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**Statement of Accounts  
(Audited)  
2017/2018**

**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 2018 and its income and expenditure for the year then ended.

Ian Couper

Service Director – Resources

## The Chairman of the Approving Committee Responsibilities

I confirm that these accounts were approved by the Finance, Audit & Risk Committee at the meeting held on 30 July 2018. Signed on behalf of North Hertfordshire District Council:

Chairman of meeting approving the accounts:

**Councillor T. Hone, Chairman of the Finance, Audit & Risk Committee**

Date: 30 July 2018

# Independent Auditor's Report

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

### Opinion on the Authority's financial statements

We have audited the financial statements of North Hertfordshire District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014.

The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund and the related notes 1 to 4
- the related notes 1 to 45 to the Authority accounts and the Expenditure and Funding Analysis

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

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

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

# Independent Auditor's Report

## Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Service Director – Resources is responsible for the other information.

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

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

We have nothing to report in this regard.

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

### *Arrangements to secure economy, efficiency and effectiveness in the use of resources*

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

### Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

# Independent Auditor's Report

## **Responsibility of the Service Director – Resources**

As explained more fully in the Statement of the Service Director – Resources Responsibilities set out on page 1 the Service Director – Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

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

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

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

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

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

# Independent Auditor's Report

## Certificate

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

## Use of our report

This report is made solely to the members of North Hertfordshire District Council, as a body in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



Suresh Patel (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton

31/7/2018

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

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

# 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.

## What we do

The Council has a five year Corporate Plan which it reviews each year. The current plan runs from 2018-23 and the Council's vision and objectives are unchanged from the previous version (2017-22). The full plan can be found here (<https://www.north-herts.gov.uk/home/council-data-and-performance/corporate-objectives>).

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 over 57,000 households
- Recycling almost 60% of waste collected
- Street cleansing over 400 miles of roads
- Food inspection of around 1,000 premises
- Collecting council tax and Business rates from almost 57,250 homes and 4,400 businesses
- Planning for the second largest district in Hertfordshire at 145 square miles.
- Issuing of approximately 2,150 licences to premises and licenced individuals, around 550 licences to taxi and private hire vehicles and drivers and in the region of 850 temporary licenses to premises/individuals
- Homelessness provision
- Housing Benefit to around 6,800 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
- Active Communities events
- Collection of garden waste

## Our Vision

Making North Hertfordshire a vibrant place to live, work and prosper.

### Our Objectives:

- To work with our partners to provide an attractive and safe environment for our residents, where diversity is welcomed and the disadvantaged are supported.
- To promote sustainable growth within our district to ensure economic and social opportunities exist for our communities, whilst remaining mindful of our cultural and physical heritage.
- To ensure that the Council delivers cost effective and necessary services to our residents that are responsive to developing need and financial constraints.

In providing services we consider the following:

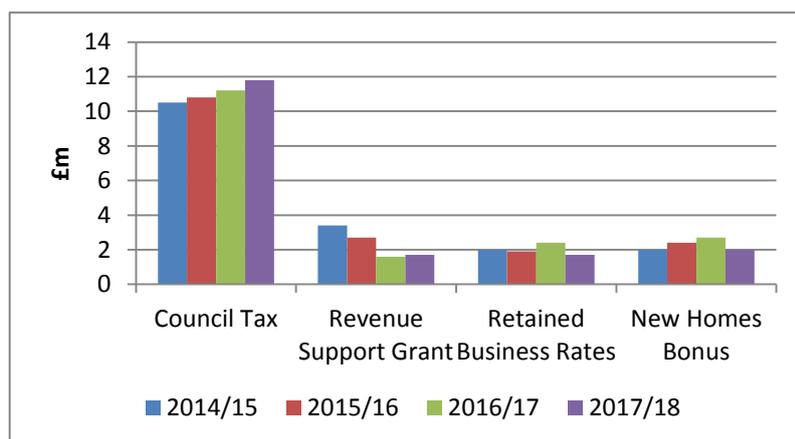
- Providing Value for Money to residents
- Actively engaging in partnerships, shared services or alternative delivery models
- Seeking new service provision which can generate income for re-investment by the Council to protect long term delivery of non statutory and other Council services
- Prioritising consideration of the impact of any service changes (or service introductions) on service users

# 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 2017/18 the Council raised its element of Council Tax by £5 for a band D equivalent property (just under 2.4%), which was the maximum possible without a referendum.

The Revenue Support Grant total includes section 31 grants, which is where Central Government provides reimbursements for reliefs and discounts in relation to Business Rates. The actual grant to support general expenditure has decreased substantially in recent years and was zero in 2017/18. It is forecast to be a negative grant (i.e. money that the Council will have to pay to Central Government) of £1 million in 2019/20.

The current Business Rates system involves 50% of funding being retained within Local Government, and the balance going to the Ministry of Housing, Communities and Local Government. Each Authority has an assessed baseline need and, as the Council's assessed need is a lot lower than the income it collects, 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). Overall the Council keeps around 7p out of every £1 it collects.

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 will reduce to 4 years in 2018/19. Alongside this a baseline was also introduced, so the Bonus is only paid if housing growth for that year is above a certain level.

Overall our funding has decreased from £17.9m in 2016/17 to £17.2m in 2017/18. The decrease in real terms (i.e. reflecting inflation) is much greater.

## How we allocate our funding

At the same time that the Council reviews its Corporate 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 Corporate Plan. The current MTFS can be found here:

<https://www.north-herts.gov.uk/home/council-performance-and-data/budgets-and-spending/medium-term-financial-strategy>

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.

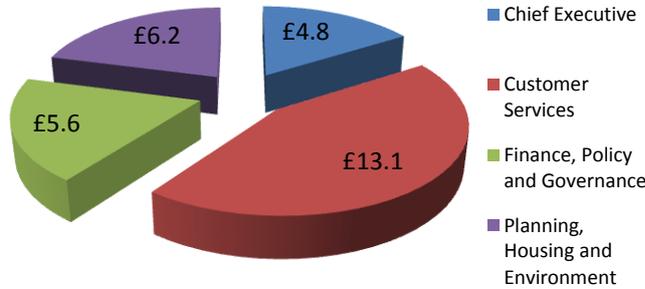
In the future it may be necessary to carry out a statutory service review. This will determine the cost of providing statutory services and see what funding is left to provide discretionary services. It will down to Councillors to decide which of these services continue to be provided.

# Narrative Report

## Spend by service area

During 2017/18 the Council was managed under 4 Strategic Directorates, and spend against these was as follows:

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



During 2018/19 the Council will be restructured and will change to being managed under 6 Service Directorates.

## 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
- +
- An assessment of known financial risks by both value and likelihood of occurring

For 2017/18, this resulted in a recommended minimum General Fund level of £1.6 million. The budgeted balance was £6.4 million at the start of the year and £5.2 million at the end of the year. The actual balance at 31<sup>st</sup> March 2018 was £7.4 million.

## Success at achieving savings

Budgeted revenue savings achieved by year since 2010/11 (efficiencies, income generation and service change)

Year	Savings Achieved (£m)
2010/11	1.3
2011/12	1.9
2012/13	0.6
2013/14	0.7
2014/15	1.6
2015/16	0.4
2016/17	0.4
2017/18	1.2
<b>Total</b>	<b>8.1</b>

## Future Funding

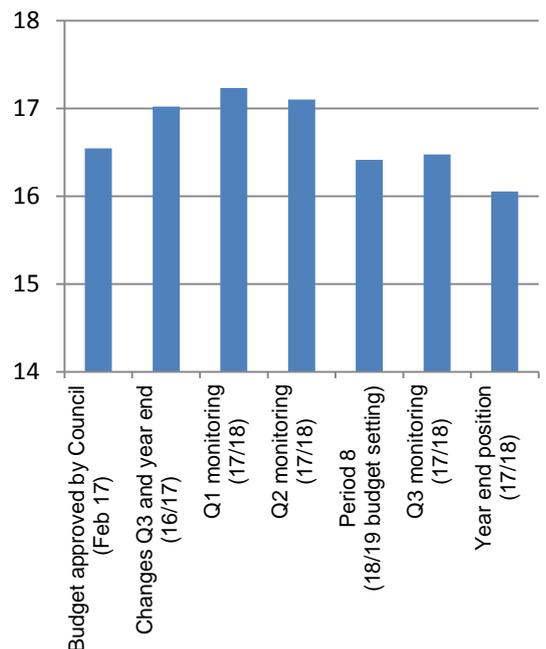
Reforms to Council funding are expected in 2020/21. It is expected that this will include a move to 75% Business Rate Retention and a new Fair Funding Formula. This means that more money will be provided to Local Government, but will be matched by new responsibilities. The way that this pot of money is then allocated to individual Councils will also change. It is expected that this will result in more money being provided to Social Care authorities, and therefore less to Authorities like North Hertfordshire District Council. Any change may be phased in, although it is expected that this phasing will be quite short.

The Council is continuing to look at ideas for income generation, efficiencies and service changes to help meet this challenge if/ when it happens.

## 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.

## Reported spend forecasts in 2017/18 (£m)



# Narrative Report

## Corporate Financial Health Indicators (Income)

In addition to overall monitoring, the quarterly reports also detail performance in relation to 4 of the Council's key sources of income.

Income category	Budgeted Income (£'000)	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Actual Income (£'000)
Planning Application Fees	683	Green	Green	Green	Green	1,293
Land Charges	174	Green	Green	Red	Red	151
Car Parking Fees	1,813	Green	Red	Red	Red	1,734
Penalty Charge Notices	410	Green	Green	Green	Green	547

### Capital funding

The Council funds capital expenditure from these main sources:

- Government Grants, mainly housing adaptation grants
- S106 developer contributions
- 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 £455k which is not worth repaying early.

During 2017/18 the Council's capital expenditure was funded from the following sources:

	£'000
Government Grants	705
S106 Developer Contributions	471
Other Contributions	481
Capital Receipts	1,437
Set-aside receipts	6,390
<b>Total</b>	<b>9,484</b>

As at the end of the year, the Council had £3.1m of Capital Receipts and £10.3m of set-aside receipts.

### Significant Capital Projects in 2017/18

Refurbishment of the District Council Offices

New Fitness Equipment at Hitchin and Royston Leisure Centres

Food waste caddies for weekly collection

North Herts Leisure Centre development

Gants for improvements to community facilities

Replace Walsworth Common Access Bridge

Disabled Facilities Grant

Norton Common Wheeled Sports improvements

Completion of fit-out of North Herts Museum

*All projects with spend greater than £100,000 in 2017/18*

### The Council's capital assets

The total value of the Authorities capital (long-term) assets is £109.7 million.

The main components of this are:

- Property, Plant and Equipment (£89.6 million) used to deliver services
- Heritage assets (£0.7 million), the museum collections and public artwork
- Investment properties (£17.6 million) that generate an annual income from being leased out (£1.1 million in 17/18)
- Long-term treasury investments (£1.0 million)

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

# Narrative Report

## 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 2018, the value of the liability was £45.0 million (compared with £49.3 million at 31<sup>st</sup> March 2017). During the year, the Council made contributions of £2.5 million (of which £1.0 million was a lump sum relating to past shortfalls) and its employees contributed £0.6 million.

## 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, Veolia (waste contract)\*, John O'Connor (grounds maintenance contract), Stevenage Leisure Limited, North Hertfordshire Homes, 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 County Councillors, District 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.

\* Urbaser from May 2018

## 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 2016/17 was last considered by the Committee at their meeting on 21<sup>st</sup> March 2018.

# Narrative Report

## 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 Hertsmeare 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

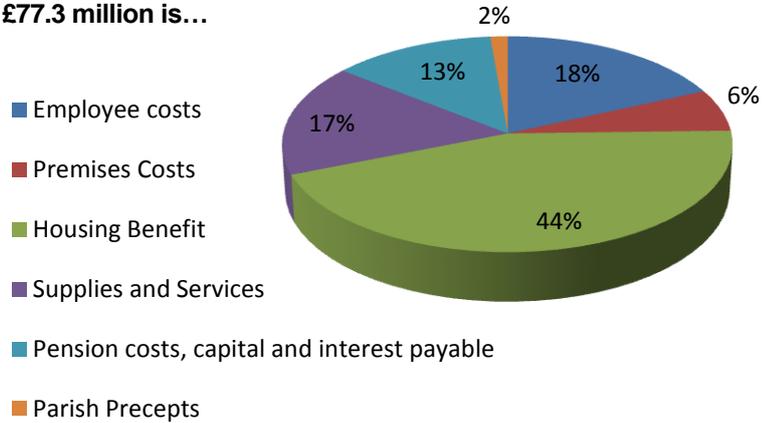
The Council set up a joint Building Control Company with six other Hertfordshire Authorities. The company began trading in August 2016. The company delivers statutory building control services on behalf of the Council, as well being able to access further areas of work to help spread the cost of the 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.

