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**Unaudited Statement of  
Accounts  
2022/2023**

**North  
Hertfordshire  
District Council**

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# The Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority is required to:

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

## Service Director – Resources' Responsibilities

The Service Director – Resources is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the statement of accounts, the Service Director – Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;

The Service Director – Resources has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the 31 March 2023 and its income and expenditure for the year then ended.



Ian Couper

Service Director – Resources

# Independent Auditor's Report

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# Narrative Report

This narrative report provides a summary of the key information that is contained within the Statement of Accounts, as well as providing more information about the Council. This includes the vision and objectives, performance over the year and how resources are allocated.

## The Council Plan, Vision and Objectives

In September 2021, the Council approved a new Council plan which set out a vision that “we put people first and deliver sustainable services, to enable a brighter future together”.

Underneath that vision are three key priorities and four themes:

 <p><b>People first</b></p> <p>People make North Herts work. We value all our residents, businesses, staff, contractors, councillors, and other partners, and place them at the heart of everything we do.</p>	 <p>Our environment</p>	 <p>Our local economy</p>
 <p><b>Sustainability</b></p> <p>We recognise the challenges our towns and district as a whole face and are committed to delivering services which are relevant and sustainable. In doing so we will place our environmental responsibilities, as well as sound financial planning, at the centre of our policymaking.</p>	 <p>Our places</p>	 <p>Our services</p>
 <p><b>A brighter future together</b></p> <p>We are far-sighted and plan for the long term to secure the best outcomes for our people, towns and villages, and the local economy, ensuring North Herts continues to thrive.</p>		

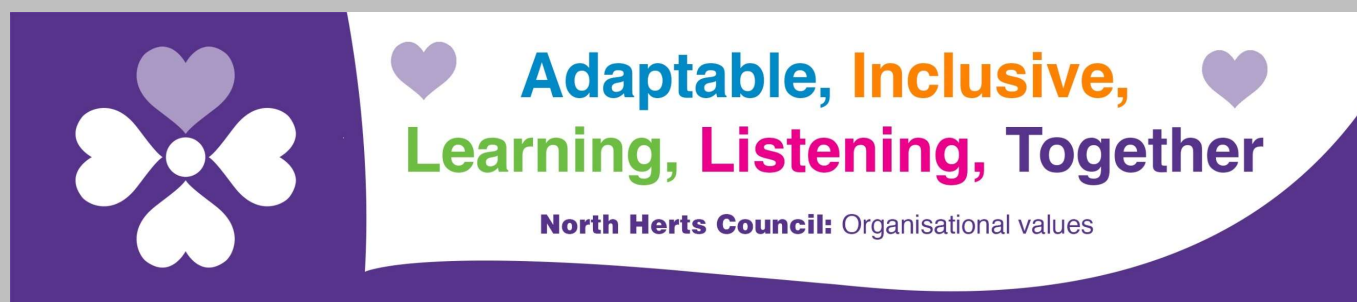
The full plan be found on our website (<https://www.north-herts.gov.uk/council-plan>). The plan covers a 5 year period from 2022 to 2027, but is reviewed each year. When the plan was set, it was considered alongside the Medium Term Financial Strategy. This helps to ensure that we are mindful of the resources that are available when setting out our ambitions.

The plan includes some of the projects that are intended to be delivered to support the priorities set out above. In March 2022, the Council adopted a ‘Council Delivery Plan’ which added to those projects and also set out in more detail how, and when, they would be delivered. The Council Delivery Plan can also be found on our website (<https://www.north-herts.gov.uk/council-delivery-plan>). The Delivery Plan also includes any risks to the delivery of the projects and any performance indicators that will show how well the projects and their outcomes are being delivered. The Delivery Plan will be reviewed by Cabinet on a quarterly basis, assisted by the Overview and Scrutiny Committee.

The Council also adopts co-operative values, which means that we value and build mutual support, accountability, fairness, and responsibility into all that we do.

# Narrative Report

## Our Organisational Values:



## What we do

Despite reductions in funding, the Council continues to deliver a wide range of statutory and non-statutory services. Some of the statutory services are provided at levels beyond the statutory minimum.

Examples of the delivery of statutory duties are:

- Waste collection from just over 59,000 households
- 55% of household waste sent for re-use, recycling and composting
- Street cleansing over 400 miles of roads
- Food inspections of around 400 premises.
- Collecting Council Tax and Business Rates from just over 59,000 homes and around 4,600 businesses
- Planning for the second largest district in Hertfordshire at 145 square miles.
- Issuing of approximately 3,400 licences to premises and licenced individuals. This total includes around 560 licences to taxi and private hire vehicles and drivers and in the region of 680 temporary licenses to premises/individuals.
- Homelessness provision
- Housing Benefit to around 3,400 claimants
- Regulation, e.g. Parking, Fly-tipping.

Non-statutory services provided include:

- Leisure centres in Hitchin, Letchworth and Royston
- Five swimming pools including 2 outdoor pools
- Maintenance of 100 hectares of parks and gardens
- 'Splash' parks in the four towns.
- Museum provision in the new North Hertfordshire Museum in Hitchin
- Local information and signposting to other services and providers

## Climate Emergency

The Council declared a climate emergency in May 2019, and then developed a climate change strategy. The current version of the strategy is for the period 2022-27 and is published on the website. The strategy sets out 4 objectives (carbon neutrality for Council operations by 2030, operations and services that are resilient to climate change, net zero carbon district by 2040 and to become a district that is resilient to unavoidable impacts of climate change). The priorities for achieving this are Taking Action, Enabling Carbon Savings and Inspiring the Community.

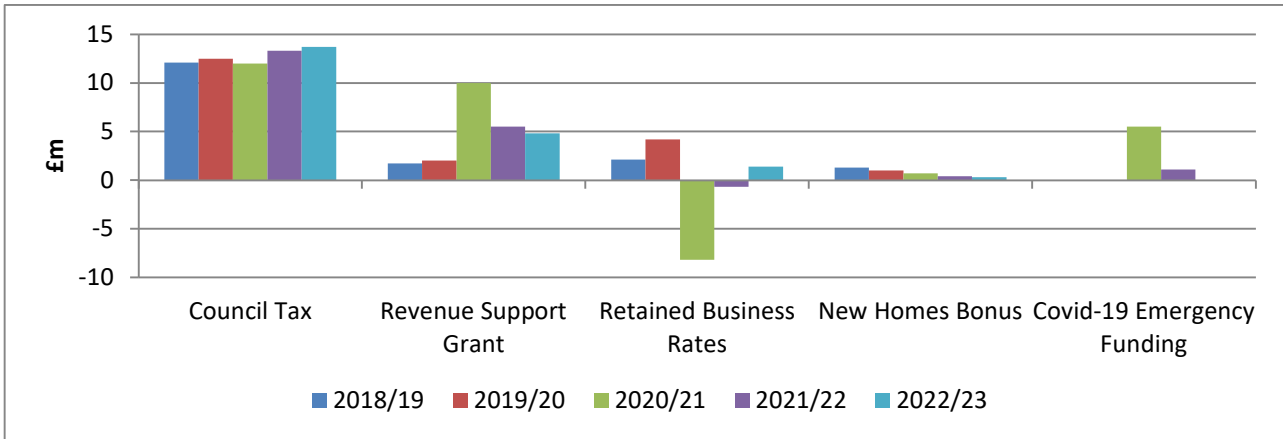
The Council will look to access Government (and other) grants wherever it can to enable changes that help deliver climate change. Capital budgets will also be allocated to fund projects that help reduce emission and energy use, but the wider financial picture means that project paybacks will need to be considered.

# Narrative Report

## Our funding

The Council is required to split its spending between Revenue (day-to-day running costs) and Capital (buying and creating assets with a useful life of more than one year). Similarly, our funding is split between Revenue and Capital. We can only use Capital funding sources for Capital spend (i.e. we can't use this funding for day-to-day running costs).

### Revenue funding sources (Taxation and General Grants):



Increases in Council Tax are limited by Central Government, unless agreed by a local referendum. In 2022/23 we raised our element of Council Tax by £5 for a band D property (with other bands pro-rata to this), which was the maximum possible without a referendum.

The General Grants total includes section 31 grants, which is where Central Government provides reimbursements for reliefs and discounts in relation to Business Rates. We no longer receive any ongoing funding to support general expenditure. In 2022-23 we received £188k of Services Grant and £125k of Lower Tier Services Grant.

The current Business Rates system involves 50% of funding being retained within Local Government, and the balance going to the Department for Levelling Up, Housing and Communities. Each Authority has an assessed baseline need and, as the Council's assessed need is a lot lower than the income we collect, it has to pay a levy which redistributes the funding to other Authorities. The Council retains some of any growth in Business Rates but is also exposed to falls as well (subject to a safety net level). During 2022/23, the Council was part of a Business Rates Pool with Hertfordshire County Council and four other Hertfordshire Districts/ Boroughs. This resulted in a greater proportion of Business Rates being retained locally.

Income from New Homes Bonus increased up to 2016/17 as the period for which the Bonus was paid increased each year. In 2016/17 Authorities received the bonus for new housing in the previous 6 years. For 2017/18, the period reduced to 5 years, and has further reduced year by year since then. Alongside this a baseline was also introduced, so the Bonus is only paid if housing growth for that year is above a certain level.

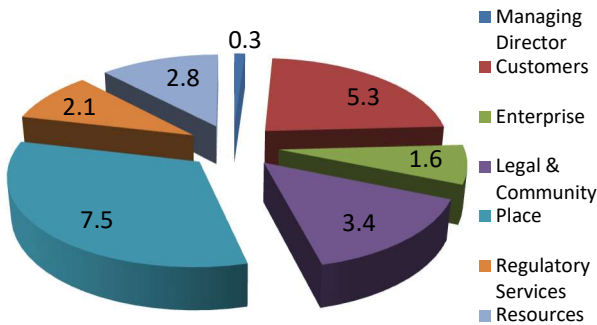
Our overall funding of £20.2m in 2022-23 was slightly higher than the £19.6m total received in 2021-22.

# Narrative Report

## Spend by service area

The Council is managed under 6 Service Directorates and the Managing Director area. Spend against these areas in 2022/23 is shown below. During the year the name of the Commercialisation Directorate was changed to Enterprise.

### Service related net spend (by Service Directorate), £m



## How we allocate our funding

At the same time that the Council reviews its Council Plan, it also carries out an annual review of its Medium Term Financial Strategy (MTFS). This estimates the funding that we expect to have in future years and sets the strategy for meeting any shortfall. This strategy is inherently linked to the Council Plan. The current MTFS can be found on our website alongside the Council Plan (<https://www.north-herts.gov.uk/council-plan>).

Current spend provides a good starting point for assessing the future costs of providing services. Future budgets are estimated from this starting point, with adjustments for inflation, service changes, efficiencies, and demography.

Each year, Officers and Councillors are asked to come up with ideas for reducing expenditure (e.g. income generation, efficiencies and service changes). Each of the Political Groups are given an opportunity to comment on these proposals at Budget Workshops held in the Autumn. These comments are considered by Cabinet when they formulate a budget in January. This budget is presented to Full Council in February for approval.

The Council has started a budget challenge process. This initially looked at all the budgets and what they are spent in. It has also started to look at all the potential ways that the Council could spend less or generate more income. When it is clearer what the Council's future funding will be, there will be a residents' consultation to seek views on which measures should be implemented to balance the budget.

## Future Funding

Reforms to Council funding are expected to happen at some time, but it is now very uncertain when this will take place. This reform could still include a move to 75% Business Rate Retention, a Business Rate reset and a new Fair Funding Formula. However, Covid-19 has added to the question as to whether these are suitable mechanisms for funding Local Government. A new funding formula will mean that the way in which the overall pot of money is allocated to individual Councils will change. It is expected that this will result in more money being provided to Social Care authorities, and therefore less to District Authorities like us. Any change will be phased in, although it is expected that this phasing will be quite short.

## Budgeting for Risk

In setting the budget each year, the Council's Chief Finance Officer is required to recommend a minimum level of General Fund reserves (the money that the Council has that is not allocated to a specific purpose). This minimum level is currently calculated as:

- 5% of the net budget of the Council - which is an allowance for unknown financial risks
- +
- 3% of budgeted income (excluding Housing Benefit, grants and other contributions) - which is an allowance to reflect the risks of being reliant on sales, fees and charges
- +
- An assessment of known financial risks by both value and likelihood of occurring

For 2022/23, this resulted in a recommended minimum General Fund level of £3.05 million. The budgeted balance was £9.5 million at the start of the year and £8.3 million at the end of the year. The actual balance at 31st March 2023 was £12.0 million.

## Medium Term forecasts

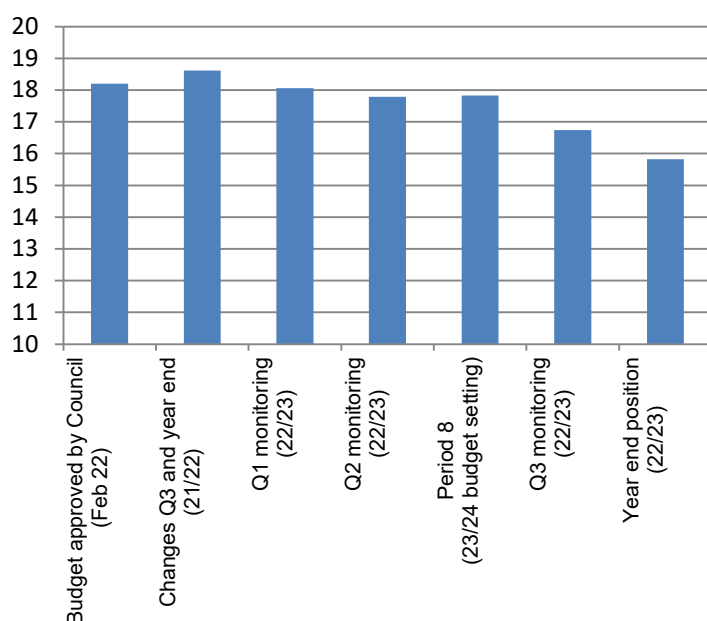
The Council expects to face a challenging time balancing its budget in the medium term (the next 5 years). As well as the expected changes to Government funding, there is the challenge of pay inflation, contract inflation and the unknown impact of two major contracts (waste and leisure) that are being reprocurd. In setting the budget for 2023/24 it was highlighted that annual savings (reductions in spend/ increases in income) of at least £2.5 million. Whilst the General Fund balance being significantly above the recommended minimum level, gives some time to make decisions. Senior Officers and Councillors are aware that difficult decisions are likely to be required.

# Narrative Report

## Monitoring expenditure

The Council's Cabinet are responsible for monitoring expenditure (both revenue and capital) and they receive quarterly reports to enable them to do this. The Finance, Audit and Risk Committee review the financial performance of the Council. They receive the same reports and are able to make recommendations to Cabinet. The main reasons for the reduction in spend forecasts was not needing all of the Covid-19 contingency budget and an increase in treasury investment income.

### Reported spend forecasts in 2022/23 (£m)



## Success at achieving savings

Budgeted revenue savings achieved by year since 2012/13 (efficiencies, income generation and service change).

Year	Savings Achieved (£m)
2012/13	0.6
2013/14	0.7
2014/15	1.6
2015/16	0.4
2016/17	0.4
2017/18	1.2
2018/19	2.9
2019/20	0.6
2020/21	0.5
2021/22	0.3
2022/23	1.8 *
<b>Total</b>	<b>11.0</b>

\* Budgeted savings for 2022/23 were £0.6 million. The majority (£1.2million) of the over-achievement relates to investment interest over-achievement. As this is linked to general interest rates, which are expected to fall in the medium-term, this will not have an ongoing impact.

## Corporate Financial Health Indicators (Income)

In addition to overall monitoring, the quarterly reports also detail performance in relation to 6 of the Council's key sources of income.

Income category	Budgeted Income (£'000)	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Actual Income (£'000)
Leisure Centres Management Fee	857	Red	Red	Red	Red	578
Garden Waste Subscriptions	1,139	Green	Green	Green	Green	1,251
Commercial Waste & Recycling	1,113	Green	Green	Green	Green	1,142
Planning Application Fees	1,006	Green	Red	Red	Red	735
Car Parking Fees	1,999	Red	Red	Red	Red	1,761
Penalty Charge Notices	573	Amber	Amber	Green	Green	600

# Narrative Report

## Capital funding

The Council funds capital expenditure from these main sources:

- Government Grants
- S106 developer contributions
- Other Contributions – including third party contributions and financing from revenue.
- Capital receipts - amounts received from the sale of surplus assets
- Set aside capital receipts - the remainder of the amounts received from the sale of our housing stock to North Herts Homes in 2003

The Council can also borrow money to fund capital expenditure, subject to meeting certain conditions. The Council has historic borrowing of £347k which is not worth repaying early (as at 31st March 2023).

During 2022/23 the Council's capital expenditure was funded from the following sources:

	£'000
Government Grants	281
S106 Developer Contributions	316
Other Contributions	26
Capital Receipts and Set-aside receipts	6,300
<b>Total</b>	<b>6,923</b>

As at the end of the year, the Council had a balance of £5.5m of Capital Receipts and Set-aside receipts remaining. This had been increased (before use of receipts detailed above) by £4.2m from the sale of surplus land and buildings.

## Significant Capital Projects in 2022/23

Acquisition of Churchgate Shopping Centre, Hitchin  
 Park Homes insulation (Grant funded)  
 Improvements to Council Properties  
 Various Leisure Centre environmental improvements  
 Microsoft Enterprise Software Assurance  
 Sauna Steam Refurbishment (North Herts Leisure Centre)  
 Soft Play (North Herts Leisure Centre)  
 Playground renovations  
 Refurbishment / improvement of community facilities  
 Refuse and recycling bins

*All projects with spend greater than £50,000 in 2022/23*

## The Council's capital assets

The total value of the Authority's capital (long-term) assets is £127.7 million.

