Statement of Accounts (Audited) 2016/2017

North
Hertfordshire
District Council

Contents

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 Head of Finance, Performance and Asset Management;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

The Head of Finance, Performance and Asset Management Responsibilities

The Head of Finance, Performance and Asset Management 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 Head of Finance, Performance and Asset Management has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Discussed all of the above with the Finance Portfolio Holder.

The Head of Finance, Performance and Asset Management 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 2017 and its income and expenditure for the year then ended.

Ian Couper

Head of Finance, Performance and Asset Management

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 21 September 2017. 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: 21 September 2017

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 2017 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,
- the related notes 1 to 46 to the Authority accounts, and the Expenditure and Funding Analysis
- Collection Fund and the related notes 1 to 4.

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 2016/17.

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.

Respective responsibilities of the Head of Finance, Performance and Asset Management and auditor

As explained more fully in the Statement of the Head of Finance, Performance and Asset Management's Responsibilities set out on page 1, the Head of Finance, Performance and Asset Management 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 2016/17, and for being satisfied that they give a true and fair view.
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.
This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance, Performance and Asset Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report

Opinion on financial statements

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 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We 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.

Conclusion on North Hertfordshire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

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

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 2016, as to whether the Authority 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 2017.

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.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, 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 2017.

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.

Suresh Patel
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
22 September 2017

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

1 . INTRODUCTION TO THE STATEMENT OF ACCOUNTS

1.1 The Authority is legally required to produce a statement of accounts detailing the year's financial activities and the overall financial position at the 31 March. This narrative report provides an overview of the accounts, with a focus on financial performance. This includes how the Authority has delivered economy, efficiency and effectiveness in its use of resources over the year

1.2 The Statement of Accounts for the year ending 31 March 2017 are set out in this document and consist of a number of statements. Much of the information in the document is of a technical nature and has been completed to be compliant with the 2016/17 Local Authority Accounting Code of Practice and Service Reporting Code of Practice. The Statement of Accounting Policies explains the policies adopted by the Council to compile these accounts.

1.3 The Comprehensive Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. In 2016/17 this was a net deficit of £2.5million. The statement is compiled in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

1.4 The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' and other 'unusable' reserves. The starting point for the movement is the Surplus or (Deficit) on the Provision of Services line from the Comprehensive Income and Expenditure Account. There are then a series of statutory adjustments that are required before you get to the amount that is charged to the General Fund Balance for council tax setting purposes. 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. The General Fund Balance at the start of the year was £7.1million. This statutory General Fund Balance at the end of the year (before any transfers to earmarked reserves) is £8.2million. It was expected that the General Fund balance would reduce over the year to support service delivery whilst savings were identified. However underspends during the year and increased Business Rates income have resulted in the increase in the General Fund Balance.

1.5 In future years it is still expected that General Fund Reserves will need to be used to support service delivery whilst ways to reduce expenditure or increase income are identified. Reserve levels have been purposely built up in recent years to support this. The current estimate of the minimum level of General Fund reserves is £1.7m.

1.6 Usable reserves are those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve, that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1.7 The Expenditure and Funding analysis is a new statement. It provides more information on how the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement relate to each other.

1.8 The Balance Sheet shows the value as at the 31 March of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. The total value of net assets of the Authority at 31 March 2017 is £81.9million.

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

1.10 The Notes relating to the statements are detailed after the statements and provide further detail to the numbers contained within the statements.

1.11 The Authority is a billing authority for the collection of Council Tax and National Non-Domestic Rates (NNDR) for the District. The Collection Fund Account is a notional account to show all the income collected and how it is distributed. Because the Authority is acting as an agent, only the Authority's share of the Collection Fund balance is reflected in the rest of the Authority's accounts and the other statements.

2. MEDIUM TERM PLANNING AND OVERALL FUNDING

2.1 The Authority has a cyclical process to determine its priorities and align both resources and finances to achieve those priorities. The high level priorities for 2016/17 were as follows:

- 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

2.2 The funding announcement from Central Government in December 2016 was that the New Homes Bonus funding would reduce by much more than expected. A reduction in the time period that it is paid for and a baseline level has been introduced. This means that the Bonus will only be received for 5 years in 2017/18 (4 years from 2018/19), and will only be paid on housing growth that is more than 0.4% of the current base level. This was in addition to the reductions in Revenue Support Grant announced in December 2015.