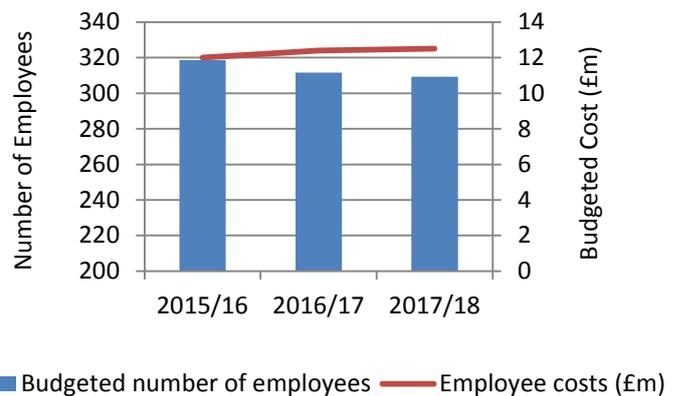
## Spend by type, including employee spend

The breakdown of the Council's gross spend of £77.3 million is...



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 decreased over the 3 years, the costs have increased slightly. 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 will receive an end of year report in June.

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

Status	Q4	Q3	Q2	Q1
 Halted/ Funding not available	0	0	0	1
 Behind original due date or forecast not to meet due date	4	5	7	7
 Not due for completion in year or has not reached due date	4	5	5	5
 Project Completed	2	2	0	3
	<b>10</b>	<b>12</b>	<b>12</b>	<b>16</b>

After being reported as halted or completed the project is taken off for the next quarter. This is why the total number of projects reduced by 6, due to the 1 projected halted in Q1 (Bancroft Multi-Use Games Area due to an application to Sport England for funding which meant that it would not commence in 2017/18), the 3 completed in Q1 (Bancroft Gardens Play Area, North Herts Leisure Centre and Norton Common Wheeled Sports Provision) and the 2 completed in Q3 (replacement of Walsworth Common Access Bridge and implementing outcomes from energy audits of Council assets).

The end of year position on the 10 projects was:

Project	Progress
Complete the fit out and open the North Hertfordshire Museum and Community Facility	Ongoing negotiations for the acquisition of 14/15 Brand Street 
Redevelopment of Council's office accommodation	Moved back in to the building by 19 March. Remedial works to external louvres to be completed by the end of May 
Development of a Crematorium in North Hertfordshire	Cabinet approval for outline planning permission in March. Planning application submitted in April 2018. Option agreement with our partner now signed 
Completion of leases on 4 Community Centres	3 completed. Grange Community Centre (Letchworth) could not be completed as the Association was not appropriately formed for them to sign the leases 
Renewal of street and waste cleansing contracts	Client Team working with the new contractor through the mobilisation period and contract start in May. Garden waste sign-ups are now over 40% 
Submission of a Local Plan for North Hertfordshire	The scheduled hearing sessions were completed in March. The timescales for subsequent milestones are dependent upon the Planning Inspectorate 
Working with health partners to deliver projects for older people and children/ young people	Projects met targets in terms of the numbers of participants they intended to engage 
Investigating a range of options to improve use of Council assets	Business Case for the Property Company completed. Reported to Cabinet Sub-Committee and Cabinet. Cabinet approval to setting up a property company 
Renew pathways at Bancroft Recreation Ground, Hitchin	Completed May 2018 
Jackmans central (Letchworth) play area renovation	Completed March 2018 

# Narrative Report

## Key Projects 2018/19

The Overview and Scrutiny Committee have identified the following key projects for 2018/19:

- Developing projects from the Green Space Strategy including: Construction of roadways and pathways at the Wilbury Hills Cemetery in Letchworth, Providing a Multi-Use Games Area at Bancroft Recreation Ground in Hitchin and renovating the play area at the District Park in Great Ashby
- Assessing the feasibility for an extension to Royston Leisure Centre
- Completing the fit-out and opening of the North Herts Museum and Community Facility
- Obtain planning permission for a new Crematorium
- Carry out consultation on the major modifications to the Local Plan and then seek adoption of the final plan by Full Council
- Undertake various activities to seek improvements to air quality at Stevenage Road and Paynes Park in Hitchin
- Reporting to Full Council on the detail of development proposals in relation to Churchgate in Hitchin
- Investigate options to make use of the Council's assets

The Committee will receive updates against these projects on a quarterly basis which will be available here:

<https://democracy.north-herts.gov.uk/ieListMeetings.aspx?CId=134&Year=0>

## Monitoring Performance

The Overview and Scrutiny Committee also receive quarterly reports on Performance Indicators. During 2017/18 there were 17 indicators that were monitored, with a further 10 monitored on a less frequent basis. For one indicator, data was not available at the time of the Q4 report so is excluded from the totals. A summary of the position on these throughout the year is:

Status	Q4	Q3	Q2	Q1
 Met or exceeded target	8	7	8	10
 Target not achieved but within agreed tolerance	3	5	3	2
 Not achieved and outside tolerance	2	0	1	0
 For information only and traffic light status is not applicable	13	7	7	7

The indicators that did not meet or exceed their target at Q4 were:

Indicator	Target	Actual Value	Comments
Working days lost due to short-term sickness absence per FTE employee	3.5	3.92 	Short-term absence rose due to the harsh winter and an increase in severe cold and flu related absences.
Percentage of customers satisfied with the services provided by the Housing & Public Protection Service	90%	89.6% 	Target missed by 0.4%
Percentage of all planning applications determined within the relevant statutory or agreed time periods	83%	79.7% 	Performance affected by technical (IT migration) and staffing (difficulty recruiting to vacancies) issues.
Kg residual waste per household	360	371 	Performance is still in the top quartile (LG Inform Benchmarking Data).
Percentage of household waste sent for reuse, recycling and composting	60%	57.1% 	

# Narrative Report

## Monitoring Risk and Opportunities

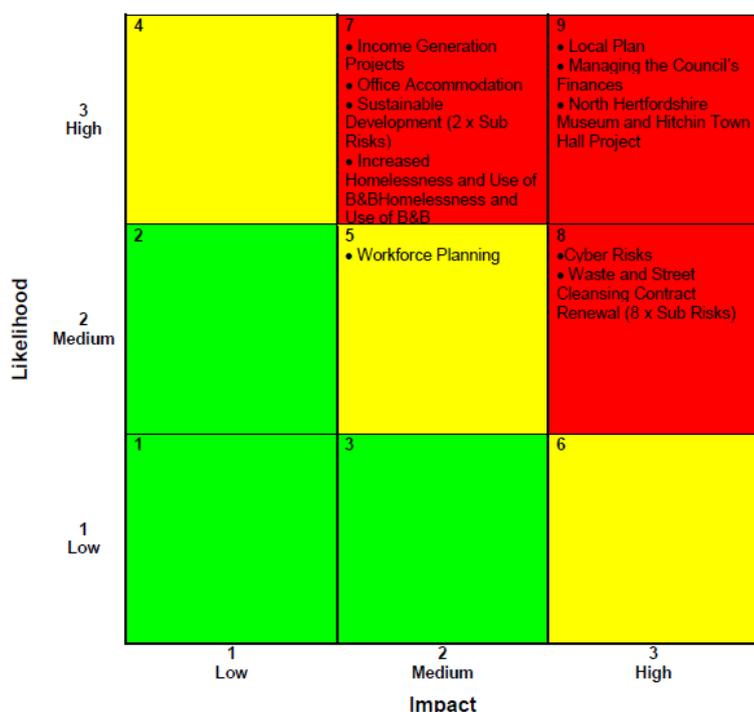
The Council’s processes for the development and operation of risk management are monitored by the Finance, Audit and Risk Committee. The committee review reports and can make recommendations to Cabinet on any changes.

In December 2017, the Committee reviewed the Council’s ‘Risk and Opportunities Management Strategy’ and ‘Risk Management Policy Statement’ (these can be found here; <https://www.north-herts.gov.uk/home/council-data-and-performance/performance-and-risk-management>). They made recommendations to changes to Cabinet which were approved. The committee also receive quarterly reports on Corporate Risks.

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

At the start of the year the Council’s Corporate Risks were:

Summary Matrix



During the year, the Committee received recommendations on changes to the following risks:

- Increased homelessness and use of B&B- reduced likelihood score to medium (overall score 5)
- Office accommodation- reduced likelihood score to medium (overall score 5)
- Review of Waste and Street Cleansing Contract renewal sub-risks (no change in overall score)
- Office accommodation - further reduction in the likelihood score to low (overall score 3)

## Understanding the Accounts

The accounts are made up of 5 core financial statements:

- Expenditure and Funding Analysis
- 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. Much of the information is of a technical nature and has been completed to be compliant with the 2017/18 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

## 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 £9.5 million, 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 £8.0 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 +£0.8 million, which means that the balance at the start of the year of £8.2 million is now £7.4 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.

## Expenditure and Funding Analysis

This statement is the most relevant to Council Taxpayers as it shows the Council's spend by Directorate (net total of £16.9 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.

## 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 2018 is £89.9 million. Key assets and liabilities include:

- Property, Plant and Equipment used to deliver services: £89.6 million
- Investment properties used to generate income: £17.6 million
- Treasury investments: Long-term £1.0 million and Current £21.2 million
- Pension liabilities: -£45.0 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 2017/18 financial year and the position at the year-end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. 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 2017/18, 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. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards or ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
  - Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
  - Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
  - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
  - Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
  - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
  - Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

# 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.

# Statement of Accounting Policies

## Termination Benefits

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

## Post Employment Benefits

- 6.4. As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.
- 6.5. The Authority participates in one pension scheme, the Local 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

## Statement of Accounting Policies

- 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.

**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.

# Statement of Accounting Policies

## 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.

## 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.

# Statement of Accounting Policies

## FINANCIAL ASSETS

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

## Loans and Receivables

- 9.7. Assets of this type will arise where the Council provides money, goods or services to another party and contracts to defer the settlement of the debt that arises, but in the meantime will not plan to trade the receivable on the market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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.

## Statement of Accounting Policies

10.3. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where revenue grants have been ring-fenced to a specific service and have not been spent at the Balance Sheet date they are reversed out of the General Fund Balance and posted to an ear-marked reserve (revenue grants with less than £1,000 left unspent at the Balance Sheet date are treated as Creditors and not transferred to an ear-marked reserve).

10.4. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 11. HERITAGE ASSETS

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

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

## Statement of Accounting Policies

### 12. INTANGIBLE ASSETS

- 12.1. Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.
- 12.2. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).
- 12.3. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.
- 12.4. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
- 12.5. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 13. INVENTORIES AND LONG TERM CONTRACTS

- 13.1. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in Progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.
- 13.2. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### 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.

## Statement of Accounting Policies

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

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

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

### 16. LEASES

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

#### **The Authority as Lessee**

##### **Finance Leases**

- 16.3. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.
- 16.4. Lease payments are apportioned between:
- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
  - A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

## Statement of Accounting Policies

- 16.5. Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).
- 16.6. The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

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

### **The Authority as Lessor**

#### **Finance leases**

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

# Statement of Accounting Policies

## Operating Leases

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

## 17. OVERHEADS AND SUPPORT SERVICES

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

## 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.

### 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

## Statement of Accounting Policies

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.
- 18.10. Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of a loss previously charged to a service.
- 18.11. 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.

# Statement of Accounting Policies

## 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. There is no depreciation in the year of disposal but a full year's depreciation charge in the year of acquisition. Assets are typically depreciated over the following lives:

<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

- 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.

## Statement of Accounting Policies

- 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.
- 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.

## Statement of Accounting Policies

### 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.

#### 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.

## Statement of Accounting 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.

2016/17			2017/18		
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
3,775	(340)	3,435	5,668	(906)	4,762
6,599	2,319	8,918	7,684	5,409	13,093
2,465	1,717	4,182	(2,254)	7,889	5,635
4,666	258	4,924	5,782	410	6,192
<b>17,505</b>	<b>3,954</b>	<b>21,459</b>	<b>16,880</b>	<b>12,802</b>	<b>29,682</b>
		<b>Net Cost of Services</b>			
1,005	9	1,014	1,068	(291)	777
		Other Operating Expenditure			
(1,544)	1,510	(34)	(1,366)	(1,544)	(2,910)
		Financing and Investment Income and Expenditure			
(18,120)	(1,863)	(19,983)	(16,820)	(1,180)	(18,000)
		Taxation and Non-Specific Grant Income and Expenditure			
<b>(1,154)</b>	<b>3,610</b>	<b>2,456</b>	<b>(238)</b>	<b>9,787</b>	<b>9,549</b>
		<b>(Surplus) or Deficit on Provision of Services</b>			
<b>(7,085)</b>		<b>Opening General Fund Balance</b>	<b>(8,235)</b>		
		(Surplus) or Deficit on General Fund Balance in year	(238)		
(1,154)		Transfers to / (from) Earmarked Reserves	1,070		
4					
<b>(8,235)</b>		<b>Closing General Fund Balance at 31<sup>st</sup> March</b>	<b>(7,403)</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.