The main components of this are:

- Property, Plant and Equipment (£93.4 million) used to deliver services
- Heritage assets (£0.9 million), the museum collections and public artwork
- Investment properties (£30.5 million) that generate an annual income from being leased out (£1.5 million in 2022/23)

The property assets are revalued on a regular basis (at least every 5 years).

## The Council's liabilities

The most significant liability that the Council has is its pension fund, which is administrated by Hertfordshire County Council. All of the Council's employees are eligible to join the pension scheme, which provides a retirement benefit that is linked to earnings. Employees make a contribution as part of their salary based on percentage rates that are set nationally. The Council also makes employer contributions. These contributions are based on:

- The estimated cost of the benefits being accrued by current employees – it is impossible to know what this really is as they will be payable from an unknown future date (when the employee retires) for an unknown period (depending on how long the employee lives for).
- Making up the shortfall from the past where the previous contributions are now considered to be insufficient – the shortfall is due to a combination of factors including people living longer and the old scheme where pensions were based on final salary. To stabilise the impact on Council Tax, this is being caught up on over a number of years.

The pension scheme is fully revalued every 3 years, with a less detailed revaluation each year in between. These valuations are undertaken by an actuary and involve a number of assumptions about the future. As the shortfall is being caught up on over time, this leaves an outstanding liability. This liability is the difference between the estimated value of the future pension payments that have been accrued and the value of the assets held by the pension fund.

As at the 31<sup>st</sup> March 2023, the value of the liability was £2.9 million (compared with £39.6 million at 31<sup>st</sup> March 2022). During the year, the Council made contributions of £3.1 million (of which £1.1 million was a lump sum relating to past shortfalls) and its employees contributed £0.7 million. The reduction in the net liability is mainly due to a large increase in the discount rate, which means that future pension payments cost less when converted in to current values.

# Narrative Report

## Governance

The Council is required to review its governance arrangements annually and assess these against the International Framework: Good Governance in the Public Sector. An Annual Governance Statement (AGS) is published alongside the Statement of Accounts.

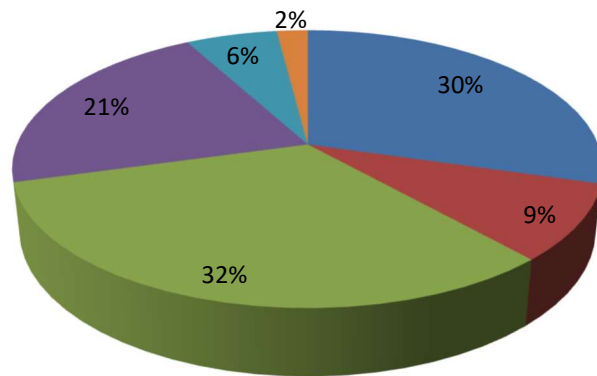
The Finance, Audit and Risk (FAR) Committee approves the AGS and monitors the actions identified.

The Action Plan from 2020/21 was last considered by the Committee at their meeting on 16<sup>th</sup> March 2022.

## Spend by type, including employee spend

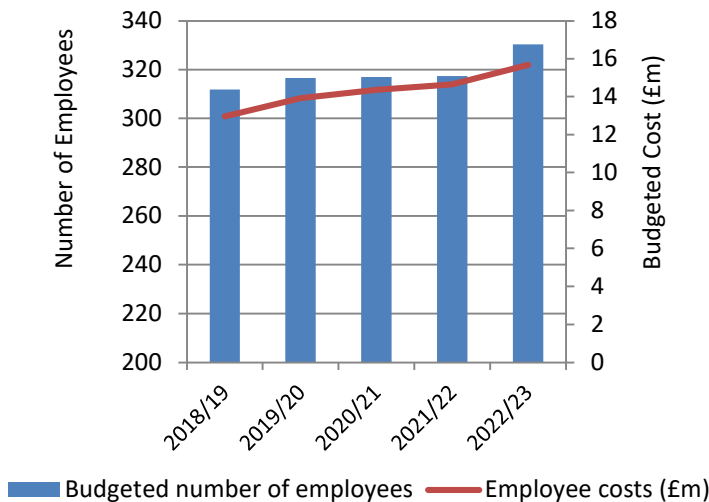
**The breakdown of the Council's gross spend of £63.5 million is...**

- Employee costs
- Premises Costs
- Housing Benefit
- Supplies and Services
- Pension costs, capital and interest payable
- Parish Precepts



By far the largest area of expenditure is Housing Benefit, which the Council is responsible for administering. The Council claims a subsidy from the Department of Work and Pensions (DWP) towards the costs of benefits paid. In general, the subsidy covers the cost of the grants awarded.

The next two most significant areas of expenditure are employee costs and supplies and services. Supplies and services include the amounts paid to suppliers to deliver services on the Council's behalf (e.g., waste collection, street cleansing and grounds maintenance). The graph below shows the trend in numbers and costs of employees:



Whilst the number of employees (as measured by the number of whole-time equivalents) has been fairly stable over the last 5 years, the costs have increased. This reflects wage inflation and increasing pension contributions.







# Narrative Report

## Monitoring Projects

The Council's projects and performance are monitored by the Overview and Scrutiny Committee. The Committee receive quarterly update reports on projects and an end of year report in June.

A summary of the position on the key projects throughout the year is:

Status	Q1	Q2	Q3	Q4
 Project not completed by due date	0	1	0	2
 Project milestone not met by due date	13	8	8	6
 Not due for completion in year or has not reached due date	16	19	18	14
 Project Completed	1	2	4	8
	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>

The aim is that the reporting is as current as possible, so the reports will reflect the progress at (close to) the time the report is presented, rather than the position at the end of the previous quarter.

The projects that completed during the year were:

- EV chargers for Council vehicles (complete at time of Q1 report)
- Local Plan implementation (complete at Q2 report)
- Business recovery grants (complete at Q3 report)
- Residents able to make payments at convenient locations (complete at Q3 report)
- North Herts Museum and Hitchin Town Hall Recovery (complete at Q4 report)
- Customer Portal (complete at Q4 report)
- Full review of Council Tax reduction scheme (complete at Q4 report)
- Green Space Management Strategy (complete at Q4 report)

Further details on projects with an amber status in the Q4 report:

Project	Progress
Town Centre Recovery	Trial periods for the Experimental Traffic Regulation Orders in Hitchin and Royston are until July 2023, so revised project date extended until then.
Resident/Public EV Charging in our Car Parks	Grant submitted but have not heard back if it was successful.
Master Planning	Work is ongoing to produce and present the site-specific masterplans to project board.
Museum Storage	There was a delay in determining the procurement approach, which means that currently reviewing the business case, prior to seeking relevant decisions in early 2023/24.
Local Government Boundary Review	Boundary Commission have delayed publication of their final recommendations pending legal advice.
Churchgate	Due to issues securing the identified location, the in-person hub, providing the local community with an opportunity to engage with the Council throughout the project, is now expected to open by 31 July 2023.



# Narrative Report

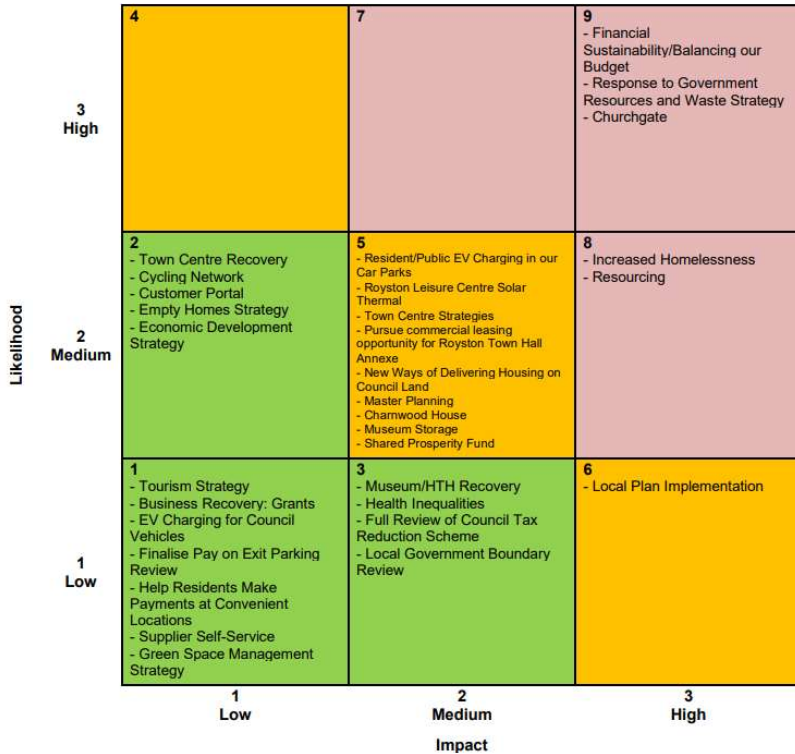
## Monitoring Risk and Opportunities

The Council’s processes for the development and operation of risk management are monitored by the Finance, Audit and Risk Committee. The Committee receives two reports per year, and can make recommendations to Cabin.

Full Council receives an Annual Report on Risk Management in July each year.

Overview and Scrutiny Committee review those risks that could affect the delivery of the Council Delivery Plan. Risk updates are integrated in to the Council Delivery Plan reports, which are reported on a quarterly basis

The rating of the risks in relation Council Delivery Plan at the end of the year were:



## Monitoring Performance

The Council Delivery Plan report also includes performance indicators that help to describe the outputs and outcomes achieved. The current number of indicators is quite low, as a lot of the indicators are at the implementation stage. A lot of the previous indicators are still monitored, but as they are operational, they are not reported to Overview and Scrutiny Committee on regular basis.

The current indicators (as at 2022/23 year end report) reported to Overview and Scrutiny are:

Performance Indicator	Year end target	Year end position	Status
Museum visitor numbers	37,500	30,012	
Percentage of NNDR collected in year	93%	97.71%	
Percentage of Council Tax collected in year	95%	97.56%	
Percentage of raised sales invoices due for payment that have been paid	97%	98.23%	
% of payments received that were paid by electronic methods	99.3%	99.08%	
Number of households living in temporary accommodation	N/a	98	N/a
Kg of residual waste per household	350	350	
Percentage of household waste sent for reuse, recycling or composting	56.5%	54.92%	
Electricity and gas energy consumption (kWh)	2,543,620	2,001,588	

# Narrative Report

## Key partners and contractors

Services may not always be delivered by the Council alone, but increasingly in a partnership with others.

Key partners include those in partner authorities and other Councils across the country, Urbaser (waste contract), John O'Connor (grounds maintenance contract), Stevenage Leisure Limited, settle, Countryside Management Service and Groundwork.

We work to support local, County wide and wider partnerships that seek to improve the wellbeing of our local community e.g., through the North Herts Health and Wellbeing Partnership and Hertfordshire Public Health Board.

Other key partners in the operation of the Council include District Councillors, County Councillors, Parish Councillors, local Members of Parliament, the Ministry of Housing, Communities and Local Government, the Local Government Association, the East of England Local Government Association, the Local Government Ombudsman, housing associations, North Herts Centre for Voluntary Service, Citizens Advice North Hertfordshire, North Herts Minority Ethnic Forum, Youth Connexions Herts, Business Improvement Districts, Letchworth Garden City Heritage Foundation, the Police, Herts Young Homeless and the Stevenage Haven.

## Alternatives Models of Service Delivery

### CCTV

The Council is engaged in a jointly controlled operation for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmere Borough Council. Each member of the arrangement accounts for their share of the assets, liabilities, and cash flows of the CCTV in their accounts. In 2013/14 all partner authorities agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV partnership. This new company, Hertfordshire CCTV Partnership Ltd, started trading on the 1 April 2015. The Council's interest in this company is not considered to be material, and therefore it is not included within the Statement of Accounts.

### Building Control

The Council set up a joint Building Control Company with six other Hertfordshire Authorities. The company began trading in August 2016. The company delivers statutory building control services on behalf of the Council, as well being able to access further areas of work to help spread the cost of the service. The Council's interest in this company is not considered to be material, and therefore it is not included within the Statement of Accounts.

### Home Improvement Agency

During 2017/18 the Council was part of the setting up of a Home Improvement Agency (HIA) arrangement that is hosted by Hertfordshire County Council. The HIA integrates Disabled Facilities Grants and Occupational Therapists to provide a more seamless service to those who need housing adaptations. The Council shows its contribution to running costs and use of Disabled Facilities Grants within its accounts.

### Joint Waste Contract and Client Team

The Council and East Herts Council procured a joint waste contract, which commenced in May 2018. We also share a client team to manage the contract. Each Council pays for half of the cost of the client team, and account for their share of the costs of the waste services in accordance with the contract.

## Understanding the Accounts

The accounts are made up of 4 core financial statements:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cashflow statement

These are supported by a series of notes that provide further details of the numbers that they contain, with the Expenditure and Funding analysis being particularly useful in understanding the overall picture. Much of the information is of a technical nature and has been completed to be compliant with the 2022/23 Local Authority Accounting Code of Practice and Service Reporting Code of Practice, which are based on the International Financial Reporting Standards. On the next page there is a summary of the key information from each of these statements.

# Narrative Report

## Expenditure and Funding Analysis

This note is the most relevant to Council Taxpayers as it shows the Council's spend by Directorate (net total of £17.8 million). It then goes on to show how this is funded from taxation and grants. The final section shows the impact on the General Fund balance.

## Comprehensive Income and Expenditure Statement

This statement shows the Council's cost of providing services. There are two key totals:

- Surplus or Deficit on provision of services
- Total Comprehensive Income and Expenditure

The deficit on provision of services is £1.4m, which includes actual income and expenditure incurred as well as adjustments for the cost of using capital assets (e.g. depreciation) and pension costs.

The total comprehensive income and expenditure (which is a surplus of £42.3 million) also includes the estimated gains on the revaluation of non-current (e.g. land and buildings) and pension assets. These gains would only be realised if the assets were actually sold.

## Movement in Reserves Statements

This statement starts with the surplus or deficit on provision of services total (from the Comprehensive Income and Expenditure Statement). A series of adjustments are then applied to get to the movement in the General Fund balance.

The General Fund balance is like the Council's savings account. We try to balance income and expenditure each year, but there will be variations which lead to amounts being added to or taken out of the General Fund. There is a need to maintain a certain level of savings, and Council Tax will be set to try and keep these at the right level.

The adjustments to get to the General Fund balance reflect that:

- The Council has separate funding sources for capital so rather than reflect the full cost of using assets; it only has to make allowances for the repayment of any borrowing that it has taken out to fund capital purchases.
- Rather than reflect the full cost of future pension liabilities, the Council only has to show current year contributions. These already include an element of catching up on previous deficits.

The overall result is that the movement on the General Fund is £1.4 million, which means that the balance at the start of the year of £10.6 million is now £12.0 million.

This statement also shows the other reserves that the Council has. The key ones are:

- Earmarked Reserves - money that the Council has chosen to set aside for a specific purpose.
- Capital Receipts Reserve - funding that can be used to fund future capital expenditure.

## Balance Sheet

The Balance Sheet shows the value as at the 31 March of the assets and liabilities recognised by the Council. The net assets of the Authority (assets less liabilities) are matched by the reserves held.

The total value of net assets of the Authority at 31 March 2022 is £153.6million. Key assets and liabilities include:

- Property, Plant and Equipment used to deliver services: £93.4million
- Investment properties used to generate income: £30.5million
- Short Term Treasury investments: £39.3million
- Pension liabilities: -£2.9 million

## Cashflow Statement

This shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

# Statement of Accounting Policies

## 1. GENERAL

- 1.1. The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and the position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. Those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Local Government Act.
- 1.2. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. All disclosures are subject to materiality as the intention of the statement of accounts is to present a 'true and fair' view of financial position, financial performance and cashflows.

## 2. ACCRUALS OF INCOME AND EXPENDITURE

- 2.1. Subject to materiality, activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards or ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
  - Revenue from the provision of services is generally recognised when the Authority can measure reliably the percentage of completion of the transaction and this reflects that the same proportion of the economic benefits or service potential associated with the transaction will flow to the Authority. Where the revenue is not material in value and the time interval between the receipt of the payment and transfer of the service to the service recipient is insignificant, the revenue is recognised when the payment is received. Where the provision of the service occurs over a period of time and the expectation of receiving the economic benefits or service potential only flows to the authority when the performance obligations have been completely fulfilled, the revenue will only be recognised when performance obligations in the contract have been fully satisfied.
  - Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
  - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
  - Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
  - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
  - Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

# Statement of Accounting Policies

## 3. COUNCIL TAX AND NON-DOMESTIC RATES

- 3.1 Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.
- 3.2 The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
- 3.3 The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

## 4. BUSINESS IMPROVEMENT DISTRICTS

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

## 5. CASH AND CASH EQUIVALENTS

- 5.1 Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 6. EMPLOYEE BENEFITS

### Benefits Payable During Employment

- 6.1. Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave, paid sick leave, and banked hours in the flexi scheme for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

- 6.2. Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis in the Comprehensive Income and Expenditure Statement and recognised at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring that involves the payment of termination benefits.

