

HERTSMERE BOROUGH COUNCIL
DRAFT STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

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STATEMENT OF RESPONSIBILITIES

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.

The Corporate Director has also:

- 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: 31 May 2018

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERTSMERE BOROUGH
COUNCIL – DRAFT: FINAL FOLLOWS THE COMPLETION OF AUDIT BY 31 JULY**

Opinion on the Authority's financial statements

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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.

NARRATIVE STATEMENT

- 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 (on page 114 – to be added later) 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.

NARRATIVE STATEMENT

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).

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 & adults 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

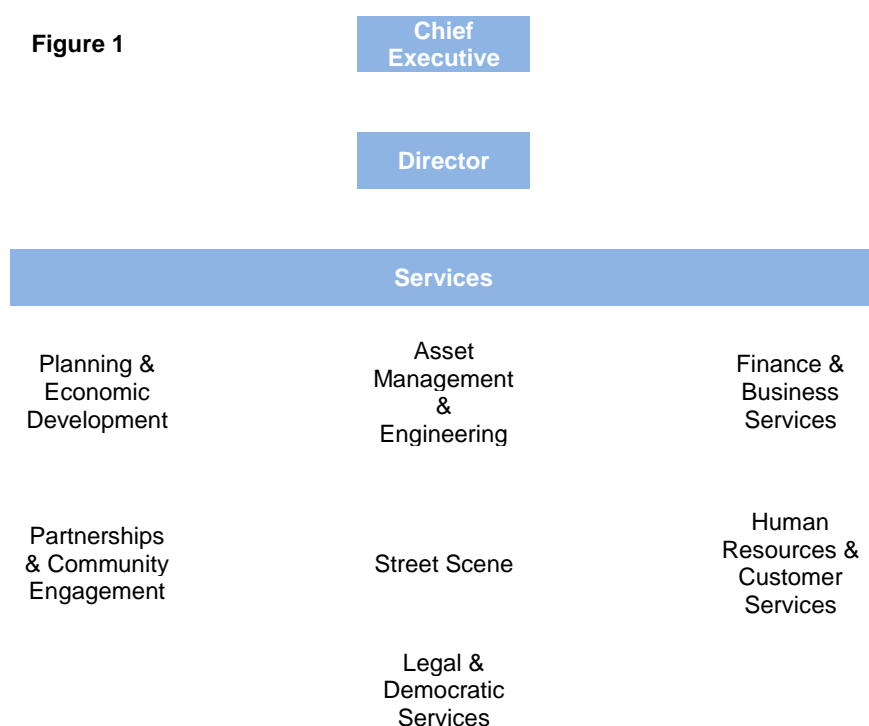
Hertsmere has 39 councillors in 15 wards who are elected to serve for four years at a time. The number of seats held by political groups is currently:

- 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, as in Figure 1, 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.

NARRATIVE STATEMENT

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 Summary of 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.

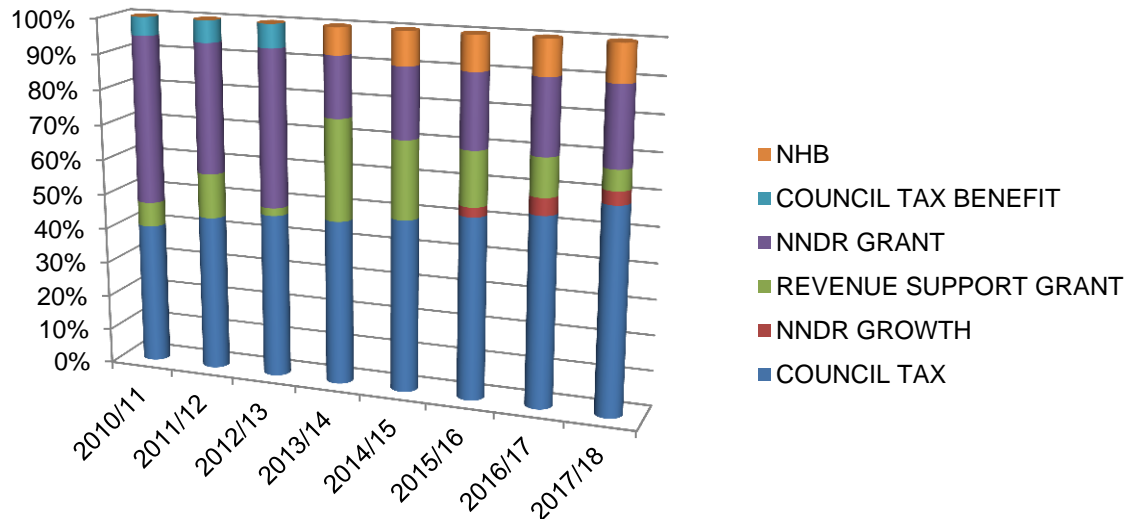
A number of initiatives took place during the year, including:

- 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 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:

FINANCIAL MONITORING POSITION	PROFILED BUDGET	ACTUAL SPEND FOR THE YEAR	SURPLUS (DEFICIT)
31-Mar-18			
SUMMARY OF PERFORMANCE	£000	£000	£000
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	-
Total Costs	11,478	10,948	530

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

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

3.3 Reconciliation from the reported spend for the year to the Expenditure and Funding analysis – Net General Fund Expenditure (column 1).

