Scheme Assets:</b>	
<b>70,991</b>	<b>As at 1 April</b>	<b>81,615</b>
2,398	Interest Income	2,027
518	Contributions by scheme members	534
2,655	Contributions by employer	2,282
	<i>Remeasurement gains and (losses):</i>	
9,040	Return on plan assets (excluding the amount included in the net interest expense)	2,472
(3,987)	Benefits paid	(3,747)
<b>81,615</b>	<b>As at 31 March</b>	<b>85,183</b>

### 5.30.4. Pension Fair Value Scheme Assets

The fair values of scheme assets are made up of the following types of investments by proportion of total assets held:

	Year ended 31 March 2017			
	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	Total £'000	%
<b>Cash and cash equivalents</b>	<b>2,693</b>	<b>-</b>	<b>2,693</b>	<b>3</b>
<b>Equity instruments:</b>				
<i>By industry type:</i>				
Consumer	6,363	-	6,363	8
Manufacturing	6,107	-	6,107	7
Energy & Utilities	1,471	-	1,471	2
Financial Institutions	5,466	-	5,466	7
Health & Care	1,105	-	1,105	1
Information Technology	4,450	-	4,450	5
Other	275	-	275	-
<b>Sub-total equity instruments</b>	<b>25,237</b>	<b>-</b>	<b>25,237</b>	<b>30</b>
<b>Private Equity</b>	<b>-</b>	<b>3,768</b>	<b>3,768</b>	<b>5</b>
<b>Property:</b>				
UK Property	-	2,641	2,641	3
Overseas Property	-	3,059	3,059	4
<b>Sub-total property</b>	<b>-</b>	<b>5,700</b>	<b>5,700</b>	<b>7</b>
<b>Investment Funds and Unit Trusts:</b>				
Equities	17,101	-	17,101	21
Bonds	22,482	-	22,482	28
Infrastructure	-	185	185	-
Other	315	4,296	4,611	6
<b>Sub-total investment funds and unit trusts</b>	<b>39,898</b>	<b>4,481</b>	<b>44,379</b>	<b>55</b>
<b>Derivatives: foreign exchange</b>	<b>-</b>	<b>(162)</b>	<b>(162)</b>	<b>-</b>
<b>Total assets</b>	<b>67,828</b>	<b>13,787</b>	<b>81,615</b>	<b>100</b>

	Year ended 31 March 2018			
	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	Total £'000	%
<b>Cash and cash equivalents</b>	<b>2,843</b>	<b>-</b>	<b>2,843</b>	<b>3</b>
<b>Equity instruments:</b>				
<i>By industry type:</i>				
Consumer	3,892	-	3,892	5
Manufacturing	3,348	-	3,348	4
Energy & Utilities	893	-	893	1
Financial Institutions	3,800	-	3,800	4
Health & Care	539	-	539	1
Information Technology	2,656	-	2,656	3
Other	203	-	203	-
<b>Sub-total equity instruments</b>	<b>15,331</b>	<b>-</b>	<b>15,331</b>	<b>18</b>
<b>Debt Securities:</b>				
<b>Other</b>	<b>-</b>	<b>34</b>	<b>34</b>	<b>-</b>
<b>Private Equity</b>	<b>-</b>	<b>3,768</b>	<b>3,768</b>	<b>5</b>
<b>Property:</b>				
UK Property	-	2,822	2,822	3
Overseas Property	-	2,781	2,781	3
<b>Sub-total property</b>	<b>-</b>	<b>5,603</b>	<b>5,603</b>	<b>6</b>
<b>Investment Funds and Unit Trusts:</b>				
Equities	22,389	-	22,389	27
Bonds	30,636	-	30,636	36
Infrastructure	-	203	203	-
Other	634	4,346	4,980	6
<b>Sub-total investment funds and unit trusts</b>	<b>53,659</b>	<b>4,549</b>	<b>58,208</b>	<b>69</b>
<b>Derivatives: foreign exchange</b>	<b>-</b>	<b>(68)</b>	<b>(68)</b>	<b>-</b>
<b>Total assets</b>	<b>71,833</b>	<b>13,350</b>	<b>85,183</b>	<b>100</b>

All schemes other than private equity, property assets, Infrastructure and foreign exchange have quoted prices in active markets. Other Investment Funds and Unit Trusts have quoted prices in both active markets (£0.6m) and non-active markets (£4.3m).

### 5.30.5. Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method which provides an estimate of the pensions that will be payable in future years dependent on assumptions about such factors as mortality rates and salary levels.

The estimated liabilities are based on a formal valuation as at 31 March 2016 and are updated to the current year by Hymans Robertson, the independent actuary to Hertfordshire Local Government Pension Scheme.

The principal assumptions used by the actuary are as follows:

31-Mar-17		31-Mar-18
	<b>Financial assumptions:</b>	
2.40%	Rate of increase in inflation / pension cost	2.40%
2.50%	Rate of increase in salaries	2.50%
2.50%	Expected return on investments	2.60%
2.50%	Rate for discounting scheme obligations	2.60%
50%	Take up of option to receive lump sum on retirement (service pre April 2008)	50%
75%	Take up of option to receive lump sum on retirement (service post April 2008)	75%
	<b>Mortality assumptions:</b>	
	Longevity at 65 for current pensioners	
22.5	Men	22.5
24.9	Women	24.9
	Longevity at 65 for future pensioners	
24.1	Men	24.1
26.7	Women	26.7

In accordance with the provisions of International Accounting Standard (IAS) 19 *Employee Benefits (June 2011 Amendments)*, the long term expected rate of return on assets in the scheme has been calculated as equivalent to the rate for discounting scheme obligations.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions as set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes that for each change the assumption analysed changes whilst all other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

<b>Approximate Impact on the Defined Benefit Obligation in the Scheme</b>		
	<b>Percentage Increase to Employer Liability %</b>	<b>Monetary Increase to Employer Liability £'000</b>
0.5% increase in the Salary Increase Rate	1%	1,140
0.5% increase in the Pension Increase Rate	8%	9,643
0.5% decrease in Real Discount Rate	9%	10,896

### Impact on the Council's Cash Flows

The objectives of the scheme include that of keeping the employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The Council is participating in this strategy in order to contribute to meeting the scheme deficit while maintaining contribution rates at their current levels at least until the next triennial valuation as at 31 March 2019. Meanwhile funding levels are monitored on an annual basis.

The scheme will take into account the national changes implemented by the Public Pensions Services Act 2013. Under the Act, existing public services schemes may not provide benefits in relation to service after 31 March 2015 comparable to those at present provided. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to public servants.

It is estimated that the Council will contribute approximately £2.282 million to the Local Government Pension Scheme during the year ending 31 March 2019.

The weighted average duration of the defined benefit obligation for all scheme members (i.e., active, deferred and pensioner) is 16.1 years (2016/17: 16.1 years).

<b>2014 £'000</b>	<b>2015 £'000</b>	<b>2016 £'000</b>	<b>2017 £'000</b>	<b>As at 31 March</b>	<b>2018 £'000</b>
(97,619)	(108,556)	(103,553)	(119,830)	Present value of defined benefit obligations	(120,692)
63,550	71,303	70,991	81,615	Fair value of employer assets	85,183
<b>(34,069)</b>	<b>(37,253)</b>	<b>(32,562)</b>	<b>(38,215)</b>	<b>Deficit in the scheme</b>	<b>(35,509)</b>

The defined benefit obligations show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability has a substantial negative impact on the net worth of the Council as recorded in the Balance Sheet; however, the short term effect of this liability will be minimal as statutory arrangements permit the Council to reduce the deficit by making increased contributions over the remaining working life of employees, as assessed by the scheme's Actuary.

### 5.31. Usable Reserves

Usable Reserves are those reserves that the council can use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve can only be used to fund capital expenditure or to repay debt).

<b>2016/17 £'000</b>		<b>Note</b>	<b>2017/18 £'000</b>
(7,902)	General Fund	5.31.1	(7,962)
(18,788)	Earmarked Reserves (General Fund)	5.31.2	(20,063)
(6,585)	Capital Receipts Reserve	5.31.3	(8,246)
(4,832)	Capital Grants and Contributions Unapplied	5.31.4	(6,607)
<b>(38,107)</b>	<b>Total</b>		<b>(42,878)</b>

#### 5.31.1. General Fund

The General Fund represents resources available to finance future running costs of the Council. Any surplus or deficit arising during the year from ordinary activities is transferred to the reserve, which subsequently may be used for future revenue or capital financing. The movements in the reserve during the year are summarised below and on the Movement in Reserves Statement.

<b>2016/17 £'000</b>		<b>Note</b>	<b>2017/18 £'000</b>
<b>(7,698)</b>	<b>Balance at 1 April</b>		<b>(7,902)</b>
(3,265)	(Surplus) / deficit on provision of services	4.2	2,653
1,132	Adjustments between accounting basis and funding basis under regulation	5.14	(3,988)
1,929	Transfers to (from) earmarked reserves	5.31.2	1,275
<b>(7,902)</b>	<b>Total</b>		<b>(7,962)</b>

#### 5.31.2. Earmarked Reserves

Earmarked Reserves represents that part of the General Fund retained voluntarily for use on specific projects or causes. A summary of the movement in the reserves during the year is as follows:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>(16,859)</b>	<b>Balance at 1 April</b>	<b>(18,788)</b>
(1,929)	Transfers (to) from earmarked reserves	(1,275)
<b>(18,788)</b>	<b>Total</b>	<b>(20,063)</b>

A brief description of those significant reserves disclosed is shown below:

<b>Earmarked Reserve</b>	<b>Description</b>
<b>3 Valleys Way Play Area</b>	Developer contributions for the maintenance and upkeep of new play areas.
<b>Area Based Grant</b>	Government grants for initiatives such as cohesion and climate change.
<b>Building Regulations</b>	Accumulated surpluses relating to the Building Control trading account.
<b>Business rates equalisation</b>	To fund shortfalls in business rates generation.
<b>CIL Admin Reserve</b>	Retained receipts to fund the administrative costs associated with collection and management of CIL.
<b>Civic Offices Sinking Fund</b>	Property & equipment replacement reserve for the Civic Offices.
<b>Corporate Consultation</b>	Funds set aside to cover the future cost of the corporate consultations.
<b>Council Contribution to Pension Fund</b>	To meet any future shortfall in pension fund deficit and any strain in the pension fund.
<b>Environment Initiatives</b>	Used to implement environmental initiatives such as noise patrols and vehicle replacement.
<b>EWC Housing Zone</b>	Government funding to deliver the Elstree Way Corridor housing zone.
<b>Finance, Revenue and Benefits Systems</b>	One off items of expenditure relating to the finance and revenues system.
<b>Fishers Park Play Area</b>	Developer contributions for the maintenance and upkeep of new play areas.
<b>Flexible Homeless Support</b>	Funds ring fenced for three years to support increased homeless prevention as defined by Homeless Reduction Act.
<b>Housing &amp; Council Tax Benefit Equalisation Account</b>	To fund any shortfall in government grant for benefits.
<b>Housing Initiatives</b>	Funds housing initiatives such as the rent deposit scheme.
<b>Human Resources strategy</b>	To fund redundancy payments or any unusual staffing costs.
<b>Information Services Infrastructure Replacement</b>	Funds major Information Technology projects.
<b>Prevention of Homelessness</b>	Used for homeless prevention schemes.
<b>Innovation &amp; Investment fund</b>	To fund invest to save projects.
<b>Land Drainage</b>	To fund invest to save projects.
<b>Local Plan Inquiry</b>	Reserve to fund the Local Development Framework.
<b>Minor revenue grants</b>	A miscellany of grants to fund minor projects.
<b>New Homes Bonus (Planning)</b>	NHB which has been ring-fenced for planning projects.
<b>New Homes Bonus Equalisation Reserve</b>	To guard the revenue budget against declining government grants
<b>Non-recurring Items</b>	Used to fund schemes such as DFG grants.
<b>Parking Repairs &amp; Renewals</b>	Covers the cost of car park resurfacing, machines and equipment replacement.
<b>Parks Play Equipment</b>	To cover the cost of the replacement of play equipment.
<b>Recycling Initiatives</b>	Reserve to fund recycling initiatives such as the introduction of recycling into flats.
<b>Waste Services Vehicles Replacement</b>	Used to fund the replacement of the Street Scene service vehicles.



The table below shows the reserve balances held at 31 March 2018 and the amounts transferred from / to the General Fund in order to meet future / current expenditure.

	<b>Balance at 31 Mar 16</b>	<b>Transfers Out 2016-17</b>	<b>Transfers In 2016-17</b>	<b>Balance at 31 Mar 17</b>	<b>Transfers Out 2017-18</b>	<b>Transfers In 2017-18</b>	<b>Balance at 31 Mar 18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
3 Valleys Way Play Area	-	-	(102)	(102)	-	-	(102)
Area Based Grant	(126)	20	-	(106)	28	-	(78)
Building Regulations	(170)	144	-	(26)	26	-	-
Business rates equalisation	(1,015)	87	(738)	(1,666)	-	(897)	(2,563)
CIL Admin Reserve	-	-	(202)	(202)	17	(26)	(211)
Civic Offices Sinking Fund	(110)	38	(55)	(127)	-	(55)	(182)
Corporate Consultation	-	7	(209)	(202)	-	-	(202)
Council Contribution to Pension Fund	(1,000)	500	-	(500)	-	-	(500)
Environment Initiatives	(109)	24	(3)	(88)	32	(2)	(58)
EWC Housing Zone	(277)	67	-	(210)	45	-	(165)
Finance, Revenue and Benefits Systems	(111)	-	-	(111)	71	-	(40)
Fishers Park Play Area	-	-	(109)	(109)	6	-	(103)
Flexible Homeless Support	-	-	-	-	171	(378)	(207)
Housing & Council Tax Benefit Equalisation Account	(455)	-	(179)	(634)	-	(410)	(1,044)
Housing Initiatives	(213)	20	(5)	(198)	117	(26)	(107)
Human Resources strategy	(500)	20	-	(480)	106	-	(374)
Information Services - Infrastructure Replacement	(592)	67	(18)	(543)	80	-	(463)
Initiatives for the Prevention of Homelessness	(240)	44	-	(196)	100	(39)	(135)
Innovation and Investment fund	(5,016)	590	(659)	(5,085)	759	(50)	(4,376)
Land Drainage	(1,243)	537	(188)	(894)	474	(115)	(535)
Local Plan Inquiry	(126)	78	-	(48)	19	(117)	(146)
Minor revenue grants	(869)	129	(247)	(987)	284	(246)	(949)
New Homes Bonus (Planning)	(200)	90	-	(110)	110	-	-
New Homes Bonus Equalisation Reserve	(968)	-	(1,188)	(2,156)	6	(824)	(2,974)
Non-recurring Items	(485)	-	(140)	(625)	-	(100)	(725)
Parking Repairs & Renewals	(485)	335	(480)	(630)	200	(150)	(580)
Parks Play Equipment	(238)	-	(50)	(288)	1	(10)	(297)
Recycling Initiatives	(522)	-	-	(522)	44	(82)	(560)
Waste Services Vehicles Replacement	(1,279)	161	(328)	(1,446)	32	(305)	(1,719)
Other < £100k	(510)	109	(96)	(497)	34	(205)	(668)
Total	(16,859)	3,067	(4,996)	(18,788)	2,762	(4,037)	(20,063)

### 5.31.3. Capital Receipts Reserve

The Capital Receipts Reserve represents proceeds from the sale of property, plant and equipment, which are restricted in order to finance future capital investment. A summary of the movement in the reserve during the year is as follows:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>(6,267)</b>	<b>Balance as at 1 April</b>	<b>(6,585)</b>
(755)	Receipts in year	(1,729)
(105)	Realisation of deferred capital receipts	(398)
542	Applied during the year	466
<b>(6,585)</b>	<b>Balance as at 31 March</b>	<b>(8,246)</b>

### 5.31.4. Capital Grants Unapplied Account

The balance on the Capital Grants Unapplied Account represents grants and contributions received by the Council for the purpose of funding capital expenditure but not yet utilised. The grants in question have been recognised as income as they have no conditions attached to them that may require the monies to be returned to the giver. A summary of the movement in the account during the year is as follows:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>(925)</b>	<b>Balance as at 1 April</b>	<b>(4,832)</b>
(5,387)	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(2,878)
1,480	Application of grants to capital financing transferred to the Capital Adjustment Account	1,103
<b>(4,832)</b>	<b>Balance as at 31 March</b>	<b>(6,607)</b>

The balance above includes Community Infrastructure Levy (CIL) funding of £5,698k (2016/17 £4,114k). There has been no expenditure on CIL for either 2016/17 or 2017/18.