## Statement of Accounting Policies

- 6.3. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

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

### The Local Government Pension Scheme

- 6.6. The Local Government Pension Scheme is accounted for as a defined benefits scheme:
- The liabilities of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
  - Liabilities are discounted to their value at current prices, using a discount rate based on the indicative current rate of return on high quality corporate bonds of equivalent currency and term as the liabilities (rated at the level of AA or equivalent).
  - The assets of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the balance sheet at their fair value:
 

quoted securities	– bid price
unquoted securities	– professional estimate
unitised securities	– average of the bid and offer rates
property	– market value

- 6.7. The change in the net pensions liability is analysed into the following components:

#### Service cost comprising:

**Current service cost** – the increase in liabilities as a result of years of service earned in the financial year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

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

## Statement of Accounting Policies

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

**Re-measurements comprising:**

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

**Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

- 6.8. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**Discretionary Benefits**

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

**7. EVENTS AFTER THE REPORTING PERIOD**

- 7.1. Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
  - Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
- 7.2. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

# Statement of Accounting Policies

## 8. EXCEPTIONAL ITEMS

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

## 9. FINANCIAL INSTRUMENTS

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

### Financial Liabilities

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

### FINANCIAL ASSETS

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



# Statement of Accounting Policies

## Loans and Receivables

- 9.7. Assets of this type will arise where the Council provides money, goods or services to another party and contracts to defer the settlement of the debt that arises, but in the meantime will not plan to trade the receivable on the market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.
- 9.8. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.
- 9.9. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 10. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

# Statement of Accounting Policies

## 11. HERITAGE ASSETS

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

- 11.1 Heritage assets have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. The Authority's Heritage Assets consist of collections of assets or artefacts either exhibited or stored in the Authority's Museums (North Hertfordshire, Letchworth and Hitchin Museums) or the Museum Resource Centre, and items of public Sculpture and Artwork.
- 11.2 Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as the majority of them do not have a material monetary value and are therefore not recognised on the Balance Sheet.
- Where the Museums' Manager determines that an asset has a monetary value then they will undertake an annual programme of valuations by reviewing the archives of auctions houses to identify similar paintings by the same artist which have sold in the recent past.
  - Purchased acquisitions are initially recognised at cost.
  - For any donated acquisitions the Museums' Manager will determine whether they are likely to have a monetary value. If they do, then they will either provide a valuation or obtain an external valuation (as per above). Otherwise they will not be recognised on the Balance Sheet.
- 11.3 The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see section 18.13 in this summary of significant accounting policies.
- 11.4 The Authority has a policy for the acquisition and disposal of Museum collections. The policy states there is a strong presumption against the disposal of any items in the museum's collection and decisions to dispose of items will not be made with the principal aim of generating funds. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

## 12. INTANGIBLE ASSETS

- 12.1 Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.
- 12.2 Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).
- 12.3 Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

## Statement of Accounting Policies

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

12.5. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 13. INVENTORIES AND LONG TERM CONTRACTS

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

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

### 14. INVESTMENT PROPERTY

14.1. Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

14.2. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged in an orderly transaction between participants at the measurement date, and assuming that highest and best use is made of that asset. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

14.3. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

15.1. Jointly controlled operations are activities undertaken by the Authority in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

## Statement of Accounting Policies

- 15.2. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other partners, with the assets being used to obtain benefits for the partners. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### 16. LEASES

- 16.1. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
- 16.2. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Authority as Lessee

##### Finance Leases

- 16.3. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.
- 16.4. Lease payments are apportioned between:
- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
  - A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- 16.5. Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).
- 16.6. The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### Operating Leases

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

# Statement of Accounting Policies

## The Authority as Lessor

### Finance leases

- 16.8. Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.
- 16.9. Lease rentals receivable are apportioned between:
- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
  - Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- 16.10. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.
- 16.11. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

- 16.12. Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## 17. OVERHEADS AND SUPPORT SERVICES

- 17.1. The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

## Statement of Accounting Policies

### 18. PROPERTY, PLANT AND EQUIPMENT

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

#### Recognition

- 18.2. Expenditure, above the de-minimis level, on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) or is below the de-minimis level, is charged as an expense when it is incurred.

- 18.3. The Authority's de-minimis level is £20,000 for property and £10,000 for vehicles, plant and equipment. The Authority may reduce these limits for items funded from grants where there is a specific requirement to treat some or all of the allocation as capital expenditure.

#### Measurement

- 18.4. Assets, other than surplus assets (see below), are initially measured at cost, comprising:
- The purchase price.
  - Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
  - The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Surplus assets are measured at fair value, based on the highest and best use of that asset.

- 18.5. The cost of assets acquired other than by purchase is deemed to be its current value. Where an acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority) and is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

- 18.6. Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

- 18.7. Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – depreciated historical cost.
  - All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

- 18.8. Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. In such cases an estimate of the cost to re-build a similar asset (to provide the same function), using modern building practices and the latest information from the Building Cost Information Services is used as the value of the asset.

- 18.9. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

## Statement of Accounting Policies

- 18.10. Assets included in the balance sheet at current value are scheduled to be revalued sufficiently regularly to ensure their carrying amount is not materially different from their current value at the year end, but generally as a minimum every five years. As revaluations are carried out as at 1st November (part way through the year), where an asset is revalued, the closing asset value will be calculated as the revalued amount, less the annual depreciation charge. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of a loss previously charged to a service.
- 18.11. Where decreases in value are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
  - Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- 18.12. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

- 18.13. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
- 18.14. Where impairment losses are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
  - Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- 18.15. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

- 18.16. Depreciation is provided for all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).
- 18.17. Depreciation is calculated on a straight line allocation over the useful life of the property as estimated by the valuer. Assets are typically depreciated over the following lives:

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

## Statement of Accounting Policies

- 18.18. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.
- 18.19. An individual item of property, plant or equipment is componentised and each resultant significant component is recognised and depreciated separately subject to the following principles:
- Individual assets with a carrying value less than £500k are disregarded for componentisation (subject to an assessment of the materiality of any group of assets that have been disregarded).
  - A component is judged to be significant and hence recognised and depreciated separately if the cost of the component is at least 20% of the overall cost of the asset and the components useful life and required method of depreciation is different to the overall asset.
  - The significance of a component relative to the overall asset is determined when an asset is enhanced, acquired or revalued (e.g. as part of the five-year rolling programme).
  - The cost of a component is based on best estimates where historical cost of assets and components is not available.
- 18.20. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Non-current Assets Held for Sale**

- 18.21. When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
- 18.22. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
- 18.23. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
- 18.24. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.



## Statement of Accounting Policies

- 18.25. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.
- 18.26. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

- 19.1. Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
- 19.2. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
- 19.3. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

#### Provisions

- 20.1. Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.
- 20.2. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
- 20.3. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
- 20.4. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

# Statement of Accounting Policies

## Contingent Liabilities

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

## Contingent Assets

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

## 21. RESERVES

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

## 22. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

- 22.1. Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a long term asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.
- 22.2. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.
- 22.3. While the Authority has a de-minimis level for capitalising expenditure on its own assets there is no de-minimis level for revenue expenditure funded from capital under statute.

## 23. TRUST FUNDS AND THIRD PARTY ASSETS

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

## 24. VAT

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

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

The Expenditure and Funding Analysis is a note to the financial statements however it is positioned here as it provides a link between the figures in the narrative statement and the CIES.

2021/22			2022/23		
Net Expenditure chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement Directorate £'000	Net Expenditure chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,916	(936)	980	1,546	(1,293)	253
3,898	1,539	5,437	3,786	1,495	5,281
1,059	1,991	3,050	1,126	503	1,629
2,156	771	2,927	2,379	1,025	3,404
4,655	2,894	7,549	4,745	2,723	7,468
1,154	1,148	2,302	1,703	424	2,127
2,261	454	2,715	2,485	284	2,769
<b>17,099</b>	<b>7,861</b>	<b>24,960</b>	<b>17,770</b>	<b>5,161</b>	<b>22,931</b>
		<b>Net Cost of Services</b>			
1,231	(270)	961	1,277	(1,370)	(93)
		Other Operating Expenditure			
(709)	(1,736)	(2,445)	(2,467)	1,537	(930)
		Financing and Investment Income and Expenditure			
(14,540)	(5,087)	(19,627)	(12,689)	(7,777)	(20,466)
		Taxation and Non-Specific Grant Income and Expenditure			
<b>3,081</b>	<b>768</b>	<b>3,849</b>	<b>3,891</b>	<b>(2,449)</b>	<b>1,442</b>
		<b>(Surplus) or Deficit on Provision of Services</b>			
<b>(8,865)</b>		<b>Opening General Fund Balance</b>	<b>(10,607)</b>		
		(Surplus) or Deficit on General Fund Balance in year			
3,081			3,891		
(4,823)		Transfers to / (from) Earmarked Reserves	(5,274)		
<b>(10,607)</b>		<b>Closing General Fund Balance at 31<sup>st</sup> March</b>	<b>(11,990)</b>		

## Comprehensive Income and Expenditure Statement

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

2021/22			Note	2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
1,077	(97)	980	Managing Director	398	(145)	253
38,085	(32,648)	5,437	Customers	31,706	(26,425)	5,281
3,304	(254)	3,050	Enterprise	2,038	(409)	1,629
3,915	(988)	2,927	Legal & Community	4,505	(1,101)	3,404
12,034	(4,485)	7,549	Place	12,291	(4,823)	7,468
8,403	(6,101)	2,302	Regulatory	7,576	(5,449)	2,127
2,820	(105)	2,715	Resources	2,828	(59)	2,769
<b>69,638</b>	<b>(44,678)</b>	<b>24,960</b>	<b>Cost of Services</b>	<b>61,342</b>	<b>(38,411)</b>	<b>22,931</b>
		961	Other Operating Expenditure	13		(93)
	(2,445)		Financing and Investment Income & Expenditure	14		(930)
	(19,627)		Taxation and Non-Specific Grant Income & Expenditure	15		(20,466)
		<b>3,849</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,442</b>
	(3,210)		(Surplus) or Deficit on revaluation of non-current assets			(3,979)
	(9,261)		Re-measurements of the net defined benefit liability	39		(39,721)
	<b>(12,471)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(43,700)</b>
		<b>(8,622)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(42,258)</b>

### Service Reporting Code of Practice:

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

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes and reflect the adjustments between the accounting basis and the funding basis under regulations. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2021</b>	8,865	20,758	1,133	899	31,655	71,045	102,700
<b>Movement in Reserve during 2021/22</b>							
Surplus or (deficit) on provision of services	(3,849)	0	0	0	(3,849)	0	(3,849)
Other Comprehensive Expenditure and Income	0	0	0	0	0	12,471	12,471
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,849)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,849)</b>	<b>12,471</b>	<b>8,622</b>
Adjustments between accounting basis & funding basis under regulations (Note 12)	768	0	2,061	0	2,829	(2,829)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(3,081)</b>	<b>0</b>	<b>2,061</b>	<b>0</b>	<b>(1,020)</b>	<b>9,642</b>	<b>8,622</b>
Transfers to/from Earmarked Reserves (Note 27)	4,823	(4,823)	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>1,742</b>	<b>(4,823)</b>	<b>2,061</b>	<b>0</b>	<b>(1,020)</b>	<b>9,642</b>	<b>8,622</b>
<b>Balance at 31 March 2022</b>	<b>10,607</b>	<b>15,935</b>	<b>3,194</b>	<b>899</b>	<b>30,635</b>	<b>80,687</b>	<b>111,322</b>
<b>Movement in Reserve during 2022/23</b>							
Surplus or (deficit) on provision of services	(1,442)	0	0	0	(1,442)	0	(1,442)
Other Comprehensive Expenditure and Income	0	0	0	0	0	43,700	43,700
<b>Total Comprehensive Expenditure and Income</b>	<b>(1,442)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,442)</b>	<b>43,700</b>	<b>42,258</b>
Adjustments between accounting basis & funding basis under regulations (Note 12)	(2,449)	0	(436)	0	(2,885)	2,885	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(3,891)</b>	<b>0</b>	<b>(436)</b>	<b>0</b>	<b>(4,327)</b>	<b>46,585</b>	<b>42,258</b>
Transfers to/from Earmarked Reserves (Note 27)	5,274	(5,274)	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>1,383</b>	<b>(5,274)</b>	<b>(436)</b>	<b>0</b>	<b>(4,327)</b>	<b>46,585</b>	<b>42,258</b>
<b>Balance at 31 March 2023</b>	<b>11,990</b>	<b>10,661</b>	<b>2,758</b>	<b>899</b>	<b>26,308</b>	<b>127,272</b>	<b>153,580</b>

## Balance Sheet as at 31 March 2023

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

31 March 2022 £'000		Note	31 March 2023 £'000
91,442	Property, Plant and Equipment	16	93,418
932	Heritage Assets	17	932
26,379	Investment Property	18	30,531
151	Intangible Assets	19	555
0	Long Term Investments (non-property)		2,000
265	Other Long Term Debtors		265
<b>119,169</b>	<b>Long Term Assets</b>		<b>127,701</b>
515	Inventories	21	162
10,560	Short Term Debtors	22	5,673
36,529	Short Term Non Property Investments	20	39,269
3,227	Assets Held for Sale	24	588
23,025	Cash & Cash Equivalents	23	11,690
<b>73,856</b>	<b>Current Assets</b>		<b>57,382</b>
(26)	Short Term Borrowing	20	(27)
(20,914)	Short Term Creditors	25	(17,216)
(16,843)	Receipts in Advance	25	(8,842)
(46)	Provisions (< 1 year)	26	0
<b>(37,829)</b>	<b>Current Liabilities</b>		<b>(26,085)</b>
(367)	Long Term Borrowing	20	(347)
(1,444)	Long Term Creditors	38	(833)
(2,493)	Provisions (> 1 year)	26	(1,366)
(39,605)	Liability related to Pension Scheme	39	(2,906)
35	Deferred Credits		34
<b>(43,874)</b>	<b>Long Term Liabilities</b>		<b>(5,418)</b>
<b>111,322</b>	<b>Net Assets</b>		<b>153,580</b>
30,635	Usable Reserves	27	26,308
80,687	Unusable Reserves	28	127,272
<b>111,322</b>	<b>Total Reserves</b>		<b>153,580</b>

The un-audited accounts were authorised for issue on 28<sup>th</sup> July 2023.

## Cash Flow Statement

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

<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>
(3,849) Net surplus or (deficit) on the provision of services	(1,442)
Adjustments to net surplus or deficit on the provision of services 13,122 for non-cash movements <b>(Note 29)</b>	(8,289)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (2,777) <b>(Note 29)</b>	(4,803)
<b>6,496 Net cash flows from operating activities</b>	<b>(14,534)</b>
(10,400) Investing Activities <b>(Note 29)</b>	(5,704)
6,079 Financing Activities <b>(Note 29)</b>	8,903
<b>2,175 Net Increase or (decrease) in cash and cash equivalents</b>	<b>(11,335)</b>
20,850 Cash and Cash Equivalents at the beginning of the year	23,025
<b>23,025 Cash and Cash Equivalents at the end of the year</b>	<b>11,690</b>

# Notes to the Core Financial Statements

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# Notes to the Core Financial Statements

## INTRODUCTION

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and the accounting policies set out prior to the financial statements. The notes that follow (1 to 42) set out supplementary information to assist readers of the accounts.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

- a) IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2023/24 year).
- b) Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- c) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- d) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement issued in February 2021).
- e) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021
- f) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It should be noted that; item a) will only be applicable to local authorities that intend to voluntarily implement IFRS 16 in 2023/24. North Herts Council has instead opted to implement IFRS 16 in 2024/25. Item b) will only be applicable to local authorities that have voluntarily implemented IFRS 16 in 2022/23 but chose to defer implementation for PFI/PPP arrangements until 2023/24. This item does not therefore apply to North Herts Council. It is likely that, though they lead to improved reporting, items c) and d) will not have a significant impact on the amounts anticipated to be reported in the Council's financial statements. Item e) will only be applicable to local authorities with group accounts. This item does not therefore currently apply to North Herts Council, as the authority is not required to prepare group accounts. Application of item f) is expected to be of limited relevance to the Council's financial statements.

### 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication of the degree to which the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has determined that the ownership of Churchgate Shopping Centre in Hitchin is an investment property (carrying value of £4.5million) as there is currently no detailed alternative policy for ownership other than for rental income or capital appreciation. The Authority is looking at future options for the regeneration of the Churchgate area.
- The Authority considers the vehicles used in the delivery of the refuse and recycling service as held under a finance lease, with the underlying assets included on the balance sheet (carrying value of £0.9million). This reflects long-term leases economic benefits of ownership, through the performance of the contract. The seven-year contract commenced in May 2018, with the vehicle assets recognised at an initial value of £3.2 million.

## Notes to the Core Financial Statements

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

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

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over estimated useful lives. If, for any reason, an individual asset should deteriorate at a quicker rate than expected, then this could bring into doubt the useful lives assigned to individual assets. This could happen, for example, if the current period of austerity meant the necessary programme of repairs and maintenance was delayed.</p> <p>The underlying property valuations also continue to be affected by the economic uncertainty created from the Ukraine war and other inflationary impacts.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £239,700 for every year that useful lives had to be reduced.</p> <p>If market conditions are impacted by issues highlighted, every 1% change in the value of the Council's operational properties would equate to a change in the value of these assets of £934K.</p>
Investment Properties	<p>Investment Properties are not depreciated but are revalued annually according to market conditions. In the current economic climate it is uncertain if there will be a significant change in property prices over the next 12 months. However, the majority of the Authority's investment properties are ground leases which are considered to be relatively secure investments and less liable to large swings in value.</p>	<p>An average yield of 7.0% has been used in the calculation of the value of investment properties. A 0.5% reduction in the yield would reduce the carrying value of investment property by approximately £2.3million (this is a simple estimation for illustration only and does not consider the complexities and circumstances of individual assets).</p>
Debtors	<p>At 31 March 2023 the Authority had a balance of short term debtors of £7.4million. A review of the trend in collection rates and the age profile of the outstanding debt suggested an impairment of £2.0million was appropriate. However, in the current economic climate it is not certain if such an allowance is sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of impairment of the doubtful debt would require an additional £2.0million to be set aside.</p>
National Non Domestic Rates – Provision for Appeals	<p>The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The arrangements came into effect on 1 April 2013.</p> <p>The Authority, acting as an agent on behalf of the major preceptors, central government and itself (as principal) is required to make provisions in accordance with the requirements of the Code and legislation for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years.</p>	<p>A provision of £1.3m has been made, as at 31 March 2023, for the Authority's share of refunding outstanding appeals that are ultimately successful. This amount is based on the details of outstanding appeals with the Valuation Office Agency as at 31 March 2023, after applying a success factor of 25% and likely reduction in RV of 16%, to give an overall appeals factor of 4%. An increase in this appeals provision factor will result in an increase of £400k.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The assumptions interact in complex ways. Actuarial valuations are carried out every three years, with the latest undertaken in 2022/23. The Authority's actuaries advised that the net pensions liability in 2022/23 had reduced by £36.7million. This is due to a significantly higher than expected discount rate when working out the financial assumptions, resulting in a large gain on the balance sheet.</p>

## Notes to the Core Financial Statements

### 4. GOING CONCERN

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

This assumption primarily relates to the requirements of the CIPFA Code of Practice on Local Authority accounting in the United Kingdom. That reflects the economic and statutory environment in which Local Authorities operate. Therefore, as Local Authorities can not be created or dissolved without statutory prescription, accounts must be prepared on a Going Concern basis.