2.3 As a result of these funding reductions the Authority anticipates that it will need to deliver around £3.4million of budget reductions over the next 4 years. £3.4m is around 20% of current net expenditure. As part of the MTFS process for 2017/18 onwards, £0.9million of budget reductions have been identified to be delivered during the year.

2.4 The Authority achieved budget reductions of £0.40million in 2016/17 (an over achievement of the budgeted level of £0.36million).

2.5 The net worth of the Authority is £81.9million. This represents the theoretical net value of all the Authority's assets and liabilities. Of this value £64.9million is contained within un-usable reserves. For example, a significant proportion of the Authority's value is contained within its property portfolio. The Authority does, however, have a total of £17.0million (£18.1million at 31 March 2016) of usable reserves at 31 March 2017, which can be used to fund revenue and capital expenditure. In addition to this, the Capital Adjustment Account contains

£16.6million of receipts from the transfer of our housing stock in 2003. Whilst this is an unusable reserve, that specific amount can be used to fund capital projects. The Authority seeks to manage the amount of available reserves in a prudent way to ensure there are adequate resources for unknown financial risks and plans for ongoing capital investment. Even though the Authority plans to use its general fund reserves over the next few years to soften the impact of reductions in Government funding, it will ensure that the remaining balance remains above the recommended minimum balance. This minimum balance of £1.7million for 2016/17 was approved by Members of the Council in February 2016.

2.6 The Authority participates in the Local Government Pension Scheme. The scheme is administered by Hertfordshire County Council. The net position of the pension fund has a significant impact on the Authority's accounts because of the estimated size of future liabilities. The Authority has been notified by the fund actuary that the net liability has increased by £1.5million during 2016/17 to £49.3million. Whilst the funds investments have continued to generate good returns (18.1% in 2016/17), future assumptions have resulted in the increased liability. Actuarial valuations are always an estimate based on a number of different scenarios, and the latest valuation has tried to increase the probability that the scheme will be fully funded within 20 years. Overall the funding position has improved since the last valuation in 2013.

3. INCOME AND EXPENDITURE

3.1 There was a net deficit on the provision of services of £2.5million in 2016/17 (£2.1million in 2015/16). While this is an accounting reflection of the financial performance of the Authority there are £3.6million of "book entries" included in order to be compliant with the Code of Practice that are not costs to be met by the General Fund or funded by Council Tax. In particular, the capital charges for depreciation and impairment of assets and the impact of future retirement benefits. These adjustments are listed in note 11 to the accounts. Once these are removed, there is a net surplus that increases the General Fund by £1.1million.

3.2 The Authority provides regular reports to its Cabinet on forecasts of revenue spend. This is to allow the Cabinet to undertake its role in monitoring the Authority's income and expenditure. The end of year report was presented to Cabinet on 13 June 2017. When expenditure forecasts are presented to Cabinet they reflect the way that the Authority has structured itself i.e. Chief Executive; Customer Services; Finance, Policy and Governance; and Planning, Housing and Enterprise. Further details of what makes up these areas can be found on the Authority's website: http://www.north-herts.gov.uk/home/council-and-democracy/council-departments.

3.3 The end of year revenue monitor report also includes:

- Explanations for variances from the working budget (latest planned spend), including the impact on future year budgets. Whilst there were a number of variances, there were not any individual significant ongoing impacts reported.
- The level of reserves and balances.