2016/17			Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
3,775	(340)	3,435		5,108	(346)	4,762
15,050	(6,132)	8,918		19,434	(6,341)	13,093
42,650	(38,468)	4,182		42,247	(36,612)	5,635
8,901	(3,977)	4,924		11,157	(4,965)	6,192
<b>70,376</b>	<b>(48,917)</b>	<b>21,459</b>		<b>77,946</b>	<b>(48,264)</b>	<b>29,682</b>
		1,014	Other Operating Expenditure	12		777
		(34)	Financing and Investment Income & Expenditure	13		(2,910)
		(19,983)	Taxation and Non-Specific Grant Income & Expenditure	14		(18,000)
		<b>2,456</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>9,549</b>
		(6,096)	(Surplus) or Deficit on Revaluation of non-current assets			(11,154)
		0	(Surplus) or Deficit on revaluation of available for sale assets			0
		(585)	Re-measurements of the net defined benefit liability	42		(6,427)
		<b>(6,681)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(17,581)</b>
		<b>(4,225)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(8,032)</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	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2016</b>	7,085	4,605	5,453	964	18,107	59,569	77,676
<b>Movement in Reserves during 2016/17:</b>							
Surplus or (deficit) on provision of services	(2,456)	0	0	0	(2,456)	0	(2,456)
Other Comprehensive Expenditure and Income	0	0	0	0	0	6,681	6,681
<b>Total Comprehensive Expenditure and Income</b>	<b>(2,456)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,456)</b>	<b>6,681</b>	<b>4,225</b>
Adjustments between accounting basis & funding basis under regulations ( <b>Note 11</b> )	3,610	0	(2,230)	(10)	1,370	(1,370)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>1,154</b>	<b>0</b>	<b>(2,230)</b>	<b>(10)</b>	<b>(1,086)</b>	<b>5,311</b>	<b>4,225</b>
Transfers to/from Earmarked Reserves ( <b>Note 28</b> )	(4)	4	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>1,150</b>	<b>4</b>	<b>(2,230)</b>	<b>(10)</b>	<b>(1,086)</b>	<b>5,311</b>	<b>4,225</b>
<b>Balance at 31 March 2017</b>	<b>8,235</b>	<b>4,609</b>	<b>3,223</b>	<b>954</b>	<b>17,021</b>	<b>64,880</b>	<b>81,901</b>
<b>Movement in Reserve during 2017/18</b>							
Surplus or (deficit) on provision of services	(9,549)	0	0	0	(9,549)	0	(9,549)
Other Comprehensive Expenditure and Income	0	0	0	0	0	17,581	17,581
<b>Total Comprehensive Expenditure and Income</b>	<b>(9,549)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,549)</b>	<b>17,581</b>	<b>8,032</b>
Adjustments between accounting basis & funding basis under regulations ( <b>Note 11</b> )	9,787	0	(133)	0	9,654	(9,654)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>238</b>	<b>0</b>	<b>(133)</b>	<b>0</b>	<b>105</b>	<b>7,927</b>	<b>8,032</b>
Transfers to/from Earmarked Reserves ( <b>Note 28</b> )	(1,070)	1,070	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>(832)</b>	<b>1,070</b>	<b>(133)</b>	<b>0</b>	<b>105</b>	<b>7,927</b>	<b>8,032</b>
<b>Balance at 31 March 2018</b>	<b>7,403</b>	<b>5,679</b>	<b>3,090</b>	<b>954</b>	<b>17,126</b>	<b>72,807</b>	<b>89,933</b>

## Balance Sheet as at 31 March 2018

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'.

<b>31 March 2017 £'000</b>		<b>Note</b>	<b>31 March 2018 £'000</b>
81,542	Property, Plant and Equipment	15	89,570
670	Heritage Assets	16	733
14,914	Investment Property	17	17,647
320	Intangible Assets	18	192
7,000	Long Term Investments (non-property)	20	1,000
1	Mortgages	20	1
16	Loans	20	16
107	Other Long Term Debtors	20	498
<b>104,570</b>	<b>Long Term Assets</b>		<b>109,657</b>
149	Inventories	21	159
6,428	Short Term Debtors	23	4,331
24,220	Short Term Non Property Investments	20	21,161
0	Assets Held for Sale	25	0
8,206	Cash & Cash Equivalents	24	10,576
<b>39,003</b>	<b>Current Assets</b>		<b>36,227</b>
(33)	Short Term Borrowing	20	(24)
(5,929)	Short Term Creditors	26	(4,174)
(4,685)	Receipts in Advance	26	(4,836)
0	Provisions (< 1 year)	27	(100)
<b>(10,647)</b>	<b>Current Liabilities</b>		<b>(9,134)</b>
(456)	Long Term Borrowing	20	(440)
(133)	Long Term Creditors	41	(131)
(966)	Provisions (> 1 year)	27	(1,152)
(49,323)	Liability related to Pension Scheme	42	(45,029)
49	Deferred Credits		49
(196)	Capital Grants Receipt in Advance	38	(114)
<b>(51,025)</b>	<b>Long Term Liabilities</b>		<b>(46,817)</b>
<b>81,901</b>	<b>Net Assets</b>		<b>89,933</b>
17,021	Usable Reserves	28	17,126
64,880	Unusable Reserves	29	72,807
<b>81,901</b>	<b>Total Reserves</b>		<b>89,933</b>

The un-audited accounts were issued on 31<sup>st</sup> May 2018. The audited accounts were authorised for issue on the 30<sup>th</sup> July 2018.

## 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>2016/17</b> <b>£'000</b>	<b>2017/18</b> <b>£'000</b>
(2,456) Net surplus or (deficit) on the provision of services	(9,549)
3,920 Adjustments for non-cash movements <b>(Note 31)</b>	11,191
(4,331) Adjustments for items that are investing and financing activities <b>(Note 31)</b>	6,197
<b>(2,867) Net cash flows from operating activities</b>	<b>7,839</b>
(1,080) Investing Activities <b>(Note 31)</b>	(5,986)
(461) Financing Activities <b>(Note 31)</b>	517
<b>(4,408) Net Increase or (decrease) in cash and cash equivalents</b>	<b>2,370</b>
12,614 Cash and Cash Equivalents at the beginning of the year	8,206
<b>8,206 Cash and Cash Equivalents at the end of the year</b>	<b>10,576</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 2017/18 (the Code) and the accounting policies set out prior to the financial statements. The notes that follow (1 to 45) set out supplementary information to assist readers of the accounts.

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

The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards adopted in the 2018/19 (from 1 April 2018) will need to be applied from 1 April 2018. The changes are:

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

IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Authority's financial position is not likely to be material. The main financial assets held by the Authority are treasury management investments, which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. In addition, the high credit rating required by the Authority of its investment counterparties is likely to mean the expected credit loss position will not be significant.

IFRS 15 will not cause any material changes to the Statement of Accounts, however this may require some additional disclosure notes to show separately revenue from contracts where this is material.

IAS 12 and IAS7 will not affect the accounts so no disclosure is required.

# Notes to the Core Financial Statements

## 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication of the degree to which the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has determined that the lease of Letchworth multi-storey car park from Letchworth Garden City Heritage Foundation is a finance lease and has recognised the property as an asset on the balance sheet with a carrying value at the 31 March 2018 of £6k. A liability for the lease repayments has also been recognised. This judgement has been made due to; the length of the lease being most of the useful life of the building, the significant capital investment by the Authority in the building and the materiality of the income earned from operating the property.
- The majority of the Authority's investment properties are industrial sites which attract rental income at the market rate. As such, the properties clearly meet the definition for classification as investment. The Authority has determined that the ownership of the Churchgate site in Hitchin is also an investment property (carrying value of £1.5million) as there is no alternative policy for ownership other than for rental income or capital appreciation.
- A short-term provision has been created in this financial year for a liability in relation to the senior management restructure. As at the 31<sup>st</sup> March 2018 an employee settlement offer had been negotiated and drafted but had not been signed. The details within the settlement offer provided a reliable estimate of the liability amount and it was considered more probable than not that the offer would be accepted and settled within the next 12 months. On this basis, and as the amount was also material, a provision for the liability has been made in the 2017/18 accounts for the Authority.

## 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 2018 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over estimated useful lives. If for any reason an individual asset should deteriorate at a quicker rate than expected then this could bring into doubt the useful lives assigned to individual assets. This could happen, for example, if the current period of austerity meant the necessary programme of repairs and maintenance was delayed.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £220,000 for every year that useful lives had to be reduced.

## Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Investment Properties	Investment Properties are not depreciated but are revalued annually according to market conditions. In the current economic climate it is uncertain if there will be a significant change in property prices over the next 12 months. However, the majority of the Authority's investment properties are ground leases which are considered to be relatively secure investments and less liable to large swings in value.	A yield of 7.5% has been used in the calculation of the value of investment properties. A 0.5% reduction in the yield would reduce the carrying value of investment property by approximately £1.2million (this is a simple estimation for illustration only and does not consider the complexities and circumstances of individual assets).
Debtors	At 31 March 2018 the Authority had a balance of short term debtors of £6.1million. A review of the trend in collection rates and the age profile of the outstanding debt suggested an impairment of £1.7million was appropriate. However, in the current economic climate it is not certain if such an allowance is sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment of the doubtful debt would require an additional £1.7million to be set aside.
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 new arrangements for the retention of business rates 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>	A provision of £1.13million has been made, as at 31 March 2018, for the Authority's share of refunding outstanding appeals that are successful. This amount is based on the amount of outstanding appeals with the Valuation Office Agency, as at 31 March 2018, after applying a success factor of 25% and likely reduction in RV of 16%. Due to the recent revaluation it is prudent to make an allowance for appeals not yet lodged, £704k provision has been made for this and is included in the overall £1.13million provision. An increase of 1% in the success factor would increase the amount of provision required by £221,000.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pensions liability had reduced by £4.3million.

## Notes to the Core Financial Statements

### 4. MATERIAL ITEMS OF INCOME AND EXPENSE

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

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

Category	Description of Material Item	Comment
Customer Services	Grounds Maintenance Contract	Contract payments for the core service maintenance of amenity areas, burial grounds and rivers totalled £1.2million in 2017/18 (£1.2million in 2016/17)
Customer Services	Off Street Car Parking Income	Off Street Car Parking income received by the authority totalled £1.8million in 2017/18 (£1.7million in 2016/17).
Customer Services	Waste and Recycling Contract	Waste and Recycling Contract expenditure totalled £5.3million in 2017/18 (£5.1million in 2016/17).
Finance, Policy & Governance	Housing and Council Tax Benefits	The Authority paid a total of £34.2million of Housing Benefit payments in 2017/18 (£36.1million in 2016/17). This was funded by a grant subsidy from the Department for Work and Pensions of £33.7million (£35.7million in 2016/17).
Planning, Housing and Environment	Planning Applications Income	Income from the processing of planning applications received and the provision of pre-application advice totalled £1.3m in 2017/18 (£0.7m in 2016/17).

### 5. EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred after the reporting period that need disclosing in 2017/18.

### 6. PRIOR PERIOD ADJUSTMENTS

There were no prior period adjustments that needed disclosing in 2017/18.

### 7. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2017/18 or 2016/17. These would normally arise following boundary changes or from legislation, neither of which affected North Hertfordshire District Council during 2017/18. All operations are therefore classified as '*continuing operations*'.

## Notes to the Core Financial Statements

### 8. 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.

Adjustments for Capital Purposes (Note 1)	2016/17			Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	2017/18		
	Net Change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments			Net Change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000			£'000	£'000	£'000
0	(368)	28	<b>(340)</b>	Chief Executive	0	(915)	9	<b>(906)</b>
1,950	369	0	<b>2,319</b>	Customer Services	4,580	829	0	<b>5,409</b>
1,466	251	0	<b>1,717</b>	Finance, Policy and Governance	7,300	589	0	<b>7,889</b>
68	190	0	<b>258</b>	Planning Housing and Enterprise	24	386	0	<b>410</b>
<b>3,484</b>	<b>442</b>	<b>28</b>	<b>3,954</b>	<b>Net Cost of Services</b>	<b>11,904</b>	<b>889</b>	<b>9</b>	<b>12,802</b>
9	0	0	<b>9</b>	Other Operating Expenditure	(291)	0	0	<b>(291)</b>
(120)	1,630	0	<b>1,510</b>	Financing and Investment Income and Expenditure	(2,788)	1,244	0	<b>(1,544)</b>
(2,088)	0	225	<b>(1,863)</b>	Taxation and Non-Specific Grant Income and Expenditure	(844)	0	(336)	<b>(1,180)</b>
<b>(2,199)</b>	<b>1,630</b>	<b>225</b>	<b>(344)</b>	<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(3,923)</b>	<b>1,244</b>	<b>(336)</b>	<b>(3,015)</b>
<b>1,285</b>	<b>2,072</b>	<b>253</b>	<b>3,610</b>	<b>Difference between the General Fund Surplus or Deficit and the CIES surplus or deficit on the provision of services</b>	<b>7,981</b>	<b>2,133</b>	<b>(327)</b>	<b>9,787</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 IA S 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

### 9. SEGMENTAL INCOME

Income received on a segmental basis is analysed below.