In addition to the above, the Council fully adheres to the requirements of legislation in relation to its financial management. This includes considering the medium term impact of its financial decisions through the preparation of a Medium Term Financial Strategy and considering the medium term when setting its budget each year.

### 5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

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

Directorate	Description of Material Item	Comment
Customers	Careline Service – Contribution from Hertfordshire County Council	Total income receivable under the terms of the contractual agreement with Hertfordshire County Council was £2.9million in 2022/23 (£2.7m in 2021/22).
Customers	Housing and Council Tax Benefits	The Authority paid a total of £20.5million of Housing Benefit payments in 2022/23 (£23.5million in 2021/22). This was funded by a grant subsidy from the Department for Work and Pensions of £20.0million (£22.8million in 2021/22).
Place	Grounds Maintenance Contract	Contract payments for the core service maintenance of amenity areas, burial grounds and rivers totalled £1.3million in 2022/23 (£1.3million in 2021/22).
Place	Waste and Recycling Contract	Waste and Recycling Contract expenditure totalled £4.0million in 2022/23 (£3.7million in 2021/22).
Place	Commercial Waste and Recycling Service Income	Total income from waste and recycling services provided to commercial customers in 2022/23 was £1.1m (£1.1m in 2021/22).
Place	Garden Waste Service Income	Total income of £1.3m received from residents subscribed to the Council's Garden Waste Collection Service in 2022/23 (£1.2m in 2021/22).
Regulatory	Off-Street Car Parking Income	Off-Street Car Parking income received by the authority totalled £1.8million in 2022/23 (£1.6m in 2021/22).

### 6. EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred after the reporting period that need disclosing in 2022/23.

### 7. PRIOR PERIOD ADJUSTMENTS

There were no prior period adjustments that need disclosing in 2022/23.

## Notes to the Core Financial Statements

### 8. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2022/23 or 2021/22. These would normally arise following boundary changes or from legislation, neither of which affected North Hertfordshire District Council during 2022/23. All operations are therefore classified as 'continuing operations'.

### 9. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis presents the total adjustments required to the amounts chargeable to the General Fund in order to arrive at the Net Expenditure in the Comprehensive Income and Expenditure Statement. The main adjustments required are detailed and explained below.

2021/22				2022/23					
Adjustments for Capital Purposes (Note 1)	Net Change for the Pension Adjustments (Note 2)		Other Differences (Note 3)	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Change for the Pension Adjustments (Note 2)		Other Differences (Note 3)	Total Adjustments
	£'000	£'000				£'000	£'000		
0	(969)		33	<b>(936)</b>	Managing Director	0	(1,046)	(247)	<b>(1,293)</b>
365	1,174		0	<b>1,539</b>	Customers	406	1,089	0	<b>1,495</b>
1,777	214		0	<b>1,991</b>	Commercialisation	295	208	0	<b>503</b>
474	297		0	<b>771</b>	Legal & Community	666	359	0	<b>1,025</b>
2,663	231		0	<b>2,894</b>	Place	2,454	269	0	<b>2,723</b>
439	709		0	<b>1,148</b>	Regulatory	(309)	733	0	<b>424</b>
158	296		0	<b>454</b>	Resources	(31)	315	0	<b>284</b>
<b>5,876</b>	<b>1,952</b>		<b>33</b>	<b>7,861</b>	<b>Net Cost of Services</b>	<b>3,481</b>	<b>1,927</b>	<b>(247)</b>	<b>5,161</b>
(270)	0		0	<b>(270)</b>	Other Operating Expenditure	(1,370)	0	0	<b>(1,370)</b>
(2,674)	938		0	<b>(1,736)</b>	Financing and Investment Income and Expenditure	442	1,095	0	<b>1,537</b>
(13)	0	(5,074)		<b>(5,087)</b>	Taxation and Non-Specific Grant Income and Expenditure	(306)	0	(7,471)	<b>(7,777)</b>
<b>(2,957)</b>	<b>938</b>	<b>(5,074)</b>		<b>(7,093)</b>	<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(1,234)</b>	<b>1,095</b>	<b>(7,471)</b>	<b>(7,610)</b>
<b>2,919</b>	<b>2,890</b>	<b>(5,041)</b>		<b>768</b>	<b>Difference between the General Fund Surplus or Deficit and the CIES surplus or deficit on the provision of services</b>	<b>2,247</b>	<b>3,022</b>	<b>(7,718)</b>	<b>(2,449)</b>

# Notes to the Core Financial Statements

## 1) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the Services lines, and for the following items in Other Income and Expenditure:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year. The gain to the authority on receipt of a donated asset is also credited to this line.

## 2) Net Change for the Pensions Adjustments

This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

## 3) Other Differences

This includes those other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## Notes to the Core Financial Statements

### 10. SEGMENTAL INCOME

Income received on a segmental basis is analysed below.

	2021/22	2022/23
<b>Directorate</b>	£'000	£'000
Managing Director	(190)	(1,765)
Customers	(32,648)	(26,425)
Enterprise	(1,475)	(2,227)
Legal & Community	(988)	(1,101)
Place	(4,485)	(4,823)
Regulatory	(6,101)	(5,449)
Resources	(105)	(59)
<b>Total Directorate Income</b>	<b>(45,992)</b>	<b>(41,849)</b>
<b>Other Income Received</b>		
Non-Ringfenced Government Grants	(7,017)	(5,085)
Income from Council Tax and Business Rates	(12,597)	(15,076)
<b>Total Income within Surplus or Deficit on the Provision of Services</b>	<b>(65,606)</b>	<b>(62,010)</b>

### 11. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	2021/22	2022/23
	£000	£000
Employee costs	17,759	18,705
Other Service Expenditure	22,608	19,185
Housing Benefit Payments	23,531	20,520
Interest Payments	482	399
Net Pension Costs	938	1,095
Capital Charges:		
- Depreciation of Property, Plant & Equipment	3,789	3,385
- Amortisation of Intangible Assets	148	287
- Impairment / Downward Revaluation of Assets	2,012	45
- Impairment Reversal	(178)	(523)
(Increase) / Decrease in Fair Value of Investment Properties	(2,595)	447
(Gain) / Loss on the Disposal of Assets	(270)	(1,370)
Parish Council Precepts	1,231	1,277
<b>Total Expenditure</b>	<b>69,455</b>	<b>63,452</b>
Fees and Charges	(9,622)	(10,053)
Interest and Rental Income	(1,406)	(3,268)
Housing Benefit Subsidy	(22,772)	(20,040)
Grants and Contributions	(19,209)	(13,573)
Income from Council Tax and Business Rates	(12,597)	(15,076)
<b>Total Income</b>	<b>(65,606)</b>	<b>(62,010)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>3,849</b>	<b>1,442</b>

## Notes to the Core Financial Statements

### 12. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The first table shows the adjustments made in the comparative year 2021/22:

2021/22	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments Primarily involving the Capital Adjustment Account:</b>				
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(5,623)	0	0	5,623
Movements in the market value of Investment Properties	2,595	0	0	(2,595)
Amortisation of Intangible Assets	(148)	0	0	148
Capital Grants and contributions applied	133	0	0	(133)
Revenue Expenditure funded from capital under statute	(225)	0	0	225
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(2,369)	0	0	2,369
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory Provision for the financing of capital investment	4	0	0	(4)
Capital expenditure charged against the General Fund	75	0	0	(75)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	2,644	(2,644)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	578	0	(578)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(5)	5	0	0
<b>Adjustments primarily involving the Pension Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,760)	0	0	5,760
Employers pensions contributions and direct payments to pensioners payable in year	2,870	0	0	(2,870)
<b>Adjustments primarily involving the Collection Fund Account:</b>				
Movement in the Authority's share of the Collection Fund surplus / deficit	5,074	0	0	(5,074)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Accrued employee absence adjustment	(33)	0	0	33
<b>Total Adjustments</b>	<b>(768)</b>	<b>(2,061)</b>	<b>0</b>	<b>2,829</b>

## Notes to the Core Financial Statements

The following table shows the adjustments made in 2022/23:

2022/23	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments Primarily involving the Capital Adjustment Account:</b>				
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(2,907)	0	0	2,907
Movements in the market value of Investment Properties	(447)	0	0	447
Amortisation of Intangible Assets	(287)	0	0	287
Capital Grants and contributions applied	622	0	0	(622)
Revenue Expenditure funded from capital under statute	(603)	0	0	603
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(2,763)	0	0	2,763
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory Provision for the financing of capital investment	4	0	0	(4)
Capital expenditure charged against the General Fund	1	0	0	(1)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	4,181	(4,181)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	4,569	0	(4,569)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(48)	48	0	0
<b>Adjustments primarily involving the Pension Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,091)	0	0	6,091
Employers pensions contributions and direct payments to pensioners payable in year	3,069	0	0	(3,069)
<b>Adjustments primarily involving the Collection Fund Account:</b>				
Movement in the Authority's share of the Collection Fund surplus / deficit	7,471	0	0	(7,471)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Accrued employee absence adjustment	247	0	0	(247)
<b>Total Adjustments</b>	<b>2,449</b>	<b>436</b>	<b>0</b>	<b>(2,885)</b>



## Notes to the Core Financial Statements

### 13. OTHER OPERATING EXPENDITURE

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
1,231	Parish council precepts	1,277
(270)	(Gains) / losses on disposal of non-current assets	(1,370)
<b>961</b>	<b>Total</b>	<b>(93)</b>

### 14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
483	Interest payable and similar charges	399
938	Pensions interest cost and expected return on pensions assets	1,095
(80)	Interest receivable and similar income	(1,314)
(2,595)	Change in Fair Value of Investment Properties	447
(1,191)	Income and expenditure in relation to investment properties	(1,557)
<b>(2,445)</b>	<b>Total</b>	<b>(930)</b>

### 15. TAXATION & NON-SPECIFIC GRANT INCOME AND EXPENDITURE

<b>2021/22</b>		<b>2022/23</b>	<b>2022/23</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
(13,266)	Council Tax Income		(13,701)
(19)	Section 31 Council Tax Discount for Family Annexes grant		(20)
(230)	Covid-19 Council Tax Support Grant		0
(558)	Covid-19 Emergency Grant Funding		0
(308)	Covid-19 Sales, Fees and Charges Compensation		0
(5,394)	Section 31 Business Rates Reliefs Grant		(4,457)
(392)	New Homes Bonus		(295)
(116)	Lower Tier Services Grant		(125)
0	2022/23 Services Grant		(188)
	National Non-Domestic Business Rates (NNDR)		
(18,177)	Share of total collectible income	(12,909)	
13,271	NNDR Tariff and Levy	13,264	
5,575	NNDR Collection Fund (Surplus) / Deficit	(1,729)	
669	Net Recognised NNDR		(1,374)
(13)	Capital Grants and Contributions (see below)		(306)
<b>(19,627)</b>			<b>(20,466)</b>

<b>2021/22</b>	<b>Capital Grants and Contributions</b>	<b>2022/23</b>
<b>£000</b>		<b>£000</b>
13	S106 Developer Contributions	0
0	Herts County Council - Careline Laptops	25
0	Keep Britain Tidy – Street Cleaning and Gum Removal Machine	38
0	DEFRA - Park Home Insulation	243
<b>13</b>	<b>Total</b>	<b>306</b>

## Notes to the Core Financial Statements

### 16. PROPERTY, PLANT AND EQUIPMENT

The movement on property, plant and equipment balances during the year and in the 2021/22 comparable year is detailed in the following tables.

Within each classification heading are the following types of assets:

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

### REVALUATIONS

The Authority has a 5 year rolling revaluation programme for its properties. The Authority's Investment properties are valued annually. Revaluations completed during the year are reflected as at 1 November of the financial year when the valuation takes place. Reviews of valuations may be undertaken should the valuer have cause to believe the valuation as at 1 November may have materially changed. Valuations of the Authority's properties are overseen by the Senior Estates Surveyor, who is a professional member of the Royal Institution of Chartered Surveyors. When necessary, specialist external valuers are used for assets which require particular knowledge of the asset valued.

Revaluations have been undertaken in 2022/23 in line with the 5 year rolling programme. These have resulted in a net increase to the carrying value of property, plant and equipment of £4.184million.

The following table shows which class of assets have been scheduled for revaluation over the last 4 years:

2019/20	2020/21	2021/22	2022/23
Industrial Properties	Investment Properties	Investment Properties	Investment Properties
Investment Properties	Assets Held for Sale	Assets Held for Sale	Assets Held for Sale
Assets Held for Sale	Surplus Assets	Surplus Assets	Surplus Assets
Surplus Assets			
	Operational Assets:	Operational Assets:	Operational Assets:
	Amenity Land *	Amenity Land *	Car Park *
	Burial Ground *	Burial Ground *	Offices *
	Car Park *	Car Park *	Public Halls
	Community Centres	Community Centres	Storage *
	Industrial	Industrial	Trust Property*
	Leisure Centres	Leisure Centres	
	Market *	Market *	
	Museums	Museums	
	Offices *	Offices *	
	Pavilions *	Pavilions *	
	Play Areas *	Play Areas *	
	Public Conveniences	Public Conveniences	
	Public Halls	Public Halls	
	Public Open Space *	Public Open Space *	
	Recreation Ground *	Recreation Ground *	
	Storage *	Storage *	
	Swimming Pools	Swimming Pools	
	Trust Properties *	Trust Properties *	

\* Selected assets were valued in this category.

## Notes to the Core Financial Statements

The table below shows the value of assets revalued over the last five years:

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	126	2,815	318	86	0	427
Valued at Current Value as at:						
2018/19	71			0	0	
2019/20	418			0	0	
2020/21	0			0	0	
2021/22	64,075			4,960	0	
2022/23	11,697			0	8,424	
<b>Total</b>	<b>76,387</b>	<b>2,815</b>	<b>318</b>	<b>5,046</b>	<b>8,424</b>	<b>427</b>

The Authority measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The Authority uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. The three widely used valuation techniques are:

- the market approach - uses prices and other relevant data generated by market transactions involving identical or comparable (i.e. similar) assets or group of assets.
- the cost approach - reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
- the income approach - converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

The market approach and the cost approach were both employed for the valuation of all surplus assets. The use of more than one valuation technique in the measurement of an asset is to ensure as far as possible that the valuation is most representative of fair value in the circumstances.

The market approach was employed for the valuation of all investment properties. For certain investment properties, where sufficient data was available, the income approach was also employed for valuation corroboration purposes, in accordance with valuation good practice.

The fair value measurements take into account the three levels of categories for inputs to valuations for fair value assets:

Level 1 Quoted Prices in active markets for identical assets accessible at the measurement date.

Level 2 Observable (either directly or indirectly) other than quoted prices at Level 1

Level 3 Unobservable

The Authority's investment properties and surplus assets have been assessed as Level 2 for valuation purposes.

## Notes to the Core Financial Statements

An impairment review was completed as at 31 March 2023 to ascertain if the carrying value of the assets had decreased materially since the last revaluation. The value of the King Street Car Park, Royston was impaired by £2,300.

### **SURPLUS ASSETS**

The authority has non-operational land and buildings with a total carrying value of £8.424m at 31 March 2023. The five sites of material value included within the total are:

- Land at The Snipe, Weston
- Land off Yeomanry Drive, Clothall Common, Baldock
- Land at Radburn Way, Letchworth
- Land at Meadow Way, Therfield
- Depot at Icknield Way

### **DISPOSALS**

The Authority sold two sites during 2022/23:

- Ivel Court
- Land at Preston

The combined carrying value of these assets at the time of disposal was £2.763million. The combined total of receipts received was £4.199million.

## Notes to the Core Financial Statements

### MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2021/22

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Valuation</b>							
<b>At 1 April 2021</b>	<b>81,642</b>	<b>15,158</b>	<b>93</b>	<b>5,797</b>	<b>10,158</b>	<b>318</b>	<b>113,166</b>
Additions	620	389	8	0	0	116	1,133
Disposals	0	0	0	0	0	0	0
Reclassifications	(1,960)	110	235	1,272	(117)	(12)	(472)
Write Off to Revenue	0	0	0	0	0	0	0
Upward and Downward Revaluations recognised in the Revaluation Reserve	2,747	0	0	(34)	(2,395)	0	318
Upward Revaluations / Impairment reversals recognised in the Surplus/Deficit on Provision of Services	178	0	0	0	0	0	178
Impairments / Downward Revaluations recognised in the Surplus/Deficit on the Provision of Services	(379)	0	0	0	(469)	0	(848)
<b>At 31 March 2022</b>	<b>82,848</b>	<b>15,657</b>	<b>336</b>	<b>7,035</b>	<b>7,177</b>	<b>422</b>	<b>113,475</b>
<b>Depreciation &amp; Impairments</b>							
At 1 April 2021	(7,739)	(11,676)	(45)	(1,654)	(19)	0	(21,133)
Depreciation Charge for 2021/22	(2,499)	(1,082)	(15)	(191)	(1)	0	(3,788)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	2,853	0	0	34	0	0	2,887
<b>At 31 March 2022</b>	<b>(7,385)</b>	<b>(12,758)</b>	<b>(60)</b>	<b>(1,811)</b>	<b>(20)</b>	<b>0</b>	<b>(22,034)</b>
<b>Balance Sheet amount at 31 March 2022</b>	<b>75,463</b>	<b>2,899</b>	<b>276</b>	<b>5,224</b>	<b>7,157</b>	<b>422</b>	<b>91,441</b>
<b>Balance Sheet amount at 1 April 2021</b>	<b>73,903</b>	<b>3,482</b>	<b>49</b>	<b>4,143</b>	<b>10,138</b>	<b>318</b>	<b>98,709</b>

Included in the Land and Buildings total is a donated asset with a carrying value of £1.6 million.