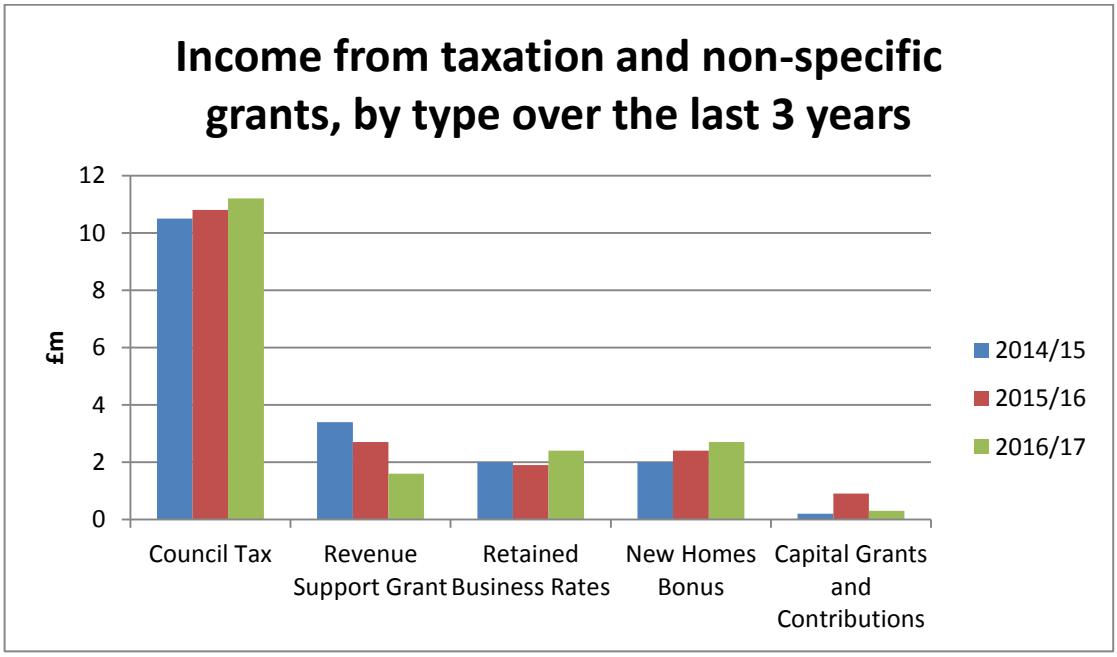
3.4 The Council's Key corporate financial health indicators are monitored throughout the year. These are areas that could have a significant impact on the Authority's budget, and are generally subject to external influences. Of the 4 measures, all performed better than budgeted.

3.5 Although not reported in either the revenue monitor report or the Statement of Accounts, it can be helpful to think about income in terms of where its source and expenditure in terms of what it has been spent on. The next two paragraphs provide this analysis.

Narrative Report

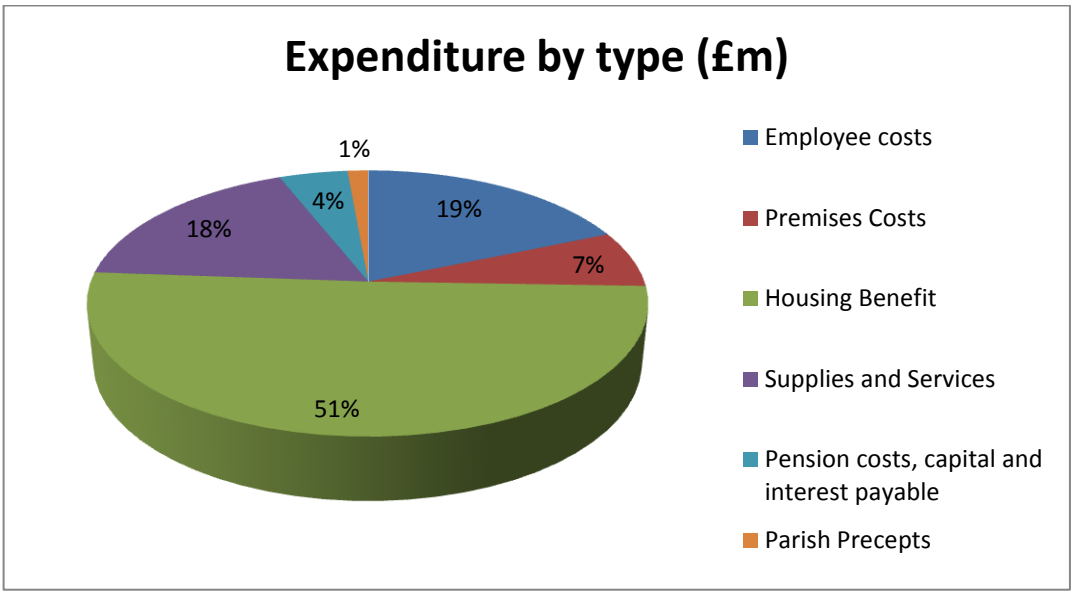
3.6 The Authority receives three main types of income:

- Service specific income, which includes specific Government grants and the fees and charges paid by those who use Council services. There is also some income received that relates to contributions and reimbursements. The main specific grant is for Housing Benefit subsidy, which was £35.7million in 2016/17 (£38.3million in 2015/16). The income from fees and charges was £8.3million (£8.2million in 2015/16). On the Comprehensive Income and Expenditure Statement these income sources are shown against the services that they relate to. Overall they total £48.0million, which is 70% of total income.
- Amounts received from investing cash balances and rent received from renting out investment properties. These were £0.5million and £1.3million respectively (they were £0.5million and £1.0million in 2015/16). This is 3% of total income.
- Income from taxation and non-specific grants. This includes Council Tax, the retained share of Business Rates (NNDR), Revenue Support Grant, New Homes Bonus and Capital Grants. These are detailed in note 14, and total £18.2million (27% of total income)*. As shown in the chart below, over recent years the balance of funding has started to shift from central grant funding to Council Tax. The Revenue Support Grant funding will disappear from 2017/18. The Authority has seen an increase in the amount of New Homes Bonus funding awarded over the last few years, although changes to the way it is awarded means that it will reduce again in future years.



** In 2016/17, the total Income from taxation and non-specific grants amount published in the CIES also includes the gain on receipt of a donated asset. For the purpose of comparison between years, this amount is not included in the chart above.*

3.7 The 2016/17 gross expenditure for the Authority was £71.3million (£72.4m in 2015/16). This reflects the Authority's expenditure in the 'Surplus or Deficit on Provision of Services' line in the Comprehensive Income and Expenditure Statement. The largest single item of expenditure was housing benefit payments of £36.1 million, which account for 51% of all expenditure. Employee costs (including associated costs such as training and recruitment costs) account for 19% of costs. Supplies and services, such as operating vehicles and purchase of goods and services represent 18% of the total expenditure. Premises costs (including rents, rates, utilities and repairs and maintenance) made up 7% of costs and the Parish Precept payments to the Parish and Town Councils in the District accounted for 1%.



4. CAPITAL AND BORROWING

4.1 The capital budget for 2016/17 for 2016/17 agreed in February 2016 was £8.6million, with a further £11.1million in future years (2017/18 to 2019/20). This budget was increased to £21.1million during the first quarter to reflect 2015/16 projects that had not been completed by the end of that year and additional funding approved by Full Council. The actual spend on capital schemes during the year was £5.7million, of which £2.2million was not funded in the accounts but paid for by drawing down cash investments and increasing the capital financing requirement. The remaining £3.5million was funded from capital receipts, government grants and third party contributions.

4.2 During 2016/17 there has been significant work on the North Herts Leisure Centre in Letchworth. The works commenced in May 2016 and are due to be completed by the end of summer 2017. The works include a new teaching pool, a new cafeteria, a multi-functional room and refurbishment of the sports hall, changing areas and car park. The value of the works completed in 2016/17 was £1.5million, of a total forecast cost of £3.6million. The development will create additional facilities and capacity that will generate additional income (from the contractor) of £216k per year.

4.3 A contract for works on the District Council Offices was signed in February 2017. This will ensure that the building is compliant with current regulations, replaces the ageing façade to make it weather tight, reduces the running costs of the building and improve the use of space to allow co-location with other organisations. The majority of the works will take place during 2017/18, and therefore most of the costs will be incurred during next year.

4.4 There were significant asset disposals during 2015/16 of £5.5million. There have not been any asset disposals during 2016/17, and therefore the capital receipts reserve balance has reduced from £5.5million down to £3.2million. The Authority still has surplus assets that it will dispose of over time, which will provide further contributions towards capital investment. There can be a significant amount of time between identifying a disposal and actually receiving the money, as most sales are contingent on the purchaser obtaining planning permission. The Authority is looking at ways it can generate the receipts more quickly by obtaining outline planning permission in advance of the sale.

4.5 The Authority continues to be in the position of a negative capital financing requirement (CFR). This means the Authority does not have a debt liability and has not needed to make a minimum revenue provision towards the cost of capital in 2015/16. As at the end of 2016/17 the CFR value was negative £16.6million. This means that the Authority could invest this amount in capital projects without needing to make a Minimum Revenue

Provision (MRP). MRP is a charge to the General Fund (and therefore Council Tax) so when required it increases the cost of capital investment. Whilst there is not a need for a MRP, the only revenue cost of capital spend is the lost income on investment balances. Interest on cash investments is at an historic low. As a result, the Authority will continue to invest to capital schemes, but will focus on those schemes that generate income or reduce ongoing running costs. This will therefore help to balance the revenue budget as funding levels reduce.