Directorate	2016/17 £'000	2017/18 £'000
Chief Executive	(1,088)	(1,541)
Finance, Policy & Governance	(39,690)	(37,701)
Customer Services	(6,133)	(6,341)
Planning, Housing & Enterprise	(4,005)	(4,965)
<b>Total Directorate Income</b>	<b>(50,916)</b>	<b>(50,548)</b>
<b>Other Income Received</b>		
Non-Ringfenced Government Grants	(4,285)	(3,678)
Income from Council Tax and Business Rates	(13,610)	(13,478)
<b>Total Income within Surplus or Deficit on the Provision of Services</b>	<b>(68,811)</b>	<b>(67,704)</b>

### 10. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2016/17 £000	2017/18 £000
Employee costs	13,313	14,101
Other Service Expenditure	17,606	17,868
Housing Benefit Payments	36,114	34,246
Interest Payments	119	56
Net Pension Costs	1,630	1,244
Capital Charges:		
- Depreciation of Property, Plant & Equipment	2,366	2,760
- Amortisation of Intangible Assets	157	165
- Impairment / Downward Revaluation of Assets	873	8,821
Payments to Housing Capital Receipts Pool	2	2
(Increase) / Decrease in Fair Value of Investment Properties	(117)	(2,785)
(Gain) / Loss on the disposal of assets	8	(293)
Gain on receipt of donated asset	(1,809)	0
Parish Council Precepts	1,005	1,068
<b>Total Expenditure</b>	<b>71,267</b>	<b>77,253</b>
Fees and Charges	(8,328)	(9,180)
Interest and Rental Income	(1,749)	(1,548)
Housing Benefit Subsidy	(35,754)	(33,669)
Grants and Contributions	(9,370)	(9,829)
Income from Council Tax and Business Rates	(13,610)	(13,478)
<b>Total Income</b>	<b>(68,811)</b>	<b>(67,704)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>2,456</b>	<b>9,549</b>

## Notes to the Core Financial Statements

### 11. 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 2016/17:

2016/17	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	(3,239)	0	0	3,239
Movements in the market value of Investment Properties	117	0	0	(117)
Amortisation of Intangible Assets	(157)	0	0	157
Capital Grants and contributions applied	1,163	0	10	(1,173)
Income in relation to donated assets	1,809	0	0	(1,809)
Revenue Expenditure funded from capital under statute	(971)	0	0	971
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory Provision for the financing of capital investment	3	0	0	(3)
<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.	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,328	0	(2,328)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(8)	8	0	0
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	(2)	2	0	0
Transfer from deferred capital receipts reserve upon receipt of cash	0	(108)	0	108
<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	(3,907)	0	0	3,907
Employers pensions contributions and direct payments to pensioners payable in year	1,835	0	0	(1,835)
<b>Adjustments primarily involving the Collection Fund Account:</b>				
Movement in the Authority's share of the Collection Fund surplus / deficit	(225)	0	0	225
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Accrued employee absence adjustment	(28)	0	0	28
<b>Total Adjustments</b>	<b>(3,610)</b>	<b>2,230</b>	<b>10</b>	<b>1,370</b>

## Notes to the Core Financial Statements

The following table shows the adjustments made in 2017/18:

2017/18	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	(11,581)	0	0	11,581
Movements in the market value of Investment Properties	2,785	0	0	(2,785)
Amortisation of Intangible Assets	(165)	0	0	165
Capital Grants and contributions applied	1,720	0	0	(1,720)
Revenue Expenditure funded from capital under statute	(1,034)	0	0	1,034
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	(10)	0	0	10
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory Provision for the financing of capital investment	3	0	0	(3)
<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.	303	(303)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,437	0	(1,437)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	(2)	2	0	0
Transfer from capital adjustment account upon receipt of Local Authority Mortgage Scheme loan principal	0	(1,000)	0	1,000
Transfer from deferred capital receipts reserve upon receipt of cash	0	(3)	0	3
<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	(4,664)	0	0	4,664
Employers pensions contributions and direct payments to pensioners payable in year	2,531	0	0	(2,531)
<b>Adjustments primarily involving the Collection Fund Account:</b>				
Movement in the Authority's share of the Collection Fund surplus / deficit	336	0	0	(336)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Accrued employee absence adjustment	(9)	0	0	9
<b>Total Adjustments</b>	<b>(9,787)</b>	<b>133</b>	<b>0</b>	<b>9,654</b>

## Notes to the Core Financial Statements

### 12. OTHER OPERATING EXPENDITURE

2016/17 £000		2017/18 £000
1,005	Parish council precepts	1,068
2	Payments to the Government Housing Capital Receipts Pool	2
7	(Gains) / losses on the disposal of non-current assets	(293)
<b>1,014</b>	<b>Total</b>	<b>777</b>

### 13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17 £000		2017/18 £000
119	Interest payable and similar charges	56
1,630	Pensions interest cost and expected return on pensions assets	1,244
(471)	Interest receivable and similar income	(355)
(117)	Change in Fair Value of Investment Properties	(2,785)
(1,195)	Income and expenditure in relation to investment properties	(1,070)
<b>(34)</b>	<b>Total</b>	<b>(2,910)</b>

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

2016/17 £000		2017/18 £000	2017/18 £000
(11,219)	Council Tax Income		(11,781)
(822)	Revenue Support Grant		0
(145)	Transition Grant		(140)
(595)	Section 31 Business Rates Reliefs Grant		(1,546)
(2,724)	New Homes Bonus		(1,992)
	National Non-Domestic Business Rates (NNDR)		
(16,145)	Share of total collectible	(15,135)	
12,934	Less NNDR Tariff	12,814	
820	Less NNDR Collection Fund Deficit	624	
(2,391)	Net Recognised NNDR		(1,697)
(1,809)	Gain on receipt of donated asset		0
(278)	Capital Grants and Contributions (see below)		(844)
<b>(19,983)</b>			<b>(18,000)</b>

2016/17 £'000	Capital Grants and Contributions	2017/18 £'000
103	S106 Developer Contributions	186
(10)	Performance Reward Grant	0
185	Museum Lottery Funding	49
0	Stevenage Leisure Limited contribution to North Herts Leisure Centre Redevelopment.	65
0	Stevenage Leisure Limited contribution to purchase of fitness equipment for Archers Gym and Royston Leisure Centre	481
0	Contributions from several bodies to purchase of Roman Artefacts	63
<b>278</b>	<b>Total</b>	<b>844</b>

## Notes to the Core Financial Statements

### 15. PROPERTY, PLANT AND EQUIPMENT

The movement on property, plant and equipment balances during the year and in the 2016/17 comparable year is detailed in the following tables.

Within each classification heading are the following types of assets:

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

#### REVALUATIONS

The Authority has a 5 year rolling revaluation programme for its properties. The Authority's Investment properties are valued annually. Revaluations completed during the year are reflected as at 1 April of the financial year when the valuation takes place. Valuations of the Authority's properties are overseen by the 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 2017/18 in line with the 5 year rolling programme. These have resulted in a net increase to the carrying value of property, plant and equipment of just over £2.334million.

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

2014/15	2015/16	2016/17	2017/18
Industrial Properties	Industrial Properties	Industrial Properties	Industrial Properties
Investment Properties	Investment Properties	Investment Properties	Investment Properties
Access Licence	Amenity Land	Amenity Land	Burial Ground
Depot/Storage	Garden Licence	Allotments	Car Park
Minor Letting	Land in advance of need	Depot/Storage	Community Centres
Ransom Strip	Recreation Grounds	Museum	Leisure Centres
Sub Stations	Storage	Offices	Markets
Wayleaves		Public Halls	Museum
		Scouts & Guides	Pavilions
		Storage	Play Areas
		Trust Property	Public Conveniences
			Public Halls
			Public Open Spaces
			Storage
			Swimming Pools
			Trust Property

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.

# Notes to the Core Financial Statements

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.

An impairment review was completed as at 31 March 2018 to ascertain if the carrying value of the assets had decreased materially since the last revaluation. The value of the Museum Resource Centre at Burymead, Hitchin was impaired by £334,600, and the Secondary Centre Gernon Road, Letchworth were impaired by £29,600.

## **DISPOSALS**

The Authority sold four sites during 2017/18: Land at Garrison Court, land at Lumen Road, land at Milestone Road and Greenfield Store Ickleford. The combined carrying value of these assets at the time of disposal was £0.010million. The combined total of receipts received was £0.257million.

## Notes to the Core Financial Statements

### MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2016/17

	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 2016</b>	<b>65,533</b>	<b>9,673</b>	<b>93</b>	<b>6,189</b>	<b>3,876</b>	<b>5,807</b>	<b>91,171</b>
Additions	1,203	201	0	0	0	2,970	4,374
Disposals	0	0	0	0	0	0	0
Reclassifications	1,141	180	0	0	(569)	(752)	0
Write Off to Revenue	0	0	0	0	0	(5)	(5)
Upward Revaluations recognized in the Surplus/Deficit on Provision of Services	2,111	0	0	0	3,443	0	5,554
Upward and Downward Revaluations taken to Revaluation Reserve	1,810	0	0	0	0	0	1,810
Impairments / Downward Revaluation recognized in the Surplus/Deficit on the Provision of Services	(873)	0	0	0	0	0	(873)
<b>At 31 March 2017</b>	<b>70,925</b>	<b>10,054</b>	<b>93</b>	<b>6,189</b>	<b>6,750</b>	<b>8,020</b>	<b>102,031</b>
<b>Depreciation &amp; Impairments</b>							
At 1 April 2016	(10,320)	(7,297)	(33)	(992)	(19)	0	(18,661)
Depreciation Charge for 2016/17	(1,701)	(525)	(2)	(141)	(1)	0	(2,370)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	542	0	0	0	0	0	542
<b>At 31 March 2017</b>	<b>(11,479)</b>	<b>(7,822)</b>	<b>(35)</b>	<b>(1,133)</b>	<b>(20)</b>	<b>0</b>	<b>(20,489)</b>
<b>Balance Sheet amount at 31 March 2017</b>	<b>59,446</b>	<b>2,232</b>	<b>58</b>	<b>5,056</b>	<b>6,730</b>	<b>8,020</b>	<b>81,542</b>
<b>Balance Sheet amount at 1 April 2016</b>	<b>55,213</b>	<b>2,376</b>	<b>61</b>	<b>5,197</b>	<b>3,857</b>	<b>5,807</b>	<b>72,511</b>

Included in the Land and Buildings total is a donated asset with a carrying value of £1.8 million.

## Notes to the Core Financial Statements

### MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2017/18

	Land & Buildings	Vehicles, Plant & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Valuation</b>							
<b>At 1 April 2017</b>	<b>70,925</b>	<b>10,054</b>	<b>93</b>	<b>6,189</b>	<b>6,750</b>	<b>8,020</b>	<b>102,031</b>
Additions	7,554	651	0	0	1	204	8,410
Disposals	0	0	0	0	0	0	0
Reclassifications	947	0	0	0	15	(921)	41
Write Off to Revenue	0	0	0	0	0	0	0
Upward and Downward Revaluations taken to Revaluation Reserve	6,715	0	0	0	(8)	0	6,707
Upward Revaluations recognized in the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0
Impairments / Downward Revaluations recognized in the Surplus/Deficit on the Provision of Services	(8,427)	0	0	(394)	0	0	(8,821)
<b>At 31 March 2018</b>	<b>77,714</b>	<b>10,705</b>	<b>93</b>	<b>5,795</b>	<b>6,758</b>	<b>7,303</b>	<b>108,368</b>
<b>Depreciation &amp; Impairments</b>							
At 1 April 2017	(11,476)	(7,822)	(35)	(1,133)	(20)	0	(20,486)
Depreciation Charge for 2017/18	(1,992)	(634)	(2)	(131)	0	0	(2,759)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	4,447	0	0	0	0	0	4,447
<b>At 31 March 2018</b>	<b>(9,021)</b>	<b>(8,456)</b>	<b>(37)</b>	<b>(1,264)</b>	<b>(20)</b>	<b>0</b>	<b>(18,798)</b>
<b>Balance Sheet amount at 31 March 2018</b>	<b>68,693</b>	<b>2,249</b>	<b>56</b>	<b>4,531</b>	<b>6,738</b>	<b>7,303</b>	<b>89,570</b>
<b>Balance Sheet amount at 1 April 2017</b>	<b>59,446</b>	<b>2,232</b>	<b>58</b>	<b>5,056</b>	<b>6,730</b>	<b>8,020</b>	<b>81,542</b>

Included in the Land and Buildings total is a donated asset with a carrying value of £1.8 million.