## Notes to the Core Financial Statements

### MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2022/23

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Valuation</b>							
<b>At 1 April 2022</b>	<b>82,848</b>	<b>15,657</b>	<b>336</b>	<b>7,035</b>	<b>7,177</b>	<b>422</b>	<b>113,475</b>
Additions	279	696	58	3	0	322	1,358
Disposals	0	0	0	0	0	0	0
Reclassifications	0	18	0	0	(154)	(318)	(454)
Write Off to Revenue	0	0	0	0	0	0	0
Upward and Downward Revaluations recognised in the Revaluation Reserve	2,430	0	0	0	1,240	0	3,670
Upward Revaluations / Impairment reversals recognised in the Surplus/Deficit on Provision of Services	372	0	0	0	151	0	523
Impairments / Downward Revaluations recognised in the Surplus/Deficit on the Provision of Services	(45)	0	0	0	0	0	(45)
<b>At 31 March 2023</b>	<b>85,885</b>	<b>16,371</b>	<b>394</b>	<b>7,038</b>	<b>8,414</b>	<b>426</b>	<b>118,528</b>
<b>Depreciation &amp; Impairments</b>							
At 1 April 2022	(7,385)	(12,758)	(60)	(1,811)	(20)	0	(22,034)
Depreciation Charge for 2022/23	(2,390)	(798)	(15)	(181)	(1)	0	(3,385)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	277	0	0	0	32	0	309
<b>At 31 March 2022</b>	<b>(9,498)</b>	<b>(13,556)</b>	<b>(75)</b>	<b>(1,992)</b>	<b>11</b>	<b>0</b>	<b>(25,110)</b>
<b>Balance Sheet amount at 31 March 2023</b>	<b>76,387</b>	<b>2,815</b>	<b>319</b>	<b>5,046</b>	<b>8,425</b>	<b>426</b>	<b>93,418</b>
<b>Balance Sheet amount at 1 April 2022</b>	<b>75,463</b>	<b>2,899</b>	<b>276</b>	<b>5,224</b>	<b>7,157</b>	<b>422</b>	<b>91,441</b>

Included in the Land and Buildings total is a donated asset with a carrying value of £1.5 million.

## Notes to the Core Financial Statements

### 17. HERITAGE ASSETS

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

	<b>Museum Collections</b>	<b>Public Sculpture / Artwork</b>	<b>Total Heritage Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1 April 2021	882	46	928
Revaluations	1	3	4
<b>31 March 2022</b>	<b>883</b>	<b>49</b>	<b>932</b>
1 April 2022	883	49	932
<b>31 March 2023</b>	<b>883</b>	<b>49</b>	<b>932</b>

#### Museum Collections

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

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

The items of the art collection recognised on the Balance Sheet include eight paintings of note by William Ratcliffe. The Authority has been donated a number of Ratcliffe paintings, prints and drawings and has added to the collection with the occasional purchase. The collection is documented in a book on William Ratcliffe published by the Authority in 2011.

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

The Authority's Museums Manager carried out a full valuation of the collections as at 31 March 2012 and reviewed these valuations as at 31 March 2020. The valuations were based on commercial markets, including transaction information from auctions where similar paintings are regularly being purchased.

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

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

The majority of the collections are not recognised in the Authority's Balance Sheet since there is no readily available information on the cost or market value of such items and to obtain such information would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. The unvalued collections are insured for £2million as at 31 March 2020.

# Notes to the Core Financial Statements

## Public Sculpture / Artwork

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

The Authority's civic regalia is not recognised in the financial statements. There are four ceremonial chains, which are insured in total for £19,180.

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

The Authority has piece of granite toe of an Egyptian Pharaoh statue, which is 6 inches wide. This was donated by the Sculptor John Mills and has been insured for £8,000.

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

## Heritage Asset Transactions

In the financial year from April 2022 to March 2023 the museum received 32 items or groups of items. All were donated.

These included the Amstrad PCW8512 computer used for Hitchin Festival, cards left in memory of Queen Elizabeth II in Hitchin Marketplace, a 'Crumbee' table sweeper dating from 1952, the chain of office from Tangent, a groups of local wives whose husbands were in the 41 Club, two Talking Newspaper machines used locally up to 2019, and the first edition of the Hitchin Herald newspaper, from 1988. Local sporting items included 3 'Hitchin Belles' football shirts from around 2012, and a picture of boxer Andy Straughn. Born in Barbados in 1959, Straughn grew up in Hitchin, and represented the UK at the 1980 Summer Olympics. Following the exhibition 'For the Love of the Game', about disability sports in North Herts, the museum has acquired a rugby shirt from Bravehearts, a local mixed ability team, and a North Herts & Stevenage Athletics Club vest. This club has worked hard to provide opportunities for people of all abilities.

Many other items were offered but refused because they did not have local links, or because they duplicated items already in the collection. Some items, such as a pair of Land Army dungarees without links to the District, and three spinning tops, were accepted for handling by schoolchildren.

## 18. INVESTMENT PROPERTIES

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Rental Income from Investment Property	(1,222)	(1,818)
Direct Operating Expenses arising from Investment Property	31	261
<b>Net Gain / (Loss)</b>	<b>(1,191)</b>	<b>(1,556)</b>

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



## Notes to the Core Financial Statements

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

	2021/22	2022/23
	£'000	£'000
<b>Balance at Start of the Year</b>	<b>23,776</b>	<b>26,379</b>
Additions: Purchases	0	4,220
Additions: Construction / Subsequent Expenditure	0	49
Net Gains / (Losses) from Fair Value adjustments	2,595	(447)
Transfers: (to) / from Property, Plant and Equipment	8	330
<b>Balance at End of Year</b>	<b>26,379</b>	<b>30,531</b>

### 19. INTANGIBLE ASSETS

	Purchased Software Licences
	£'000
Original Cost	2,551
Amortisations to 1 April 2022	(2,400)
<b>Balance at 1 April 2022</b>	<b>151</b>
Expenditure in Year	692
Written off to Revenue in Year	(288)
<b>Balance at 1 April 2023</b>	<b>555</b>

### 20. FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	31 March	31 March	31 March	31 March
	2022	2023	2022	2023
	£'000	£'000	£'000	£'000
<b>Financial Liabilities at amortised cost:</b>				
Creditors payable within one year	0	0	6,305	6,438
Borrowing	367	347	26	27
<b>Total Financial Liabilities:</b>	<b>367</b>	<b>347</b>	<b>6,331</b>	<b>6,465</b>
<b>Financial Assets:</b>				
Debtors (loans and receivables)	265	2,265	5,651	3,958
Investments	0	0	36,529	39,269
Cash & Cash Equivalents	0	0	23,025	11,690
<b>Total Financial Assets:</b>	<b>265</b>	<b>2,265</b>	<b>65,205</b>	<b>54,917</b>

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

	Financial Liabilities		Financial Assets		Total	
	At amortised cost		Loans & Receivables			
	£'000		£'000		£'000	
	2022	2023	2022	2023	2022	2023
Interest Expense	(482)	(399)	0	0	(482)	(399)
<b>Interest Payable &amp; Similar Charges</b>	<b>(482)</b>	<b>(399)</b>	<b>0</b>	<b>0</b>	<b>(482)</b>	<b>(399)</b>
Interest Income	0	0	75	1,310	75	1,310
<b>Interest &amp; investment income</b>	<b>0</b>	<b>0</b>	<b>75</b>	<b>1,310</b>	<b>75</b>	<b>1,310</b>
<b>Net gain/(loss) for year</b>	<b>(482)</b>	<b>(399)</b>	<b>75</b>	<b>1,310</b>	<b>(407)</b>	<b>911</b>

## Notes to the Core Financial Statements

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

- A 'premature repayment' set of rates, supplied by the Council's financial advisors, in force on the 31 March 2023 has been used to supply the fair value for loans
- Transaction costs on all financial liabilities and financial assets are immaterial (transaction costs do not include internal administrative costs)
- Interest payable and receivable reflects market rates
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council is required to classify the valuation of financial instruments into three levels according to the quality and reliability of information used to determine fair value:

Level 1 Quoted Prices in active markets for identical assets accessible at the measurement date.

Level 2 Observable (either directly or indirectly) other than quoted prices at Level 1

Level 3 Unobservable

The valuation basis adopted below uses Level 2 inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

The fair values are calculated as follows:

	<b>31 March 2022</b>		<b>31 March 2023</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial Liabilities</b>	6,699	7,072	6,812	7,039

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

	<b>31 March 2022</b>		<b>31 March 2023</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Loans &amp; Receivables</b>	65,520	65,472	57,075	57,336

The fair value of the loans & receivables is more than the carrying amount because valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.

### Nature and Extent of Risks Arising from Financial Instruments

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

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

## Notes to the Core Financial Statements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a Central Treasury Team, under policies approved in the annual Investment Strategy (Integrated Capital and Treasury Strategy). The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### Credit Risk

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

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Investment Strategy (Integrated Capital and Treasury Strategy) ensured that its counterparty lists and limits reflected a prudent attitude towards organisations with whom funds were deposited, and limited its investment activities to the instruments, methods and techniques referred to in the Treasury Management Practices adopted by the Authority. It also maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements. There were no defaults on investments in 2022/23 or 2021/22. The table below details the investment limits for 2022/23.

Investment Category	Maximum amount of investment allowable in category	Investment Type	Maximum Amount of Investment Allowable in any one Institution	Amount Invested as at 31 March 2023* £'000
Banks	£33M	UK Clearing Banks	£5M	6,000
		UK Clearing Banks (Wholly owned Subsidiaries)	£5M	0
		Non-UK Clearing Banks	£5M	5,000
UK Building Societies and UK Property Market Funds	£26M	Rated Building Societies	£5M	8,000
		Building Societies (Assets £1bn and over)	£4M	0
		Building Societies (Assets £0.3bn to £1bn)	£2M	0
		Property Market Funds	£2M	0
Money Market Funds	£11M	Money Market Funds	£5M	0
UK Local Authorities	No limit	Other Local Authorities	£5M	29,000
UK Government	No limit	Debt Management Office	No limit	2,500
<b>Total Invested</b>				<b>50,500</b>

\* This column shows the total invested in all counterparties in the group (for example, there was £8.0million invested in two separate rated building societies).

The analysis of the £50.5million of investments by credit rating at year end is as follows:

AAA or equivalent	AA / AA- or equivalent	A+ / A- or equivalent	BBB+ / BBB or equivalent	AAA money market fund	Other Local Authorities	Not rated*	Total Investments
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	2,500	19,000	0	0	29,000	0	<b>50500</b>

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

## Notes to the Core Financial Statements

The Authority does not allow credit facilities for customers with relation to payments for the provision of services. £0.382M of the total £0.843M sundry debtor balance at 31 March 2023 has passed its due date for payment. The risk of default is accounted for through the corresponding bad debt provision, which is determined primarily by the age of the sundry debtor outstanding. The sundry debtor balance and corresponding provision is presented in the table below.

Age of Debt	Sundry Debtors £'000	Provision Percentage	Provision Required £'000	Net Sundry Debtors £'000
Within payment terms	461	0%	0	461
1-3 months over term	55	0%	0	55
3-12 months overdue	170	25%	(43)	127
12-24 months overdue	61	75%	(46)	15
More than 24 months overdue	96	100%	(96)	0
<b>Total at 31 March 2023</b>	<b>843</b>		<b>(185)</b>	<b>658</b>

The equivalent position at the end of 2021/22 is shown in the table below:

Age of Debt	Sundry Debtors £'000	Provision Percentage	Provision Required £'000	Net Sundry Debtors £'000
Within payment terms	564	0%	0	564
1-3 months over term	115	0%	0	115
3-12 months overdue	253	25%	(63)	190
12-24 months overdue	123	75%	(92)	31
More than 24 months overdue	98	100%	(98)	0
<b>Total at 31 March 2022</b>	<b>1,153</b>		<b>(253)</b>	<b>900</b>

### Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority reviews its borrowing requirements as part of its annual Investment Strategy (Integrated Capital and Treasury Strategy) and the standard policy has been to limit the amount of borrowing and reduce the exposure to liquidity risk. The strategy for 2022/23 was to utilise capital receipts and set aside reserves and no new borrowing was taken out.

The total financial liability is made up as follows:

	31 March 2022 £'000	31 March 2023 £'000
Public Works Loan Board	386	367
Banks and Other Monetary Sectors	0	0
<b>Total Borrowing</b>	<b>386</b>	<b>367</b>
Less: Debt Maturing in 12 Months	19	20
<b>Total Long Term Borrowing</b>	<b>367</b>	<b>347</b>

At 31 March 2023 the average rates of interest on the different varieties of loans were as follows:

	%
Public Works Loan Board	10.28

The consolidated rate of interest, the rate used for internal transactions, was 10.17%.

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

	£'000
Maturing in more than 1 and less than 2 years	22
Maturing in more than 2 and less than 5 years	50
Maturing in more than 5 and less than 10 years	25
Maturing in more than 10 years	250
<b>Total</b>	<b>347</b>

## Notes to the Core Financial Statements

### Market Risk

#### Interest rate risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2023 if interest rates had been 1% higher with all other variables held constant, there would have been no effect seen in the Income and Expenditure Statement as there were no variable investments held during the year. The fair value of the loans outstanding would have been £6k higher (cost of repayment would have increased). This is shown below:

	£'000
Increase in interest receivable on variable rate investments	(0)
<b>Impact on Income and Expenditure Account</b>	<b>(0)</b>
Increase in fair value of fixed rate loans	<u>6</u>

#### Price risk

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

#### Foreign exchange risk

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

### 21. INVENTORIES

	31 March 2022 £'000	31 March 2023 £'000
Inventory:		
Paper and Stationery	1	1
Postage	3	2
Waste & Recycling equipment	48	7
Museum merchandise	7	12
Careline Telecare equipment	453	135
Hitchin Town Hall Bar/Café Supplies	3	4
Other	0	1
<b>Total</b>	<b>515</b>	<b>162</b>

## Notes to the Core Financial Statements

### 22. DEBTORS

	<b>31 March 2022 £'000</b>	<b>31 March 2023 £'000</b>
Central Government Bodies	4,143	511
Impairment	0	0
<b>Net Total Central Government Bodies</b>	<b>4,143</b>	<b>511</b>
Other Local Authorities	3,153	1,798
Impairment	0	0
<b>Net Total Other Local Authorities</b>	<b>3,153</b>	<b>1,798</b>
Ratepayers / Council Tax Payers	2,132	1,983
Impairment	(1,366)	(1,018)
<b>Net Total Ratepayers / Council Tax Payers</b>	<b>766</b>	<b>965</b>
Housing Benefit Overpayments	1,330	1,220
Impairment	(731)	(574)
<b>Net Total Housing Benefit Overpayments</b>	<b>599</b>	<b>646</b>
Other Entities and Individuals	2,220	2,119
Impairment	(321)	(366)
<b>Net Total Other Entities and Individuals</b>	<b>1,899</b>	<b>1,753</b>
<b>Total Net Debtors</b>	<b>10,560</b>	<b>5,673</b>

### 23. CASH AND CASH EQUIVALENTS

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

	<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
97	Cash held by the Authority		12
1,928	Bank current accounts		2,178
0	Short-term Deposits with Banks/Building Societies		2,000
0	Short-term Deposits with Other Local Authorities		5,000
21,000	Short-term Deposits with Central Government		2,500
<b>23,025</b>	<b>Total</b>		<b>11,690</b>

### 24. ASSETS HELD FOR SALE (Non-Current)

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Balance Outstanding at Start of Year</b>	<b>6,296</b>	<b>3,227</b>
Assets newly classified as held for sale:		
Property Plant & Equipment	464	124
Investment Properties	0	0
Impairment losses	(1,164)	0
Revaluation gains	0	0
Assets Sold	(2,369)	(2,763)
<b>Balance Outstanding at End of Year</b>	<b>3,227</b>	<b>588</b>

## Notes to the Core Financial Statements

### 25. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

Short Term Creditors	31 March 2022 £000	31 March 2023 £000
Central government bodies	14,609	10,594
Other local authorities	1,499	2,562
Other entities and individuals*	4,806	4,060
<b>Total</b>	<b>20,914</b>	<b>17,216</b>

\* As at 31 March 2023 there was £139k of prepayments received in the last few days of the year (£43k as at 31 March 2022).

Receipts in Advance	31 March 2022 £000	31 March 2023 £000
Central government bodies	9,491	1,611
Other local authorities	187	162
Other entities and individuals	7,165	7,127
<b>Total</b>	<b>16,843</b>	<b>8,900</b>

### 26. PROVISIONS

	Provisions <1yr		Provisions > 1 year		Total £'000
	Restructure Costs	Insurance Fund	NNDR Appeals		
	£'000	£'000	£'000		
<b>Balance at 1 April 2022</b>	<b>(46)</b>	<b>(30)</b>	<b>(2,463)</b>	<b>(2,539)</b>	
Additional provisions made in 2022/23	0	(12)	(295)	(307)	
Amounts used in 2022/23	46	24	94	164	
Unused amounts reversed in 2022/23	0	0	1,316	1,316	
<b>Balance at 31 March 2023</b>	<b>0</b>	<b>(18)</b>	<b>(1,348)</b>	<b>(1,366)</b>	

#### Restructure Costs

This provision is for costs associated with a staffing restructure within the Customers Directorate. The consultation on a plan to revise staffing arrangements in the IT service commenced in March 2022. The restructure is now completed, and the provision has been fully utilised.