4.6 In previous years the Authority has funded part of the capital programme from loans. The value of long term loans owed to external parties for capital spending amount to £0.5million as at 31 March 2017. The redemption fees for paying off these loans early means that it is not worth doing so, even though the Authority has the short-term investments and cash (£24.2million and £8.2million at 31 March 2017) to be able to do so. The remaining loans will be repaid in small amounts over the next 25 years. This borrowing should be viewed in relation to the value of the long term assets, which are valued by a combination of replacement cost and historic cost, and have a net book value of £105.4million.

4.7 For 2017/18 - 2020/21 the Authority has an approved capital programme of £16.1million. This was approved by Council on 9 February 2017 and further details can be found on the Authority's website, including the full list of projects and amount of investment. This was budgeted to be funded by:

£000	2017/18	2018/19	2019/20	2020/21	Total
Capital Receipts	1,291	2,521	1,089	122	**5,023**
Government Grants and Other Contributions	1,901	654	654	941	**4,150**
Revenue Contributions	0	0	0	0	**0**
Unfunded- drawdown on investments (CFR impact)	5,273	1,363	0	331	**6,967**
Total	**8,465**	**4,538**	**1,743**	**1,394**	**16,140**

The use of capital receipts funding assumes that around £5.7million of additional receipts would be generated from the sale of surplus assets during 2017/18 and 2020/21.

4.8 The actual spend in 2017/18 will now be around £20.6million, which reflects that a number of schemes were not completed during 2016/17 and therefore have been reprogrammed in to 2017/18. This is also reflected in the capital receipts balance and negative CFR value being higher than what was budgeted. The Authority will still try and secure grant funding and other contributions, before making use of other funding sources.

5. PERFORMANCE

5.1 A performance report is presented to Overview and Scrutiny Committee on a quarterly basis, with an end of year report presented in June. The year end report for 2016/17 was presented to the Committee on 6 June 2017 and is available on the Authority's website. The end of year report highlights performance for the 26 performance indicators. For each indicator the current performance is shown, alongside previous performance, direction of travel and target level (where applicable).

5.2 There were three indicators classified as amber. This is where performance is below the target level but is still within agreed tolerances. These related to:

- Percentage of invoices paid on time, 99.4% against a target of 99.6%
- Working days lost due to short-term sickness absence per FTE employee, 3.6 days against a target of 3.5
- Percentage of household waste sent for reuse, recycling and composting, 59% against a target of 60%

5.3 The drop in performance of invoices paid on time is mainly due to staff not approving invoices for payment on time, especially around times when they are not in the office. A reminder has been sent to all staff to remind them of the importance of doing this, and also to arrange cover when they know that they will be away. The new version of our accounting system will be implemented during 2017/18 and this will enable the approval workflow to be managed electronically.

5.4 Working days lost due to short-term sickness absence per FTE employee are above target, and higher than they have been in recent years. There are robust procedures in place and managers receive training on how to manage absence. The impact is mainly down to one month (October). The level set is a challenging target, and equates to high performance when compared with other Authorities.

5.5 The household waste data was just short of the challenging target set, and shows an improvement on the previous quarter. When benchmarked against other Local Authorities, the Council is 6th best out of 51 participants (LG Inform Benchmarking data).

6. ECONOMIC CLIMATE AND FUTURE PLANNING

6.1 The Authority continues to plan its budget over a number of years by setting a medium term financial strategy (MTFS). The overall strategy was developed at the start of the period of national economic austerity and uncertainty, which has played a significant part in generating the financial pressures the Authority has experienced. This is because the Central Government is seeking to reduce the financial support that it provides to Local Authorities. There is also significant demographic pressure on Social Care authorities, which means that Central Government is looking to transfer funding away from lower tier Authorities, like North Hertfordshire. The Authority plans for the future based on the best available information on future funding, but are also mindful that there could be even further reductions in funding for the foreseeable future. For example, there could be further changes to the baseline for New Homes Bonus. It is also expected that austerity will continue beyond the current parliament and therefore the Authority should expect further reductions in funding alongside the introduction of 100% business rate retention. The introduction of 100% business rate retention is now not expected to happen until at least 2020/21.

6.2 The impact of the United Kingdom leaving the European Union (EU) is still highly uncertain, which means that the Authority does not consider it worthwhile to undertake detailed planning. The Authority does not have (or forecast to have) any significant income either directly or indirectly from EU funding sources, such as EU grants or Local Enterprise Partnership (LEP) funding.

6.3 Whilst the Authority is currently planning to use significant General Fund reserves over the next few years, the forecast balance at the end of £3.2million at the end of 2020/21 is still above the expected minimum balance of around £1.6million. This therefore gives the Authority some further protection to deal with any future funding changes or spending pressures. The decision by Council to increase Council Tax by £5 reflects the pressures that the Authority is facing and therefore the need to maximise income.