## Notes to the Core Financial Statements

### 16. 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 2016	624	46	670
In year Movements	0	0	0
<b>31 March 2017</b>	<b>624</b>	<b>46</b>	<b>670</b>
1 April 2017	624	46	670
Additions	63	0	63
Revaluations	0	0	0
<b>31 March 2018</b>	<b>687</b>	<b>46</b>	<b>733</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 updated annually.

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

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

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

The Authority's Museums Manager carried out a full valuation of the collections as at 31 March 2012 and reviewed these valuations as at 31 March 2018. 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 2018.

## 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 £9,750.

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 insured for £7,000 and £5,000 respectively.

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

### Heritage Asset Transactions

A summary of the transactions relating to Heritage Assets over the period 1 April 2017 to 31 March 2018 is as follows:

Material from a Roman grave at Kelshall, including bronze and glass vessels. Cost £62,350 (of which £28,000 came from the Arts Council England/Victoria & Albert Museum Purchase Grant Fund; £18,750 from the Art Fund; £10,000 from the Headley Trust, and £3120 from the Hertfordshire Heritage Fund. NHDC contributed £2,480

The Authority received the following separate donations or groups of donations in the year:

- Set of éclair and sponge finger moulds,
- 1950s Newspaper cuttings relating to Hitchin
- Legal agreement of 1799 relating to 234 acres at Letchworth Farm
- Banner of the Hitchin Young Conservatives, 1976
- Archive papers of Reginald Hine
- Swimming trophy, early 20th century
- Ephemera from Hitchin Christmas Tree Festival 2017
- Small Lucas bottle, Wilkinson razor, Hitchin Pageant programme, Coronation souvenir
- Order of service for a funeral at North Herts Crematorium
- Programme for NHDC Chairman's Civic Reception, 18 March 2016
- Samuel Lucas, oil copy of his 1840 Hitchin Market Place painting
- Photographs taken from Western Way, Grange Estate, Letchworth Garden City, before and during the construction of Southern Way, Swift Close etc.
- "Then, and Now: paintings, drawings and poems by Eric Moore" booklet

## Notes to the Core Financial Statements

### 17. 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>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Rental Income from Investment Property	(1,215)	(1,085)
Deminimis land sales	0	0
Direct Operating Expenses arising from Investment Property	25	15
<b>Net Gain / (Loss)</b>	<b>(1,190)</b>	<b>(1,070)</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.

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

	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	(1,145)	(1,067)
Later than one year and not later than five years	(4,588)	(4,267)
Later than five years	(66,126)	(60,557)

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

	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at Start of the Year</b>	<b>14,797</b>	<b>14,914</b>
Net Gains / (Losses) from Fair Value adjustments	117	2,785
Disposals	0	0
Transfers (to) / from Property, Plant and Equipment	0	(52)
<b>Balance at End of Year</b>	<b>14,914</b>	<b>17,647</b>

### 18. INTANGIBLE ASSETS

	<b>Purchased Software Licences</b>
	<b>£'000</b>
Original Cost	1,928
Amortisations to 1 April 2017	(1,608)
<b>Balance at 1 April 2017</b>	<b>320</b>
Expenditure in Year	37
Written off to Revenue in Year	(165)
<b>Balance at 1 April 2018</b>	<b>192</b>

### 19. CONTRIBUTION TO HOUSING POOLED CAPITAL RECEIPTS

The Council transferred its housing stock in March 2003. However, capital receipts of £2,897 relating to the remaining outstanding right to buy mortgages were received in 2017/18. The payment to the pool of £2,173 is shown in the Comprehensive Income and Expenditure Account under Other Operating Expenditure (see Note 12).

## Notes to the Core Financial Statements

### 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 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
<b>Financial Liabilities at amortised cost:</b>				
Creditors payable in one year	0	0	5,191	2,706
Borrowing	456	440	33	24
<b>Total Financial Liabilities:</b>	<b>456</b>	<b>440</b>	<b>5,224</b>	<b>2,730</b>
<b>Financial Assets (loans and receivables):</b>				
Debtors	124	515	5,376	3,128
Investments	7,000	1,000	24,220	21,161
Cash & Cash Equivalents	0	0	8,206	10,576
<b>Total Financial Assets:</b>	<b>7,124</b>	<b>1,515</b>	<b>37,802</b>	<b>34,865</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 At amortised cost £'000		Financial Assets Loans & Receivables £'000		Total £'000	
	2017	2018	2017	2018	2017	2018
Interest Expense	(119)	(56)	0	0	(119)	(56)
<b>Interest Payable &amp; Similar Charges</b>	<b>(119)</b>	<b>(56)</b>	<b>0</b>	<b>0</b>	<b>(119)</b>	<b>(56)</b>
Interest Income	0	0	471	351	471	351
<b>Interest &amp; investment income</b>	<b>0</b>	<b>0</b>	<b>471</b>	<b>351</b>	<b>471</b>	<b>351</b>
<b>Net gain/(loss) for year</b>	<b>(119)</b>	<b>(56)</b>	<b>471</b>	<b>351</b>	<b>352</b>	<b>295</b>

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 arms 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 2018 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

## Notes to the Core Financial Statements

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:

	31 March 2017		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>	5,680	6,173	3,170	3,635

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

	31 March 2017		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Loans &amp; Receivables</b>	44,820	45,135	36,380	36,400

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

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

#### Credit Risk

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

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Treasury Management Strategy ensured that its counterparty lists and limits reflected a prudent attitude towards organisations with whom funds were deposited, and limited its investment activities to the instruments, methods and techniques referred to in the Treasury Management Practices adopted by the Authority. It also maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements. There were no defaults on investments in 2017/18 or 2016/17. The table below details the investment limits for 2017/18.

## Notes to the Core Financial Statements

	Maximum Amount of Investment Allowable in any Institution	Amount Invested as at 31 March 2018*
		£'000
UK Clearing Banks	10% of Investments	0
UK Clearing Banks (Wholly owned Subsidiaries)	10% of Investments	0
Building Societies (Assets £4.5bn)	10% of Investments	4,000
Building Societies (Assets £2.5bn - £4.5bn)	10% of Investments	2,000
Building Societies (Assets £1bn to £2.5bn)	10% of Investments	6,500
Building Societies (Assets £0.3bn to £1bn)	10% of Investments	5,500
Money Market Funds	10% of Investments	3,500
Other Local Authorities	10% of Investments	9,000
<b>Total Invested</b>		<b>30,500</b>

\* This column shows the total invested in all counterparties in the group (for example, there was £4.0million invested in two separate building societies, assets £4.5bn and above, as at 31 March 2018).

The analysis of the £30.5million 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	0	1,000	3,000	3,500	9,000	14,000	<b>30,500</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. The Authority has chosen not to invest in any foreign financial institutions.

The Authority does not allow credit facilities for customers with relation to payments for the provision of services. £0.468M of the total £0.984M sundry debtor balance at 31 March 2018 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.

	Sundry Debtors	Provision Percentage	Provision Required	Net Sundry Debtors
<b>Age of Debt</b>	£'000		£'000	£'000
Within payment terms	516	0%	0	516
1-3 months over term	194	0%	0	194
3-12 months overdue	52	25%	(13)	39
12-24 months overdue	31	75%	(23)	8
More than 24 months overdue	191	100%	(191)	0
<b>Total at 31 March 2018</b>	<b>984</b>		<b>(227)</b>	<b>757</b>

The equivalent position at the end of 2016/17 is shown in the table below:

	Sundry Debtors	Provision Percentage	Provision Required	Net Sundry Debtors
<b>Age of Debt</b>	£'000		£'000	£'000
Within payment terms	813	0%	0	813
1-3 months over term	413	0%	0	413
3-12 months overdue	71	25%	(18)	53
12-24 months overdue	22	75%	(17)	5
More than 24 months overdue	188	100%	(188)	0
<b>Total at 31 March 2017</b>	<b>1,507</b>		<b>(223)</b>	<b>1,284</b>

## Notes to the Core Financial Statements

### Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority reviews its borrowing requirements as part of its annual Treasury Management Strategy and the standard policy has been to limit the amount of borrowing and reduce the exposure to liquidity risk. The strategy during 2017/18 was to utilise capital receipts set aside reserves and no new borrowing was taken out.

The total financial liability is made up as follows:

	<b>31 March 2017 £'000</b>	<b>31 March 2018 £'000</b>
Public Works Loan Board	480	456
Banks and Other Monetary Sectors	0	0
<b>Total Borrowing</b>	<b>480</b>	<b>456</b>
Less: Debt Maturing in 12 Months	24	16
<b>Total Long Term Borrowing</b>	<b>456</b>	<b>440</b>

At 31 March 2018 the average rates of interest on the different varieties of loans were as follows:

	%
Other Loans	na
Public Works Loan Board	9.59

The consolidated rate of interest, the rate used for internal transactions, was 12.95%.

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

	P.W.L.B. £'000	Banks etc. £'000	Other £'000	Total £'000
Maturing in more than 1 and less than 2 years	17	0	0	17
Maturing in more than 2 and less than 5 years	56	0	0	56
Maturing in more than 5 and less than 10 years	92	0	0	92
Maturing in more than 10 years	275	0	0	275
<b>Total</b>	<b>440</b>	<b>0</b>	<b>0</b>	<b>440</b>

### 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.

## Notes to the Core Financial Statements

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 2018 if interest rates had been 1% higher with all other variables held constant, the effects seen in the Income and Expenditure Statement would have been an increase of £43k in interest receivable from cash investments. The fair value of the loans outstanding would have been £9k higher (cost of repayment would have increased). This is shown below:

	£'000
Increase in interest receivable on variable rate investments	(43)
<b>Impact on Income and Expenditure Account</b>	<b>(43)</b>
Increase in fair value of fixed rate loans	<u>9</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 2017 £'000	31 March 2018 £'000
Inventory:		
Paper and Stationery	7	7
Postage	1	1
Waste & Recycling equipment	16	17
Museum merchandise	14	14
Careline Telecare equipment	101	102
Hitchin Town Hall beverages	2	10
Electrical equipment	7	7
Other	1	1
<b>Total</b>	<b>149</b>	<b>159</b>

## Notes to the Core Financial Statements

### 22. CONSTRUCTION CONTRACTS

As at the 31 March 2018 the Council had committed to £922,000 of capital expenditure for a number of capital schemes within the capital programme. These are as follows:

Capital Scheme	Commitment £'000
Bancroft Recreation Ground, Multi Use Games Area (MUGA)	170
DCO Refurbishment	80
Mandatory Disabled Facility Grants	354
Museum & Community Facility	51
North Herts Leisure Centre Development	125
Off Street Car Parks	27
Jackmans Central Play Area	50
Hitchin Swim Centre Lift	65
<b>Total Commitments</b>	<b>922</b>

### 23. DEBTORS

	31 March 2017 £'000	31 March 2018 £'000
Central Government Bodies	199	519
Impairment	0	0
<b>Net Total Central Government Bodies</b>	<b>199</b>	<b>519</b>
Other Local Authorities	734	797
Impairment	0	0
<b>Net Total Other Local Authorities</b>	<b>734</b>	<b>797</b>
Ratepayers/Council Tax payers	1,668	1,442
Impairment	(816)	(757)
<b>Net Total Ratepayers / Council Tax payers</b>	<b>852</b>	<b>685</b>
Housing Benefit Overpayments	1,562	1,771
Impairment	(646)	(722)
<b>Net Total Housing Benefit Overpayments</b>	<b>916</b>	<b>1,049</b>
Other Entities and Individuals	4,027	1,549
Impairment	(300)	(268)
<b>Net Total Other Entities and Individuals</b>	<b>3,727</b>	<b>1,281</b>
<b>Total Net Debtors</b>	<b>6,428</b>	<b>4,331</b>

### 24. CASH AND CASH EQUIVALENTS

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

31 March 2017 £000		31 March 2018 £000
16	Cash held by the Authority	31
3,190	Bank current accounts	2,045
0	Short-term Deposits with Banks/Building Societies	0
0	Short-term Deposits with other Local Authorities	5,000
5,000	Short-term Deposits with Money Markets Funds	3,500
<b>8,206</b>	<b>Total</b>	<b>10,576</b>

## Notes to the Core Financial Statements

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

	2016/17 £'000	2017/18 £'000
<b>Balance at Start of the Year</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale:		
Property Plant & Equipment	0	10
Assets sold	0	(10)
<b>Balance Outstanding at End of Year</b>	<b>0</b>	<b>0</b>

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

	31 March 2017 £000	31 March 2018 £000
<b>Short Term Creditors</b>		
Central government bodies	590	1,312
Other local authorities	491	518
NHS bodies	1	0
Other entities and individuals*	4,847	2,344
<b>Total</b>	<b>5,929</b>	<b>4,174</b>

\* As at 31 March 2018 there was £175k of prepayments received in the last couple of days of the year (£206k as at 31 March 2017).