## 5.32. Unusable Reserves

Unusable Reserves are those reserves that the council cannot use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. Revaluation Reserve) where the amounts would only become available for use when assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting and funding basis under regulations".

<b>2016/17 £'000</b>		<b>Note</b>	<b>2017/18 £'000</b>
(62,808)	Revaluation Reserve	5.32.1	(66,133)
(65,948)	Capital Adjustment Account	5.32.2	(62,647)
(2,447)	Deferred Capital Receipts	5.32.3	(2,563)
(1,215)	Collection Fund Adjustment Account	5.32.4	(567)
38,215	Pension Reserve	5.32.5	35,509
95	Accumulated Absence Account	5.32.6	94
<b>(94,108)</b>	<b>Total</b>		<b>(96,307)</b>

### 5.32.1. Revaluation Reserve

The revaluation reserve records the gains made by the Council 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
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account. A summary of the movement in the reserve during the year is as follows:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>(40,920)</b>	<b>Balance as at 1 April</b>	<b>(62,808)</b>
(23,928)	Upward revaluation of non-current assets	(5,052)
10	Accumulated gains on non-current assets disposed	500
2,030	Difference between current value depreciation and historical cost depreciation	1,227
<b>(62,808)</b>	<b>Balance as at 31 March</b>	<b>(66,133)</b>

### 5.32.2. Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). During the year a minimum revenue provision of £241k (2016/17 £241k) was made towards reducing the Council's capital financing requirement which is further disclosed in note 5.17.

The account contains accumulated gains and losses on investment property and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 15 provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve (above). A summary of the movement in the account during the year is as follows:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>(68,086)</b>	<b>As at 1 April</b>	<b>(65,948)</b>
	<b>Reversal of items debited or credited to the CIES</b>	
7,105	Depreciation, impairment and amortisation	6,720
(383)	Movements in the market value of Investment Properties	17
833	Revenue expenditure funded from capital under statute	960
574	Non-current assets written out on disposal	500
(564)	Donated Assets	(1,380)
	<b>Transfers between revenue and capital resources</b>	
(241)	Minimum Revenue Provision	(241)
(1,124)	Capital expenditure charged against the General Fund	(979)
	<b>Adjustments to capital resources</b>	
(542)	Use of Capital Receipts to finance capital expenditure	(466)
(1,480)	Application of capital grants and other contributions to finance capital expenditure	(1,103)
-	Capital Receipt – repayment of Local Authority Mortgage Scheme loan	1,000
	<b>Adjustments involving the Revaluation Reserve</b>	
(10)	Accumulated gains on non-current assets disposed	(500)
(2,030)	Difference between current value depreciation over historic cost depreciation	(1,227)
<b>(65,948)</b>	<b>As at 31 March</b>	<b>(62,647)</b>

### 5.32.3. Deferred capital receipts

The Deferred Capital Receipts Reserve represents proceeds yet to be realised from the sale of property, plant and equipment. When received the proceeds will be transferred to the Usable Capital Receipts Reserve. A summary of the movement in the reserve during the year is as follows:

<b>2016/17</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
<b>(1,974)</b>	<b>Balance as at 1 April</b>	<b>(2,447)</b>
(564)	Deferred receipts - recognition of PPE & S106 donated assets	(448)
(14)	Increase in carrying amount to realised receipts	(66)
105	Realised in year	398
<b>(2,447)</b>	<b>Balance as at 31 March</b>	<b>(2,563)</b>

### 5.32.4. Collection Fund Adjustment Account

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

<b>2016/17</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
	<b>COUNCIL TAX</b>	
<b>(335)</b>	<b>Balance as at 1 April</b>	<b>(407)</b>
(72)	Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	137
<b>(407)</b>	<b>Balance as at 31 March</b>	<b>(270)</b>
	<b>NON-DOMESTIC RATES</b>	
<b>2</b>	<b>Balance as at 1 April</b>	<b>(808)</b>
(810)	Amount by which non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates calculated for the year in accordance with statutory requirements	511
<b>(808)</b>	<b>Balance as at 31 March</b>	<b>(297)</b>
<b>(1,215)</b>	<b>Total</b>	<b>(567)</b>

### 5.32.5. 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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions, and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the Hertfordshire Local Government Pension Scheme.

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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. A summary of the movement in the reserve during the year is as follows:

<b>2016/17</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
<b>32,562</b>	<b>Balance as at 1 April</b>	<b>38,215</b>
5,370	Re-measurement of the net defined pension liability (note 5.30.1)	(4,571)
2,938	Reversal of items relating to retirement benefits debited or credited to the Surplus / (deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement (note 5.14 & 5.30.2)	4,147
(2,655)	Employers contribution payable to scheme (note 5.14 / 5.30.2)	(2,282)
<b>38,215</b>	<b>Balance as at 31 March</b>	<b>35,509</b>

### 5.32.6. 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.

<b>2016/17</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
<b>108</b>	<b>Balance as at 1 April</b>	<b>95</b>
(13)	Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in accordance with statutory requirements	(1)
<b>95</b>	<b>Balance as at 31 March</b>	<b>94</b>

### 5.33. Cash Flow Statement - Operating Activities

<b>2016/17</b> <b>£'000</b>		<b>2017/18</b> <b>£'000</b>
	<b>Adjustments for Non-cash movements:</b>	
	<i>Charges for depreciation, impairment and amortisation of non-current assets:</i>	
(6,926)	Property, plant and equipment	(6,540)
(23)	Heritage assets	(23)
(157)	Intangible assets	(157)
-	Impairment of investments	(20)
383	Movements in the value of investment properties	(17)
564	Donated assets	1,828
	<i>Carrying amount of non-current assets sold:</i>	
(10)	Property, plant and equipment	(948)
(283)	Non cash pension costs	(1,865)
4	Movement in respect of financial guarantee	3
(19)	Movement in respect of internal interest	(38)
(1)	Increase / (decrease) in inventories	25
(567)	Increase / (decrease) in revenue debtors	(1,318)
625	(Increase) / decrease in revenue creditors & provisions	(744)
<b>(6,410)</b>		<b>(9,814)</b>
	<b>Adjustments for items that are investing or financing activities:</b>	
5,387	Capital grants credited to deficit on the provision of services	2,878
771	Proceeds from the sale of non-current assets:	1,243
<b>6,158</b>		<b>4,121</b>
	<b>The cash flows for operating activities include the following:</b>	
(346)	Interest received	(368)

### 5.34. Cash Flow Statement - Investing Activities

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
	<b>Investing activities</b>	
1,841	Purchase of property plant and equipment, investment property and intangible assets	1,748
46,000	Purchase of short-term and long-term investments	51,000
107	Other payments for investing activities	359
	<b>Proceeds from the sale of non-current assets</b>	
(279)	Property plant and equipment	(1,728)
(30,000)	Proceeds from the redemption of short-term and long-term investments	(46,000)
(5,307)	Grants received towards the purchase of property plant and equipment	(3,774)
(143)	Other receipts from investing activities	(88)
<b>12,219</b>	<b>Net cash (inflow) / outflow from investing activities</b>	<b>1,517</b>

### 5.35. Cash Flow Statement - Financing Activities

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
	<b>Financing activities</b>	
808	Loan from Local Enterprise Partnership	-
(887)	Cash inflow from agency arrangements for the collection of NNDR and council tax	134
<b>(79)</b>	<b>Net cash (inflow) / outflow from financing activities</b>	<b>134</b>



## 5.36. Contingent Assets

### Proceeds of Right to Buy

In 1994, the Council sold its housing stock to two Housing Associations at below the market value as tenants were still occupying the homes. The agreement signed between the Council and the Housing Associations stipulates that any sale of these properties (right to buy) results in part of the proceeds reverting to the Council. However, the quantum of any future revenue cannot be reasonably determined as the Council is not aware of the number of properties that will be sold in the future.

### Claim against Royal Mail

The Council forms part of a class action against Royal Mail, relating to the charging of VAT on services. The case has been ongoing for three years, and continues, and the final settlement is not certain.

### Self- Referred Judicial Review

The Council expects to be able to recover legal costs incurred, following the resolution of a planning claim by the developer. The claim was as a result of our self-referred Judicial Review, which is resolved. These were settled at £15k during 2018/19.

### Truck Cartel Case

Hertsmere Council are part of a class action taken by the Local Government Association, against vehicle companies which it is claimed indulged in price fixing. The Council buys all of its vehicles outright, we cannot yet quantify the likely potential gain or likelihood of success.

## 5.37. Contingent Liabilities

### Financial Guarantees

The Council has committed itself to providing lending to its wholly-owned subsidiary, Elstree Film Studios Limited, if required.

### Other contingent liabilities

The Council is in receipt of a Tree Preservation Order (TPO) compensation claim which was initiated in financial year 2015/16 but has still not been settled.

A claim for damages against the Council has been made in relation to a perceived delay in the planning process. The Council has reviewed its treatment of the application and considers that it acted properly and that the claim is therefore not likely to be successful. No provision has therefore been made.

## 5.38. Related Party Transactions

The Council is required to disclose all material related party transactions included within this Statement of Accounts. Related parties of the Council include:

- Central Government
- Other Local Authorities and other bodies precepting or levying demands on council tax
- The Council's Members and Chief Officers

- Subsidiary and associated companies
- Other entities with which the Council carries on any form of collaborative venture

## Central Government

Central Government has the effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a major proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of principal transactions with government departments are set out in note 5.9.

## Other local authorities and other bodies' precepting or levying demands on the council tax

Details of the amounts precepted and demanded are set out in the Council's Collection Fund Statement.

## Members

Members of the council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2017/18 is shown in note 5.10.

Thirty three members represent the Council on the governing bodies of voluntary and community organisations. Grants totalling £384k (2016/17: £392k) were made to such organisations by the council in the year. Details of the interests of members in external organisations are maintained in the Register of Members' Interests.

The following members also hold Director positions on Hertsmere Developments Ltd, the Council's wholly owned subsidiary: Cllrs HS Cohen, JM Graham, PJ Hodgson-Jones and A Sachdev. There were no material transactions with organisations that members had disclosed an interest in.

The following members also hold positions of Director on Elstree Film Studios, the Council's 100% owned subsidiary: Cllrs M Bright, CS Clapper, CH Goldstein, PB Morris and RW Morris.

## Chief Officers

Chief Officers are entitled to receive car loans from the Council. During the year loans amounting to £10k were made to chief officers (2016/17: nil), repayments of £3k (2016/17: £4k) were received and £12k was receivable at 31 March 2018 (2016/17: £5k).

The following Senior Officers of the Council hold positions of Director in Hertsmere Developments Ltd: D Graham, ML Bunyon, HJ Shade.

Additionally, Senior Officer CL Lyons holds position of Director in Hertfordshire Building Control; the Council has share ownership of one-seventh.

## Pension Fund

Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 5.30.

## Elstree Film Studios Limited

Elstree Studios Limited is a wholly owned subsidiary of the Council which began trading on 1 April 2007. The accounts for Elstree Studios Limited are consolidated with the Council's accounts and summarised accounts for the company are disclosed in the Group Accounts section.

The company occupies premises owned by the Council and included in the Council's balance sheet at a net book value of £17.5 million (2017: £16.0 million, including £3.9 million of assets under construction expenditure). The arrangement with the Studios consists of a license fee payable to the Council by the company for the use of the site. During the year the Council received £1,450k (2016/17 £1,600k).

The amount due to Hertsmere Borough Council from Elstree Studios Limited of £302k (2017: £452k) includes a loan, accrued interest and rental income.

### Hertsmere Developments Limited

Hertsmere Developments Limited has been established as a general commercial company limited by shares. The registered office is the Council's Civic Offices. The company has issued share capital of 100 shares with a face value of £1.00 each all of which are owned by Hertsmere Borough Council. The company will take forward the development of land within the Borough with a view to generating future income streams.

### Hertsmere Leisure Trust

Hertsmere Leisure Trust was the successful bidder when the contract to manage the Council's leisure services was re-awarded in 2011. The contract included management of leisure centres and community centres as before and in addition took over the activities previously managed by the Council's subsidiary Bushey Country Club Limited, together with the delivery of the play, 50 plus and parks events programmes previously provided by the Council itself. The Bushey Golf and Country Club has been returned to the Council as of 1/4/2018, with its future uses being out to consultation.

The contract is for an initial 10 years from 1 February 2012 with an option to extend by a further five years. The contract stipulates that the Council should receive income of £257,000 per annum over the initial 10 years. Hertsmere Leisure Trust is also responsible for carrying out all repairs and maintenance during that period; this expenditure was previously budgeted at £254,000 per annum by the Council. The leisure contract has generated significant budget savings for the Council and is regarded as a contract which will deliver value for money for Hertsmere's residents.

At the end of the contract, the premises, plant and machinery will be returned to the Council in the same condition. This ensures that the service delivery capability of the facilities is maintained and enhanced throughout the 10 year period and possibly beyond.

### West Herts Crematorium

The Council is represented on the Joint Committee, or governing body, of West Herts Crematorium. Each of the four Hertfordshire boroughs represented is required to contribute to any deficit incurred by the operations of the crematorium. The Council made no such contribution in the year (2016: £nil). The Joint Committee is required to return to the Councils any surpluses arising after financing of capital expenditure, repayment of debt and transfers to reserves. During the year, the Council received a share of such surpluses in the sum of £50k (2017: £50k).