Service	Revenue Outturn £000	Other movements post outturn £000	Trading Account Recharges £000	Contribution to / from earmarked reserves reflected in outturn £000	Shown below net cost of services £000	EFA Column 1 £000
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 & Economic Development	1,085	146	-	96	-	1,327
Street Scene Services	4,203	(254)	49	(365)	(21)	3,612
Investment Interest	(250)	(72)	-	-	322	-
	<u>10,948</u>	<u>89</u>	<u>-</u>	<u>(58)</u>	<u>612</u>	<u>11,591</u>

3.4 Capital outturn

The council spent £3.929 million on capital expenditure during 2017/18 and is committed to spending a total of c£17.120m over the remaining 3 year programme (see Note 5.17.1). The outstanding major capital commitments include the development of housing, disabled facilities grants, investment in recycling and refuse equipment.

FINANCIAL MONITORING POSITION	2016-17	2017-18
31-Mar-18		
SUMMARY OF CAPITAL SPEND	£	£
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
Total Capital Expenditure	3,711	3,929
FUNDING SOURCES	£	£
Usable Capital Receipts	542	466
Reserves	1,095	964
Grants	1,481	1,104
Donated Assets	564	1,380
Revenue	29	15
Total Funding Sources	3,711	3,929

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.

NARRATIVE STATEMENT

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's 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 £36.917 million due mainly to the effect of the re-measurement of

NARRATIVE STATEMENT

actuarial assumptions. The value of assets held within the scheme increased from £81.615 million to £83.775 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 28 to 124. 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 Code 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.

NARRATIVE STATEMENT

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 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 106 to 111.

4. PRESENTATION OF THE FINANCIAL STATEMENTS

4.1 Movement in Reserves Statement

	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2016		(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 & funding basis under regulations	5.14	1,132	(318)	(3,907)	(3,093)	3,093	-
Total (increase) / decrease during the year		(2,133)	(318)	(3,907)	(6,358)	(15,465)	(21,823)
Balance at 31 March 2017		(26,690)	(6,585)	(4,832)	(38,107)	(94,108)	(132,215)

	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2017		(26,690)	(6,585)	(4,832)	(38,107)	(94,108)	(132,215)
Total comprehensive income and expenditure		2,653	-	-	2,653	(8,215)	(5,562)
Adjustments between accounting & funding basis under regulations	5.14	(3,988)	(1,661)	(1,775)	(7,424)	7,424	-
Total (increase) / decrease during the year		(1,335)	(1,661)	(1,775)	(4,771)	(791)	(5,562)
Balance at 31 March 2018		(28,025)	(8,246)	(6,607)	(42,878)	(94,899)	(137,777)

4. PRESENTATION OF THE FINANCIAL STATEMENTS

4.2 Comprehensive Income and Expenditure Statement

2016-17				2017-18			
Gross Expenditure	Gross Income	Net Expenditure / (Income)		Note	Gross Expenditure	Gross Income	Net Expenditure / (Income)
£'000	£'000	£'000			£'000	£'000	£'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 & Economic Development		2,387	(911)	1,476
7,222	(3,306)	3,916	Street Scene Services		10,339	(3,396)	6,943
71,489	(53,201)	18,288	Net Cost of Services		72,061	(51,893)	20,168
	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)
	(3,265)		(Surplus) / Deficit on Provision of Services				2,653
	(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			(3,163)
	(18,558)		Other Comprehensive (Income) and Expenditure				(8,215)
	(21,823)		Total Comprehensive (Income) and Expenditure				(5,562)

4. PRESENTATION OF THE FINANCIAL STATEMENTS

4.3 Balance Sheet

31-Mar-17		Note	31-Mar-18
£'000			£'000
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
137,424	Long Term Assets		138,398
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
55,435	Current Assets		59,995
(13,332)	Short Term Creditors	5.26	(11,492)
(416)	Provisions	5.27	(1,014)
(13,748)	Current Liabilities		(12,506)
(880)	Provisions	5.27	(2,170)
(38,215)	Liability related to defined benefit pension scheme	5.30.3	(36,917)
-	Other Long Term Liabilities	5.26	(400)
(7,801)	Capital Grants Received In Advance	5.28	(8,623)
(46,896)	Long Term Liabilities		(48,110)
132,215	Net Assets		137,777
(38,107)	Useable Reserves	5.31	(42,878)
(94,108)	Unusable Reserves	5.32	(94,899)
(132,215)	Total Reserves		(137,777)

4. PRESENTATION OF THE FINANCIAL STATEMENTS

4.4 Cash Flow Statement

31-Mar-17		Note	31-Mar-18
£'000			£'000
(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	(9,366)
6,158	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	5.33	3,673
(3,517)	Net cash (inflow) / outflow from Operating Activities		(3,040)
12,219	Investing Activities	5.34	1,517
(79)	Financing Activities	5.35	134
8,623	Decrease / (increase) in cash and cash equivalents		(1,389)
11,801	Cash and cash equivalents at the beginning of the reporting period		3,178
3,178	Cash and cash equivalents at the end of the reporting period	5.25	4,567

5.1 Accounting Policies

Basis of Preparation

The Statement of Accounts summarises the Council's performance for the financial year 2017/18 and its position as at 31 March 2018. The principal accounting policies applied in the preparation of the Council's accounts are set out below.