6.4 The Authority is looking at ways that it can operate more commercially to provide income to support its General Fund activity. This includes making use of the general power of competence that was introduced in the Localism Act of 2011. The Authority is progressing towards setting up a property company that would enable it to generate income from letting

market housing. Alongside an existing property, there is £3million allocated in the capital programme for purchasing or building property. The Authority will consider the economic climate before investing in the company. It is likely that demand for housing in the District will remain very high and there will continue to be a need for rental properties, and rental yields should reflect this. The investment will target ongoing rental income and therefore will not be susceptible to fluctuations in the capital value of housing.

6.5 The current economic climate means that interest rates continue to be at a historically low level. There are emerging signs that there will be an increase in the Bank of England base rate. Whilst the Authority does have some borrowing this is at historic fixed rates and therefore is not affected by interest rate changes. The Authority currently has significant cash investments, mainly from capital reserves and General Fund balance. Our current forecasts do not assume any increase in the return received on these investments. The most significant reduction in our cash balances will be from capital investment (e.g. works to the District Council Offices). The capital programme is kept under regular review and there are formal review points built in to the MTFS policy. Any future significant capital investment will need to be assessed on the basis that it may need to be funded from borrowing, and therefore any business case will need to reflect the costs of doing this.

6.6 Most of the Authority's commercial assets are ground leases and therefore not susceptible to fluctuations in property values. These leases generally have at least 50 years remaining and therefore provide an ongoing income stream.

7. SERVICE DELIVERY AND EMPLOYEES

7.1. The Authority has a statutory duty to deliver a number of services, as well as currently choosing to deliver some services that it is not required to do so. For some of these services it is able to recover from the recipient some or all of the cost of providing that service. Other services have to be provided free at the point of use, it would be impractical to charge those that used them or a policy decision is made that they will not be charged for.

7.2. Some of the Authority's services are contracted out, such as waste collection and grounds maintenance. Whilst the contractor takes on the day-to-day delivery of the service, there is still a need for the Authority to monitor performance, and act on any under-delivery.

7.3. The Authority has 324 people that are directly employed (as at 31st March 2017). Of this total 9 are in Senior Management Positions. The table below shows a breakdown of these totals by gender.

	All Employees		**Senior Management**	
	Number	Full Time Equivalent	Number	Full Time Equivalent
Male	107	102.26	7	7.00
Female	217	182.63	2	1.86
Other	0	0.00	0	0.00
Total	**324**	**284.89**	**9**	**8.86**

8. INTERESTS IN COMPANIES AND OTHER ENTITIES

8.1 Local Authorities have to consider all their interests, subsidiaries, associates and joint ventures and where material include the value of the interest in Group Accounts.

Narrative Report

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

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

9. POST BALANCE SHEET EVENT

9.1 Events may occur between the balance sheet date and the date the accounts are signed by the Head of Finance, Performance and Asset Management which may have a bearing on the financial results of the year. Under IAS 10 (Events after the reporting period) there is a requirement to disclose the date after which events will not have been recognised in the Statement of Accounts. This date is 21st September 2017; this being the date the audited Statement of Accounts was authorised for issue by the Head of Finance, Performance and Asset Management.

10. FURTHER INFORMATION

10.1 Where references are made to reports that are presented to Council, Cabinet and Overview and Scrutiny, these reports can be found on the Authority's website. They can be found by selecting the link to 'view meetings, agendas, minutes and reports' on this page: http://www.north-herts.gov.uk/home/council-and-democracy/council-and-committee-meetings.

8.2 Further information about the accounts can be obtained by contacting the Head of Finance, Performance and Asset Management at Town Lodge, Gernon Road, Letchworth Garden City, Hertfordshire, SG6 3HN

Statement of Accounting Policies

1. GENERAL

1.1. The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and the position at the year-end of 31 March 2017. 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 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 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.

3. COUNCIL TAX AND NON-DOMESTIC RATES

3.1 Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting

Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

3.2 The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

3.3 The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

4. BUSINESS IMPROVEMENT DISTRICTS

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

5. CASH AND CASH EQUIVALENTS

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

6. EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

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

Statement of Accounting Policies

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

Post Employment Benefits

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

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

The Local Government Pension Scheme

6.6. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative current rate of return on high quality corporate bonds of equivalent currency and term as the liabilities (rated at the level of AA or equivalent).