### Hertfordshire CCTV Partnership

The Council participates in the Hertfordshire CCTV Partnership in conjunction with three other boroughs. The lead partner is Stevenage Borough Council, on whose premises the control and monitoring room is located. A limited company (Hertfordshire CCTV Partnership Limited, registration number 09295528) was formed in November 2014; the Council holds 14% of the share capital (£14) and is represented on the board. The company commenced trading on 1 April 2015. Its purpose is to enable the partnership to pursue commercial trading by providing services to third parties.

### Hertfordshire Building Control Limited

The Council partnered with six local authorities across Hertfordshire to create a fully integrated Building Control service which was launched in August 2016; the Council holds 14% of the share capital (£7) and is represented on the board. Control is shared equally among the seven partners and the company will operate out of the Hertsmere Civic Offices. In 2017/18 the Council's estimated share of losses for the year amounted to £118.9k (2016/17 £15.7k), the total of which £134.6k has been provided for in these accounts. In August 2016 the Council made a loan of £107k to the company which is held in Long Term Debtors on the balance sheet.

# The Collection Fund

## 6.1. The Collection Fund Account

<b>COLLECTION FUND 2016/17</b>	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
<b>INCOME</b>			
Council Tax Receivable	-	62,181	<b>62,181</b>
Business Rates Receivable	48,254	-	<b>48,254</b>
Transitional Protection Payments receivable	(79)	-	<b>(79)</b>
	<b>48,175</b>	<b>62,181</b>	<b>110,356</b>
<b>EXPENDITURE</b>			
<b>Precepts, Demands and Shares</b>			
MHCLG	(23,552)	-	<b>(23,552)</b>
Hertsmere Borough Council	(18,841)	(7,544)	<b>(26,385)</b>
Hertfordshire County Council	(4,711)	(46,866)	<b>(51,577)</b>
Hertfordshire Police & Crime Commissioner	-	(5,806)	<b>(5,806)</b>
	<b>(47,104)</b>	<b>(60,216)</b>	<b>(107,320)</b>
<b>Charges to Collection Fund</b>			
Write offs of uncollectable amounts	(54)	(153)	<b>(207)</b>
Increase (-) / Decrease in Impairment Allowance	83	(114)	<b>(31)</b>
Increase (-) / Decrease in Provision for Appeals	1,274	-	<b>1,274</b>
Cost of Collection	(152)	-	<b>(152)</b>
	<b>1,151</b>	<b>(267)</b>	<b>884</b>
<b>Surplus / (Deficit) for the year</b>	<b>2,222</b>	<b>1,698</b>	<b>3,920</b>
<b>Apportionment of Previous Year Deficit</b>			
MHCLG	(98)	-	<b>(98)</b>
Hertsmere Borough Council	(78)	(135)	<b>(213)</b>
Hertfordshire County Council	(20)	(862)	<b>(882)</b>
Hertfordshire Police & Crime Commissioner	-	(110)	<b>(110)</b>
	<b>(196)</b>	<b>(1,107)</b>	<b>(1,303)</b>
<b>Surplus / Deficit (-) arising during the year</b>	<b>2,026</b>	<b>591</b>	<b>2,617</b>
<b>Surplus / Deficit (-) brought forward 1st April</b>	<b>(6)</b>	<b>2,690</b>	<b>2,684</b>
<b>Surplus / Deficit (-) carried forward 31st March</b>	<b>2,020</b>	<b>3,281</b>	<b>5,301</b>
- Hertsmere Borough Council (included in reserves)	808	407	<b>1,215</b>
- Precepting authorities (included in current assets or liabilities)	1,212	2,874	<b>4,086</b>
	<b>2,020</b>	<b>3,281</b>	<b>5,301</b>

## The Collection Fund

<b>COLLECTION FUND 2017/18</b>	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
<b>INCOME</b>			
Council Tax Receivable		65,592	<b>65,592</b>
Business Rates Receivable	46,783		<b>46,783</b>
Transitional Protection Payments receivable	(443)		<b>(443)</b>
	<b>46,340</b>	<b>65,592</b>	<b>111,932</b>
<b>EXPENDITURE</b>			
<b>Precepts, Demands and Shares</b>			
MHCLG	(21,838)		<b>(21,838)</b>
Hertsmere Borough Council	(17,470)	(7,880)	<b>(25,350)</b>
Hertfordshire County Council	(4,368)	(49,958)	<b>(54,326)</b>
Hertfordshire Police & Crime Commissioner		(6,095)	<b>(6,095)</b>
	<b>(43,676)</b>	<b>(63,933)</b>	<b>(107,609)</b>
<b>Charges to Collection Fund</b>			
Write offs of uncollectable amounts	(56)	(99)	<b>(155)</b>
Increase (-) / Decrease in Impairment Allowance	(91)	(232)	<b>(323)</b>
Increase (-) / Decrease in Provision for Appeals	(3,639)		<b>(3,639)</b>
Cost of Collection	(151)		<b>(151)</b>
	<b>(3,937)</b>	<b>(331)</b>	<b>(4,268)</b>
<b>Surplus / (Deficit) for the year</b>	<b>(1,273)</b>	<b>1,328</b>	<b>55</b>
<b>Apportionment of Previous Year Surplus</b>			
MHCLG	2		<b>2</b>
Hertsmere Borough Council	1	(296)	<b>(295)</b>
Hertfordshire County Council		(1,825)	<b>(1,825)</b>
Hertfordshire Police & Crime Commissioner		(228)	<b>(228)</b>
	<b>3</b>	<b>(2,349)</b>	<b>(2,346)</b>
<b>Surplus / Deficit (-) arising during the year</b>	<b>(1,270)</b>	<b>(1,021)</b>	<b>(2,291)</b>
<b>Surplus / Deficit (-) brought forward 1st April</b>	<b>2,020</b>	<b>3,281</b>	<b>5,301</b>
<b>Surplus / Deficit (-) carried forward 31st March</b>	<b>750</b>	<b>2,260</b>	<b>3,010</b>
- Hertsmere Borough Council (included in reserves)	300	270	<b>570</b>
- Precepting authorities (included in current assets or liabilities)	450	1,990	<b>2,440</b>
	<b>750</b>	<b>2,260</b>	<b>3,010</b>

### 6.1.1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. It shows the transactions of the Council in relation to non-domestic rates and the council tax, which the council collects as agents for its preceptors (note 6.1 below). It illustrates the way in which these sums have been distributed to preceptors and the Council. The Collection Fund is consolidated with other accounts of the Council and is prepared on an accruals basis.

### 6.1.2. Provision for Irrecoverable Debts

During the year the provision for irrecoverable council tax was increased by £232k (2016/17: increase £114k) and £99k (2016/17: £153k) irrecoverable debts were written off. The provision for irrecoverable business rates was increased by £91k (2016/17: decrease £83k) and £56k (2016/17: £54k) irrecoverable debts were written off.

### 6.1.3. Income from Business Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. During the year the rate with Small Business Relief was 46.6p (2016/17: 48.4p) and 47.9p (2016/17: 49.7p) with no relief. The total rateable value of properties at the year end amounted to £118m (2016: £119m). The total amount, less certain reliefs and other deductions, is allocated amongst the Council, Hertfordshire County Council as a preceptor and MHCLG. The Council's share is paid into the General Fund.

## 6.2. Precepts and Demands

During the year the following authorities made precepts or demands on the Collection Fund of the Council.

<b>Precepts, Demands and Shares</b>	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
MHCLG	21,838	-	<b>21,838</b>
Hertsmere Borough Council	17,470	6,709	<b>24,179</b>
Hertfordshire County Council	4,368	49,958	<b>54,326</b>
Hertfordshire PCC	-	6,095	<b>6,095</b>
Aldenham Parish Council	-	633	<b>633</b>
Elstree & Borehamwood Town Council	-	453	<b>453</b>
Shenley Parish Council	-	73	<b>73</b>
South Mimms	-	12	<b>12</b>

## 6.3. Council Tax

This tax is a property-based tax and assumes that two adults are resident in the property. Discounts are available for single residents. The discount for second properties is 10% and long-term empty properties are subject to up to 150% charge. Properties are placed into one of eight valuation bands. The base, upon which the council tax is calculated, is the total number of dwellings in each valuation band (after adjusting for discounted dwellings) converted to an equivalent number of Band D dwellings (excluding dwellings where the householder receives support under the Council's own support scheme). For 2017/18 the numbers as approved by full Council on 18 January 2017 (Ref: C/17/03) were as follows:

Band	Valuation			Number of dwellings equivalents (after applying discounts and premiums to calculate taxbase)	Total number of band D equivalents (after allowance for council tax support)
	£			No.	No.
A	Up	to	40,000	492	261
B	40,001	to	52,000	2,398	1,241
C	52,001	to	68,000	5,822	4,152
D	68,001	to	88,000	12,826	11,317
E	88,001	to	120,000	7,978	9,347
F	120,001	to	160,000	3,885	5,522
G	160,001	to	320,000	4,198	6,960
H	Over 320,000			993	1,980
Total number of equivalent band D dwellings					40,780
Assumption of 97.6% collection					39,803
Number of equivalent band D contribution in lieu					297
Total tax base					40,100



# Group Accounts

## Introduction

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

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

Elstree Film Studios Ltd (EFS), is a company formed in April 2007, since when the Council has owned 100% of shares (purchased for a cash consideration of £1), and so has been consolidated as a subsidiary. The arrangement with EFS consists of a license fee payable to the Council by the company for the use of the site.

EFS provide film and television studio space and related production and back office units for hire within the media industry.

## Accounting Policies

EFS have prepared the financial statements under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

These accounts are still subject to audit by their auditors Berg Kaprow Lewis. The Council has reviewed the accounting policies applied by EFS and has concluded that there are no material adjustments required to align accounting policies. Both entities have a year end of 31 March.

As a subsidiary, the accounts of EFS have been consolidated with those of the Council on a line by line basis, and any balances and transactions between the parties have been eliminated in full. EFS's expenditure and income, adjusted for transactions with the Council, is included as a discrete service line in the Comprehensive Income and Expenditure Statement; and balance sheet values are similarly incorporated into the relevant headings of the Balance Sheet, removing balances owed between the two parties.

## 7.1. Group movement in reserves statement

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (HBC)	Usable Reserves Elstree Studio	Total Usable Reserves (Group)	Total Unusable Reserves (HBC)	Unusable Reserves Elstree Studio	Total Unusable Reserves (Group)	Total Authority Reserves (Group)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	(24,557)	(6,267)	(925)	(31,749)	(265)	(32,014)	(78,643)	(80)	(78,723)	(110,737)
Total comprehensive income and expenditure	(3,265)	-	-	(3,265)	(95)	(3,360)	(18,558)	(190)	(18,748)	(22,108)
Adjustments between accounting & funding basis under regulations	1,132	(318)	(3,907)	(3,093)	(33)	(3,126)	3,093	33	3,126	-
Total (increase) / decrease during the year	(2,133)	(318)	(3,907)	(6,358)	(128)	(6,486)	(15,465)	(157)	(15,622)	(22,108)
Balance at 31 March 2017	(26,690)	(6,585)	(4,832)	(38,107)	(393)	(38,500)	(94,108)	(237)	(94,345)	(132,845)

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (HBC)	Usable Reserves Elstree Studio	Total Usable Reserves (Group)	Total Unusable Reserves (HBC)	Unusable Reserves Elstree Studio	Total Unusable Reserves (Group)	Total Authority Reserves (Group)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017	(26,690)	(6,585)	(4,832)	(38,107)	(393)	(38,500)	(94,108)	(237)	(94,345)	(132,845)
Total comprehensive income and expenditure	2,653	-	-	2,653	40	2,693	(9,623)	(54)	(9,677)	(6,984)
Adjustments between accounting & funding basis under regulations	(3,988)	(1,661)	(1,775)	(7,424)	(47)	(7,471)	7,424	47	7,471	-
Total (increase) / decrease during the year	(1,335)	(1,661)	(1,775)	(4,771)	(7)	(4,778)	(2,199)	(7)	(2,206)	(6,984)
Balance at 31 March 2018	(28,025)	(8,246)	(6,607)	(42,878)	(400)	(43,278)	(96,307)	(244)	(96,551)	(139,829)

## 7.2. Group Comprehensive Income & Expenditure Statement

<b>Gross Expenditure £'000</b>	<b>Gross Income £'000</b>	<b>2016/17 Net Expenditure £'000</b>		<b>Gross Expenditure £'000</b>	<b>Gross Income £'000</b>	<b>2017/18 Net Expenditure £'000</b>
7,264	(3,195)	4,069	Asset Management	5,634	(3,138)	2,496
109	-	109	Audit & Assurance	121	-	121
760	-	760	Corporate Management	542	-	542
720	(335)	385	Engineering Services	847	(377)	470
1,187	(337)	850	Environmental Health	1,224	(276)	948
43,085	(40,958)	2,127	Finance & Business Services	41,968	(39,565)	2,403
451	(117)	334	General Expenses	790	(184)	606
2,641	(1,046)	1,595	Housing Services	3,249	(1,553)	1,696
1,263	(284)	979	Human Resources & Customer Services	1,434	(270)	1,164
1,682	(589)	1,093	Legal & Democratic Services	1,862	(570)	1,292
2,581	(323)	2,258	Partnership & Community Engagement	1,664	(199)	1,465
2,524	(1,110)	1,414	Planning & Economic Development	2,387	(911)	1,476
7,222	(3,306)	3,916	Street Scene Services	10,339	(3,396)	6,943
2,834	(4,682)	(1,848)	Elstree Studio	2,544	(4,088)	(1,544)
<b>74,323</b>	<b>(56,282)</b>	<b>18,041</b>	<b>Net Cost of Services</b>	<b>74,605</b>	<b>(54,527)</b>	<b>20,078</b>

<b>2016/17 Net (Income) / Expenditure £'000</b>		<b>2017/18 Net (Income) / Expenditure £'000</b>
373	Other Operating Expenditure	877
(84)	Financing and Investment Income and Expenditure	142
(21,715)	Taxation and Non-Specific Grant Income	(18,404)
25	Tax expense of subsidiary	-
<b>(3,360)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>2,693</b>
(23,928)	(Surplus) / Deficit on revaluation of non-current assets	(5,052)
5,180	Re-measurements of net pension liability	(4,625)
<b>(18,748)</b>	<b>Other Comprehensive (Income) and Expenditure</b>	<b>(9,677)</b>
<b>(22,108)</b>	<b>Total Comprehensive (Income) and Expenditure</b>	<b>(6,984)</b>

### 7.3. Group Balance Sheet

<b>31 Mar 2017 £'000</b>		<b>31 Mar 2018 £'000</b>
124,701	Property Plant and Equipment	125,522
1,335	Heritage Assets	1,312
8,673	Investment Properties	8,674
300	Intangible Assets	403
20	Long Term Investments	-
2,708	Long Term Debtors	2,919
<b>137,737</b>	<b>Long Term Assets</b>	<b>138,830</b>
46,084	Short Term Investments	51,088
-	Assets Held for Sale	-
6,293	Short Term Debtors	4,595
81	Inventories	106
4,002	Cash and Cash Equivalents	4,925
<b>56,460</b>	<b>Current Assets</b>	<b>60,714</b>
(14,250)	Short Term Creditors	(12,216)
(416)	Provisions	(1,014)
<b>(14,666)</b>	<b>Current Liabilities</b>	<b>(13,230)</b>
(907)	Provisions	(2,197)
(37,978)	Liability related to defined benefit pension scheme	(35,265)
-	Other Long Term Liabilities	(400)
(7,801)	Capital Grants Received In Advance	(8,623)
<b>(46,686)</b>	<b>Long Term Liabilities</b>	<b>(46,485)</b>
<b>132,845</b>	<b>Net Assets</b>	<b>139,829</b>
(38,500)	Useable Reserves	(43,278)
(94,345)	Unusable Reserves	(96,551)
<b>(132,845)</b>	<b>Total Reserves</b>	<b>(139,829)</b>

## 7.4. Group Cash Flow Statement (Restated)

<b>31-Mar-17</b> <b>£'000</b>		<b>31-Mar-18</b> <b>£'000</b>
<b>(3,360)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>2,693</b>
(6,549)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	(9,746)
6,158	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	4,121
<b>(3,751)</b>	<b>Net cash (inflow) / outflow from Operating Activities</b>	<b>(2,932)</b>
12,456	Investing Activities	1,875
(79)	Financing Activities	134
<b>8,626</b>	<b>Decrease / (increase) in cash and cash equivalents</b>	<b>(923)</b>
12,628	Cash and cash equivalents at the beginning of the reporting period	4,002
<b>4,002</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,925</b>

## 7.5. Notes to the Group Accounts

The notes below give information on the areas that have materially changed on the consolidation of the group entities into the Council's individual accounts.