The Accounts and Audit regulations 2015 require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code') as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Service Reporting Code of Practice 2017/18 ("SeRCOP") and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), except where these are inconsistent with specific statutory requirements.

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.

5. NOTES TO THE ACCOUNTS

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.

Asset Category:	Basis of Valuation:
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 5.16) 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:

Asset Category:	Depreciation Basis:
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.

5. NOTES TO 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 are 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.

5. NOTES TO THE ACCOUNTS

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

5. NOTES TO THE ACCOUNTS

- 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.

Leases

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.

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 & 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 & 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>

5. NOTES TO THE ACCOUNTS

Item	Uncertainty	Effect if actual results differ from assumptions
<i>Pensions Liability</i>	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.	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.
<i>Non Domestic Rates Appeals provision</i>	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.	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.
<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. NOTES TO THE ACCOUNTS

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.

2016/17		Expenditure	Income	2017/18
£'000		£'000	£'000	£'000
	Cemeteries / Burial Grounds			
119	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)	144
	Trade Refuse			
(138)	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)	(138)
(19)	Net (surplus) / deficit on trading accounts	666	(660)	6

5. NOTES TO THE ACCOUNTS

5.7 Other Operating Expenditure

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

5.8 Financing and Investment Income and Expenditure

2016-17		2017-18
£'000		£'000
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
(93)	Total	134

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:

2016-17		2017-18
£'000		£'000
(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)
(7,752)		(8,040)
	Non-domestic rates income and expenditure (see note below):	
(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 central government	387
(424)	Grant in respect of small business and other rates reliefs	(1,169)
(4,519)		(3,143)
	General Government Grants:	
(1,253)	Revenue support grants	(613)
3	Allocated to support parishes	-
(2,361)	New Homes Bonus	(2,024)
(3,611)		(2,637)
	Capital grants and contributions:	
	<i>Recognised capital grants and contributions:</i>	
(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)
(5,387)		(2,878)
(564)	Section 106 agreement donated assets	(1,828)
(21,833)	Total Taxation and non-specific grant income	(18,526)

5. NOTES TO THE ACCOUNTS

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 and Expenses

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

5. NOTES TO THE ACCOUNTS

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:

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

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

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.

2016-17 £'000	REMUNERATION BAND:	2017-18 £'000
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
13		19

5. NOTES TO THE ACCOUNTS

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:

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

5.13 Audit Fees

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

5.14 Adjustment between accounting basis and funding basis under regulations

The Comprehensive Income and Expenditure Statement shows 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.

5. NOTES TO THE ACCOUNTS

2016-17	Useable Reserves			Movement in Useable Reserves	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	

5. NOTES TO THE ACCOUNTS

2017-18	Useable Reserves			Movement in Useable Reserves	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	(6,562)	-	-	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**).

5.15 Expenditure and Funding Analysis

		2016/17 (Restated)	
	Net General Fund Expenditure	Adjustments between funding and accounting basis	Amounts included in the Comprehensive Income and Expenditure Statement
SERVICE	£'000	£'000	£'000
Asset Management	(2,817)	5,286	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	3,400	516	3,916
Total	11,170	7,118	18,288
Other Income and Expenditure	(13,303)	(8,250)	(21,553)
(Surplus) / Deficit on Provision of Services	(2,133)	(1,132)	(3,265)
Opening Balance on the General Fund	24,557		
Surplus / (Deficit) for the year	2,133		
Closing Balance on the General Fund	26,690		

5.15 Expenditure and Funding Analysis

		2017/18	
	Net General Fund Expenditure	Adjustments between funding and accounting basis	Amounts included in the Comprehensive Income and Expenditure Statement
SERVICE	£'000	£'000	£'000
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
Total	11,591	8,577	20,168
Other Income and Expenditure	(12,926)	(4,589)	(17,515)
(Surplus) / Deficit on Provision of Services	(1,335)	3,988	2,653
Opening Balance on the General Fund	26,690		
Surplus / (Deficit) for the year	1,335		
Closing Balance on the General Fund	28,025		

5.15.1 Note to the Expenditure and Funding Analysis

Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute	2016/17 (Restated)			
	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)	(1)	5,286
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)	112	516
Net Cost of Services	7,109	(810)	819	7,118
Other Income and Expenditure	-	1,093	(9,343)	(8,250)
Adjustments between funding and accounting basis	7,109	283	(8,524)	(1,132)

5.15.1 Note to the Expenditure and Funding Analysis

Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute	2017/18			
	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	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
Net Cost of Services	6,721	899	957	8,577
Other Income and Expenditure	-	966	(5,555)	(4,589)
Adjustments between funding and accounting basis	6,721	1,865	(4,598)	3,988

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.

5. NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2017	Employees Related Costs	Premises Related Expenditure	Transport Related Costs	Supplies and Services	Agency and Contracted Services	Transfer Payments	Depreciation, Impairment and REFFCUS	Income	TOTAL
SERVICE	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	-	-	0	(590)	1,092
Partnership & Community Engagement	648	30	2	381	133	430	957	(323)	2,258
Planning & Economic Development	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
Total	13,651	1,930	888	6,253	662	40,173	7,932	(53,201)	18,288

5. NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2018	Employees Related Costs	Premises Related Expenditure	Transport Related Costs	Supplies and Services	Agency and Contracted Services	Transfer Payments	Depreciation, Impairment and REFFCUS	Income	TOTAL
SERVICE	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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
Total	14,991	1,944	958	7,023	582	38,892	7,671	(51,893)	20,168

5. NOTES TO THE ACCOUNTS

5.16 Property, Plant & Equipment

2016-17

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property Plant and Equipment £'000
Cost or Valuation								
At 1 April 2016	-	108,058	4,063	186	3,878	4,354	-	120,539
Reclassifications	-	335	-	-	-	(335)	-	-
Additions	-	456	189	6	174	1,476	-	2,301
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
De-recognition - disposals	-	(553)	(229)	-	-	-	-	(782)
Assets reclassified (to) / from Investment Properties	-	-	-	-	-	(775)	-	(775)
At 31 March 2017	-	115,707	4,044	192	4,331	4,720	-	128,994
Accumulated Depreciation								
At 1 April 2016	-	(12,121)	(2,447)	(135)	(212)	-	-	(14,915)
Reclassifications	-	-	-	-	-	-	-	-
Depreciation	-	(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
De-recognition - disposals	-	-	208	-	-	-	-	208
At 31 March 2017	-	(1,901)	(2,653)	(144)	(158)	-	-	(4,856)
Net Book Value								
As at 31 March 2016	-	95,937	1,616	51	3,666	4,354	-	105,624
As at 31 March 2017	-	113,806	1,391	48	4,173	4,720	-	124,138

5. NOTES TO THE ACCOUNTS

2017-18

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property Plant and Equipment £'000
Cost or Valuation								
At 1 April 2017	-	115,707	4,044	192	4,331	4,720	-	128,994
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)
At 31 March 2018	-	122,358	4,494	192	1,858	1,535	-	130,437
Accumulated Depreciation								
At 1 April 2017	-	(1,901)	(2,653)	(144)	(158)	-	-	(4,856)
Reclassifications	-	-	-	-	-	-	-	-
Depreciation	-	(2,023)	(443)	(11)	(55)	-	-	(2,532)
Impairments	-	-	-	-	-	-	-	-
Depreciation written out to the Revaluation Reserve	-	1,791	-	-	-	-	-	1,791
De-recognition - disposals	-	-	-	-	-	-	-	-
At 31 March 2018	-	(2,133)	(3,096)	(155)	(213)	0	-	(5,597)
Net Book Value								
As at 31 March 2017	-	113,806	1,391	48	4,173	4,720	-	124,138
As at 31 March 2018	-	120,225	1,398	37	1,645	1,535	-	124,840

5. NOTES TO THE ACCOUNTS

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

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.

2016-17		2017-18
£'000		£'000
5,932	Opening Capital Financing Requirement	5,691
-	Repayment of Local Authority Mortgage Scheme Loan	1,000
	Capital Investment:	
2,865	Property, plant and equipment	2,782
-	Intangible assets	168
13	Investment properties	19
833	Revenue expenditure funded from capital under statute	960
	Sources of finance:	
(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)
	Provision for repayment of debt:	
(241)	Minimum revenue provision	(241)
5,691	Closing Capital Financing Requirement	6,450
	Explanation of movements in year:	
(241)	(Decrease) / Increase in the underlying need to borrow	759

5. NOTES TO THE ACCOUNTS

5.17.1 Capital Commitments

2016-17		2017-18
£'000		£'000
	Capital Commitments:	
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
6,005	Total	17,120

5.18 Leases

The Council as Lessee

Operating Leases

There are no operating leases.

The Council as Lessor

Operating Leases

The council has a license fee arrangement with Elstree 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).

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:

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

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:

2017-18

	Commercial Properties	Development Land	Depots	Total Investment Properties
	£'000	£'000	£'000	£'000
INVESTMENT PROPERTIES				
Balance at 1 April	4,302	4,056	315	8,673
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)
Level 2 balances at 31 March	4,418	3,941	315	8,674
Total	4,418	3,941	315	8,674

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes. (See Note 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. NOTES TO THE ACCOUNTS

5.21 Intangible Assets

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

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

5.22 Debtors

2016-17 £'000		2017-18 £'000
	Amounts receivable within one year:	
	<i>Financial assets</i>	
2,739	Sundry debtors and accrued income	2,133
2,016	Local authority mortgage scheme	-
39	Employee car loans	43
<u>4,794</u>	Total	<u>2,176</u>
	<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
<u>1,298</u>	Total	<u>2,058</u>
<u>6,092</u>	Total amounts receivable within one year	<u>4,234</u>
	Amounts receivable after one year:	
	<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
<u>2,958</u>	Total amounts receivable after one year	<u>3,169</u>

5.22.1 Credit Risk

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
4,093	2,696	Total	4,736	2,969

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

5.23 Investments

Investments were held as follows:

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

The Council's investment in subsidiaries comprises 100 ordinary shares of £1 each in Hertsmere Developments Limited and 1 ordinary share of £1 each in Elstree 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, valued at nominal value, 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 Link Asset 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 Asset 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 2018	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		2017-18
£'000		£'000
-	Balance at 1 April	-
	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:

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

5.26 Creditors

2016-17		2017-18
£'000		£'000
Amounts payable within one year:		
<i>Financial liabilities</i>		
1,008	Local authority mortgage scheme (Hertfordshire County Council)	-
2,830	Sundry creditors	2,065
3,838	Total	2,065
<i>Non-financial liabilities and statutory debt</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	-
9,494	Total	9,427
13,332	Total included in current liabilities	11,492
Amounts payable after one year:		
<i>Financial liabilities</i>		
-	Other creditors	400
-	Total included in non-current liabilities	400