- The assets of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the balance sheet at their fair value:
  quoted securities – bid price
  unquoted securities – professional estimate
  unitised securities – average of the bid and offer rates
  property – market value

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

Service cost comprising:

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

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

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

Re-measurements comprising:

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

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

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

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

Discretionary Benefits

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

7. EVENTS AFTER THE REPORTING PERIOD

7.1. Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

7.2. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Statement of Accounting Policies

8. EXCEPTIONAL ITEMS

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

9. FINANCIAL INSTRUMENTS

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

Financial Liabilities

9.2. Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings, the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

9.3. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

9.4. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

FINANCIAL ASSETS

9.5. Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

9.6. The Authority does not have any available for sale assets.

Loans and Receivables

9.7. Assets of this type will arise where the Council provides money, goods or services to another party and contracts to defer the settlement of the debt that arises, but in the meantime will not plan to trade the receivable on the market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

9.8. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

9.9. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. GOVERNMENT GRANTS AND CONTRIBUTIONS

10.1. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

10.2. Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Statement of Accounting Policies

11. HERITAGE ASSETS

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

11.1 Heritage assets have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. The Authority's Heritage Assets consist of collections of assets or artefacts either exhibited or stored in the Authority's Museums (North Hertfordshire, Letchworth and Hitchin Museums) or the Museum Resource Centre, and items of public Sculpture and Artwork.

11.2 Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as the majority of them do not have a material monetary value and are therefore not recognised on the Balance Sheet.

- Where the Museums' Manager determines that an asset has a monetary value then they will undertake an annual programme of valuations by reviewing the archives of auctions houses to identify similar paintings by the same artist which have sold in the recent past.
- Purchased acquisitions are initially recognised at cost.
- For any donated acquisitions the Museums' Manager will determine whether they are likely to have a monetary value. If they do then they will either provide a valuation or obtain an external valuation (as per above). Otherwise they will not be recognised on the Balance Sheet.

11.3 The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see section 18.13 in this summary of significant accounting policies.

11.4 The Authority has a policy for the acquisition and disposal of Museum collections. The policy states there is a strong presumption against the disposal of any items in the museum's collection and decisions to dispose of items will not be made with the principal aim of generating funds. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

12. INTANGIBLE ASSETS

12.1. Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

12.2. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

12.3. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

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

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

13. INVENTORIES AND LONG TERM CONTRACTS

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

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

14. INVESTMENT PROPERTY

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

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

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

15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

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

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

16. LEASES

16.1. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

16.2. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

16.3. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

16.4. Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

16.5. Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

16.6. The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance leases

16.8. Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

16.9. Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

16.10. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

16.11. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

17. OVERHEADS AND SUPPORT SERVICES

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

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.

Statement of Accounting Policies

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 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.

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:

Fixed Asset	**Life**
Operational Buildings	Up to 50 years
Vehicles & Plant	5 to 10 years
Community Assets	Up to 50 years
Infrastructure	Up to 40 years

18.18. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

18.19. An individual item of property, plant or equipment is componentised and each resultant significant component is recognised and depreciated separately subject to the following principles:

- Individual assets with a carrying value less than £500k are disregarded for componentisation (subject to an assessment of the materiality of any group of assets that have been disregarded).
- A component is judged to be significant and hence recognised and depreciated separately if the cost of the component is at least 20% of the overall cost of the asset and the components useful life and required method of depreciation is different to the overall asset.
- The significance of a component relative to the overall asset is determined when an asset is enhanced, acquired or revalued (e.g. as part of the five-year rolling programme).
- The cost of a component is based on best estimates where historical cost of assets and components is not available.

18.20. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

18.21. When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

18.22. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

18.23. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

18.24. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

18.25. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

18.26. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

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

20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

20.1. Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

20.2. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

20.3. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

20.4. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

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

Contingent Assets

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

21. RESERVES

21.1. The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

21.2. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

22. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

22.1. Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a long term asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

22.2. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22.3. While the Authority has a de-minimis level for capitalising expenditure on its own assets there is no de-minimis level for revenue expenditure funded from capital under statute.