### 7.5.1. Accounting Policies

The accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies which are specific to the Group Accounts.

#### Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

## 7.6. Summary Financial Position of Subsidiary

Elstree Film Studios Ltd has been consolidated in the group accounts as a 100% owned subsidiary. The summary financial position of the company is shown below.

### 7.6.1. Summary Profit and Loss Account

<b>2016/17 £'000</b>	<b>Profit and Loss Account</b>	<b>2017/18 £'000</b>
(4,682)	Turnover	(4,087)
2,919	Cost of sales	2,452
<b>(1,763)</b>	<b>Gross Profit</b>	<b>(1,635)</b>
1,635	Administrative expenses	1,667
(2)	Interest receivable and similar income	(1)
12	Interest payable and similar charges	14
(2)	Other finance income	(5)
<b>(120)</b>	<b>Loss / (Profit) before taxation</b>	<b>40</b>
25	Taxation	-
<b>(95)</b>	<b>Loss / (Profit) for the year</b>	<b>40</b>
<b>(190)</b>	<b>Actuarial gain related to pension scheme</b>	<b>(54)</b>
<b>(285)</b>	<b>Recognised gains for the year</b>	<b>(14)</b>

## 7.6.2. Summary Balance Sheet

<b>31-Mar-17 £'000</b>	<b>Balance Sheet</b>	<b>31-Mar-18 £'000</b>
563	Tangible Fixed Assets	682
	<b>Current Assets</b>	
707	Debtors	727
824	Cash	358
	<b>Current Liabilities</b>	
(1,424)	Creditors due within one year	(1,090)
	<b>Non-Current Liabilities</b>	
(250)	Creditors due after more than one year	(250)
(27)	Provision for deferred tax	(27)
237	Pension scheme asset	244
<b>630</b>	<b>Net Assets</b>	<b>644</b>
	<b>Capital and Reserves</b>	
-	Called up share capital	-
(237)	Pension scheme reserve	(244)
(393)	Profit and Loss Account	(400)
<b>(630)</b>	<b>Shareholders' Funds</b>	<b>(644)</b>

## 7.6.3. Debtors and Creditors

With the elimination of transactions between the Council and Elstree Film Studios Ltd as its subsidiary, debtors and creditors between these parties are excluded.

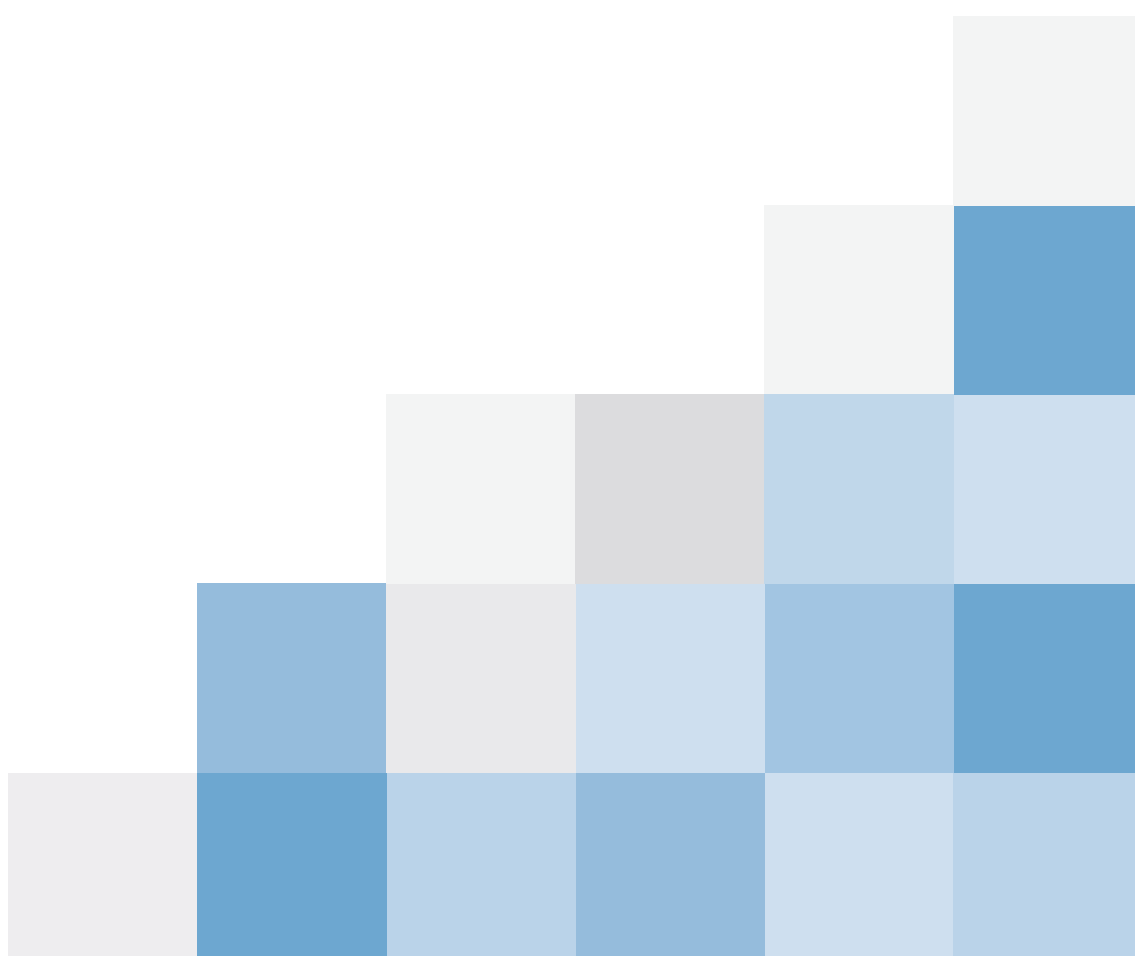
## 7.6.4. Contingent Liabilities

Elstree Film Studios Limited is a co-defendant in a health and safety regulatory prosecution in the Crown Court. The Company is rigorously defending the case and current legal advice is that it has "reasonable to good" chances of successfully defending the case. In the event of the Company losing the action any legal costs would be covered by their insurers although any fine levied would be a cost to the Company. Currently the amount of any potential fine cannot be reliably estimated and therefore no provision has been made in these accounts.





# Annual Governance Statement for the year 2017/18





This Annual Governance Statement covers the 2017/18 financial year and up to the date of the approval of the audited accounts.

## Background

1. The Accounts and Audit (England) Regulations 2015 require the Council to:
  - a) Ensure that it has a sound system of internal control (Regulation 3),
  - b) Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5),
  - c) Conducts a review at least once a year of the effectiveness of its system of internal control (Regulation 6),
  - d) Prepare an annual governance statement (Regulation 6),
  - e) Consider the findings of the review (either at a committee meeting or at Council) and, following that consideration, approve an AGS prepared in accordance with proper practices (Regulation 6), and
  - f) Approve the annual governance statement in advance of approval of the statement of accounts (Regulation 6).
2. A local authority shall undertake a review of its system of internal control in accordance with best practice. Delivering Good Governance in Local Government: Framework (2016), published by CIPFA and SOLACE, recommends that the review be reported in an Annual Governance Statement.
3. The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (CIPFA / LASAAC) states that the preparation of an AGS fulfils the statutory requirement for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control, and that authorities should include an AGS report on the review in its Statement of Accounts. It also states that:
  - a) The statement shall relate to the governance system as it applied during the financial year for the accounts that it accompanies;
  - b) Significant events or developments relating to the governance system that occur between the reporting date and the date on which the Statement of Accounts is signed by the responsible financial officer shall also be reported; and
  - c) Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control shall include its group activities.

5. Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound, but are seen to be sound.
6. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework') defines governance as "Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."
7. The International Framework also states that "To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders."
8. Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own local code of governance ('local code' essentially refers to the governance structure), which in turn is consistent with the good governance principles in the Framework 2016. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.
9. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework 2016. It should therefore develop and maintain a local code of governance / governance arrangements reflecting the principles set out.
10. The seven core principles in the Framework 2016 are as follows:
  - a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law,
  - b) Ensuring openness and comprehensive stakeholder engagement,
  - c) Defining outcomes in terms of sustainable economic, social, and environmental benefits,
  - d) Determining the interventions necessary to optimise the achievement of the intended outcomes,
  - e) Developing the entity's capacity, including the capability of its leadership and the individuals within it,
  - f) Managing risks and performance through robust internal control and strong public financial management, and
  - g) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
11. The AGS should include the following information:-
  - a) An acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance,
  - b) Reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate,

- c) An opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework,
- d) An agreed action plan showing actions taken, or proposed, to deal with significant governance issues,
- e) Reference to how issues raised in the previous year's annual governance statement have been resolved, and
- f) A Conclusion – a commitment to monitoring implementation as part of the next annual review.

## Scope of Responsibility

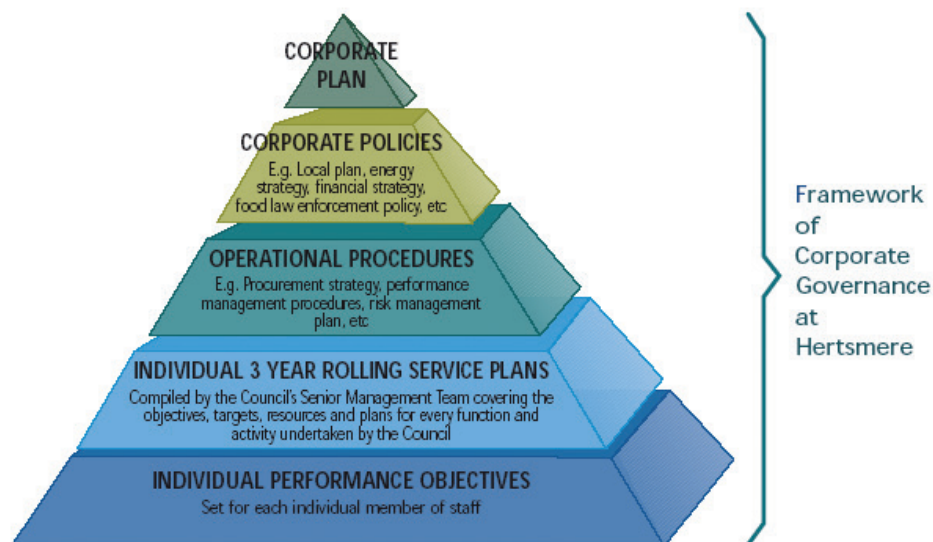
- 12. Hertsmere Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
- 13. The Council also has a duty under the Local 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.
- 14. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 15. This Governance Statement explains how the Council has maintained sound governance during the financial year 2017/18 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

## The Purpose of the Governance Framework

- 16. The governance framework, which has been in place for the financial year 2017/18, comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.
- 17. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 18. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
- 19. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

## The Governance Framework

20. The diagram below shows how the Council's plans and strategies link together. The model recognises the external influence of the Community Strategy as well as internal business planning processes:-



21. The key elements of the systems and processes that comprise the Council's governance arrangements, as per the CIPFA 'Delivering good governance in local government: Framework – Addendum' include the following:

### General

22. The Council has adopted the Leader and Cabinet style of political management under the Local Government Act 2000 and has a comprehensive Constitution to govern its actions and decision-making.
23. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's website and intranet.
24. The Council has an approved Local Code of Governance, which
- Defines good governance,
  - Establishes and describes the seven principles of good governance in the 2016 Framework,
  - States its commitment to the principles of good governance,
  - Sets out the Council's governance structure and framework specifically in terms of the seven principles within the 2016 Framework.
  - Establishes the arrangements and timing for ensuring that it operates effectively in practice.
25. The Local Code of Governance is available on the Council's website and is included as an Appendix to the Annual Governance Statement, is available on the Council's website and intranet and should be read together with the AGS.

26. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.
27. The Chief Officers' Board and the Senior Management Team are aware of the financial and other procedures and controls outlined in the Constitution, and the Corporate Director and each Head of Service is required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
28. Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as on an annual basis.

### Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users / translating the vision into objectives for the authority and its partnerships

29. The Council and its partner agencies in the Local Strategic Partnership (LSP) Hertsmere Together have a Sustainable Community Strategy which is underpinned by the Council's Corporate Plan. The Community Strategy was reviewed during 2017 and the revised strategy 2012-2017 was launched at the LSP in June 2017 and adopted by the Council in September 2017.
30. The Community Strategy and Corporate Plan ensure that the Council's strategic plans, priorities and targets are robustly developed in consultation with local communities and other key stakeholders.
31. The Corporate Plan and associated Performance Management Framework was reviewed during 2016/17. The high level vision, priorities and organisational values were agreed by the Council in November 2016.



32. The existing Corporate Plan priorities with regard to supporting our communities are closely allied to the strategic objectives in the Community Strategy to ensure an integrated approach to delivering services that meet community needs.