5.27 Provisions

2016-17

	Municipal Mutual Insurance	Business Rates Appeals	Uninsured Losses	Herts Building Control Ltd Losses	Total
	£'000	£'000	£'000	£'000	£'000
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)
Balance as at 31 March 2017	95	321	-	-	416

2017-18

	Municipal Mutual Insurance	Business Rates Appeals	Uninsured Losses	Herts Building Control Ltd Losses	Total
	£'000	£'000	£'000	£'000	£'000
Balance 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)
Balance as at 31 March 2018	95	335	450	134	1,014

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:

Total 2016-17		Receipts	Utilised	Total 2017-18
£'000		£'000	£'000	£'000
171	Oakland College	1	(19)	153
2,013	Horizon One	9	(29)	1,993
272	Isopad House	1	-	273
75	Rossway Drive	1	(6)	70
55	Allum Lane	-	-	55
372	Watling Street	1	8	381
108	3 London Road	1,032	(90)	1,050
40	Blackwell House	-	-	40
703	Gemini House	3	(23)	683
580	Sparrow Herne	69	(19)	630
1,459	International University	7	-	1,466
431	Elder Court	2	-	433
1,522	Other balances below £100k	134	(260)	1,396
7,801	Total	1,260	(438)	8,623

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

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-Mar-17			31-Mar-18	
Carrying Value £'000	Fair Value £'000		Carrying Value £'000	Fair Value £'000
		Financial Assets:		
		<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 cash equivalents	4,567	4,567
57,034	57,064	Total	61,000	61,000
		Financial Liabilities:		
		<i>Financial liabilities at amortised cost</i>		
3,838	3,838	Total creditors	2,465	2,465
3,838	3,838	Total	2,465	2,465

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 pension 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

2016/17		2017/18
£'000		£'000
	Cost of Services:	
	<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
<u>2,938</u>	Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	<u>4,147</u>
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined liability comprising:	
(9,040)	Return on plan assets (excluding the amount included in the net interest expense)	(1,064)
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	-
<u>5,370</u>	Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement	<u>(3,163)</u>

5.30.2 Movement in Reserves Statement

2016/17		2017/18
£'000		£'000
(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)
	<i>Actual amount charged against the General Fund for pensions for the year:</i>	
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:

2016/17		2017/18
£'000		£'000
(119,830)	Present value of defined benefit obligations	(120,692)
81,615	Fair value of scheme assets	83,775
(38,215)	Net liability arising from defined benefit obligation	(36,917)

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

2016/17		2017/18
£'000		£'000
	Present Value of Defined Benefit Obligations:	
(103,553)	As at 1 April	(119,830)
(1,845)	Current service cost	(3,180)
-	Past service cost	(1)
(3,491)	Interest cost	(2,993)
(518)	Contributions by scheme members	(534)
-	Gains / (losses) on curtailments	-
	<i>Re-measurement 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
(119,830)	As at 31 March	(120,692)
	Fair Value of Scheme Assets:	
70,991	As at 1 April	81,615
2,398	Interest Income	2,027
518	Contributions by scheme members	534
2,655	Contributions by employer	2,282
	<i>Re-measurement gains and (losses):</i>	
9,040	Return on plan assets excluding the amount included in the net interest expense	1,064
(3,987)	Benefits paid	(3,747)
81,615	As at 31 March	83,775

5.30.4 Pension Fair Values 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	Quoted Prices not in Active Markets	Total	
	£'000	£'000	£'000	%
Cash and cash equivalents	2,693	-	2,693	3
Equity instruments:				
<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	-
Sub-total equity instruments	25,237	-	25,237	30
Private Equity	-	3,768	3,768	5
Property:				
UK Property	-	2,641	2,641	3
Overseas Property	-	3,059	3,059	4
Sub-total property	-	5,700	5,700	7
Investment Funds and Unit Trusts:				
Equities	17,101	-	17,101	21
Bonds	22,482	-	22,482	28
Infrastructure	-	185	185	-
Other	315	4,296	4,611	6
Sub-total investment funds and unit trusts	39,898	4,481	44,379	55
Derivatives: foreign exchange	-	(162)	(162)	-
Total assets	67,828	13,787	81,615	100

5. NOTES TO THE ACCOUNTS

	Year ended 31 March 2018			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£'000	£'000	£'000	%
Cash and cash equivalents	2,964	-	2,964	4
Equity instruments:				
<i>By industry type:</i>				
Consumer	5,790	-	5,790	7
Manufacturing	5,421	-	5,421	6
Energy & Utilities	1,108	-	1,108	1
Financial Institutions	8,786	-	8,786	11
Health & Care	975	-	975	1
Information Technology	3,843	-	3,843	5
Other	275	-	275	-
Sub-total equity instruments	26,198	-	26,198	31
Debt Securities:				
Other	-	34	34	-
Private Equity	-	3,195	3,195	4
Property:				
UK Property	-	2,766	2,766	3
Overseas Property	-	2,769	2,769	3
Sub-total property	-	5,535	5,535	6
Investment Funds and Unit Trusts:				
Equities	19,452	-	19,452	23
Bonds	21,459	-	21,459	26
Infrastructure	-	222	222	-
Other	572	4,023	4,595	6
Sub-total investment funds and unit trusts	41,483	4,245	45,728	55
Derivatives: foreign exchange	-	121	121	-
Total assets	70,645	13,130	83,775	100

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
	Financial assumptions:	
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%
	Mortality assumptions:	
	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.