#### Insurance Provision

The insurance provision covers the uninsured aspect of outstanding insurance claims (the amount of our policy excess and any self-insured losses to be covered by the Insurance Fund). This varies throughout the year and the provision amount is adjusted at the end of each quarter on receipt of revised estimates from insurers.

#### NNDR Appeals Provision

The Authority is required to recognise a provision for NNDR appeals liabilities. The balance includes provision for lodged appeals against both the 2010 and 2017 published ratings. The calculation is based on both information from the Valuation Office (VOA) and assumptions on the likelihood of the success of the lodged appeals and the impact on rateable values. The total at the end of 2022/23 was £3.4million (£6.2million in 2021/22) and, as this is shared between North Herts, Herts County Council and Central Government, the North Herts proportion reflected in the balance sheet was £1.3million (£2.5million in 2021/22). The reduction in the total provision primarily relates to the release of the provision for appeals not yet lodged against the 2017 published ratings (£1.3million at 31 March 2022), as the deadline for appeals to be lodged against the 2017 ratings was the 31<sup>st</sup> March 2023.

## Notes to the Core Financial Statements

### 27. USABLE RESERVES

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

	Balance at 1 April 2022 £'000	Net Movement in Year £'000	Balance at 31 March 2023 £'000
Usable Capital Receipts	3,194	(436)	2,758
Earmarked Reserves	15,935	(5,279)	10,656
Capital Grants Unapplied	899	0	899
General Fund Reserve	10,607	1,319	11,926
<b>Total Usable Reserves</b>	<b>30,635</b>	<b>(4,396)</b>	<b>26,239</b>

#### Usable Capital Receipts

	2021/22 £'000	2022/23 £'000
Amounts receivable	2,644	4,181
Amounts applied to finance new capital investment	(578)	(4,569)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(5)	(48)
<b>Total increase / (decrease) in realised capital resources</b>	<b>2,061</b>	<b>(436)</b>
Balance brought forward at 1 April	1,133	3,194
<b>Balance carried forward at 31 March</b>	<b>3,194</b>	<b>2,758</b>

#### Earmarked Reserves

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

Earmarked Reserve	Balance at 31st March 2021 £'000	Transfers out 2021/22 £'000	Transfers in 2021/22 £'000	Balance at 31st March 2022 £'000	Transfers out 2022/23 £'000	Transfers in 2022/23 £'000	Balance at 31st March 2023 £'000
Cemetery Mausoleum Reserve	175	0	0	175	(175)	0	0
Childrens Services Reserve	91	(45)	0	46	0	1	47
Churchgate Development Reserve	0	0	0	0	0	138	138
Climate Change Grant Reserve	25	(4)	0	21	(2)	0	19
DLUHC Grants Reserve	14,298	(10,225)	5,294	9,367	(9,211)	4,198	4,354
Elections Admin Grant	0	0	0	0	0	19	19
Environmental Health Grants Reserve	0	0	0	0	0	84	84
Funding Equalisation Reserve	397	(397)	0	0	0	0	0
Growth Area Fund Reserve	53	(21)	0	32	(13)	5	24
Homelessness Grants Reserve	481	(413)	434	502	(150)	0	352
Housing & Planning Delivery Reserve	1,022	(96)	90	1,016	(163)	34	887
Information Technology Reserve	58	(35)	0	23	0	0	23
Insurance Reserve	34	0	0	34	0	0	34



## Notes to the Core Financial Statements

Earmarked Reserve	Balance at 31st March 2021	Transfers out 2021/22	Transfers in 2021/22	Balance at 31st March 2022	Transfers out 2022/23	Transfers in 2022/23	Balance at 31st March 2023
Land Charges Reserve	66	(30)	0	36	(24)	0	12
Leisure Management Maintenance Reserve	26	0	42	68	0	0	68
Museum Exhibits Reserve	14	0	0	14	0	0	14
Neighbourhood Plan Reserve	98	(23)	45	120	(5)	0	115
Paintings Conservation Reserve	11	0	0	11	0	0	11
Shared Prosperity Fund Grant Reserve	0	0	0	0	0	17	17
Special Reserve	743	(103)	0	640	(640)	0	0
Street Name Plates	16	0	0	16	0	0	16
Syrian Refugee Project	450	(15)	131	566	(8)	61	619
Taxi Licences Reserve	7	0	0	7	0	4	11
Town Centre Maintenance	61	0	8	69	0	8	77
Traffic Regulation Orders	386	(5)	0	381	(5)	0	376
Waste Reserve	749	0	87	836	0	0	836
Waste Vehicles Reserve	913	0	428	1,341	0	509	1,850
Welfare Reform Grants Reserve	584	(213)	243	614	(209)	253	658
<b>Total Earmarked Reserves</b>	<b>20,758</b>	<b>(11,625)</b>	<b>6,802</b>	<b>15,935</b>	<b>(10,605)</b>	<b>5,331</b>	<b>10,661</b>

The Authority has taken the decision to set aside resources in a number of Earmarked Reserves to be used for specific purposes. The Reserves are reviewed annually during the budget estimate process to ensure the balance available is appropriate for the purpose. A description of each earmarked reserve is provided below:

The **Cemetery Mausoleum reserve** was held to cover costs incurred from the Authority's decision to supply Mausoleum niches at the Wilbury Hills Cemetery and is funded from the sale of currently available niches. This reserve has been released as there is no longer the demand to justify building new niches.

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

Climate Change Grant was awarded to help combat the effects of climate change. The grant balance held in the **Climate Change grant reserve** is being used to fund work on Climate Strategy.

**Department of Levelling Up, Housing and Community (DLUHC) Grants Reserve** holds unapplied Section 31 business rate relief grants, which will be used to fund NNDR Collection Fund deficit contributions and levy payments in future years. It also provides some protection against potential future reductions in NNDR receipts retained by the Council.

The **Elections Admin Grant reserve** holds funding provided from government to support the delivery of the policies of the Elections Act 2022, which focused on the introduction of voter ID and improvements to accessibility for disabled voters. The reserve will be used to fund anticipated additional expenditure associated with the Act in administering future elections.

The **Environmental Health Grants Reserve** holds funding amounts received for specific initiatives relating to the Council's Environmental Health service, such as air quality and housing checks. The reserve is used to finance the undertaking of the relevant initiatives and to help manage staffing and workload pressures within the service.

Where anticipated annual revenue funding exceeded estimated net expenditure, the Council has opted to contribute the surplus amount to the **Funding Equalisation Reserve**, rather than raise Council Tax by less than the maximum amount allowed. The reserve balance has been used to cushion the impact of funding reductions and provided more time to implement the savings required to address the budget gap.

**Growth Area Fund Reserve** is the reserve where revenue Growth Area Grant has been transferred.

## Notes to the Core Financial Statements

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

The **Housing & Planning Delivery Reserve** holds unspent Housing & Planning Delivery grant to fund Cabinet approved spending plans in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose. Additional income from the 20% increase in statutory planning fees is also transferred here to fund the development of Planning Services.

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

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

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

The **Leisure Management Maintenance Reserve** is to cover the cost of any future repairs liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over £5k.

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

The **Neighbourhood Plan Reserve** is where funds received for neighbourhood plans from MHCLG (now DLUHC) have been transferred. The funding has been provided from government to local authorities who have received neighbourhood plans from Parishes, as funding will be needed in future years as plans are formalised and public examinations and public referendums are required

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

The **Shared Prosperity Fund grant reserve** holds the balance of unspent grant funding received to date to support the Council's delivery of the three year Investment Plan approved by Government in the autumn of 2022. The grant will therefore be transferred from reserve as corresponding costs are incurred over the coming years.

The **Special Reserve** was originally the residual balance from the Housing Revenue Account that was used to fund the realignment of costs of the Authority following stock transfer. This reserve was maintained for any special financial pressures such as pump priming for initiatives for shared services, changes in working practice, major contract renewals, unexpected contract variation, support the response to and reduce the impact of major incidents and other financial pressures. The reserve was released at the end of the year.

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

**Syrian Refugee Project** - The council has agreed to house Syrian Refugees over five years under the government's resettlement scheme. The scheme is fully funded by the government and the reserve enables the multiple year funding for each household to be maintained for future expenditure associated with their placement in the district, such as housing and support costs.

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

**Town Centre Maintenance** reserve is for the implementation of the Town Wide Reviews and ad hoc town centre maintenance.

**Traffic Regulation Orders.** An audit was done to identify TRO work to be carried out in the district. However due to other priorities this work was delayed and the budget has been transferred to a reserve, to be drawn down as and when the work is done.

**Waste Reserve** – is a reserve where unspent AFM monies are transferred to help with potential risks and opportunities to the waste service, for example project management costs in relation to the construction of a new waste depot and next waste contract renewal.

**Waste Vehicles Reserve** – as repayment of the finance lease principal embedded within the waste contract is funded from the Council's cash reserves, the saving on the revenue account is transferred to this reserve to fund the purchase of vehicles when they next need to be replaced.

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

## Notes to the Core Financial Statements

### 28. UNUSABLE RESERVES

	Balance at 1 April 2022	Net Movement in Year	Balance at 31 March 2023
	£'000	£'000	£'000
Revaluation Reserve (note 28A)	57,295	(2,015)	55,280
Capital Adjustment Account (note 28B)	69,281	4,183	73,464
Pensions Reserve (note 28C)	(39,605)	36,699	(2,906)
Collection Fund Adjustment Account (note 28D)	(5,627)	7,471	1,844
Short Term Accumulating Compensated Absences Account (note 28E)	(657)	247	(410)
<b>Total Unusable Reserves</b>	<b>80,687</b>	<b>46,585</b>	<b>127,272</b>

#### Note 28A – Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2021/22 £'000		2022/23 £'000
57,765	<b>Balance at 1 April</b>	57,295
7,166	Upward revaluation of assets	6,423
(3,956)	Downward revaluation of assets and Impairment losses not charged to the surplus/deficit on the Provision of Services.	(2,444)
<b>3,210</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>	<b>3,979</b>
(1,611)	Difference between fair value depreciation and historical cost depreciation.	(1,886)
(2,069)	Accumulated gains on assets sold or scrapped.	(4,108)
<b>(3,680)</b>	<b>Amount written off to the capital adjustment account</b>	<b>(5,994)</b>
<b>57,295</b>	<b>Balance at 31 March</b>	<b>55,280</b>

## Notes to the Core Financial Statements

### Note 28B – Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations which are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account has also been credited with all the Housing capital receipts required by regulation to be set aside at the time of the Housing stock transfer in 2003.

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 12 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
<b>70,581</b>	<b>Balance at 1 April</b>	<b>69,281</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(5,623)	Depreciation and impairment of non-current assets	(2,907)
(148)	Amortisation of Intangible assets	(287)
(225)	Revenue expenditure funded from capital under statute	(603)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	
(300)		1,345
(6,296)		(2,452)
1,611	Adjusting amounts written out of the Revaluation Reserve.	1,886
<b>(4,685)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(566)</b>
	<b>Capital financing applied in the year:</b>	
578	Use of the Capital Receipts Reserve to finance new capital expenditure	4,569
133	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	622
4	Statutory provision for the financing of capital investment charged against the General Fund	4
75	Capital expenditure charged against the General Fund	1
790		5,196
2,595	Movements in the market value of investment properties	(447)
<b>69,281</b>	<b>Balance carried forward at 31 March</b>	<b>73,464</b>

## Notes to the Core Financial Statements

### Note 28C – Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the Authority makes employer's contributions to pension funds, or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
<b>(45,976)</b>	<b>Balance at 1st April</b>	<b>(39,605)</b>
9,261	Actuarial gains or losses on pension assets and liabilities	39,721
(5,760)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(6,091)
2,870	Employer's pensions contributions and direct payments to pensioners payable in the year.	3,069
<b>(39,605)</b>	<b>Balance at 31st March</b>	<b>(2,906)</b>

### Note 28D – Collection Fund Adjustment Account

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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
<b>(10,701)</b>	<b>Balance at 1 April</b>	<b>(5,627)</b>
5,074	Movement in the Authority's share of the Collection Fund surplus / deficit	7,471
<b>(5,627)</b>	<b>Balance at 31 March</b>	<b>1,844</b>

### Note 28E Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
<b>(624)</b>	<b>Balance at 1 April</b>	<b>(657)</b>
(33)	Amounts accrued at the end of the current year	247
<b>(657)</b>	<b>Balance at 31 March</b>	<b>(410)</b>

## Notes to the Core Financial Statements

### 29. NOTES RELATING TO THE CASH FLOW STATEMENT

#### Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
90	Interest Received	806
(484)	Interest Paid	(400)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
3,789	Depreciation	3,386
1,834	Impairments and downward revaluations	(478)
148	Amortisation of intangible assets	287
(7,264)	Movement in Creditors	(12,561)
12,295	Movement in Debtors	(4,336)
(99)	Movement in Inventories	354
2,890	Pension Liability	3,022
2,369	Carrying amount of non-current assets sold	2,763
(2,839)	Movement in other provisions	(726)
<b>13,123</b>	<b>Net Adjustment for non-cash movements</b>	<b>(8,289)</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(133)	Grants applied to the financing of capital expenditure	(622)
(2,644)	Proceeds from the sale of non-current assets and investments	(4,181)
<b>(2,777)</b>	<b>Net Adjustment for investing or financing activities</b>	<b>(4,803)</b>

#### Cash Flow Statement - Investing Activities

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(1,216)	Purchase of property, plant and equipment, investment property and intangible assets	(6,036)
(83,961)	Purchase of short-term and long-term investments	(123,971)
0	Other payments for investing activities	0
2,644	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,181
72,000	Proceeds from short-term and long-term Investments	119,500
133	Other receipts from investing activities	622
<b>(10,400)</b>	<b>Net cash flows from investing activities</b>	<b>(5,704)</b>

#### Cash Flow Statement - Financing Activities

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
0	Cash receipts of short and long-term borrowing	0
6,528	Council Tax and NNDR adjustments	9,435
(431)	Cash payments for the reduction of finance leases liabilities	(513)
(18)	Repayments of short and long-term borrowing	(19)
<b>6,079</b>	<b>Net Cash flows from financing activities</b>	<b>8,903</b>

## Notes to the Core Financial Statements

### 30. TRADING OPERATIONS

The Council has no trading operations.

### 31. MEMBERS' ALLOWANCES

The following table shows the amount of Members' allowances paid in 2022/23 compared to the previous financial year:

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	337	337
Expenses	0	1
<b>Total</b>	<b>337</b>	<b>338</b>

## Notes to the Core Financial Statements

### 32. EMPLOYEES REMUNERATION

#### Senior Employee Remuneration in 2022/23

The Authority is required to disclose individual remuneration details for senior employees. The first table that follows details the individual remuneration for senior employees in 2022/23. The second table details the equivalent information for the comparative year, 2021/22. The Authority is voluntarily opting to disclose the name of the Managing Director. For senior employees, compensation for loss of office comprises the employer pension contribution amount calculated as part of the redundancy or termination package, as well as any other payments receivable on termination of employment (e.g. redundancy payments and payment in lieu of notice).

Post Title	Note	Salary (including fees & allowances)  £	Expense Allowances  £	Compensation for loss of office  £	Total Remuneration (excluding pension contributions)  £	Pension Contributions  £	Total Remuneration (including pension contributions 2021/22)  £
Anthony Roche Managing Director		131,718	0	0	131,718	23,756	155,474
Service Director - Regulatory	1	89,735	0	0	89,735	16,040	105,775
Service Director - Resources		83,689	0	0	83,689	14,915	98,604
Service Director - Customers		76,715	0	0	76,715	13,618	90,333
Service Director - Place	2	60,237	0	0	60,237	10,676	70,913
Service Director - Legal and Community		83,991	0	0	83,991	14,971	98,962
Service Director - Commercialisation		81,465	0	0	81,465	14,502	95,967
Service Director - Transformation	3	8,850	0	0	8,850	0	8,850

1. The Service Director Regulatory undertook the role of Deputy to the Managing Director until 31<sup>st</sup> December 2022 and received additional payments of £5,869 equivalent to 10% of the Service Director salary as compensation for the additional responsibility.
2. The Service Director Place post is 0.81 FTE.
3. The Service Director Transformation was a fixed term post until 31<sup>st</sup> May 2022. The annualised salary for 0.4 FTE excluding fees was £53,951



## Notes to the Core Financial Statements

### Senior Employee Remuneration in 2021/22

Post Title	Note	Salary (including fees & allowances)  £	Expense Allowances  £	Compensation for loss of office  £	Total Remuneration (excluding pension contributions) £	Pension Contributions  £	Total Remuneration (including pension contributions 2021/22) £
Anthony Roche Managing Director		128,747	0	0	<b>128,747</b>	23,203	151,950
Service Director - Regulatory	1	89,641	0	0	<b>89,641</b>	16,022	105,663
Service Director - Resources		81,764	0	0	<b>81,764</b>	14,557	96,321
Service Director - Customers		72,438	0	0	<b>72,438</b>	12,822	85,260
Service Director - Place	2	50,595	0	0	<b>50,595</b>	6,915	57,510
Service Director - Place	3	29,183	0	0	<b>29,183</b>	7,849	37,032
Service Director - Legal and Community		82,167	0	0	<b>82,167</b>	14,632	96,799
Service Director - Commercialisation		77,200	0	0	<b>77,200</b>	13,708	90,908
Service Director - Transformation	4	32,706	0	0	<b>32,706</b>	0	32,706

1. The Service Director Regulatory also undertakes the role of Deputy to the Managing Director and received additional payments of £7,826 equivalent to 10% of the Service Director salary as compensation for the additional responsibility.
2. The Service Director Place left the post on 21<sup>st</sup> September 2021. The annualised salary excluding fees and allowances was £78,264.
3. The Service Director Place was appointed to the post on 27<sup>th</sup> September 2021 at 0.81 FTE. The annualised salary excluding fees and allowances is £53,951.
4. The Service Director Transformation is a fixed term 0.4 FTE post.