	31 March 2017 £000	31 March 2018 £000
<b>Receipts in Advance</b>		
Central government bodies	223	205
Other local authorities	238	127
Other entities and individuals	4,224	4,504
<b>Total</b>	<b>4,685</b>	<b>4,836</b>

## Notes to the Core Financial Statements

### 27. PROVISIONS

	Provisions <1yr	Provisions > 1 year		Total
	Restructure Costs	Insurance Fund	NNDR Appeals	
	£'000	£'000	£'000	
<b>Balance at 1 April 2017</b>	0	(38)	(928)	(966)
Additional provisions made in 2017/18	(100)	(29)	(495)	(624)
Amounts used in 2017/18	0	41	297	338
<b>Balance at 31 March 2018</b>	<b>(100)</b>	<b>(26)</b>	<b>(1,126)</b>	<b>(1,252)</b>

#### Provision for Restructure Costs

This provision was set up in 2017/18 for settlement costs relating to the restructure of senior management as part of the Corporate Restructure.

#### 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

From 1 April 2013 the Authority is required to recognise a provision for NNDR appeals liabilities. The total appeals figure for 2017/18 was £2.815million (£2.321million in 2016/17) and, as this is shared between North Herts, Herts County Council and Central Government, the North Herts proportion reflected in the balance sheet was £1.13million (£928k in 2016/17).

### 28. 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 2017 £'000	Net Movement in Year £'000	Balance at 31 March 2018 £'000
Usable Capital Receipts	3,223	(133)	3,090
Earmarked Reserves	4,609	1,070	5,679
Capital Grants Unapplied	954	0	954
General Fund Reserve	8,235	(832)	7,403
<b>Total Usable Reserves</b>	<b>17,021</b>	<b>105</b>	<b>17,126</b>

#### Usable Capital Receipts

	2016/17 £'000	2017/18 £'000
Amounts receivable	108	1,306
Amounts applied to finance new capital investment	(2,328)	(1,437)
Contribution towards administrative costs of non current-asset disposals	(8)	(0)
Payments to Capital Receipts Pool	(2)	(2)
<b>Total increase in realised capital resources</b>	<b>2,230</b>	<b>133</b>
Balance brought forward at 1 April	5,453	3,223
<b>Balance carried forward at 31 March</b>	<b>3,223</b>	<b>3,090</b>

## Notes to the Core Financial Statements

### 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 as at 1st April 2016	Transfers out 2016/17	Transfers in 2016/17	Balance as at 31st March 2017	Transfers out 2017/18	Transfers in 2017/18	Balance at 31st March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cemetery Mausoleum Reserve	118	0	11	129	0	11	140
Childrens Services Reserve	10	(8)	6	8	0	0	8
Climate Change Grant Reserve	30	0	0	30	0	0	30
Community Development Reserve	1	0	0	1	0	0	1
Community Right to Challenge Reserve	45	0	0	45	0	0	45
DCLG Grants Reserve	549	(803)	743	489	(1,078)	1,457	868
DWP Additional Grants Reserve	12	(116)	107	3	(63)	189	129
Environmental Warranty Reserve	209	0	0	209	0	0	209
Growth Area Fund Reserve	53	0	0	53	0	0	53
Hitchin Museum Donations	0	0	0	0	0	0	0
Homelessness Grants Reserve	33	0	9	42	(14)	175	203
Housing & Planning Delivery	370	(83)	81	368	(212)	612	768
Information Technology Reserve	82	0	0	82	0	0	82
Insurance Reserve	36	(4)	0	32	(1)	3	34
LAMS Interest Reserve	82	0	25	107	(124)	17	0
Land Charges Reserve	179	(71)	53	161	(57)	0	104
Leisure Management Maintenance Reserve	89	0	0	89	(42)	0	47
Museum Exhibits Reserve	13	0	0	13	(2)	1	12
Neighbourhood Plan Reserve	55	(40)	6	21	0	20	41
Office Move IT Works	7	0	0	7	0	0	7
Paintings Conservation Reserve	13	(2)	0	11	0	0	11
Performance Reward Grant	0	0	0	0	0	0	0
Property Maintenance Reserve	57	0	10	67	(15)	10	62
S106 Monitoring Reserve	84	(16)	0	68	(15)	0	53
Special Reserve	1,720	0	0	1,720	0	0	1,720
Street Furniture	6	0	4	10	(5)	12	17
Street Name Plates	8	0	30	38	(22)	0	16
Syrian Refugee Project	0	(10)	29	19	(15)	83	87
Taxi Reserve	7	0	6	13	0	0	13
Town Centre Maintenance	34	(3)	8	39	(1)	0	38
Traffic Regulation Orders	222	0	0	222	0	74	296
Waste Reserve	481	0	32	513	0	72	585
<b>Total Earmarked Reserves</b>	<b>4,605</b>	<b>(1,156)</b>	<b>1,160</b>	<b>4,609</b>	<b>(1,666)</b>	<b>2,736</b>	<b>5,679</b>

## Notes to the Core Financial Statements

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

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

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

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

**Community Development Reserve** – various grants for Community Development.

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

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

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

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

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

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

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

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

The **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.

**LAMS Interest Reserve** holds interest received from the Local Authority Mortgage scheme. Interest accumulated over 5 years has been transferred to reserve to offset the liability incurred if customers default on their mortgage. As no mortgage defaults had occurred in the five years period to November 2017, the full amount held in reserve was transferred back into the general fund in 2017/18.

**Land Charges Reserve** – reserve 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 **Museum Exhibits Reserve** funds the purchase of museum exhibits and is funded from donations.

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

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

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

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

## Notes to the Core Financial Statements

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

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

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

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

**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 50 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 Wide Review / Town Centre Maintenance** are reserves 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 new reserve where AFM monies will be transferred to help mitigate any potential risk to the waste service for example construction of potential Northern Transfer Station.

### 29. UNUSABLE RESERVES

	Balance at 1 April 2017 £'000	Net Movement in Year £'000	Balance at 31 March 2018 £'000
Revaluation Reserve (note 29A)	34,398	10,093	44,491
Capital Adjustment Account (note 29B)	80,653	(6,784)	73,869
Deferred Capital Receipts (note 29C)	3	(3)	0
Pensions Reserve (note 29D)	(49,323)	4,294	(45,029)
Short Term Accumulating Compensated Absences Account (note 29F)	(147)	(9)	(156)
Collection Fund Adjustment Account (note 29E)	(704)	336	(368)
<b>Total Unusable Reserves</b>	<b>64,880</b>	<b>7,927</b>	<b>72,807</b>

#### Note 29A – Revaluation Reserve

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

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

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

## Notes to the Core Financial Statements

	2016/17	2017/18
	£'000	£'000
<b>Balance at 1 April</b>	<b>28,999</b>	<b>34,398</b>
Upward revaluation of assets	6,983	14,166
Downward revaluation of assets and Impairment losses not charged to the surplus/deficit on the Provision of Services.	(887)	(3,013)
Difference between fair value depreciation and historical cost depreciation.	(696)	(1,053)
Accumulated gains on assets sold or scrapped.	0	(7)
<b>Balance at 31 March</b>	<b>34,398</b>	<b>44,491</b>

### Note 29B – 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 11 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2016/17	2017/18
	£'000	£'000
<b>Balance at 1 April</b>	<b>78,999</b>	<b>80,653</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Depreciation and impairment of non-current assets	(1,425)	(11,524)
Amortisation of Intangible assets	(157)	(165)
Revenue expenditure funded from capital under statute	(971)	(1,034)
General Fund expenditure previously recognised as capital expenditure	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive Income & Expenditure Statement.	0	(3)
<b>Sub-Total</b>	<b>(2,554)</b>	<b>(12,726)</b>
<b>Adjusting amounts written out of the Revaluation Reserve.</b>	<b>692</b>	<b>997</b>

## Notes to the Core Financial Statements

	2016/17 £'000	2017/18 £'000
<b>Capital resource adjustments in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,328	1,437
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	1,163	1,720
Application of grants to capital financing from the Capital Grants Unapplied Account	10	0
Statutory provision for the financing of capital investment charged against the General Fund	(103)	3
Capital Receipt – Local Authority Mortgage Scheme loan principal	0	(1,000)
<b>Sub-Total</b>	<b>3,398</b>	<b>2,160</b>
Movements in the market value of investment properties	118	2,785
<b>Balance carried forward at 31 March</b>	<b>80,653</b>	<b>73,869</b>

### Note 29C – Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. These arise principally from mortgages on sales of Council Houses and form the main part of mortgages held under long term debtors. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2016/17 £'000	2017/18 £'000
<b>Balance at 1st April</b>	<b>5</b>	<b>3</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	(2)	(3)
<b>Balance at 31st March</b>	<b>3</b>	<b>0</b>

### Note 29D – 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.

	2016/17 £'000	2017/18 £'000
<b>Balance at 1st April</b>	<b>(47,836)</b>	<b>(49,323)</b>
Actuarial gains or losses on pension assets and liabilities	585	6,427
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(3,907)	(4,664)
Employer's pensions contributions and direct payments to pensioners payable in the year.	1,835	2,531
Capitalisation of Pension Costs	0	0
<b>Balance at 31st March</b>	<b>(49,323)</b>	<b>(45,029)</b>

## Notes to the Core Financial Statements

### Note 29E – 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.

	2016/17	2017/18
	£'000	£'000
<b>Balance at 1 April</b>	<b>(479)</b>	<b>(704)</b>
Movement in the Authority's share of the Collection Fund surplus / deficit	(225)	336
<b>Balance at 31 March</b>	<b>(704)</b>	<b>(368)</b>

### Note 29F Accumulated Absences Account

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

	2016/17	2017/18
	£'000	£'000
<b>Balance at 1 April</b>	<b>(119)</b>	<b>(147)</b>
Amounts accrued at the end of the current year	(28)	(9)
<b>Balance at 31 March</b>	<b>(147)</b>	<b>(156)</b>

## 30. INSURANCE

The Council maintains and reviews an insurance reserve which at 31 March 2018 had a balance of £33,601, an increase of £1,672 from the balance at 31 March 2017. The reserve is in place to cover the self-insurance of a number of items for which there is no external insurance cover.

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

The Council has decided to self-insure some assets such as Town Centre CCTV equipment (£232,200), Document Centre equipment (£136,768), vehicle electric charging points (£13,720), Environmental Health Noise monitoring equipment (£68,909) and other miscellaneous items totalling £30,000.

## 31. NOTES RELATING TO THE CASH FLOW STATEMENT

### Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2016/17	2017/18
	£'000	£'000
278 Interest Received	278	255
(120) Interest Paid	(120)	(57)
<b>158 Net cash flows from operating activities</b>	<b>158</b>	<b>198</b>

## Notes to the Core Financial Statements

The adjustments for non-cash movements are as follows:

2016/17 £'000		2017/18 £'000
2,362	Depreciation	2,703
873	Impairments and downward revaluations	8,821
157	Amortisation of intangible assets	165
1,119	Movement in Creditors	(2,052)
(2,462)	Movement in Debtors	2,008
(11)	Movement in Inventories	(9)
2,072	Pension Liability	2,133
0	Carrying amount of non-current assets sold	3
(190)	Movement in other provisions	(2,581)
<b>3,920</b>	<b>Net Adjustment for non-cash movements</b>	<b>11,191</b>

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

2016/17 £'000		2017/18 £'000
(2,972)	Grants applied to the financing of capital expenditure	(1,720)
(1,359)	Proceeds from the sale of non-current assets	7,917
<b>(4,331)</b>	<b>Net Adjustment for investing or financing activities</b>	<b>6,197</b>

### Cash Flow Statement - Investing Activities

2016/17 £'000		2017/18 £'000
(4,250)	Purchase of property, plant and equipment, investment property and intangible assets	(8,618)
(89,532)	Purchase of short-term and long-term investments	(36,130)
(107)	Other payments for investing activities	(481)
108	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,306
89,532	Proceeds from short-term and long-term Investments	36,130
3,169	Other receipts from investing activities	1,807
<b>(1,080)</b>	<b>Net cash flows from investing activities</b>	<b>(5,986)</b>

### Cash Flow Statement - Financing Activities

2016/17 £'000		2017/18 £'000
0	Cash receipts of short and long-term borrowing	0
576	Council Tax and NNDR adjustments	545
(2)	Cash payments for the reduction of finance leases liabilities	(3)
(1,035)	Repayments of short and long-term borrowing	(25)
<b>(461)</b>	<b>Net Cash flows from financing activities</b>	<b>517</b>

## Notes to the Core Financial Statements

### 32. TRADING OPERATIONS

The Council has no trading operations.