Approximate Impact on the Defined Benefit Obligation in the Scheme			
	Percentage Increase to Employer Liability		Monetary Increase to Employer Liability
	%		£'000
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).

2014	2015	2016	2017	As at 31 March	2018
£'000	£'000	£'000	£'000		£'000
(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	83,775
(34,069)	(37,253)	(32,562)	(38,215)	Deficit in the scheme	(36,917)

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).

2016-17		Note	2017-18
£'000			£'000
(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)
<u>(38,107)</u>	Total		<u>(42,878)</u>

5. NOTES TO THE ACCOUNTS

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.

2016-17		Note	2017-18
£'000			£'000
(7,698)	Balance at 1 April		(7,902)
(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
<u>(7,902)</u>	Total		<u>(7,962)</u>

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:

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

5. NOTES TO THE ACCOUNTS

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

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

5. NOTES TO THE ACCOUNTS

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.

	Balance at 31 Mar 16 £'000	Transfers Out 2016-17 £'000	Transfers In 2016-17 £'000	Balance at 31 Mar 17 £'000	Transfers Out 2017-18 £'000	Transfers In 2017-18 £'000	Balance at 31 Mar 18 £'000
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:

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

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:

2016-17		2017-18
£'000		£'000
(925)	Balance as at 1 April	(4,832)
(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
<u>(4,832)</u>	Balance as at 31 March	<u>(6,607)</u>

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".

2016-17		Note	2017-18
£'000			£'000
(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	36,917
95	Accumulated Absence Account	5.32.6	94
(94,108)	Total		(94,899)

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:

2016-17		2017-18
£'000		£'000
(40,920)	Balance as at 1 April	(62,808)
(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
(62,808)	Balance as at 31 March	(66,133)

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 5.14 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:

2016/17		2017/18
£'000		£'000
(68,086)	As at 1 April	(65,948)
	Reversal of items debited or credited to the CIES	
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)
	Transfers between revenue and capital resources	
(241)	Minimum Revenue Provision	(241)
(1,124)	Capital expenditure charged against the General Fund	(979)
	Adjustments to capital resources	
(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
	Adjustments involving the Revaluation Reserve	
(10)	Accumulated gains on non-current assets disposed	(500)
(2,030)	Difference between current value depreciation over historic cost depreciation	(1,227)
(65,948)	As at 31 March	(62,647)

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:

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

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.

2016-17 £'000		2017-18 £'000
	COUNCIL TAX	
(335)	Balance as at 1 April	(407)
(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
(407)	Balance as at 31 March	(270)
	NON-DOMESTIC RATES	
2	Balance as at 1 April	(808)
(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
(808)	Balance as at 31 March	(297)
(1,215)	Total	(567)

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:

2016-17		2017-18
£'000		£'000
32,562	Balance as at 1 April	38,215
5,370	Re-measurement of the net defined pension liability (note 5.30.1)	(3,163)
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)
38,215	Balance as at 31 March	36,917

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.

2016-17		2017-18
£'000		£'000
108	Balance as at 1 April	95
(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)
95	Balance as at 31 March	94

5.33 Cash Flow Statement - Operating Activities

2016-17 £'000		2017-18 £'000
	Adjustments for Non-cash movements:	
	<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	(500)
(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)
(6,410)		(9,366)
	Adjustments for items that are investing or financing activities:	
5,387	Capital grants credited to deficit on the provision of services	2,878
771	Proceeds from the sale of non-current assets:	795
6,158		3,673
	The cash flows for operating activities include the following:	
(346)	Interest received	(368)

5. NOTES TO THE ACCOUNTS

5.34 Cash Flow Statement - Investing Activities

2016-17 £'000		2017-18 £'000
	Investing activities	
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
	Proceeds from the sale of non-current assets	
(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)
12,219	Net cash (inflow) / outflow from investing activities	1,517

5.35 Cash Flow Statement - Financing Activities

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

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.

Truck Cartel Case

Hertsmere Council are part of a class action taken by the Local Government Association, against vehicle companies which it is claims 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 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	Details of the amounts precepted and demanded are set out in the council's Collection Fund Statement.
Members	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Chief Officers	<p>Chief Officers are entitled to receive car loans from the Council. During the year loans amounting to £9,699 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).</p> <p>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.</p>

Pension Fund	Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 5.30.
Elstree Studios Limited	<p>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.</p> <p>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).</p> <p>The amount due to Hertsmere Borough Council from Elstree Studios Limited of £302k (2017: £452k) includes a loan, accrued interest and rental income.</p>
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 each, all of which are owned by Hertsmere Borough Council. The company will take forward development of land within the borough with a view to generating future income streams.
Hertsmere Leisure Trust	<p>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.</p> <p>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.</p>
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 (2017: £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).

<p>Hertfordshire CCTV Partnership</p>	<p>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.</p>
<p>Hertfordshire Building Control</p>	<p>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.</p>

6. COLLECTION FUND

6.0 The Collection Fund

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.

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.