## Notes to the Core Financial Statements

The Authority is also required to disclose the number of employees, in addition to the senior employees included in the note above, whose remuneration was £50,000 or more in the accounting period. For this purpose, remuneration comprises all amounts paid to or receivable by an employee, other than employers pension contributions, and includes sums due by way of taxable expenses, the estimated monetary value of any benefit, and redundancy payments. The remuneration is shown in each bracket of a scale in multiples of £5,000.

The table below includes two employees who received redundancy payments in the 2022/23 financial year whose remuneration may not normally have been greater than £50,000.

Remuneration Band	2021/22	2022/23
	Employees	Employees
£50,000-£54,999	13	7
£55,000-£59,999	14	12
£60,000-£64,999	2	11
£65,000-£69,999	1	1
£70,000-£74,999	0	1
£75,000-£79,999	0	1
<b>Total</b>	<b>30</b>	<b>33</b>

### 33. TERMINATION BENEFITS AND EXIT PACKAGES

The Authority terminated the contracts of 3 employees in 2022/23, incurring liabilities of £90,628 (£37,746 in 2021/22) that have been charged to the Comprehensive Income and Expenditure Statement in the current year.

Banded totals for 2022/23 include an amount of £46k charged to the Provision for Restructure costs in the 2021/22 accounts

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below. The amounts disclosed in the table include redundancy payments and payments in lieu of notice.

Exit package cost band (including special payments)	(a)		(b)		(c)		(d)		(e)	
	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band			
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £19,999	2	1	0	0	2	1	£	£	4,254	1,177
£20,000 - £39,999	0	0	1	0	1	0	33,492	0		
£40,000 - £59,999	0	2	0	0	0	2	0	89,451		
£60,000 - £79,999	0	0	0	0	0	0	0	0		
£80,000 - £99,999	0	0	0	0	0	0	0	0		
£100,000 - £149,999	0	0	0	0	0	0	0	0		
£150,000 - £199,999	0	0	0	0	0	0	0	0		
<b>Total Cost included in bandings and in CIES</b>							<b>37,746</b>	<b>90,628</b>		

# Notes to the Core Financial Statements

## 34. FEES PAYABLE TO THE AUTHORITY'S APPOINTED EXTERNAL AUDITORS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the Authority's external auditors.

	2021/22	2022/23
	£000	£000
External audit services carried out by the appointed auditor for the year	45	49
External audit services carried out by the appointed auditor for prior years	12	27
Certification of Housing Benefit subsidy claims for the year	7	7
Certification of Housing Benefit subsidy claims for prior years	5	18
<b>Total</b>	<b>69</b>	<b>101</b>

The costs incurred for each year, as noted above, are prepared prior to the agreement of any additional fees for variation in services provided by the external auditor. Where anticipated, additional amounts are included in the total for the year, but these amounts may differ to the final fees agreed.

## 35. GRANT INCOME RECOGNISED IN THE COST OF SERVICES

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

	2021/22	2022/23
	£'000	£'000
Developer Contributions	120	316
<b>Total</b>	<b>120</b>	<b>316</b>

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

	2021/22	2022/23
	£'000	£'000
Benefits Administration and Fraud Initiative Grants	685	625
Housing and Council Tax Benefit Subsidy	22,772	20,040
Waste minimisation – Herts County Council contribution	34	125
Waste Service Transport Subsidy	0	3
National Non-Domestic Rates Administration Grant	177	178
Sustainable Warmth Fund	0	7
Refugees Syrian Project	131	75
Employee Resilience and Wellbeing Funding HCC	4	10
Homelessness Prevention Grant	769	387
Afghanistan Refugee Project	18	97
Planning Control Grants – DLUHC	34	24
DLUHC Neighbourhood Plans	45	0
Public Health Grant	13	0
Shared Prosperity Funding DLUHC	0	38
LGA Cyber Security	0	15
DWP Kickstarter Fund	13	4
Hertfordshire Museums – Lottery Fund	7	12
DLUHC Covid Outbreak Management Funding	93	39
Flu Pandemic – MHCLG (now DLUHC)	1	0
Healthy Hub	53	45
Council Tax Rebate DLUHC	0	198
Council Tax Rebate New Burdens	0	176
Business Support Grant DLUHC	0	31
Business Support Grant New Burdens	0	39
Discretionary Fund DLUHC	-6	0

# Notes to the Core Financial Statements

	2021/22	2022/23
	£'000	£'000
Self Isolation Fund DLUHC	371	-5
DEFRA Smoke Control Areas	0	12
Additional Restrictions Grant BEIS	3,842	0
Tier 2 Open Business DLUHC	-12	17
Corona Virus Community Support HCC	56	0
Reopening High Streets Safely DLUHC	129	0
DLUHC Taxis New Burdens	0	4
Keep Britain Tidy Street Cleansing Project	0	9
Health and Safeguarding National Lottery Community Fund	0	5
Health Inequalities Project HCC	0	50
Sports England Project	0	10
HCC Ukrainian Housing Checks	0	72
Community Wealth Fund	0	55
DEFRA Biodiversity Grant	0	5
Leisure Centre Support Grant	11	0
Environmental Health Covid Support HCC	482	476
Covid Community Grant Funding - HCC	152	100
Household Support Funding – HCC	77	114
Audit Fees Support Grant – DLUHC	21	22
Temporary Pavement Licensing – DLUHC	6	4
Mobile Homes Fit and Proper Test – DLUHC	1	0
Winter Grants Schemes – HCC	1	2
Food Information Amendment – DLUHC	2	0
Covid Marshalls Funding – DLUHC	34	0
HCC Covid Contractors Funding	52	5
Transparency Grant – DLUHC	16	8
<b>Total</b>	<b>30,084</b>	<b>23,133</b>

## 36. RELATED PARTY TRANSACTIONS

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

### Central Government

Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Grants received from government departments are detailed in Note 35.

### Members

Members have direct control over the Authority's financial and operating policies. The total of members' allowances paid in the year is shown in Note 31.

During 2022/23, the Authority made grants payments totalling £219k under Memorandum of Understanding (MOU) agreements to organisations in which 10 members are Trustees, board members or otherwise involved. The support provided by these grants helps maintain the wellbeing and resilience of the District's communities. The most significant MOU grant payments were £180k to Citizens Advice North Herts, £21k to North Herts CVS and £11k to North Herts Minority Ethnic Forum.

Other grants totalling £122k were paid to organisations in which 14 members declared an involvement. This includes payments of £35k to two organisations from grant funding received from the Health Protection Board to support communities to transition to live and work safely with Covid. Also included were payments of £41k to the Hitchin, Letchworth and Royston First Business Improvement Districts from the Reopening High Streets Safely and Welcome Back Fund grants. A £13k Community Facilities Refurbishment grant was paid to one organisation.

Works and services to the value of £60.4k were commissioned from organisations in which 3 members had an interest.

## Notes to the Core Financial Statements

Three members are also elected members of Royston Town Council. Payments recorded under a Service Level Agreement between the Authority and Royston Town Council totalled £45k (2021/22: £43k). Royston Town Council also received £10k in respect of Section 106 project funding.

Seven members are also members of Hertfordshire County Council.

Details of all these transactions are recorded in the Register of Members' Interest and Disclosure of Personal Interest at Meetings. Both these documents are available for public inspection at Council Offices, Gernon Road, Letchworth Garden City, Hertfordshire and on the Council's website.

### **Officers**

Officers are obliged under the code of conduct in the Council's constitution to declare any personal interest, financial and/or otherwise, in any business of the Council. They are also required to record any gifts and/or hospitality received in a format prescribed and held by the Monitoring Officer. In addition, senior officers are required to complete an annual return disclosing the details of any interest of themselves or close family members which may have an impact on their activities on behalf of the Council. For 2022/23, one Officer has disclosed an interest that is deemed to require disclosure.

This relates to an Officer who has a relation who is in an apprentice position with our leisure contractor (Stevenage Leisure Limited- SLL). The Officer is involved in the management of the leisure contract, which has involved significant financial support and other payments being provided by the Council (around £527k in 2022-23). This support is likely to have been material in ensuring the ongoing viability of the contractor. The decisions on providing support to SLL were made as part of the budget-setting process and therefore have been made by a meeting of Full Council, with reviews by Finance, Audit and Risk Committee. In-year monitoring has been reported to Cabinet and Finance, Audit and Risk Committee.

### **Hertfordshire Building Control Limited**

The Council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service, which was launched in August 2016. An additional local authority joined in 2019, so eight local authorities have equal control. The Council holds 13% of the share capital (£8) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. NHDC's share of the profit generated for the year ended 31 March 2023 is £tbc (2021/22: £21.1k surplus). In August 2016 the council made a loan to the company of £107k, which is held in Long Term Debtors (other loans) on the balance sheet.

### **Hertfordshire CCTV Partnership**

The Authority is engaged in a jointly controlled operation for the provision and management of CCTV in the Hertfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmere Borough Council. Each member of the partnership arrangement accounts for their share of the assets, liabilities and cash flows of the CCTV in their accounts. In 2022/23 total payments to the Partnership of £126k (£124k 2021/22) were charged to the Council's Comprehensive Income and Expenditure Statement. In 2022/23 the Partnership reported a surplus of which NHDC share is £11.2k (2021/22: £4.3k surplus).

### **Hertfordshire CCTV Partnership Limited**

In 2013/14 all partner authorities within the Hertfordshire CCTV Partnership agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV partnership. The limited company, Hertfordshire CCTV Partnership Ltd, started trading on the 1 April 2015. The Council holds 27% of the share capital (£27) and is represented on the board. NHDC's share of the surplus generated for the year ended 31 March 2023 is £3.1k (2021/22: £0.3k loss). No payments were made by the Council for services provided by Hertfordshire CCTV Partnership Limited in 2022/23.

# Notes to the Core Financial Statements

## 37. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Of the total expenditure of £6.923million, only £5.192million has been financed immediately, resulting in an increase of £1.731million in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR remains negative (£2.719million at 31 March 2023) because the Authority has set aside capital receipts that exceed the amount of outstanding loans and borrowings.

	2021/22 £'000	2022/23 £'000
<b>Capital Investment:</b>		
<b>Operational Assets</b>		
Land & Buildings	628	279
Infrastructure	0	58
Vehicles, Plant & Equipment	389	696
Community Assets	0	3
Investment Properties	0	4,270
<b>Non-Operational Assets</b>		
Assets Under Construction	116	322
Intangible Assets – Software	76	692
Revenue Expenditure Funded from Capital under Statute	225	603
<b>Total Capital Investment</b>	<b>1,434</b>	<b>6,923</b>
<b>Sources of Finance:</b>		
Capital Receipts	579	4,569
Government Grants and Other Contributions	133	622
Sums set aside from Revenue	75	1
<b>Total Finance Sources</b>	<b>787</b>	<b>5,192</b>
<b>Increase / (Decrease) in CFR</b>	<b>647</b>	<b>1,731</b>

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

## 38. ASSETS HELD UNDER LEASE AND FOR LEASE

### Assets held under lease

#### Operating Leases

##### Vehicles, Plant and Equipment

The Authority uses service vans and I.T. equipment financed under terms of an operating lease. The amount paid under these arrangements in 2022/23 was £48,526 (2021/22 £43,566).

##### Property

The Authority paid £57,823 in rent / leasing charges for properties in 2021/22. The most significant amount of £29,000 was paid for the King James Way Car Park, this agreement is due to expire in January 2024.

##### Commitments under operating leases

The Authority was committed at 31 March 2023 to making payments of £1.211 million under operating leases over the following periods:

	31 March 2022 £'000	31 March 2023 £'000
Not later than one year	97	107
Later than one year and not later than five years	143	170
Later than five years	945	934
	<b>1,185</b>	<b>1,211</b>

# Notes to the Core Financial Statements

## Finance leases

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

The Authority considers the vehicles used in the delivery of the refuse and recycling service as held under a finance lease. This reflects long-term leases economic benefits of ownership, through the performance of the contract. The seven year contract commenced in May 2018 and the vehicles had an initial value of £3.178 million.

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

	<b>31 March 2022 £'000</b>	<b>31 March 2023 £'000</b>
Land and Buildings	11	2,326
Vehicles, Plant & Equipment	1,362	908
	<b>1,373</b>	<b>3,234</b>

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

	<b>31 March 2022 £'000</b>	<b>31 March 2023 £'000</b>
Finance Lease Liabilities	1,957	1,433
Finance costs in future years	838	477
<b>Minimum Lease Payments</b>	<b>2,795</b>	<b>1,920</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2022 £'000</b>	<b>31 March 2023 £'000</b>	<b>31 March 2022 £'000</b>	<b>31 March 2023 £'000</b>
Not later than one year	874	874	513	610
Later than one year and not later than five years	1,777	917	1,347	743
Later than five years	144	130	100	95
	<b>2,795</b>	<b>1,921</b>	<b>1,960</b>	<b>1,448</b>

## Assets held for lease

### Operating Leases

The Authority has granted various leases to community, commercial and industrial organisations under terms of an operating lease. The future minimum lease payments (rental income) expected from contractual obligations are:

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Not later than one year	(1,262)	(1,784)
Later than one year and not later than five years	(4,694)	(4,831)
Later than five years	(60,104)	(49,951)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/23 no material contingent rents were receivable by the Council.

# Notes to the Core Financial Statements

## 39. PENSION SCHEMES

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

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

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

The Authority recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

<b>Local Government Pension Scheme</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Comprehensive Income and Expenditure Account:</b>	<b>£'000</b>	<b>£'000</b>
Cost of Services:		
Service cost comprising:		
Current Service Cost *	4,822	4,996
Past Service Costs	0	0
Financing and Investment Income and Expenditure:		
Net Interest Expense	938	1,095
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,760</b>	<b>6,091</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined liability comprising:		
Return on Plan Assets	(3,574)	14,133
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,915)	(1,305)
Actuarial (gains) and losses arising on changes in financial assumptions	(10,829)	(63,589)
Other	2,453	11,038
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(8,105)</b>	<b>(33,632)</b>

\* The service cost figures include an allowance for administration expenses of 0.6% of payroll.

<b>Movement in Reserves Statement:</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,760)	(6,091)
Actual Amount charged against the General Fund balance for pensions in the year:		
• Employers' contributions payable to the scheme **	2,837	3,067
Net chargeable amount against the General Fund balance	<b>2,837</b>	<b>3,067</b>

\*\* The figure of £3.067million for employer's contributions are the actual contributions paid for 2022/23.



# Notes to the Core Financial Statements

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

<b>Local Government Pension Scheme</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	(191,451)	(143,005)
Fair Value of plan assets	151,846	140,099
Sub-total	(39,605)	(2,906)
Other movements in the liability (asset)	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(39,605)</b>	<b>(2,906)</b>

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

<b>Local Government Pension Scheme</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	151,455	151,846
Interest Income	3,011	4,074
Re-measurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	3,574	(14,133)
Other	(4,571)	0
The effect of changes in foreign exchange rates		
Contributions from employer	2,837	3,067
Contributions from employees into the scheme	652	719
Benefits paid	(5,112)	(5,474)
<b>Closing fair value of scheme assets</b>	<b>151,846</b>	<b>140,099</b>

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

<b>Local Government Pension Scheme</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance at 1 April	197,431	191,451
Current service cost	4,822	4,996
Interest cost	3,949	5,169
Contributions from scheme participants	652	719
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	(1,915)	(1,305)
Actuarial (gains) / losses arising from changes in financial assumptions	(10,829)	(63,589)
Other	2,453	11,038
Past Service Cost	0	0
Benefits paid	(5,112)	(5,474)
<b>Closing balance at 31 March</b>	<b>191,451</b>	<b>143,005</b>

# Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets (Quoted Prices)					
	31 March 2022			31 March 2023		
	Active Markets £'000	Not in Active Markets £000	% of total assets	Active Markets £'000	Not in Active Markets £000	% of total assets
Cash and cash equivalents	8,884.9	0	6%	9,415.8	0	7%
Equity instruments:						
Consumer	2,165.1	0	1%	2,154.1	0	2%
Manufacturing	718.7	0	0%	1,180.9	0	1%
Energy and utilities	0	0	0%	0	0	0%
Financial Institutions	833.9	0	1%	804.2	0	1%
Health and care	1,311.9	0	1%	1,173.0	0	1%
Information technology	2,762.3	0	2%	2,598.7	0	2%
Other	0	0	0%	0	0	0%
Sub-total equity	7,791.9	0	5%	7,910.9	0	7%
Bonds:	11,140.9	3,978.3	10%	5,844.6	3,761.4	7%
Private equity:						
All	0	11,096	7%	0	12,406.1	9%
Real Estate:						
UK Property	0	11,788.0	8%	0	10,362.2	7%
Overseas Property	0	8,500.9	6%	0	8,005.5	6%
Sub-total real estate	0	20,288.9	14%	0	18,367.7	13%
Investment funds and Unit Trusts:						
Equities	55,813.6	0	37%	52,792.4	0	38%
Bonds	22,525.6	0	15%	19,632.3	0	14%
Commodities	0	0	0%	0	0	0%
Infrastructure	0	92.9	0%	0	161.2	0%
Other	1,282.1	9,029.8	7%	1,219.0	8,381.2	7%
Sub-total other investment funds	79,621.3	9,122.7	59%	73,643.7	8,542.4	59%
Derivatives:						
Forward foreign exchange contracts	0	(79.0)	0%	0	206.4	0%
<b>Total assets</b>	<b>107,439.0</b>	<b>44,406.9</b>		<b>96,815.0</b>	<b>43,284.0</b>	

## Notes to the Core Financial Statements

All scheme assets have fair values based on quoted prices. Some of these assets are in active markets and some are in non-active markets. An active market has a high volume and frequency of transactions which provides better pricing information and means that the asset is more liquid.