### 33. AGENCY SERVICES

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

	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure incurred in providing grounds maintenance at Letchworth Library and highway verge maintenance services to Hertfordshire County Council	349	371
Management fee payable by the County Council	(276)	(280)
<b>Net deficit arising on the agency agreement</b>	<b>73</b>	<b>91</b>
Expenditure incurred in providing a grounds and building maintenance service to Royston Town Council	4	5
Management fee payable by the Town Council	(3)	(2)
<b>Net deficit arising on the agency agreement</b>	<b>1</b>	<b>3</b>

### 34. MEMBERS' ALLOWANCES

The following table shows the amount of Members' allowances paid in 2017/18 compared to the previous financial year:

	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	318	338
Expenses	12	12
<b>Total</b>	<b>330</b>	<b>350</b>

## Notes to the Core Financial Statements

### 35. EMPLOYEES REMUNERATION

#### Senior Employee Remuneration in 2017/18

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 2017/18. The second table details the equivalent information for the comparative year, 2016/17. The Authority is voluntarily opting to disclose the name of the Chief Executive and Strategic Directors. 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 2017/18) £
David Scholes Chief Executive	1	119,488	0	0	<b>119,488</b>	21,481	140,969
Anthony Roche Deputy Chief Executive	2	37,103	52	0	<b>37,155</b>	6,584	43,739
Norma Atlay Strategic Director of Finance Policy and Governance	3	38,925	0	0	<b>38,925</b>	6,924	45,849
Head of Development and Building Control		74,214	0	0	<b>74,214</b>	13,153	87,367
Head of Housing and Public Protection Service		71,218	0	0	<b>71,218</b>	12,562	83,780
Head of Finance Performance and Asset Management		61,016	0	0	<b>61,016</b>	10,698	71,714
Head of Revenues and Benefits		73,866	0	0	<b>73,866</b>	13,088	86,954
Head of Leisure and Environmental Services		69,855	0	0	<b>69,855</b>	12,342	82,197
Corporate Human Resources Manager		59,653	0	0	<b>59,653</b>	10,532	70,185
Corporate Legal Manager	4	37,828	43	0	<b>37,871</b>	6,639	44,510
Corporate Legal Manager	5	23,709	0	0	<b>23,709</b>	4,177	27,886

- 1 The Chief Executive also held the position of Returning Officer for the Council and received £7,415 of expense allowances for this role in 2017/18
- 2 The new post of Deputy Chief Executive was appointed to on 1st November 2017. The annualised salary excluding fees and allowances was £84,960
- 3 The Strategic Director of Finance Policy and Governance left the Council on 03/09/2017 and this post was deleted from 1st November 2017. The annualised salary excluding fees and allowances was £87,588
- 4 The Corporate Legal Manager left the post on 31st October 2017 to take up the post of Deputy Chief Executive (see note 2). The annualised salary excluding fees and allowances was £61,188
- 5 An 'Acting' Corporate Legal Manager was appointed on 1st November 2017. The annualised salary excluding fees and allowances was £53,844

## Notes to the Core Financial Statements

### Senior Employee Remuneration in 2016/17

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 2016/17) £
David Scholes Chief Executive	1	118,339	0	0	<b>118,339</b>	17,723	136,062
Norma Atlay Strategic Director of Finance Policy and Governance		90,712	0	0	<b>90,712</b>	13,440	104,152
John Robinson Strategic Director of Customer Services	2	45,879	0	185,660	<b>231,539</b>	6,720	238,259
Head of Development and Building Control		73,508	0	0	<b>73,508</b>	10,851	84,359
Head of Housing and Public Protection Service		70,795	0	0	<b>70,795</b>	10,364	81,159
Head of Finance Performance and Asset Management	3	54,717	0	0	<b>54,717</b>	7,975	62,692
Head of Policy Partnership and Community Development	4	36,112	0	123,023	<b>159,135</b>	4,694	163,829
Head of Revenues and Benefits		74,658	0	0	<b>74,658</b>	11,030	85,688
Head of Leisure and Environmental Services		69,191	0	0	<b>69,191</b>	10,193	79,384
Corporate Human Resources Manager		57,406	0	0	<b>57,406</b>	8,429	65,835
Corporate Legal Manager		64,256	120	0	<b>64,376</b>	9,410	73,786

- 1 The Chief Executive also held the position of Returning Officer for the Council and received £7,596 of expense allowances for this role in 2016/17
- 2 The Strategic Director of Customer Services left the Council on 30/09/2016; the annualised salary excluding fees and allowances, was equal to £86,712.
- 3 The Head of Finance Performance and Asset Management joined the Council on 25/04/2016; the annualised salary for this post in 2016/17, excluding fees and allowances, was equal to £55,125
- 4 The Head of Policy Partnership and Community Development left the Council on 30/09/2016; the annualised salary excluding fees and allowances was £60,573

# Notes to the Core Financial Statements

The Authority is also required to disclose the authority's other employees that received more than £50,000 remuneration for the year. 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 compensation for loss of office. The remuneration is shown in each bracket of a scale in multiples of £5,000.

Remuneration Band	2016/17	2017/18
	Employees	Employees
£50,000-£54,999	6	12
£55,000-£59,999	1	2
£60,000-£64,999	0	1
£65,000-£69,999	2	1
<b>Total</b>	<b>9</b>	<b>16</b>

### 36. TERMINATION BENEFITS AND EXIT PACKAGES

The Authority terminated the contracts of four employees in 2017/18, incurring liabilities of £47,090 (£429,020 in 2016/17) that have been charged to the Comprehensive Income and Expenditure Statement in the current year.

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other agreed departures		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
							£	£
£0 - £49,999	1	1	5	3	6	4	58,523	47,090
£50,000 - £99,999	1	0	0	0	1	0	61,814	0
£100,000 - £149,999	0	0	1	0	1	0	123,023	0
£150,000 - £199,999	0	0	1	0	1	0	185,660	0
<b>Total Cost included in bandings and in CIES</b>							<b>429,020</b>	<b>47,090</b>

# Notes to the Core Financial Statements

## 37. 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.

	2016/17 £'000	2017/18 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	52	44
Fees payable for the certification of grant claims and returns for the year	6	8
<b>Total</b>	<b>58</b>	<b>52</b>

The fees payable for external audit services for 2017/18 is inclusive of an amount of £7,730 received from Public Sector Appointments Ltd (PSAA). This refund relates to retained earnings transferred from the Audit Commission when it closed in March 2015 and the PSAA continuing to generate surplus funds and make further efficiencies since its establishment in April 2015.

## 38. 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:

	2016/17 £'000	2017/18 £'000
Disabled Facilities Grant	520	646
Developer Contribution	354	171
Performance Reward Grant	10	0
Careline Equipment	0	59
<b>Total</b>	<b>884</b>	<b>876</b>

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

	2016/17 £'000	2017/18 £'000
Benefits Administration and Fraud Initiative Grants	891	918
Housing and Council Tax Benefit Subsidy	35,754	33,669
Waste minimisation – Herts County Council contribution	336	391
Waste Service Transport Subsidy	21	31
National Non-Domestic Rates Administration Grant	180	180
Refugees Syrian Project	63	157
Homelessness Prevention Grant	6	168
Community Safety Grants	24	0
Individual Electronic Registration Grant	22	24
Planning Control Grants - DCLG	0	35
DCLG Neighbourhood Plans	0	20
Public Health Grant	31	20
Local Plan -DCLG	35	0
Get Active Grant	31	148
Local Land Charges	8	0
DCLG Waste Grants for Flats Recycling	94	82
Hertfordshire Museums – Lottery Fund	2	8
<b>Total</b>	<b>37,498</b>	<b>35,851</b>

# Notes to the Core Financial Statements

## Capital Grants Received In Advance

The Authority received a grant in 2012/13 from the DCLG for the Weekly Collection Support Scheme. This grant is recognised as income in the Comprehensive Income and Expenditure Statement over the life of the scheme as there are conditions attached that may require the monies to be returned if the criteria of the grant are not met. The balance at the 31 March 2018 is £114,223.

## 39. 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 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).

### Members

Members have direct control over the Authority's financial and operating policies. During 2017/8, works and services to the value of £17,669 were commissioned from four companies in which a Member had an interest. No additional grants were paid to voluntary organisations in which Members had an interest. Details of all of these transactions are recorded in the Register of Members' Interest and Disclosure of Personal Interest at Meetings. Both these documents are available for public inspection at Council Offices, Gernon Road, Letchworth Garden City, Hertfordshire.

Two Council Members have a place on the board of North Hertfordshire Homes Limited (NHH). Income recorded from Service Level Agreements (SLA's) between the Authority and North Hertfordshire Homes totalled £277,728 (2016/17 £330,848), with an outstanding debtor balance at 31<sup>st</sup> March 2018 of £29,334 (2016/17: £104,155). £123,513 (2016/17: £52,515) was paid to NHH under reciprocal SLA's.

### Officers

Key management personnel also have significant influence over the operations of the authority. Key management personnel are all chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities. No Officers of the Council with influence over key procurement decisions, nor their spouses or partners, have declared any interests with NHDC related parties.

### 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. The Council holds 14% of the share capital (£7) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. Control is shared equally among the seven partners. In 2017/18 the Council's share of the losses for the year amounted to £95.6k (2016/17 £15.7k). 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 Hertsmerre 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 2017/18 total payments to the Partnership of £119,771 (£69,901 2015/16) were charged to the Council's Comprehensive Income and Expenditure Statement. This includes a partner contribution of £19,675 towards the Partnership deficit for 2017/18.

# Notes to the Core Financial Statements

## 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 new limited company, Hertfordshire CCTV Partnership Ltd, started trading on the 1 April 2015. The Council holds 28% of the share capital (£28) and is represented on the board. For the year ended 31 March 2018 the company produced a profit after tax of £11,952. NHDC's share of the profit is £3,292 with the remainder belonging to the partner councils. In 2017/18 £25,387 (£55,618 2016/17) was paid by the Council for services provided by Hertfordshire CCTV Partnership Limited and charged to the CIES. In addition, in 2017/18 the Authority also purchased new cameras and equipment from the company at a total cost of £26,004.

## 40. 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 £9.484million, only £3.094million has been financed immediately, resulting in an increase of £6.4million 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 (£10.24million at 31 March 2018) because the Authority has set aside capital receipts which exceed the amount of outstanding loans and borrowings.

	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Investment:</b>		
<b>Operational Assets</b>		
Land & Buildings	1,203	7,558
Vehicles, Plant & Equipment	201	651
Community Assets	0	0
Investment Properties	0	0
<b>Non-Operational Assets</b>		
Assets Under Construction	2,969	204
Intangible Assets - Software	342	37
Revenue Expenditure Funded from Capital under Statute	971	1,034
<b>Total Capital Investment</b>	<b>5,686</b>	<b>9,484</b>
<b>Sources of Finance:</b>		
Capital Receipts	2,328	1,437
Government Grants and Other Contributions	1,173	1,657
Sums set aside from Revenue	0	0
<b>Total Finance Sources</b>	<b>3,501</b>	<b>3,094</b>
<b>Increase / (Decrease) in CFR</b>	<b>2,185</b>	<b>6,390</b>

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

# Notes to the Core Financial Statements

## 41. ASSETS HELD UNDER LEASE AND FOR LEASE

### Operating Leases

#### Vehicles, Plant and Equipment

The Authority uses service vans and I.T. equipment financed under terms of an operating lease. The amount paid under these arrangements in 2017/18 was £65,084 (2016/17 at £53,906).

#### Property

The Authority paid £73,474 in rent / leasing charges for properties in 2017/18. The most significant amount of £38,875 was paid for the King James Way Car Park. This agreement is due to expire in January 2024. Following the completion of a rent review in 2017/18, the annual rent payable for King James Way Car Park was increased from £24,000 to £27,500, with effect from 9<sup>th</sup> January 2014. The total amount paid in 2017/18 is therefore inclusive of the backdated rent adjustment.

#### Commitments under operating leases

The Authority was committed at 31 March 2018 to making payments of £1.335 million under operating leases over the following periods:

	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	120	118
Later than one year and not later then five years	253	197
Later than five years	1,052	1,020
	<b>1,425</b>	<b>1,335</b>

#### Authority as Lessor

The Authority has granted various leases to commercial and industrial organisations under terms of an operating lease. The amount received under these arrangements in 2017/18 was £1.1million (2016/17 £1.2 million). The gross value of assets held for these leases is £17.647 million and the minimum lease payments (rental income) expected from the contractual obligations are broken down over future periods in Note 17, Investment Properties.