Local Strategic Partnership “Community Strategy” Strategic Objectives	Hertsmere Borough Council Corporate Plan High Level Priorities
<p><b>Safer Communities</b></p> <ul style="list-style-type: none"> <li>• To create safer environments by tackling crime, antisocial behaviour and extremism.</li> <li>• To build community confidence and increase feelings of safety empowering our communities</li> <li>• To raise awareness and take action against domestic abuse.</li> <li>• To support and protect vulnerable people affected by emerging issues , such as child sexual exploitation, modern slavery and human trafficking</li> </ul>	<p><b>Supporting our Communities</b></p> <ul style="list-style-type: none"> <li>• Work in partnership to build a safe, strong and cohesive community</li> </ul>
<p><b>Healthier Communities</b></p> <ul style="list-style-type: none"> <li>• To promote healthy weight and increase physical activity.</li> <li>• To improve mental health and emotional wellbeing.</li> <li>• To support the reduction of smoking, drug and alcohol misuse.</li> <li>• Enhance our environments and increase use of green space</li> </ul>	<p><b>Supporting our Communities</b></p> <ul style="list-style-type: none"> <li>• Support our residents to be healthier and live longer</li> <li>• Provide opportunities to enable all the people of Hertsmere to lead fulfilling lives</li> </ul>
<p><b>Thriving Communities</b></p> <ul style="list-style-type: none"> <li>• To support and empower people to have a good start in life and age well.</li> <li>• Develop volunteering, social enterprise and business opportunities.</li> <li>• Provide accessible opportunities for skills development and financial advice.</li> <li>• Ensure a healthy standard of living for all and prevent homelessness.</li> </ul>	<p><b>Supporting our Communities</b></p> <ul style="list-style-type: none"> <li>• Provide opportunities to enable all the people of Hertsmere to lead fulfilling lives</li> </ul>



## Reviewing the Council's vision and its implications for the Council's governance arrangements

33. The Council's Corporate Plan has been subject to ongoing review and the previous vision, priorities and values were subject to review and consultation in 2016. A new approach has been agreed with a high level vision 2020 Vision as above at paragraph 19, with the key priorities and organisational values agreed at Council in November 2016. This will be supported with an Annual Corporate Action Plan and Annual Report of Performance. The Performance Management Framework has also been revised to reflect the new arrangements.
34. The Corporate Plan will always form part of the Council's governance arrangements as, together with the Community Strategy, they fully encompass Council and community priorities for the Borough and they are used to inform other key documents such as the Council's Medium Term Financial Strategy.
35. The Council publishes an Annual Statement of Accounts, which show its activities, achievements, financial position and performance.

## Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources

36. The Corporate Plan and Annual Action Plan provide the benchmarks for performance within the Council, and the Annual Report of Performance and Annual Statement of Accounts shows the achievements against the Plan. The Council allocates resources based on its priorities, as set out in the Plan as well as in other Policy Framework Documents and the Communications Strategy and Residents' Survey.
37. The Council has made proper arrangements for monitoring and reporting performance through the Executive Performance Management Panel and Scrutiny Committees, and has sound systems to provide management and financial information. Where performance does not meet the planned levels, the Panel may refer the matter to the Scrutiny Committee for a more in depth review.
38. The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (i.e. Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the website.
39. The Council aims to use its resources efficiently, effectively and economically – the Constitution provides specific guidance in this.
40. The Council has entered into a number of shared service initiatives, e.g. with Hertfordshire County Council, North Herts District Council, East Herts Council, Stevenage Borough Council, Broxbourne Borough Council, Three Rivers District Council and Welwyn Hatfield Borough Council as well as the Hertfordshire Constabulary.

## Defining and documenting the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

41. The Council's Constitution sets out the roles and responsibilities of both Members and officers. It also commits the Council to provide clear leadership to the community. It aims to enhance the involvement of citizens in decision-making and make the decision-making process efficient, effective and transparent and those involved in it accountable.

42. There are regular meetings of the Council, the Executive, the Management Board, the Chief Officers' Board and the Senior Management Team.
43. In addition, there are regular meetings of the following Committees:
  - Planning, Licensing, Operations Review, Policy Review, Personnel, Standards and Audit
  - Each having clear terms of reference covering the business they respectively conduct.
44. There is a realistic level of delegation in place, which permits the Council's business to be conducted as effectively as possible.
45. Committee terms of reference and levels of delegation are kept under review to ensure that there is a clear demarcation of roles between the Council, Executive and various Committees, and between the Committees and officers. These boundaries are understood in order to manage reputational and uninsurable risks that are contrary to the best interests of the Council, and it is advisable to have regular training in respect of these roles.
46. The Council's Forward Plan and publication of minutes provides the Operations Review Committee and the Policy Review Committee with proposed and recently made executive decisions including key decisions, which are used to determine items for call-in or scrutiny.
47. In addition the Council has created a list of policies and strategies, which identifies the responsible officer and when the policy is due for review. This document is used by councillors wishing to raise items on the scrutiny agenda.
48. The Constitution includes roles and responsibilities of the three statutory officers, and the Chief Officers, as well as Proper Officer Functions. In addition each Head of Service has an up to date Scheme of Delegation which is reviewed annually. Roles and responsibilities of officers are further defined in the job descriptions for each post.
49. The Constitution also provides a Protocol for Member/Officer Relations and Codes of Conduct, which define the standard of behaviour that the Council requires of both Members and Officers. These also ensure that Members and Officers are not influenced by prejudice, bias or conflict of interest in their work.

### Developing, communicating and embedding Codes of Conduct, defining the standards of behaviour for Members and officers

50. The Council's Constitution sets out:
  - a) Code of Conduct for Members – this includes General Provisions, Interests and the Register of Members' Interests, including Gifts and Hospitality. The Register entries are renewed annually and when Members are elected or re-elected. Members are regularly advised to keep their entries accurate and up to date. The Register is subject to review by both Management and SIAS. Members are also required to declare the existence and nature of interests at meetings and these are recorded in the minutes of the meeting.
  - b) Local Code of Guidance for Members and Officers involved in Planning Matters – this includes conduct of Members and officers, Procedures for Committees considering Planning Matters, Site Visits by Members and by the Planning Control Committee

- c) Officers' Code of Conduct – this includes Duties, Disclosure of Information, Political Neutrality, Outside Commitments, Personal Interests, Interests of Officers in Contracts, Gifts and Hospitality, Appointment and other employment matters, Use of Financial Resources and Disciplinary Rules. Officers are regularly reminded to record any offers of gifts and hospitality.
  - d) Protocol on Member Officer Relations – this includes the Principles underlying Member Officer Relations, the roles of Members and Officers, the relationships between the Mayor and officers, the Leader and Members of the Cabinet and officers, the Chairmen and Members of Committees and officers, Officer relationships with Party Groups, etc.
51. Copies of the Council's Constitution are available to all on the Council's website and at Council Offices (including the Members' Room), libraries and other appropriate locations.
52. In addition, Induction Training is provided to all newly elected Members and new employees and the Council has been awarded the Elected Members' Development Charter. In a digital world, there is also an emphasis on responsible use of social media.

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks**

53. The Constitution and the decision-making structures (both Members and officers) are regularly reviewed to ensure that they are up-to-date, relevant, in line with good practice and fit for purpose.
54. The Constitution sets out the Council's Policy Framework which includes the following plans and policies at Article 4:
- Community Strategy
  - Corporate Plan
  - Community Safety Partnership Plan
  - Economic Development Strategy
  - Financial Strategy including the Efficiency Plan
  - Gambling Policy
  - Homeless Strategy
  - Local Development Documents which include the Local Development Framework; the Local Plan Core Strategy and Site Allocation and Development Management Development Plan Document
  - Risk Management Strategy
  - The Local Code of Governance
  - Treasury Management Strategy
  - Workforce Strategy
55. The Council has an approved Risk Management Strategy, which sets out:
- the key features of its risk management system
  - roles and responsibilities with regard to risk management
  - its overall approach to the management of risk
  - actions to embed the process in future periods

56. The Council's Risk Register is recorded on Pentana the Council's Performance and Risk management software. This includes both Strategic and Operational risks. The Risk Management Strategy provides an introduction to the risk management framework, definitions and how to identify assess and manage risks. The use of a risk matrix enables the assessment level of the risks to be readily identified.

### Undertaking the core functions of an Audit Committee

57. The Audit Committee has Terms of Reference, which are included in the Council's Constitution and are regularly reviewed to ensure compliance with recognised best practice – the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities and Police". Responsibilities arising from the Bribery Act were added. From April 2016, the Audit Committee became the nominated body responsible for the scrutiny of the Treasury Management function and receives a minimum of three reports per annum in accordance with the Treasury Management code of practice.
58. It is recognised that, in order to discharge these responsibilities, the Audit Committee may require any officer to attend meetings of the Committee so it may receive explanations regarding any matter that it is considering.
59. At the beginning of each financial year, the Committee establishes a Work Program, as well as a Training and Development Program. At each Committee, it receives reports from officers setting out performance against items listed in the Work Program.
60. The Audit Committee Chair presents a report on the work of the Committee to the Full Council.

### Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

61. The Council has a full range of relevant policies and procedures and places emphasis on compliance with these, as well as with the law and other external regulations. Compliance is achieved through the following mechanisms:

Members – Code of Conduct, Role Descriptions, Training and Development and Declaration of Interests

Employees – Code of Conduct, Job / Person Specification, Appraisals, Team Meetings and Training & Development

Other –

- a) The Constitution and other policies and procedures are available on the Council's website, intranet and as hard copy
- b) Officers prepare timely reports to all of the Council's decision-making bodies (including the Executive, the Audit Committee and the Chief Officers' Board) on statutory requirements and proposals regarding their implementation
- c) Standard report formats require officers to consider the implications of Corporate Policy, Finance, Health and Safety, Legal, Personnel and Risk Management
- d) Two Officer Groups, the Corporate Policy Network and the Governance Group met at least quarterly to review policy and track changes in legislation
- e) The work of the Council's external auditors, who report to members, officers and the Council's stakeholders if they have been required to issue a report in the public interest or exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014, including applying to the court for a declaration that an item of account is contrary to law.

## Whistle-blowing and receiving and investigating complaints from the public

62. The Council's Whistle-blowing Policy was reviewed and updated in June 2017 to ensure that staff can continue to raise concerns in confidence and without fear of retribution in relation to actual or perceived unlawful conduct, financial malpractice or dangers to the public and the environment. The Policy is available on the Council's Website and Intranet and covers malpractice or wrongdoing by:
- a) Any Member of the Council
  - b) Any employee of the Council
  - c) Any contractor, supplier, consultant or partner of the Council in the course of their work for the Council
63. The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (ie Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the website.

## Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by the appropriate training

64. On taking up office, all Members are required to attend a comprehensive Members' Induction Course. The Constitution states that the Council's Standards Committee is responsible for "advising, training or arranging to train Councillors and co-opted members on matters relating to the Members' Code of Conduct".
65. The Constitution also states that "All Members appointed to the Planning Committee (and all other Members who may from time to time consider a planning application) must receive training in planning procedures. Induction training in planning procedures shall be provided to all Members, either before serving on the Committee or within two months of appointment."
66. As stated in Para 40 above, the Council has been awarded the Elected Members' Development Charter.
67. Senior Officers' training needs are identified (and regularly monitored) as part of the Council's Continuous Performance Review Scheme (appraisals). In addition to the Corporate Training Programme and various professional development courses, seminars and conferences, a variety of Management Development Courses, Project Planning and mentoring facilities have been delivered to senior managers.

## Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

68. Opinion Research Services was commissioned by the Council to undertake a survey in which the Council wished to examine residents' views on a range of services. Overall the result was very positive for the Council, showing improvements in key areas. The chart below shows the response to key questions from each year the survey was carried out since 1999. The most recent survey was conducted in early 2018 however the results of this will not be available until April / May 2018.

	1999	2002	2005	2008	2011	2014
% Satisfaction with the area as a place to live	82	82	82	84	91	90
% Satisfaction with the way the Council is run	62	64	66	65	74	89
% Agree the Council provides value for money	45	45	39	52	61	65
% Agree treats all areas of the borough fairly	29	31	28	35	65	70

69. The Council's official magazine "Hertsmere News" is published three times a year and delivered throughout the Borough.
70. Residents and property / business owners in the Borough are able to submit relevant questions in writing for consideration and response at Council meetings.
71. There is a facility for Council to receive petitions – should a group of residents feel strongly about an issue that relates to or affects the Council's functions or the Council has an interest in or involvement with.
72. Meetings of the Council and the Executive are web-cast.
73. Members of the public are also able to speak at a Planning Committee on any application being considered at that meeting – by prior arrangement only.
74. The last Participatory Budgeting process was carried out in November 2016 and resulted in ongoing annual savings of £201,000, which assisted the Council in balancing the 2017/18 budget and in addressing the continuing reduction in funding from Central Government. Further annual savings of £150,000 have also now been incorporated into the revenue budget from 2018/19.
75. The Council is subject to the requirements of the Freedom of Information Act 2003 and the Local Government Transparency Code 2014, the approaches of which are to provide demand-led, open, honest, timely and transparent information to all stakeholders without compromising confidentiality.
76. The Council has established clear channels of communication with its staff, e.g. briefings from the Chief Executive, regular Directorate meetings and weekly 'All Staff' e-mails

### Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

77. The Council can confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government.

## Incorporating good governance arrangements in respect of partnerships and other joint working and reflecting these in the Council's overall governance arrangements

78. The Council is committed to improving and supporting collaborative working of all kinds, although the wide range of partnership models do make it very difficult to prescribe a single set of arrangements. However, partnership working should not result in diminished accountability to the public.
79. There is a Partnership Governance Framework in place for significant partnership and the register of such partnerships and shared services is reviewed on an annual basis by the Governance Group. For the organisations which the council supports through core funding there are individual Service Level / Partnership Agreements in place and there are regular meetings with partners to monitor the performance of the work carried out by the organisation / partnership. All Service Level / Partnership Agreements are subject to an annual review with a full review carried out every three / five years ahead of any renewal of agreements.
80. The Local Strategic Partnership is the forum for all of the Council's key partners – meetings are chaired by the Leader and are supported by the Chief Executive and senior managers.

## Review of Effectiveness

81. The Council has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
82. This review is informed by those Members and officers, who have the responsibility for the development and maintenance of the governance environment, including:
  - a) The work of Members at Council, Executive, Overview and Scrutiny Committees, the Audit Committee, the Standards Committee and Financial Monitoring Panel
  - b) The work of the Corporate Governance Group
  - c) The annual Management Assurance Statements prepared by the Directors, Heads of Service and Senior Managers relating to internal controls, performance and risk management within their areas of activity
  - d) The Head of SIAS's Annual Assurance Statement and Annual Report as well as the individual audit reports
  - e) Reports made by the Council's External Auditors and any other review agencies and inspectorates.