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. COLLECTION FUND

6.1 The Collection Fund Statement

COLLECTION FUND 2016/17

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

COLLECTION FUND 2017/18

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

6. COLLECTION FUND

6.2 Precepts and Demands

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

Precepts, Demands and Shares

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

6. COLLECTION FUND

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 tax base) No.	Total number of band D equivalents (after allowance for council tax support) 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

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 all material subsidiaries 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 2017/18, consolidating any material subsidiary, associate or joint venture entities over which the Council exercises control or influence.

Elstree 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. GROUP ACCOUNTS

7.1 Group Movement in Reserves Statement

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Useable Reserves HBC £'000	Usable Reserves Elstree Studio £'000	Total Useable Reserves (Group) £'000	Total Unusable Reserves HBC £'000	Unusable Reserves Elstree Studio £'000	Total Unusable Reserves (Group) £'000	Total Authority Reserves (Group) £'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)
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	(7)	2,646	(8,215)	-	(8,215)	(5,569)
Adjustments between accounting & funding basis under regulations	(3,988)	(1,661)	(1,775)	(7,424)	-	(7,424)	7,424	-	7,424	-
Total (increase) / decrease during the year	(1,335)	(1,661)	(1,775)	(4,771)	(7)	(4,778)	(791)	-	(791)	(5,569)
Balance at 31 March 2018	(28,025)	(8,246)	(6,607)	(42,878)	(400)	(43,278)	(94,899)	(237)	(95,136)	(138,414)

7. GROUP ACCOUNTS

7.2 Group Comprehensive Income and Expenditure Statement

2016-17				2017-18		
Gross Expenditure	Gross Income	Net Expenditure / (Income)		Gross Expenditure	Gross Income	Net Expenditure / (Income)
£'000	£'000	£'000		£'000	£'000	£'000
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	2,487	(4,083)	(1,596)
74,323	(56,282)	18,041	Net Cost of Services	74,548	(54,522)	20,026
		373	Other Operating Expenditure			877
		(84)	Financing and Investment Income and Expenditure			147
		(21,715)	Taxation and Non-Specific Grant Income			(18,404)
		25	Tax expense of subsidiary			-
		(3,360)	(Surplus) / Deficit on Provision of Services			2,646
		(23,928)	(Surplus) / Deficit on revaluation of non-current assets			(5,052)
		5,180	Re-measurements of net pension liability			(3,163)
		(18,748)	Other Comprehensive (Income) and Expenditure			(8,215)
		(22,108)	Total Comprehensive (Income) and Expenditure			(5,569)

7.3 Group Balance Sheet

31-Mar-17		31-Mar-18
£'000		£'000
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
137,737	Long Term Assets	138,830
46,084	Short Term Investments	51,088
-	Assets Held for Sale	-
6,293	Short Term Debtors	4,893
81	Inventories	106
4,002	Cash and Cash Equivalents	4,925
56,460	Current Assets	61,012
(14,250)	Short Term Creditors	(12,514)
(416)	Provisions	(1,014)
(14,666)	Current Liabilities	(13,528)
(907)	Provisions	(2,197)
(37,978)	Liability related to defined benefit pension scheme	(36,680)
-	Other Long Term Liabilities	(400)
(7,801)	Capital Grants Received In Advance	(8,623)
(46,686)	Long Term Liabilities	(47,900)
132,845	Net Assets	138,414
(38,500)	Useable Reserves	(43,278)
(94,345)	Unusable Reserves	(95,136)
(132,845)	Total Reserves	(138,414)

7. GROUP ACCOUNTS

7.4 Group Cash Flow Statement

31-Mar-17		31-Mar-18
£'000		£'000
(3,360)	(Surplus) / Deficit on Provision of Services	2,646
(6,549)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	(9,251)
<u>6,158</u>	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	<u>3,673</u>
(3,751)	Net cash (inflow) / outflow from Operating Activities	(2,932)
12,456	Investing Activities	1,875
(79)	Financing Activities	134
8,626	Decrease / (increase) in cash and cash equivalents	(923)
12,628	Cash and cash equivalents at the beginning of the reporting period	4,002
<u>4,002</u>	Cash and cash equivalents at the end of the reporting period	<u>4,925</u>

7. GROUP ACCOUNTS

7.5 Note to the Group Accounts

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

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 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.

7. GROUP ACCOUNTS

7.6 Summary Financial Position of Subsidiary

Elstree 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

2016/17	Profit and Loss Account	2017/18
£'000		£'000
(4,682)	Turnover	(4,082)
2,919	Cost of sales	2,452
(1,763)	Gross Profit	(1,630)
1,635	Administrative expenses	1,610
(2)	Interest receivable and similar income	(1)
12	Interest payable and similar charges	14
(2)	Other finance income	-
(120)	Profit before taxation	(7)
25	Taxation	-
(95)	Profit for the year	(7)
(190)	Actuarial gain related to pension scheme	-
(285)	Recognised gains for the year	(7)

7. GROUP ACCOUNTS

7.6.2 Summary Balance Sheet

31-Mar-17	Balance Sheet	31-Mar-18
£'000		£'000
563	Tangible Fixed Assets	682
	<i>Current Assets</i>	
707	Debtors	711
824	Cash	358
	<i>Current Liabilities</i>	
(1,424)	Creditors due within one year	(1,074)
	<i>Non-Current Liabilities</i>	
(250)	Creditors due after more than one year	(250)
(27)	Provision for deferred tax	(27)
237	Pension scheme asset	237
630	Net Assets	637
	<i>Capital and Reserves</i>	
-	Called up share capital	-
(237)	Pension scheme reserve	(237)
(393)	Profit and Loss Account	(400)
(630)	Shareholders' Funds	(637)