#### 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 car park was revalued in 2017/18 and is carried as Property, Plant and Equipment in the Balance Sheet at the following net amount:

	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Land and Buildings	132	6
	<b>132</b>	<b>6</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 2017</b>	<b>31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Finance Lease Liabilities	136	134
Finance costs in future years	152	140
<b>Minimum Lease Payments</b>	<b>288</b>	<b>274</b>

# Notes to the Core Financial Statements

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
Not later than one year	14	14	3	3
Later than one year and not later than five years	58	58	14	15
Later than five years	216	202	119	115
	<b>288</b>	<b>274</b>	<b>136</b>	<b>133</b>

## 42. 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:

Local Government Pension Scheme	2016/17	2017/18
Comprehensive Income and Expenditure Account:	£'000	£'000
Cost of Services:		
Service cost comprising:		
Current Service Cost *	2,123	3,420
Past Service Costs	154	0
Financing and Investment Income and Expenditure:		
Net Interest Expense	1,630	1,244
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,907</b>	<b>4,664</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	(9,880)	(3,498)
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,742)	0
Actuarial (gains) and losses arising on changes in financial assumptions	25,326	(2,921)
Other	(14,129)	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,482</b>	<b>(1,755)</b>

\* The service cost figures include an allowance for administration expenses of 0.5% of payroll.

# Notes to the Core Financial Statements

<b>Movement in Reserves Statement:</b>	<b>2016/17</b>	<b>2017/18</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	(3,907)	(4,664)
Actual Amount charged against the General Fund balance for pensions in the year:		
• Employers' contributions payable to the scheme **	1,995	2,539
Net chargeable amount against the General Fund balance	<b>1,995</b>	<b>2,539</b>

\*\* The figure of £2.539million for employers contributions to the scheme in 2017/18 was an estimate for the year, used by the Actuary, based on the first nine months contributions. The actual amount paid in the general fund in 2017/18 was £2.531million (£8k less than shown). There is a corresponding adjustment in the actuarial gain recognised in the Income and Expenditure Statement.

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

<b>Local Government Pension Scheme</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	(165,071)	(165,274)
Fair Value of plan assets	115,748	120,245
Sub-total	(49,323)	(45,029)
Other movements in the liability (asset)	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(49,323)</b>	<b>(45,029)</b>

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

<b>Local Government Pension Scheme</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	104,968	115,748
Interest Income	3,522	2,868
Re-measurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	9,880	3,498
Other		
The effect of changes in foreign exchange rates		
Contributions from employer	1,995	2,539
Contributions from employees into the scheme	587	580
Benefits paid	(5,204)	(4,988)
<b>Closing fair value of scheme assets</b>	<b>115,748</b>	<b>120,245</b>

# Notes to the Core Financial Statements

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

Local Government Pension Scheme	2016/17	2017/18
	£'000	£'000
Opening balance at 1 April	152,804	165,071
Current service cost	2,123	3,420
Interest cost	5,152	4,112
Contributions from scheme participants	587	580
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	(1,742)	0
Actuarial (gains) / losses arising from changes in financial assumptions	25,326	(2,921)
Other	(14,129)	0
Past Service Cost	154	0
Benefits paid	(5,204)	(4,988)
<b>Closing balance at 31 March</b>	<b>165,071</b>	<b>165,274</b>

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets (Quoted Prices)					
	31 March 2017			31 March 2018		
	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	3,820	0	3%	4,013	0	3%
Equity instruments:						
Consumer	9,025	0	8%	5,494	0	5%
Manufacturing	8,661	0	7%	4,726	0	4%
Energy and utilities	2,086	0	2%	1,261	0	1%
Financial Institutions	7,751	0	7%	5,364	0	4%
Health and care	1,567	0	1%	761	0	1%
Information technology	6,311	0	5%	3,749	0	3%
Other	390	0	0%	286	0	0%
Sub-total equity	35,791	0	30%	21,641	0	18%
Bonds:	0	0	0%	0	48	0%
Private equity:						
All	0	5,344	5%	0	4,562	5%
Real Estate:						
UK Property	0	3,745	3%	0	3,983	3%
Overseas Property	0	4,338	4%	0	3,926	3%
Sub-total real estate	0	8,083	7%	0	7,909	6%
Investment funds and Unit Trusts:						
Equities	24,253	0	21%	31,605	0	26%
Bonds	31,884	0	28%	43,246	0	36%
Commodities	0	0	0%	0	0	0%
Infrastructure	0	263	0%	0	287	0%
Other	447	6,093	6%	895	6,135	6%
Sub-total other investment funds	56,584	6,356	55%	75,746	6,422	68%
Derivatives:						
Forward foreign exchange contracts	0	(230)	0%	0	(96)	0%
<b>Total assets</b>	<b>96,195</b>	<b>19,553</b>		<b>101,400</b>	<b>18,845</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 2014 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000
Present Value of Liabilities	(141,453)	(161,422)	(152,804)	(165,071)	(165,274)
Fair Value of Assets	95,081	105,790	104,968	115,748	120,245
<b>Deficit in the scheme</b>	<b>(46,372)</b>	<b>(55,632)</b>	<b>(47,836)</b>	<b>(49,323)</b>	<b>(45,029)</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 £165,274million has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £45,029million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The contributions paid by the Authority are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2016), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2020 are set out in the Rate and Adjustments certificate. Further details on the approach adopted to set contribution rates for the Authority are available in the 2016 actuarial valuation report.

The total contributions expected to be made to the Local Government Pension scheme by the Authority in the year to 31 March 2019 is £2,538,000.

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest formal valuation of the Fund as at 31 March 2017. The significant assumptions used in their calculations are:

	31 March 2017 %	31 March 2018 %
Mortality Assumptions:		
Longevity at 65 for current pensioners*:		
Men	22.5	22.5
Women	24.9	24.9
Longevity at 65 for future pensioners**		
Men	24.1	24.1
Women	26.7	26.7
Rate of increase in salaries	2.5	2.5
Rate of increase in pensions	2.4	2.4
Rate for discounting scheme liabilities	2.5	2.6
Proportion of Employees opting to take a commuted sum		
- pre April 2008 service	50.0	50.0
- post April 2008 service	75.0	75.0

\* Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming current rates of improvement have peaked and will converge to a long term rate 1.25% p.a. Based on these assumptions the average future life expectancies at age 65 are as shown.

\*\* 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 0.5%)	9%	15,184
Rate of increase in salaries (increase by 0.5%)	1%	2,072
Rate of increase in pensions (increase by 0.5%)	8%	12,917

The table below shows the maturity profile of the defined benefit obligation. The figures below are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the date of the most recent actuarial valuation.

	Liability split (£'000) as at 31 March 2018	Liability split (%) as at 31 March 2018	Weighted Average Duration (Years)
Active members	57,346	34.7%	22.4
Deferred members	39,231	23.7%	20.1
Pensioner members	68,697	41.6%	10.0
<b>Total</b>	<b>165,274</b>	<b>100.0%</b>	<b>15.4</b>

#### 43. CONTINGENT ASSETS

There are no contingent assets for 2017/18.

#### 44. CONTINGENT LIABILITIES

##### **Contractor Pension Fund Contributions**

The Council has transferred the management of its waste collection service, leisure centres and grounds maintenance services to Veolia, Stevenage Leisure Ltd and John O'Connor Ltd, respectively. All of these bodies are members of the Hertfordshire Local Government Pension Fund. In order for these bodies to be admitted to the Pension Fund the Council has given a commitment to be ultimately liable for payments to the fund. In the event that the Contractor fails to make payment and there is no bond in place to cover the default, the Council would seek to offset the amount due from the contract price in the first instance. With regards to the contract with John O'Connor Ltd there is a bond in place with a value of £43,000 and that value is due for reassessment after 31 March 2020. The Council is liable only for the existing staff at the time of transfer of services to these bodies and as at the 31 March 2018 the Council has not been called upon to make any such payments.

##### **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, however as at 31<sup>st</sup> March 2018 the council had no outstanding claims with MMI.

# Notes to the Core Financial Statements

## 45. 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 2018, 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</b>	<b>Directly Attributable Expenditure</b>	<b>Externally Generated Income</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Hitchin Town Hall Gymnasium and Workman's Hall Trust	2,048	20	-
King George V Playing Fields Trust	80	206	-
Smithson Recreation Ground Trust	25	6	-

### Third Party Funds

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

The total value of all S106 contributions as at the 31 March 2018, available to fund capital and revenue activities is £2,950,537 (2016/17 £2,761,036).



# Collection Fund Accounts

## 1. INCOME FROM BUSINESS RATES

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

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

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk to Councils, due to non-collection and the volatility of the NNDR tax base.

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

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

The business rates shares payable for 2017/18 were estimated before the start of the financial year as £18.762 million to Central Government, £3.752 million to Hertfordshire County Council and £15.010 million to North Hertfordshire District Council. These sums have been paid in 2017/18 and charged to the collection fund.

When the scheme was introduced, Central Government set a baseline level for each Authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive the set baseline amount. North Hertfordshire paid a tariff of £12.133 million to Central Government from the General Fund in 2017/18.

The total net amount of NNDR income collectable in 2017/18, after all reliefs and deductions, was £37.694 million. An increase of £449k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £634k as at 31 March 2018. A total of £391k of outstanding business rates were written off during 2017/18.

In addition to the tariff arrangement the Council must pay a levy of 50% to Central Government for income received above the baseline. If income from business rates should fall to 92.5% of the set baseline then the safety net will ensure the Council is reimbursed. In 2017/18 the levy owed to the DCLG is £682k. This will be funded from S31 grants received by the DCLG.

The retained business rates scheme has also meant responsibility for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list has transferred to the Authority, as the agent. As such it is necessary for the Authority to make provision for future successful appeals on behalf of itself the major preceptor and Central Government. A reduction of £210k has been made to the provision of outstanding appeals, bringing the total provision for appeals to £2.11 million. This amount is based on the amount of outstanding appeals with the Valuation Office Agency, as at 31 March 2018, after applying an estimated overall success factor of 25%. In addition, an increase of £704k has been made for the provision of appeals not yet lodged, bringing the total movement on the appeals figure (both lodged and unlogged) to £494k for 2017/18.

The total non-domestic rateable value for North Hertfordshire District Council is £97.5 million, (£97.3 million 2016/2017). The NNDR multiplier is 47.9p in the pound (49.7p in the pound in 2016/2017). The small business non domestic rating multiplier is 46.6p in the pound (48.4p in the pound in 2016/2017).

## Collection Fund Accounts

### 2. COUNCIL TAX

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

	2016/17		2017/18	
	£'000	£'000	£'000	£'000
Original Debt	89,962		94,857	
Additional Debt	9,507		9,965	
		<b>99,469</b>		<b>104,822</b>
Less:				
Council Tax Reductions		6,618		6,496
Transitional Relief		(1)		0
Discounts		6,849		7,165
Amounts Written-off, Exemptions & Allowances		9,934		10,603
		<b>76,069</b>		<b>80,558</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, £1,614.79, (£1,545.58 2016/2017) 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	3,334	0.67	1,076.52
B	8,914	0.78	1,255.95
C	19,855	0.89	1,435.36
D	10,064	1.00	1,614.79
E	7,175	1.22	1,973.63
F	4,544	1.44	2,332.48
G	3,325	1.67	2,691.31
H	341	2.00	3,229.58
<b>Total</b>	<b>57,552</b>		

An increase of £606k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £1.67million as at 31 March 2018. A total of £796k of outstanding council tax was written off during 2017/2018.

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

The element of the surplus/ deficit on the Collection Fund at 31 March 2018 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.

## Collection Fund Accounts

### 4. PRECEPTS

	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Hertfordshire County Council	56,946	60,608
Hertfordshire Police	7,054	7,394
North Hertfordshire District Council and Local Town and Parish Councils	11,177	11,623
	<b>75,177</b>	<b>79,625</b>

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

## 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 Treasury Management Strategy and Medium Term Financial Strategies.
Capital Receipts	Monies received from the sale of assets, which may be used to finance capital expenditure or to repay outstanding loan debt as prescribed by Central Government, but they cannot be used to finance day-to-day spending.
Cash Equivalents	Cash investments which are held on deposit and are repayable on demand without financial penalty.

## Glossary of Financial Terms

Term	Definition
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.
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.

## Glossary of Financial Terms

Term	Definition
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.
DCLG	Department for Communities & Local Government.
Earmarked Reserves	These are reserves set aside for a specific purpose or a particular service or type of expenditure.

## Glossary of Financial Terms

Term	Definition
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.
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.

## Glossary of Financial Terms

Term	Definition
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 exceed a threshold set by Central Government, a levy is payable to Central Government but the Council may retain a proportion of the surplus.
Liabilities	Money owed to somebody else.
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.