## Reviewing the effectiveness of the authority's decision-making framework

### The Council

83. The full Council comprises 39 Members, who as a collective, approve the Council's annual Revenue and Capital Budgets, set the Council Tax, approve the Policy Framework and take decisions that are contrary to, or not in accordance with, the Budget or the Policy Framework. Full Council also takes a range of decisions that are reserved to it such as approving the Council's Constitution, electing or removing an Executive Leader (in Hertsmere called the Leader of the Council), establishing a number of committees to discharge the Council's regulatory, scrutiny and non- executive functions, approving an Officers Scheme of Delegations, making bye-laws or making a Scheme of Allowances for Members.



84. At the Annual Meeting held in June 2015, Council appointed a Leader of the Council for the four year electoral cycle (i.e. to May 2019) and noted the appointment by the Leader to the Executive of a Deputy Leader and five other portfolio-holders. At the Annual Meeting held in May 2017 Council elected a Mayor, appointed a Deputy Mayor and noted the appointment by the Leader of the Council of a Deputy Leader and five other portfolio-holders. Council also appointed members to the standing Committees in accordance with the requirements of political balance and appointed a number of members to represent the Council on a range of outside bodies for the coming municipal year.
85. Each Council meeting has been open to the public, who are entitled to submit a question or petition to any ordinary meeting of Council.
86. The Council met seven times during the last financial year – Agendas, Open Reports and Minutes are available on the Council's website.

### The Executive

87. The Executive comprises the Leader of the Council and six other members appointed by him, one of whom is also appointed as Deputy Leader. The Executive is responsible for developing the annual budget, for the development and implementation of Council policy, for the delivery of the Council's corporate plan priorities, for ensuring that the officers team have sufficient resources to effectively discharge all the Council's statutory and discretionary functions and for setting and monitoring service standards and service delivery performance indicators.
88. Each Member of the Executive has responsibility for a range of Council functions, known as a portfolio and each portfolio-holder is required to work closely with Directors and Heads of Service and develop an in-depth knowledge of their portfolio area.
89. The dates of all executive meeting are pre-published and all executive decisions have been taken in public apart from a small number of reports which were considered and determined after the press and public has been lawfully excluded (for example, to protect personal or commercially sensitive information or to receive confidential legal advice). Agendas, open reports and the minutes of the meetings are available on the Council's web site and all background documents can be inspected by the public for six year after the date of the decision.
90. The Executive are unable to take key decision that have not been published in the Forward Plan unless the general exception or urgency procedures are followed and officers are unable to implement key decisions until the five day 'call-in' period has elapsed – except for those decisions taken under urgency procedures.
91. The Executive met twelve times during the last municipal year – Agendas, Open Reports and Minutes are available on the Council's website.

### The Review Committees

92. At the Annual Meeting in 2017, Council appointed two Review Committees. These were the Operations Review Committee and the Policy Review Committee whose role is to scrutinise the decisions and performance of the Executive and the Council as a whole, to call-in unimplemented executive decisions for re-consideration and to undertake policy development and review work. Both Committees have the power to require executive member and officers to appear before them to give account and have extensive rights of access to Council records and information to enable them to effectively discharge their functions. It is important to maintain the clear demarcation between the conduct of executive functions and the scrutiny of executive decisions as part of democratic accountability.



93. The Operations Review Committee has responsibility for reviewing all aspects of the Councils operational business and met ten times last year. It set and monitored its own work plan which included regular Financial and Performance Monitoring, the receipt of presentations from Executive Portfolio-holders and consideration of the annual reports of Elstree Film Studios Limited and Hertsmere Leisure Limited.
94. The Policy Review Committee has responsibility for keeping the Council's strategies and plans under review, for reviewing the draft budget and financial performance of the Council and for overseeing the enterprise and regeneration agenda of the Council. It met five times this year and its work plan included a review of the Council's Corporate Plan.

### Member Panels

95. There has been a number of cross-party Member Panels to scrutinise the various areas of Council activity, e.g. Asset Management Panel, Financial Monitoring Panel, Leisure Panel and the Performance Management Panel.

### The Standards Committee

96. The Standards Committee's Terms of Reference were amended to take account of the revised purpose of this Committee following the enactment of the Localism Act 2011. One of its functions remains the promotion and maintenance of high standards of conduct by Members and co-opted Members.
97. The Committee comprises five Borough Councillors and an Independent Person who regularly attends.
98. The Standards Committee met twice during the year as did the Initial Assessment Panel which considers whether a complaint alleging a failure by an elected or co-opted member to comply with the requirements of the Members Code of Conduct warrants investigation or other action. Agendas, supporting papers and minutes are available on the Council's website.

### Members' Allowances and Expenses

99. Members' Allowances: During 2013-14, Members Allowances were reviewed by an Independent Remuneration Panel, which was made up of three independent members who were assisted by the Democratic Services Manager. The report and recommendations of the Independent Remuneration Panel was approved by the Full Council in November 2013 for publication and these are available on the Council's website. The Panel also recommended that Members' allowances were increased for the next four years by the level of the officer's pay award and, accordingly, Members' allowances were increased by 1.5% in 2016/17.

In addition the Independent Remuneration Panel met to consider and recommend special responsibility allowances for the Chairmen of the Operations Review Committee and Policy Review Committee and these were agreed by Council. The Independent Remuneration Panel also considered the remuneration of elected Members appointed to the Board of Elstree Film Studios Limited. The actual allowances and expenses received by members in 2017/18 will be reported to full Council in July 2018 and thereafter published on the Council's website.

### Officers' Allowances and Expenses

100. Allowances are stipulated by individual employment contracts, whereby the Human Resources Team instructs the Payroll Team as to the payment to be made. Officers' Expenses are authorised for payment by employees' line managers and reimbursed via payroll. Senior officer pay is disclosed in the Statement of Accounts and the Pay Policy Statement. These are also published on the Council's website.

101. Both Members' and Officers' Allowances and Expenses are subject to periodic review by the SIAS Team to ensure that the internal controls in operation are both adequate and effective.

### Senior Management

102. There are three Council officers who are statutory appointments – the Chief Executive's role as the Head of Paid Service, the Corporate Director's role as the Section 151 Officer and the Head of Legal and Democratic Services as the Monitoring Officer.
103. The Chief Executive and the Corporate Director comprise the Chief Officers' Board, which meets on a weekly basis.
104. The Chief Officers' Board, together with the Heads of Housing, Partnerships and Community Engagement, Finance and Business Services, HR & Customer Services, Street Scene, Planning and Economic Development, Engineering Services and Asset Management and Legal and Democratic Services comprise the Senior Management Team, which meets on a monthly basis. The SIAS Audit Manager also attends Senior Management Team.
105. Each Director, Head of Service and Senior Manager has completed and signed off a Management Assurance Statement. These Management Assurance Statements have been designed to require each officer to certify the effective operation of the control environment in their service area – including arrangements for performance management and risk management. As a consequence, these Statements are key supporting documents in identifying any significant governance issues.
106. From 19 April 2017, there was a change to the Council's chief officer structure. This now consists of the Chief Executive and Corporate Director; the post of Director of Environment was made redundant. This has resulted in a change in reporting lines.

### Governance Group

107. The Governance Group has been chaired by the Chief Executive, in his capacity as the Council's Head of Corporate Governance.
108. The Group has met four times during the financial year and received reports and updates covering Ethics and Standards, New Legislation, Officer and Member Issues, Internal Control, Counter-fraud and Corruption, Health and Safety, Partnerships and Performance Management and Risk Management, Shared Learning and other current governance matters.
109. The Group has co-ordinated the preparation of this Annual Governance Statement – as part of this process. The Group has also monitored the progress of the Action Plan which was put in place to address the Significant Governance Issues identified in the Annual Governance Statement (see Appendix A).

### Performance Management

110. The Performance Strategy remains a key link between the Community Strategy, the Corporate Plan, Service Plans and individual Key Result Areas – "the golden thread".
111. Local Performance Indicators have been regularly collected, analysed, risk managed alongside the Corporate Plan Annual Action Plan and reported to Members and senior management – the process is facilitated by a software package, Covalent.

112. An Executive-led Performance Management Panel, which comprises key Members and Senior Officers, has met on a quarterly basis to consider selected key performance indicators and the delivery of the Corporate Annual Action Plan where the performance is deteriorating or below target, the Panel may refer the matter to Scrutiny. The quarterly performance report has also been presented to the Executive on a quarterly basis.
113. The Financial Monitoring Panel has met on a monthly basis to scrutinise the Council's financial performance (June to March). The financial performance is scrutinised in detail by the Panel and reported in summary and by exception back to the Operations Review Committee.

## Procurement

114. The Council aims to use its resources efficiently, effectively and economically.
115. The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes the Procurement Strategy, Contract Procedure Rules and the Procurement Handbook. These documents are regularly reviewed to reflect changes in local requirements and EU policy and legislation.
116. To ensure compliance with these rules, an expenditure report is run on a six monthly basis and mapped against the contract list. An exception list is then produced and, where possible, non-compliance is highlighted. Officers are then required to provide an explanation of this non-compliance and then put into place an action plan to address this.
117. The Council has a full e-tendering package that provides a secure and auditable method of issuing and receiving tenders.

## Undertaking the core functions of an audit committee, as identified in the CIPFA's 'Audit Committees: Practical Guidance for Local Authorities'.

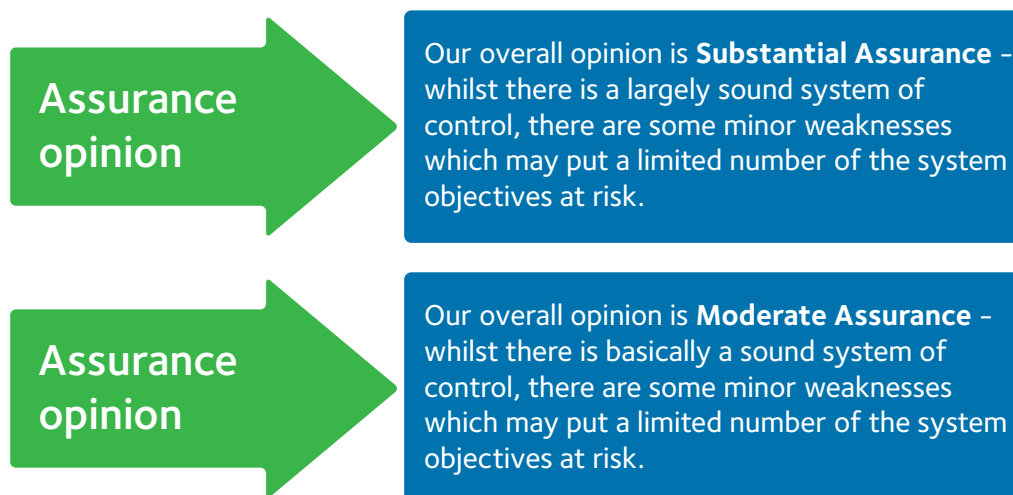
### The Audit Committee

118. The Audit Committee's Terms of Reference have been kept under regular review to ensure that its role complies with those prescribed by the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities".
119. The Audit Committee has comprised five non-Executive Members (as required) and has met four times during the financial year – Agendas, Open Reports and Minutes are available on the Council's website.
120. It substantially completed its Planned Work Programme, regularly receiving reports from:
  - The Council's External Auditors – Progress Reports, Annual Governance Report, Annual Audit Letter, Audit Plan and Certification Report on Claims and Returns
  - The Shared Anti-Fraud Service – Progress Reports and Annual Report
  - The SIAS Team – Progress Reports, Draft Annual Governance Statement, Annual Assurance Statement and Annual Report, and Annual Audit Plan
  - The Risk Manager – Progress Reports
  - The Head of Finance and Business Services – Accounting Policies, Statement of Accounts, Treasury Management.

## Ensuring the authority's assurance arrangements conform with governance requirements

### Internal Audit

121. Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment – this comprises the systems of governance, internal control and risk management – by evaluating its effectiveness in achieving the organisation's objectives.
122. The Council joined six other districts / boroughs (East Herts Council, North Herts DC, Stevenage BC, Welwyn Hatfield BC, Watford BC and Three Rivers DC) and Hertfordshire County Council in 2011/12 to deliver a shared internal audit service to provide efficiency and resilience.
123. The SIAS Team has undertaken a work programme during the financial year, which was approved by the Audit Committee, and has operated in accordance with the national Public Sector Internal Audit Standards (PSIAS).
124. In line with the PSIAS, an Annual Assurance Statement and Internal Audit Annual Report was compiled and presented to the Audit Committee (at its meeting in May 2018), which:
- a) included an opinion on the overall adequacy and effectiveness of the Council's internal control environment
  - b) disclosed any qualifications to that opinion, together with any reasons for the qualification
  - c) drew attention to any issues which are judged particularly relevant to the preparation of the Annual Governance Statement.
125. The Annual Assurance Statement and Internal Audit Annual Report is a key source document for the Council's Annual Governance Statement, and concluded as follows:
- "Based on the internal audit work undertaken at the Council in 2017/18, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems (see diagram below):



### Assurance opinion on Corporate Governance and Risk Management

SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2017/18 and the specific review of Risk Management carried out by SIAS during the year. Risk management arrangements are also considered during annual audit planning and delivery of individual audit assignments."

126. Individual SIAS Reports also state whether or not there are any implications for the Annual Governance Statement. All 2017/18 final reports issued, except that for General Data Protection regulations (GDPR), have stated that there are no implications for the Annual Governance Statement.
127. All recommendations made by the SIAS Team to strengthen the internal control environment and agreed by management are kept under review by the Audit Committee and Corporate Governance Group to ensure that they are implemented in a timely manner.
128. The Council's External Auditors regularly review the work of the SIAS Team and, to date, have placed reliance on their work.

### The Council's External Auditors

129. Following the abolition of the Audit Commission in March 2015, the Secretary of State for Communities and Local Government delegated statutory functions to Public Sector Audit Appointments Limited (PSAA), on a transitional basis, to make auditor appointments to local government, police and local NHS bodies under the Local Audit and Accountability Act 2014 until 2018/19.
130. Ernst and Young LLP were appointed as Hertsmere's external under these transitional arrangements from 2015/16 and remain as Hertsmere's external auditors.
131. Ernst & Young LLP presented their Annual Audit Letter for 2016/17 to the Audit Committee in September 2017 and their main audit conclusions for the year were:
  - a) Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended;
  - b) Other information published with the financial statements was consistent with the Annual Accounts;
  - c) We concluded that you have put in place proper arrangements to secure value for money in your use of resources; and
  - d) The Governance Statement was consistent with our understanding of the Council.
132. The transitional arrangements referred to above came to an end from the 2018/19 financial year, so in November 2016 the Full Council agreed that Hertsmere BC should take advantage of the new national collective scheme that the Public Sector Audit Appointments (PSAA) was developing by formally "opting in" by January 2017.
133. Hertsmere have since opted into the new PSAA scheme (along with 98% of Local Authorities) and on 17 August 2017 the PSAA subsequently confirmed the appointment of Ernst & Young LLP as Hertsmere's external auditors for five years from 2018/19.
134. This new PSAA scheme does not however include provision for the audit of the Housing Benefit Subsidy claim and Local Authorities are now responsible for their own appointment in this respect. In September 2017, it was recommended to the Audit Committee that Hertsmere also appoint Ernst & Young LLP to undertake this subsidy work along-side their other audit work due in the main to the efficiencies of appointing a single auditor. The Audit Committee considered Ernst & Young LLP's proposal and recommended their appointment by the full Council.

## Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

### Anti-Fraud and Anti-Corruption

135. During 2014/15, the Council joined four other districts / boroughs (East Herts Council, North Herts DC, Stevenage BC and Broxbourne BC) and Hertfordshire County Council to form the Shared Anti-Fraud Service (SAFS), offering an exclusive strategic fraud prevention and investigation service to its partners across Hertfordshire. The new SAFS officially commenced at the Council on 1 April 2015.
136. The service has delivered a full range of fraud awareness training, the use of highly developed investigation skills, data-matching opportunities and partnership working with law enforcement agencies.
137. The aims of the Shared Anti-Fraud Service are as follows:
- Ensure ongoing effectiveness and resilience of anti-fraud arrangements across all SAFS Partners
  - Deliver financial benefits in terms of cost savings or increased revenue
  - Create a data hub for Hertfordshire
  - Improve the reach into the areas of non-benefit and corporate fraud
  - Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally.
138. The Audit Committee approves the comprehensive Anti-Fraud Action Plan each year. This is based on CIPFA Good Practice and progress against this is reported to Audit Committee twice a year.

## Review of effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

### Risk Management

139. Responsibility and accountability for Risk Management is placed with the Heads of Service and on-going training and support was provided to assist them in this role. Risk Management support was provided by Hertfordshire County Council.
140. The internal audit in March 2018 on the Council's risk management provided a full level of assurance to support this Annual Governance Statement.
141. Regular reporting to the Audit Committee on the Council's strategic risks is in place. The Council's risks are recorded on Pentana, the Council's performance and risk management software, so there is one central record of the Council's risks.

## Review of effectiveness of group relationships with other entities and undertaking of significant activities through the group

142. The Council's group statements include Elstree Film Studios Limited (EFS), a wholly owned subsidiary of the Council. EFS is a Teckal company which means the authority is able to exercise substantially the same degree of control over the company as it would exercise over one of its internal departments, however, as an entity in its own right the management of EFS are responsible for ensuring that there are suitable internal control systems in place and for ensuring the effectiveness of such controls.

143. The Council is the sole shareholder of EFS and exercises strategic oversight of the Company. As such the Executive receive quarterly review reports on the current financial position, business opportunities and outstanding matters of the company, thereby enabling the Executive to carry out their delegated authority on behalf of the Council.

## Significant Governance Issues

144. In reviewing and approving the AGS, officers and Members require assurances on the effectiveness of the governance framework and how this addresses the key risks faced by the Council, taking account of changing risks and circumstances.
145. Management from across the Council have provided the primary source of assurance – this is evidenced by the Corporate Director and Heads of Service (including statutory officers) producing of a duly signed Management Assurance Statement (MAS). This certifies the effective operation of the control environment in their Directorate and Service Area, including arrangements for:
- a) Internal controls,
  - b) Governance,
  - c) Financial and Non-Financial Performance, and
  - d) Risk Management.
146. Weaknesses or gaps in control identified in the MAS were given consideration as to whether they constituted a significant governance issue, and thus whether they should be included in the AGS Action Plan. Significant governance issue should fulfil at least one of the following criteria:
- a) It has seriously prejudiced or prevented the achievement of a principal corporate or service priority or objective of the authority,
  - b) It has resulted in the need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from other areas,
  - c) It has led to a material adverse impact on the accounts,
  - d) The Audit Committee has advised that it should be considered significant,
  - e) The Head of Internal Audit has reported the matter as significant in the annual opinion on the internal control environment,
  - f) The Head of Partnerships and Community Engagement has reported the matter as significant,
  - g) The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation, and
  - h) The issue has resulted in formal action being undertaken by the S151 Officer and/or the Monitoring Officer
147. Another significant source of assurance and source of identification of significant governance issues is the work of the Internal Audit Team – this is evidenced by the production of the Head of Assurance Annual Audit Report.
148. Further assurances are available from a wide range of external sources including corporate assessments and direction of travel statements, peer reviews, inspections and the Council's External Auditors – through the annual audit of the accounts.

149. The officer Corporate Governance Group and Chief Officers Board, both of which are chaired by the Chief Executive (i.e., the Head of Governance), has reviewed the assurances and significant governance issues, as well as the Constitutional review, performance reporting, risk management arrangements and the individual audit and risk management assessments.
150. Prior to the approval of the AGS, the Chief Executive and the Leader of the Council should seek to satisfy themselves that all of the information obtained to support the disclosures made is relevant and reliable so that they can then sign the AGS.

#### AGS Action Plan

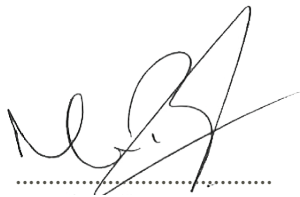
151. A key part of the AGS is the AGS Action Plan 2017/18 (see Appendix A). Six significant governance issues have been identified for inclusion in 2017/18, all of which were sourced from the MAS and / or Internal Audit. These are as follows:
- a) Cyber Security,
  - b) Disaster Recovery, Business Continuity and Resilience,
  - c) General Data Protection Regulations (GDPR),
  - d) Newberries Car Park Development,
  - e) Homelessness and Temporary Accommodation and
  - f) Workforce Capacity, Succession Planning and Use of Temporary Staff.
152. The 2016/17 AGS Action Plan contained four significant governance issues as follows:
- a) Cyber Security,
  - b) Disaster Recovery, Business Continuity and Resilience,
  - c) Freedom of Information and Data Protection (focusing on GDPR), and
  - d) Newberries Car Park Development.
153. Despite progress being made in the implementation of actions linked to each of the significant governance issues, a constantly evolving landscape and changing circumstances has resulted in significant governance issues relating to cyber security, disaster recovery / business continuity, data protection and Newberries car park development being carried forward to the current year's AGS. Updated positions on these significant governance issues are contained in the AGS Action Plan.



## Certification

154. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive, the Audit Committee and the Governance Group, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above, and the plan to address the identified weaknesses and to ensure continuous improvement of the system is in place.
155. We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: Leader of the Council  
Cllr Morris Bright



.....  
Dated

Signed: Chief Executive  
Dr Donald Graham



.....  
Dated



## Appendix A – 2017/18 Annual Governance Statement Action Plan

No.	Links to Council's vision	Governance framework that identified issue	Commentary on significant AGS issue	Action plan	Responsibility
1.	All	<p>Management Assurance Statement and c/f with updates from 2016/17</p>	<p><b>Cyber Security</b></p> <p>From ransomware attacks against the NHS, to cyber-attacks on parliamentary email accounts, it's safe to say that the threat of a successful cyber-attack remains high in the public sector (as indeed in every other sector).</p> <p>Public sector organisations across every service stand to potentially lose valuable data which is vulnerable to criminals. These attacks have also highlighted the damaging impact a cyber-attack can have on an organisation. They can result in service down-time, poor staff morale, a hefty fine from the Information Commissioner's Office, and of course, reputational damage and loss of public confidence.</p> <p>Issues holding back public sector cyber security include budget constraints and failure to prioritise and invest in cyber security as it is often not seen as a business enabler. The WannaCry attack, for example, which crippled the NHS, was able to spread due to a failure to patch a known exploit.</p> <p>In addition, fostering a culture of security amongst employees at every level is key to putting a stop to preventable cyber-attacks and must be factored into any cyber security program. It is vital that organisations prioritise educating employees about the dangers of phishing and social engineering. This means encouraging employees to update systems regularly and to be wary of suspicious emails and links. There is also a need to close the widening cyber security skills gap.</p> <p>With extensive and significant use of electronic devices and electronic communications, including financial transactions, the Council must ensure that its IT systems and data are protected from theft or damage, including protecting against harmful attacks by sophisticated and unethical hackers.</p>	<p>1) The Council utilises the services of a skilled and professional Certified Ethical Hacker (CEH) who understands and knows how to look for weaknesses and vulnerabilities in target systems. They use the same knowledge and tools as a malicious hacker, but in a lawful and legitimate manner to assess the security posture of a target system(s). The CEH credential certifies individuals in the specific network security discipline of Ethical Hacking from a vendor-neutral perspective.</p> <p>2) The Council regularly upgrades its antivirus software.</p> <p>3) The statutory annual penetration tests required for PSN compliance inform a schedule of regular scans of both the internal network and the external network.</p> <p>4) IDS Infrastructure Team meet weekly to review security, share knowledge and plan actions.</p> <p>5) User Education – in addition to mandatory information security courses on Learning Pool, Junglemap information security 'nano learning' service will be introduced for all staff. .</p> <p>6) IDS are part of the National Local Authority Warning, Advice and Reporting (NLWARP) network and receive regular security and threat email bulletins.</p>	<p>Information and Digital Services (IDS) reporting to Head of Finance and Business Services and Corporate Director.</p> <p>Ultimately, all officers and Members have a responsibility to be informed and act with due care.</p>

No.	Links to Council's vision	Governance framework that identified issue	Commentary on significant AGS issue	Action plan	Responsibility
2.	All	Internal Audit, Management Assurance Statement and c/f with updates from 2016/17	<p><b>Disaster Recovery, Resilience and Business Continuity</b></p> <p>The Council's business continuity processes, as well as emergency service / disaster recovery arrangements, are not sufficiently robust. This is mainly due to the reduction in government grants and an ongoing issue of lack of organisational capacity.</p> <p>The Council's disaster recovery is closely linked with local sites and therefore this poses a concern in light of local terrorist or natural disaster in the vicinity. A local option, SunGard, was looked at for both business continuity and disaster recovery purposes however the disaster recovery element was not financially viable. A partnership solution with Learning Grid for Learning (LGFL) was explored but LGFL were not able to meet the Council's requirements.</p> <p>In November 2017, full Council approved the build of an extension to the offices at the Cranborne Waste Depot Potters Bar to provide a training/meeting space and, in the event of a major incident, a business continuity area.</p> <p>The Society of IT Managers (SOCIIM) completed a review of disaster recovery requirements and an audit of the Councils IT infrastructure. They recommended that key business critical systems are migrated from the current on premise servers to a public cloud provider. This will enable these systems to be accessed from multiple locations (subject to security protocols) including the Potters Bar Depot.</p> <p>Executive approved the procurement of a partner to assist with this migration project.</p>	<p>1) Business Continuity – Continued implementation of the eight recommendations and agreed management actions identified in the Business Continuity Final Audit Report. The two high priority recommendations related to the completion of Service Continuity Plans and testing of Business Continuity Plans.</p> <p>2) Procurement of partner to support migration of key business systems to a public cloud provider using Crown Commercial Services framework RM3733 lot 2.</p> <p>3) There are two planning applications for the project application 18/0194/FUL which is for the infill extension to the depot and 18/0195/FUL which is for temporary mess facilities whilst the construction phase takes place. Both these applications are to be heard at the planning meeting of the 17th May both with officer recommendation to approve.</p> <p>4) A building regulations application has been submitted and is going through the approval process.</p> <p>5) The tender documents are complete and the tender will go out next week to the three contractors on Lot 1 of our construction framework works less than £1 million, the framework awarded at the Executive of the 18 April 2018, the tender will be back mid-June and awarded shortly after as the criteria will be price and programme delivery.</p> <p>6) It is normal for a month lead in before works commence on site so an August start depending on the availability of personnel, the other unknown at the moment is the lead in period for the delivery of the steel frame and this may affect the completion, the works are expected to take around 12 to 16 weeks.</p>	<p>Chief Officers Board Chief Officers Board with Head of Finance and Business Services and IDS Manager.</p> <p>Chief Officers Board with Development Manager and Engineering Services and Asset Manager (3 - 6).</p>

No.	Links to Council's vision	Governance framework that identified issue	Commentary on significant AGS issue	Action plan	Responsibility
3.	All	Internal Audit, Management Assurance Statement and c/f with updates from 2016/17	<p><b>General Data Protection Regulations (GDPR)</b></p> <p>The General Data Protection Regulations (GDPR) has been enacted by the European Union and comes into force in the UK on 25 May 2018.</p> <p>GDPR represents the biggest change to data protection in 20 years and the challenges can be summarised as the requirement to appoint a suitably qualified Data Protection Officer, the implementation of the 'right to be forgotten', 'privacy by design' including the carrying out of mandatory privacy impact assessments before any personal data is shared with third parties.</p> <p>The GDPR affects every organisation that processes EU residents' personally identifiable information (PII) and supersedes national laws such as the UK Data Protection Act (DPA). The Regulation mandates considerably tougher penalties than the DPA: breached organisations can expect fines of up to 4% of annual global turnover (N.B. turnover, not profit) or €10 million – whichever is greater.</p> <p>Article 35 of the GDPR states that data protection officers must be appointed for all public authorities and certain companies. The GDPR does not specify credentials necessary for data protection officers, but does require that they have "expert knowledge of data protection law and practices."</p> <p>In light of the above, and as reported last year, the lack of a suitably qualified Information Officer places the Council at risk of not complying in a timely and accurate manner with its Data Protection Act obligations in terms of responding to subject access requests and data sharing requests.</p> <p>However, by far the biggest challenge is arguably the obligation imposed on data controllers to demonstrate compliance.</p>	<p>1) Complete the Council wide data audit to identify how personal data is collected, how it is used, the legal basis for such collection and use, where personal data is stored and how it is kept secure. Training from APSE has been received and the emphasis has now shifted to Heads of Service and Service Managers to feed in their service specific data audits to a central repository.</p> <p>2) Document the systems that collect, use and store personal data and to ensure that any proposed material changes in how those systems function and operate will be the subject of privacy impact assessments at the design stage.</p> <p>3) Create a central register for all data sharing agreements / assurance statements from third parties who either process data on behalf of the Council or with whom personal data has been lawfully shared.</p> <p>4) Finally, the Council needs to establish a rolling review programme to continually test services and systems for compliance.</p> <p>5) In this regard the recent GDPR Preparedness audit conducted by the Shared Internal Audit Service gave limited assurance to the Council's compliance arrangements, but did identify the issues the Council needs to address to secure GDPR compliance.</p> <p>The Monitoring Officer has responded to the audit report with an implementation plan which will be presented to the next Chief Office Board so that the actions in the Plan can be approved, resourced and implemented. A post GDPR follow-up audit has been included in the 2018/19 Internal Audit Plan to review implementation of actions.</p>	Chief Officers Board with the Monitoring Officer (Head of Legal and Democratic Services).