The scheme history is as follows:

	31 March 2019 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2023 £'000
Present Value of Liabilities	(178,029)	(156,375)	(197,431)	(191,451)	(143,005)
Fair Value of Assets	126,580	125,684	151,455	151,846	140,099
<b>Deficit in the scheme</b>	<b>(51,449)</b>	<b>(30,691)</b>	<b>(45,976)</b>	<b>(39,605)</b>	<b>(2,906)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay for post employment (retirement) benefits. The total liability of £143.005million has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £2,906million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions paid by the Authority are set by the Fund following an actuarial valuation. Further details on the approach adopted to set contribution rates for the Authority are available in the latest formal valuation report and Funding Strategy Statement.

The total contributions expected to be made to the Local Government Pension scheme by the Authority in the year to 31 March 2024 is £3,038,000.

### Basis for Estimating Assets and Liabilities

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

	31 March 2022 %	31 March 2023 %
Mortality Assumptions:		
Longevity at 65 for current pensioners*:		
Men	22.1	21.9
Women	24.7	24.3
Longevity at 65 for future pensioners**		
Men	22.9	22.9
Women	26.1	25.9
Rate of increase in salaries	3.70	3.50
Rate of increase in pensions	3.20	3.00
Rate for discounting scheme liabilities	2.7	4.75
Proportion of Employees opting to take a commuted sum		
- pre April 2008 service	45.0	45.0
- post April 2008 service	45.0	45.0

\* Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2021 model with a 10% weighting of 2021 (2020) data, standard smoothing (sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% pa for both males and females.. Based on these assumptions the average future life expectancies at age 65 are as shown.

\*\* Figures assume members aged 45 as at the last formal valuation date.

# Notes to the Core Financial Statements

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, is on an actuarial basis using the projected unit credit method.

	<b>Impact on the Defined Benefit Obligation in the scheme</b>	
	<b>% Increase to Liability £'000</b>	<b>Monetary amount £'000</b>
Real Discount Rate (decrease by 0.1%)	2%	2,220
Member Life Expectancy (increase by 1yr)	4%	5,720
Rate of increase in salaries (increase by 0.1%)	0%	221
Rate of increase in pensions (increase by 0.1%)	1%	2,031

#### 40. CONTINGENT ASSETS

There are no contingent assets for 2022/23.

#### 41. CONTINGENT LIABILITIES

##### **Municipal Mutual Insurance Ltd Scheme of Arrangement**

The Council has paid a 25% levy for the claw-back of claims under the MMI Scheme of Arrangement. The Council will still be liable to pay a levy on any future claims and could also be required to pay an increased levy on the claims settled so far. As at 31<sup>st</sup> March 2023 the council have no outstanding liability claims with MMI.

#### 42. TRUST FUNDS AND THIRD PARTY FUNDS

##### **Trust Funds**

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

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

Without the annual contribution from the Council, the Trusts would not have had adequate resources to manage the facilities during the year. The Trust's accounts reflect the fixed assets and the in-year expenditure and income incurred in running the facilities. The net balance of these transactions, as at the 31 March 2023, is included in the Authority's accounts. A summary of the value of assets held by the trusts and the amounts administered by the authority is provided in the table below;

	<b>Fixed Assets Closing Net Book Value £'000</b>	<b>Directly Attributable Expenditure £'000</b>	<b>Externally Generated Income £'000</b>
Hitchin Town Hall Gymnasium and Workman's Hall Trust	2,748	93	-33
King George V Playing Fields Trust	90	35	-
Smithson Recreation Ground Trust	18	-	-

# Notes to the Core Financial Statements

## Third Party Funds

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

The total value of all S106 contributions, as at the 31 March 2023, available to fund capital and revenue activities is £4,499,365 (2021/22 £4,170,813).

## Collection Fund Accounts

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

The accounts have been prepared on an accruals basis.

### INCOME AND EXPENDITURE ACCOUNT

Council Tax £'000	2021/22 Business Rates £'000	Total £'000	Note	Council Tax £'000	2022/23 Business Rates £'000	Total £'000
<b>Income</b>						
(97,892)		(97,892)		(102,642)		(102,642)
(0)		(0)	2	(0)		(0)
	(30,511)	(30,511)			(33,636)	(33,636)
	(114)	(114)	1		0	0
<b>Contribution towards previous year deficit:</b>						
(419)	(1,390)	(1,809)		(5)	(1,336)	(1,341)
(58)		(58)	3	0		0
	(10,242)	(10,242)			(6,681)	(6,681)
(77)	(7,911)	(7,988)	3	(2)	(5,345)	(5,347)
<b>(98,446)</b>	<b>(50,168)</b>	<b>(148,614)</b>		<b>(102,649)</b>	<b>(46,998)</b>	<b>(149,647)</b>
<b>Expenditure</b>						
<b>Precepts, Demands and Shares</b>						
72,645	3,914	76,559		76,412	3,156	79,568
10,522		10,522	4	11,142		11,142
11,862	15,656	27,518		12,248	12,623	24,871
1,231		1,231		1,277		1,277
	19,569	19,569			15,778	15,778
<b>Distribution of previous years Surplus</b>						
0		0		0		0
0		0		1		1
0		0		0		0
<b>Charges to Collection Fund</b>						
0	177	177		0	178	178
	(0)	(0)	1		307	307
	44	44			33	33
203	164	367		210	339	549
	(693)	(693)	1/2		(2,787)	(2,787)
170	(463)	(293)	1	43	(889)	(846)
<b>96,633</b>	<b>38,368</b>	<b>135,001</b>		<b>101,333</b>	<b>28,738</b>	<b>130,071</b>
<b>Movement on Fund Balance</b>						
<b>(1,813)</b>	<b>(11,800)</b>	<b>(13,613)</b>		<b>(1,316)</b>	<b>(18,260)</b>	<b>(19,576)</b>
2,256	25,738	27,994		443	13,938	14,381
<b>443</b>	<b>13,938</b>	<b>14,381</b>		<b>(873)</b>	<b>(4,322)</b>	<b>(5,195)</b>
<b>Share of Balance:</b>						
335	1,394	1,729		(661)	(432)	(1,093)
46		46		(96)		(96)
62	5,575	5,637		(116)	(1,729)	(1,845)
	6,969	6,969			(2,161)	(2,161)
<b>443</b>	<b>13,938</b>	<b>14,381</b>		<b>(873)</b>	<b>(4,322)</b>	<b>(5,195)</b>

# Collection Fund Accounts

## 1. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates (NNDR) from business across the District based on local rateable values provided by the Valuation Office Agency (VOA) and multiplied by a uniform rate set nationally by Central Government. The total non-domestic rateable value for North Hertfordshire District Council is £102.2 million, (£102.3 million 2021/2022). The NNDR multiplier is 51.2p in the pound (51.2p in the pound in 2021/2022). The small business non-domestic rating multiplier is 49.9p in the pound (49.9p in the pound in 2021/2022).

The business rates retention scheme was introduced in 2013/14. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk to Councils, due to non-collection and the volatility of the NNDR tax base.

The business rates retention scheme allows the Council to retain a proportion of the total NNDR collected. In 2022/23, North Herts share was 40% with the remainder paid over to Hertfordshire County Council (10%) and Central Government (50%).

The business rate shares payable for 2022/23 were estimated before the start of the financial year as £15.778 million to Central Government, £3.156 million to Hertfordshire County Council and £12.623 million to North Hertfordshire District Council. These sums have been paid in 2022/23 and charged to the Collection Fund.

When the scheme was introduced, Central Government set a baseline level for each Authority, identifying the expected level of retained business rates, and a top up or tariff amount to ensure that all authorities receive the set baseline amount. In addition, the requirement of the retention scheme was that the Council must pay a levy of 50% to Central Government for income recorded above the baseline. A corresponding 'safety net' built into the scheme means that the Council would be reimbursed by Government up to 92.5% of the set baseline for the year should rates income fall below this.

North Hertfordshire paid a tariff of £12.974 million to Central Government from the General Fund in 2022/23. In 2022/23 the authority was part of the Hertfordshire Business Rates Pool, which has reduced the levy amount otherwise payable. If North Herts was not in the business rates pool, the levy due to DLUHC would have been around £911k. The Council's contribution required to the Business Rates Pool to meet the cost of the levy in 22/23, as calculated by the pool lead authority Hertfordshire County Council, is anticipated to be £273k. The financial benefit to the Authority from membership of the Pool, known as the 'pooling gain', is therefore £638k.

The total net amount of NNDR income collectable in 2022/23, after all reliefs and deductions, was £36.454 million. This is more than the estimated income of £31.557 million declared to Government in January 2022, which has resulted in a surplus of £4.322 million. The surplus includes the cost of certain reliefs that Councils must issue to businesses, which reduce the Council's income. The Government pays Local Authorities Section 31 grants to compensate for the lost income. The amount of Section 31 grant North Herts receivable in the year for reliefs in 2022/23 was £4.457million. The surplus also includes the repayment of a proportion of the deficit for 2020/21 that did not relate to reliefs (£1.247 million for North Herts), as estimated in January 2021, which Government legislated to be spread over the next three financial years to 2023/24.

Total provision for outstanding amounts that are not subsequently paid (bad debts) was £1.226 million at 31 March 2023 (£2.115 million at 31 March 2022). A total of £339k of outstanding business rates were written off during 2022/23.

The business rates retention scheme has also meant responsibility for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list has transferred to the Authority, as the agent. As such it is necessary for the Authority to make

## Collection Fund Accounts

provision for future successful appeals on behalf of itself, the major preceptor Hertfordshire County Council, and Central Government. Based on the number of outstanding appeals and check/challenges with the Valuation Office Agency as at 31 March 2023, the provision for appeals lodged has increased by £503k to a total of £3.369 million. The provision for appeals not yet lodged against the 2017 ratings list however has reduced by £3.290million down to zero, as the deadline for making a claim to the 2017 listing was the 31<sup>st</sup> March 2023. The overall movement in provision for appeals (both lodged and not yet lodged) is therefore a reduction of £2.787m for 2022/23. A revaluation is due in 2023/24 so there will be a new provision for appeals not yet lodged made in the 2023/24 accounts.

### 2. COUNCIL TAX

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

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
Original Debt	115,611		121,155	
Additional Debt	12,527		12,455	
		<b>128,138</b>		<b>133,610</b>
Less:				
Council Tax Reductions		7,887		7,752
Discounts		8,925		9,421
Amounts Written-off, Exemptions & Allowances		13,434		13,795
		<b>97,892</b>		<b>102,642</b>

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, The Police and Crime Commissioner and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). This basic amount of council tax for a Band D property, £1,923.76, (£1,923.76 2021/2022) is multiplied by the proportion specified for a particular band to give an individual amount due.

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

Proportion of Band D charge

Band	Property Numbers	Proportion	Basic Amount £
A	3,404	0.67	1,331.63
B	9,291	0.78	1,553.56
C	20,174	0.89	1,775.49
D	10,320	1.00	1,997.44
E	7,350	1.22	2,441.32
F	4,757	1.44	2,885.19
G	3,536	1.67	3,329.07
H	353	2.00	3,994.88
<b>Total</b>	<b>59,185</b>		

An increase of £253k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £2.646million as at 31 March 2023. A total of £210k of outstanding council tax was written off during 2022/23. Due to the pandemic a review of the bad debt provision was carried out, and a more prudent approach has been taken, resulting in the increase to the provision.



## Collection Fund Accounts

### 3. PAYMENT OF SURPLUS/ DEFICITS FROM THE COLLECTION FUND

The element of the surplus/ deficit on the Collection Fund at 31 March 2023 will be distributed in subsequent financial years to Hertfordshire County Council, The Police and Crime Commissioner and the Council. The apportioned (surplus)/deficit is shown at the bottom of the Income and Expenditure Statement. The total surplus reported in 2022/23 is £873k, North Herts share is £116k. Central Government have allowed an element of the estimated deficit as at 15<sup>th</sup> January 2021 to be spread over three years to 2023/24 rather than just one year. North Herts remaining 2020/21 deficit to be spread is £54k.

### 4. PRECEPTS

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Hertfordshire County Council	72,645	76,412
Hertfordshire Police	10,522	11,142
North Hertfordshire District Council and Local Town and Parish Councils	13,093	13,525
	<b>96,260</b>	<b>101,079</b>

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

## Glossary of Financial 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"> <li>• Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).</li> <li>• The actuarial assumptions have changed.</li> </ul>
Accumulated Absences	Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.
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.
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.
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.
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 Investment Strategy (Integrated Capital and Treasury 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 prescribed by Central Government, but they cannot be used to finance day-to-day spending.

## Glossary of Financial Terms

Term	Definition
Cash Equivalents	Cash investments which are held on deposit and are repayable on demand without financial penalty.
CIPFA	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance
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.
Collection Fund Adjustment Account	This account holds the difference between the income (including accruals) held in the Comprehensive Income and Expenditure Statement and the amount required by statutory regulation to be credited to the Collection Fund.
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.
Contingent Assets	A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.
Contingent Liability	A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.
Council Tax	This is a local tax set by local Councils to help pay for local services.
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.

## Glossary of Financial Terms

Term	Definition
Current Assets	Assets which can be classified as cash or cash equivalents, assets held primarily for the purposes of trading (e.g. inventories), or any asset which is expected to be realised within the next financial year.
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	<p>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:</p> <ul style="list-style-type: none"> <li>• Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business.</li> <li>• Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees no longer qualifies or only qualifies for a reduced benefit.</li> </ul>
Deficit	An excess of expenditure over income (or liabilities over assets)
Debtors	Amounts due to the Council before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.
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).
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.

## Glossary of Financial Terms

Term	Definition
Department for Levelling Up, Housing and Communities (DLUHC)	Department for Levelling Up, Housing and Communities is the successor to the Ministry for Housing, Communities and Local Government, (MHCLG).
Earmarked Reserves	These are reserves set aside for a specific purpose or a particular service or type of expenditure.
Employee Benefits	Entitlements accrued by employees as part of their employment rights, e.g. annual leave (holiday), sick pay and payments as a result of their employment being terminated before normal retirement age.
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 account.
Financial Instruments	Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.
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.

## Glossary of Financial Terms

Term	Definition
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.
Heritage Asset	An asset which is held solely for its cultural, environmental or historic associations. This encompasses such things as civic regalia, historical buildings and monuments, museum collections and works of art. Any asset which is used for operational purposes would not be classified as a Heritage Asset.
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.
Impairment	A reduction in the value of a non current asset below its carrying amount on the balance sheet.
Infrastructure Assets	Expenditure on works of drainage, construction or improvement to highways, cycle ways, footpaths or other land owned by the Council.
Intangible Assets	An asset that brings benefit for more than one financial year, that does not have physical substance but is identifiable and controlled by the owner (e.g. software licences).
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.
Inventories	<p>The amount of unused or unconsumed inventories (stock) 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. Stocks comprise the following categories:</p> <ul style="list-style-type: none"> <li>• Goods or other assets purchased for resale;</li> <li>• Consumable stores;</li> <li>• Raw materials and components purchased for incorporation into products for sale;</li> <li>• Products and services in intermediate stages of completion</li> <li>• Long term contract balances; and Finished goods.</li> </ul>

## Glossary of Financial Terms

Term	Definition
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 transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
Investment Property	Property which is held solely to earn rentals and/or for capital appreciation but not used for the purpose of service delivery.
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 surpluses on collection, the Council's income exceeds 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.
Minimum Revenue Provision	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.
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.

## Glossary of Financial Terms

Term	Definition
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.
NNDR (National Non Domestic 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.
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. Examples of non-operational assets are commercial and industrial properties.
Obligating Event	An event which creates a legal or constructive obligation that results in the Council having no realistic alternative to settling that obligation.
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 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 Police and Crime Commissioner, who do not administer the council tax system, each levy an amount on North Herts, 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.



## Glossary of Financial Terms

Term	Definition
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.
Prudence	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. The overall objective of this principle is not to overstate the net worth shown in the Statement of Accounts.
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"> <li>• One party has direct or indirect control of the other party.</li> <li>• The parties are subject to common control from the same source.</li> <li>• One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.</li> <li>• The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.</li> </ul>
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"> <li>• The purchase, sale lease, rental or hire of assets or loans, irrespective of any direct economic benefit to the pension fund.</li> <li>• The provision of a guarantee to a third party in relation to a liability or obligation of a related party.</li> <li>• The provision of services to a related party, including the provision of pension fund administration services.</li> <li>• Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or pension fund, such as council tax, rents and payments of benefits.</li> <li>• 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.</li> </ul>

## Glossary of Financial Terms

Term	Definition
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.
Revaluation Reserve	An account containing any unrecognised gains or losses arising from the revaluation of non current assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Comprehensive Income and Expenditure Statement once all previous entries relating to unrecognised gains or losses have been removed from the accounts.
Revenue Expenditure	Day to day expenses, mainly salaries and wages, general running costs and debt charges.
Revenue Expenditure Funded from Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset.
Revenue Support Grant	Central Government Grant towards the cost of Local Council Services.
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.
Surplus	An excess of income over expenditure (or assets over liabilities)

## Glossary of Financial Terms

Term	Definition
Usable Capital Receipts	This is generally the balance of any capital receipt after deducting the reserved part and any repayment to the Central Government of grants made to the Council on disposal of the asset.
Useful Life	The period over which the authority will derive benefits from the use of a non current asset.