8. ANNUAL GOVERNANCE STATEMENT

8. Annual Governance Statement

To be inserted at a later date

9. GLOSSARY OF TERMS

Term	Definition
Accruals	The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.
Actuarial Gains and Losses	For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> • Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses). • The actuarial assumptions have changed.
Asset	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.
Agency Arrangements	Services which are performed by, or for, another Council or public body, where the agent is reimbursed for the cost of the work done.
Balances	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.
Business Rates	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.
Capital Expenditure	Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.
Capital Financing Requirement	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
Capital Receipts	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.
Collection Fund	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.

Term	Definition
Community Assets	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.
Consistency	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingency	A provision for a possible event or circumstance which is possible but cannot be predicted with certainty.
Council Tax	This is a local tax set by local councils to help pay for local services.
Council Tax Support	A reduction in the liability to pay Council Tax granted in accordance with a locally determined support scheme.
Credit Arrangements	These are forms of credit entered into by the Council relating to leasing and contracts, which provide for extended credit.
Credit Liabilities	These relate to liabilities of the Council in respect of money borrowed (principal only), or in respect of credit arrangements.
Creditor	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.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: <ul style="list-style-type: none"> • Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business. • Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees no longer qualifies or only qualifies for a reduced benefit.
Debtor	Sums of money due to the Council but not received at the Balance Sheet date.
Defined Benefits Scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Term	Definition
Depreciation	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.
Discretionary Benefits	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.
Exceptional Items	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.
Expected Rate of Return on Pension Assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Extraordinary Items	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.
Finance and Operating Lease	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 revenue account.
General Fund	The main revenue account of the Council. It contains the excess to date of income over expenditure in the Income and Expenditure Account.
Government Grants	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.
Housing Advances	Loans made by the Council to individuals towards the cost of acquiring or improving their homes.

Term	Definition
Housing Benefits	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.
Infrastructure Assets	Expenditure on works of drainage, construction or improvement to highways, cycle ways, footpaths or other land owned by the Council.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investments (Non-Pension Fund)	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. Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.
Investments (Pension Fund)	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 disclosures relating to retirement benefits, their attributable share of pension scheme assets associated with their underlying obligations.
Levy (see also "safety net")	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.
Liabilities	Money owed to somebody else.
Liquid Resources	Liquid resources are current asset investments held as readily disposable assets.
MHCLG Minimum Revenue Provision	Ministry of Housing, Communities and Local Government. 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.
Net Book Value	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.

Term	Definition
Net current replacement cost	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
Net realisable value	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.
Non-current assets	Tangible assets that yield benefits to the Council for a period of more than one year.
Non-operational assets	Non-current assets held by a local Council but not directly occupied, used or consumed in the delivery of services.
Operational assets	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.
Past service cost	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.
Post balance sheet events	Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.
Precepts	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.
Prior year adjustments	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.
Projected unit method	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
Provisions	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.

Term	Definition
Related Parties	<p>Two or more parties are related parties when at any time during the financial period:</p> <ul style="list-style-type: none"> • One party has direct or indirect control of the other party. • The parties are subject to common control from the same source. • 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. • 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.
Related Party Transaction	<p>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:</p> <ul style="list-style-type: none"> • The purchase, sale lease, rental or hire of assets. • The provision of a guarantee to a third party in relation to a liability or obligation of a related party. • The provision of services to a related party. • Transactions with individuals who are related parties of the Council, except those applicable to other members of the community such as council tax, rents and payments of benefits. <p>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.</p>
Rent Allowances	Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.
Rent Rebates	Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.
Reserves	A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Retirement Benefits	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.

Term	Definition
Revenue Expenditure	Day to day expenses, mainly salaries and wages, general running costs and debt charges.
Revenue Support Grant	Central Government Grant towards the cost of Local Council Services.
Right To Buy	<p>“Right to Buy” is an agreement whereby eligible Housing Association tenants may purchase the property at a reduced rate.</p> <p>The Councils 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>
Safety Net (see also “Levy”)	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.
Scheme Liabilities	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.
Settlement	<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"> • A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits. • The purchase of an irrevocable annuity contract sufficient to cover vested benefits. • The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
Standard Spending Assessment	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.
Stocks	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
Subsidiary Company	<p>A company is a subsidiary of a local Council if any of the following apply:</p> <ul style="list-style-type: none"> • The local Council holds a majority of the voting rights in the company. • 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. • The local Council has the right to exercise a dominant influence over the company. • The local Council is a member of the company and controls alone a majority of the voting rights in the company. • 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.
Transfer Payments	<p>This includes the cost of payments to individuals for which no goods or services are received in return by the Council.</p>
Usable Capital Receipts	<p>This balance is available to either finance capital expenditure or repay debt.</p>
Vested Rights	<p>In relation to a defined benefit scheme, these are:</p> <ul style="list-style-type: none"> • For active members, benefits to which they would unconditionally be entitled on leaving the scheme. • For deferred pensioners, their preserved benefits. • For pensioners, pensions to which they are entitled. <p>Vested rights include where appropriate the related benefits for spouses or other dependants.</p>