No.	Links to Council's vision	Governance framework that identified issue	Commentary on significant AGS issue	Action plan	Responsibility
4.	All	Management Assurance Statement and c/f with updates from 2016/17	<p><b>Newberries Car Park Development</b></p> <p>Since the project has been put on hold, this may carry a significant risk as the money spent so far may not be realised and the expenditure could prove to be an abortive cost unless the Council decides to proceed to planning consent. Following the planning consent, other options could be explored to salvage the spend cost. Additionally, the Council's objective to earn significant returns to fund future budgetary gaps may also be in significant jeopardy.</p>	1) Officers and Members are working together to find a way forward on the most appropriate solution.	Members and Chief Officers.
5.	Planning for the Future to "help increase the supply of affordable housing to meet local need"	Management Assurance Statement	<p><b>Homelessness and Temporary Accommodation</b></p> <p>Local housing authorities in England have a duty to secure accommodation for unintentionally homeless households in priority need under Part 7 of the Housing Act 1996 (as amended). Authorities have an absolute duty to secure accommodation only for households who are deemed to be unintentionally homeless and in priority need.</p> <p>Where an absolute duty to secure accommodation exists, a household may have to spend a period of time in temporary accommodation before a final offer of accommodation is made. The length of time spent in temporary accommodation will largely depend on the availability of suitable accommodation in the authority's area.</p> <p>For the period 2014/15 to 2017/18, the Council has experienced a significant increase in the number of homelessness applications, the number of households placed in temporary accommodation and the number of households placed outside of the borough. This has been accompanied by escalating costs and a net deficit position as the Council recovers only circa 75 to 80% of the costs as it is only able to recharge the Local Housing Allowance rates which are significantly below the costs of accommodation in the private sector.</p>	<p>1) Implementation of actions contained in the Housing Improvement Plan arising from the outcomes of the East of England Local Government Association Housing Peer Review completed during 2017/18.</p> <p>Specific action areas include:</p> <ul style="list-style-type: none"> <li>a) People challenges in terms of skills, capacity and structure,</li> <li>b) Social housing supply, including testing the strength and quality of the working relationships with principal housing partners, and</li> <li>c) Homelessness in terms of new legislation, current demand and temporary accommodation strategy, including financial resilience, escalating costs and the limited supply of temporary accommodation, but more significantly around the new legislation and what needed to be put in place to address the new requirements.</li> </ul>	Chief Officers Board with Head of Partnerships and Community Engagement.

No.	Links to Council's vision	Governance framework that identified issue	Commentary on significant AGS issue	Action plan	Responsibility
5 (cont)			<p>The Housing budget was overspent for the 2017/18 financial year despite additional funding of £100,000 allocated (Council Report C/17/33 refers) due to increasing demands in relation to homelessness and temporary accommodation costs. Additional funding has been allocated for 2018/19 budget.</p> <p>The Homelessness Reduction Act 2017 comes into force from April 2018, with £61million of government funding behind the Act. Councils will use the funding to pay for the series of new responsibilities they must meet under the Act. The Act places a legal duty on councils to give people meaningful support to try to resolve their homelessness, as well as introducing measures to prevent people becoming homeless in the first place.</p> <p>Some of the key changes relate to definitions of the threat of homelessness, the duty to provide advisory services, the duty to assess every eligible applicant's case and agree a plan, duties in cases of threatened homelessness, initial duty owed to all eligible persons who are homeless, duties to the intentionally homeless, ending duty – final accommodation offer, ending duty – deliberate and unreasonable refusal to co-operate and referral to another authority.</p> <p>The Council faces the challenge of delivering its homelessness duties and responsibilities in a different way.</p>		

No.	Links to Council's vision	Governance framework that identified issue	Commentary on significant AGS issue	Action plan	Responsibility
6.	All.	Management Assurance Statement and Strategic Risk Register.	<p><b>Workforce Capacity, Succession Planning and Use of Temporary Staff</b></p> <p>Against the continued backdrop of cost pressures and the need to deliver savings, the Council faces significant workforce challenges.</p> <p>These include maintaining sufficient number of professional staff, addressing skills shortages, investment of time and resource in succession planning, recruiting to vacant posts, departure of key personnel, an ageing workforce and private sector job availability increasing and being more attractive. The latter is particularly acute due to the Council's proximity to London.</p> <p>The potential risk of these challenges include a downturn in service levels, service viability, increased likelihood of errors or omissions, potential failure to undertake a regulatory duty, loss of staff morale and goodwill, increased challenges of Officer decisions and high staff turnover and retirements from key management posts and areas of recruitment difficulty.</p> <p>Outcomes for the Council where these risks materialise includes an increase in recruitment costs, complaints, grievances, loss of knowledge when officers leave, legal costs in defending decisions, payment of compensation/ fines, increased staff sickness levels, and failure to reduce dependence on agency / temporary staff.</p>	<p>In addition to continuing with existing actions and initiatives such as middle managers development programme which covers people management, trials of homeworking to achieve a good work/life balance and maximise staff productivity, health and wellbeing days, on-line training programmes (learning pool), the Council is also taking the following actions:</p> <ul style="list-style-type: none"> <li>a) New workforce strategy for 2019-21 to be developed and agreed,</li> <li>b) Employment of apprentices and use of career grades to "grow your own",</li> <li>c) Apprenticeship levy used as a lever to get managers to consider jobs for apprenticeships and can be used for the development of existing staff on higher level apprenticeships, as well as to support succession planning,</li> <li>d) One to one and appraisal systems to identify priority training needs and inform effective staff development and training programmes,</li> <li>e) Restructure teams and departments to meet changing needs and provide development opportunities,</li> <li>f) Person specifications in Job Descriptions to be reviewed,</li> <li>g) Use internal staff to fill vacant posts wherever possible to promote succession planning,</li> <li>h) Exploration of shared services wherever possible, and engagement with those staff over 60 to discuss retirement plans, flexible retirement and succession planning,</li> <li>i) Enhance opportunities for flexible working including agile working, mobile working and home working to meet the aspirations of job seekers, especially in professional roles that are hard to recruit to.</li> </ul>	Chief Officers Board, with Head of HR and Customer Services and other Heads of Service.



# Glossary of Terms

Term	Definition
<b>Accruals</b>	The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.
<b>Actuarial Gains and Losses</b>	For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).</li> <li>• The actuarial assumptions have changed.</li> </ul>
<b>Agency Arrangements</b>	Services which are performed by, or for, another Council or public body, where the agent is reimbursed for the cost of the work done.
<b>Asset</b>	Anything which somebody owns which can be given a monetary value, for example buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.
<b>Balances</b>	The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Earmarked Reserves etc.
<b>Business Rates</b>	These are rates charged on properties other than domestic property. The business rate poundage is set annually by Central Government and is a flat rate throughout the country.
<b>Capital Expenditure</b>	Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.
<b>Capital Financing Requirement</b>	A measure of the capital expenditure incurred historically by an authority that has yet to be financed by capital receipts, capital grants or revenue financing. The Prudential Code requires that the Council monitors and controls its CFR through its Treasury Management Strategy and Medium Term Financial Strategies.
<b>Capital Receipts</b>	Monies received from the sale of assets, which may be used to finance capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government but they cannot be used to finance day-to-day spending.
<b>Collection Fund</b>	A fund administered by charging authorities into which Council Tax income and Business Rates collected locally are paid. Precepts are paid from the fund as is a charge in respect of the Council's own requirements.
<b>Community Assets</b>	Assets that a local Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.
<b>Consistency</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Term	Definition
<b>Contingency</b>	A provision for a possible event or circumstance which is possible but cannot be predicted with certainty.
<b>Council Tax</b>	This is a local tax set by local Councils to help pay for local services.
<b>Council Tax Support</b>	A reduction in the liability to pay Council Tax granted in accordance with a locally determined support scheme.
<b>Credit Arrangements</b>	These are forms of credit entered into by the Council relating to leasing and contracts, which provide for extended credit.
<b>Credit Liabilities</b>	These relate to liabilities of the Council in respect of money borrowed (principal only), or in respect of credit arrangements.
<b>Creditor</b>	An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period and for which payment has not been made at the Balance Sheet date.
<b>Current Service Cost (Pensions)</b>	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
<b>Curtailment</b>	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: <ul style="list-style-type: none"> <li>• Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business.</li> <li>• Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees no longer qualifies or only qualifies for a reduced benefit.</li> </ul>
<b>Debtor</b>	Sums of money due to the Council but not received at the Balance Sheet date.
<b>Defined Benefits Scheme</b>	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
<b>Defined Contribution Scheme</b>	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
<b>Depreciation</b>	The measure of the cost or revalued amount of the benefit of the non-current assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Term	Definition
<b>Discretionary Benefits</b>	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.
<b>Exceptional Items</b>	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
<b>Expected Rate of Return on Pension Assets</b>	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
<b>Extraordinary Items</b>	Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.
<b>Finance and Operating Lease</b>	A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Non-current assets in the Balance Sheet. With an operating lease the ownership of the asset remains with the Leasing Company and the annual rent is charged to the relevant service account.
<b>General Fund</b>	The main revenue account of the Council. It contains the excess to date of income over expenditure in the Income and Expenditure Account.
<b>Government Grants</b>	Assistance by Central Government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local Council services.
<b>Housing Advances</b>	Loans made by the Council to individuals towards the cost of acquiring or improving their homes.
<b>Housing Benefits</b>	A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances, and council tax rebates toward which central government pays a subsidy.
<b>Infrastructure Assets</b>	Expenditure on works of drainage, construction or improvement to highways, cycle ways, footpaths or other land owned by the Council.
<b>Interest Cost (Pensions)</b>	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
<b>Investments (Non-Pension Fund)</b>	<p>A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.</p> <p>Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.</p>

Term	Definition
<b>Investments (Pension Fund)</b>	The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities (other than Town Parish and Community Councils) are required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
<b>Levy (see also “safety net”)</b>	The Council's Comprehensive Income and Expenditure Statement include a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any surpluses on collection, the Council's income exceed a threshold set by Central Government, a levy is payable to Central Government but the Council may retain a proportion of the surplus.
<b>Liabilities</b>	Money owed to somebody else.
<b>Liquid Resources</b>	Liquid resources are current asset investments held as readily disposable assets.
<b>MHCLG</b>	Ministry of Housing, Communities and Local Government.
<b>Minimum Revenue Provision</b>	A charge made to the General Fund to repay borrowing taken out for capital expenditure, effectively replacing depreciation (which is reversed out in the MiRS). Authorities determine their own prudent MRP charge.
<b>Net Book Value</b>	The amount at which non-current assets are included in the Balance Sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.
<b>Net current replacement cost</b>	The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or the nearest equivalent, adjusted to reflect the current condition of the existing asset.
<b>Net realisable value</b>	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
<b>Non-current assets</b>	Tangible assets that yield benefits to the Council for a period of more than one year.
<b>Non-operational assets</b>	Non-current assets held by a local Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are commercial and industrial properties.
<b>Operational assets</b>	Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
<b>Past service cost</b>	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
<b>Post balance sheet events</b>	Those events, both favourable and unfavourable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

Term	Definition
<b>Precepts</b>	The levy made by one Council on another. Hertfordshire County Council and Hertfordshire Police Constabulary, who do not administer the council tax system, each levy an amount on the Borough of Hertsmere, which collects the required income from local taxpayers on their behalf.
<b>Prior year adjustments</b>	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.
<b>Projected unit method</b>	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
<b>Provisions</b>	An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.
<b>Related Parties</b>	Two or more parties are related parties when at any time during the financial period: <ul style="list-style-type: none"> <li>• One party has direct or indirect control of the other party.</li> <li>• The parties are subject to common control from the same source.</li> <li>• One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.</li> <li>• The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.</li> </ul>
<b>Related Party Transaction</b>	A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made. Examples of related party transactions include: <ul style="list-style-type: none"> <li>• The purchase, sale lease, rental or hire of assets or loans, irrespective of any direct economic benefit to the pension fund.</li> <li>• The provision of a guarantee to a third party in relation to a liability or obligation of a related party.</li> <li>• The provision of services to a related party, including the provision of pension fund administration services.</li> <li>• Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or pension fund, such as council tax, rents and payments of benefits.</li> </ul> The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.
<b>Rent Allowances</b>	Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.
<b>Rent Rebates</b>	Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.
<b>Reserves</b>	A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Term	Definition
<b>Retirement Benefits</b>	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
<b>Revenue Expenditure</b>	Day to day expenses, mainly salaries and wages, general running costs and debt charges.
<b>Revenue Support Grant</b>	Central Government Grant towards the cost of Local Council Services.
<b>Right To Buy</b>	<p>"Right to Buy" is an agreement whereby eligible Housing Association tenants may purchase the property at a reduced rate.</p> <p>The Council's housing stock was sold to two Housing Associations in 1994 at a discounted rate. As part of the agreement, it was stipulated that any eventual sale of these properties under the "right to buy" scheme would result in part of the proceeds being paid to the Council.</p>
<b>Safety Net (see also "Levy")</b>	The Council's Comprehensive Income and Expenditure Statement include a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any losses on collection, the Council's income falls below a threshold set by central government, a safety net grant is paid by central government.
<b>Scheme Liabilities</b>	The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.
<b>Settlement</b>	<p>An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:</p> <ul style="list-style-type: none"> <li>• A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits.</li> <li>• The purchase of an irrevocable annuity contract sufficient to cover vested benefits.</li> <li>• The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.</li> </ul>
<b>Standard Spending Assessment</b>	An assessment by Central Government of how much a Local Council should spend in providing a common level of service, having regard to its individual circumstances and responsibilities.
<b>Stocks</b>	The amounts of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Term	Definition
<b>Subsidiary Company</b>	<p>A company is a subsidiary of a local Council if any of the following apply:</p> <ul style="list-style-type: none"> <li>• The local Council holds a majority of the voting rights in the company.</li> <li>• The local Council is a member of the company and has the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on most matters.</li> <li>• The local Council has the right to exercise a dominant influence over the company.</li> <li>• The local Council is a member of the company and controls alone a majority of the voting rights in the company.</li> <li>• The local Council has a participating interest in the company and it actually exercises a dominant influence of the company or it and the company are managed on a unified basis.</li> </ul>
<b>Transfer Payments</b>	<p>This includes the cost of payments to individuals for which no goods or services are received in return by the Council.</p>
<b>Usable Capital Receipts</b>	<p>This is generally the balance of any capital receipt after deducting the reserved part and any repayment to the Central Government of grants made to the Council on disposal of the asset.</p>
<b>Vested Rights</b>	<p>In relation to a defined benefit scheme, these are:</p> <ul style="list-style-type: none"> <li>• For active members, benefits to which they would unconditionally be entitled on leaving the scheme.</li> <li>• For deferred pensioners, their preserved benefits.</li> <li>• For pensioners, pensions to which they are entitled.</li> </ul> <p>Vested rights include where appropriate the related benefits for spouses or other dependants.</p>