23. TRUST FUNDS AND THIRD PARTY ASSETS

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

24. VAT

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

Expenditure and Funding Analysis

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

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

2015/16				2016/17		
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**	**Directorate**	**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**
3,563	(503)	3,060	Chief Executive	3,775	(340)	3,435
6,340	2,456	8,796	Customer Services	6,599	2,319	8,918
2,836	1,082	3,918	Finance, Policy and Governance	2,465	1,717	4,182
3,935	760	4,695	Planning, Housing and Enterprise	4,666	258	4,924
16,674	**3,795**	**20,469**	**Net Cost of Services**	**17,505**	**3,954**	**21,459**
961	(159)	802	Other Operating Expenditure	1,005	9	1,014
(1,265)	866	(399)	Financing and Investment Income and Expenditure	(1,544)	1,510	(34)
(17,100)	(1,690)	(18,790)	Taxation and Non-Specific Grant Income and Expenditure	(18,120)	(1,863)	(19,983)
(730)	**2,812**	**2,082**	**(Surplus) or Deficit on Provision of Services**	**(1,154)**	**3,610**	**2,456**
(6,022)			**Opening General Fund Balance**	**(7,085)**		
(730)			Surplus or (Deficit) on General Fund Balance in year	(1,154)		
(333)			Transfers to / (from) Earmarked Reserves	4		
(7,085)			**Closing General Fund Balance at 31st March**	**(8,235)**		

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.

Restated 2015/16				Note	2016/17		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
3,254	(194)	3,060	Chief Executive		3,775	(340)	3,435
14,778	(5,982)	8,796	Customer Services		15,050	(6,132)	8,918
44,061	(40,143)	3,918	Finance, Policy & Governance		42,650	(38,468)	4,182
8,016	(3,321)	4,695	Planning, Housing & Environment		8,901	(3,977)	4,924
70,109	**(49,640)**	**20,469**	**Cost of Services**		**70,376**	**(48,917)**	**21,459**
		802	Other Operating Expenditure	12			1,014
		(399)	Financing and Investment Income & Expenditure	13			(34)
		(18,790)	Taxation and Non-Specific Grant Income & Expenditure	14			(19,983)
		2,082	**(Surplus) or Deficit on Provision of Services**				**2,456**
		(1,026)	(Surplus) or Deficit on Revaluation of non-current assets				(6,096)
		(2,500)	(Surplus) or Deficit on revaluation of available for sale assets				0
		(10,013)	Re-measurements of the net defined benefit liability	43			(585)
		(13,539)	**Other Comprehensive Income and Expenditure**				**(6,681)**
		(11,457)	**Total Comprehensive Income and Expenditure**				**(4,225)**

Service Reporting Code of Practice:
The above revenue service analysis is compliant with the latest accounting code of practice.

Movement in Reserves Statement

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

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	**6,022**	**4,938**	**850**	**980**	**12,790**	**53,430**	**66,220**
Movement in Reserves during 2015/16:							
Surplus or (deficit) on provision of services	(2,082)	0	0	0	(2,082)	0	(2,082)
Other Comprehensive Expenditure and Income	0	0	0	0	0	13,538	13,538
Total Comprehensive Expenditure and Income	**(2,082)**	**0**	**0**	**0**	**(2,082)**	**13,538**	**(11,456)**
Adjustments between accounting basis & funding basis under regulations **(Note 11)**	2,812	0	4,603	(16)	7,399	(7,399)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**730**	**0**	**4,603**	**(16)**	**5,317**	**6,139**	**(11,456)**
Transfers to/from Earmarked Reserves **(Note 29)**	333	(333)	0	0	0	0	0
Increase / (Decrease) in Year	**1,063**	**(333)**	**4,603**	**(16)**	**5,317**	**6,139**	**(11,456)**
Balance at 31 March 2016	**7,085**	**4,605**	**5,453**	**964**	**18,107**	**59,569**	**77,676**
Movement in Reserve during 2016/17							
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
Total Comprehensive Expenditure and Income	**(2,272)**	**0**	**0**	**0**	**(2,272)**	**6,497**	**4,225**
Adjustments between accounting basis & funding basis under regulations **(Note 11)**	3,610	0	(2,230)	(10)	1,370	(1,370)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,154**	**0**	**(2,230)**	**(10)**	**(1,086)**	**5,311**	**4,225**
Transfers to/from Earmarked Reserves **(Note 29)**	(4)	4	0	0	0	0	0
Increase / (Decrease) in Year	**1,150**	**4**	**(2,230)**	**(10)**	**(1,086)**	**5,311**	**4,225**
Balance at 31 March 2017	**8,235**	**4,609**	**3,223**	**954**	**17,021**	**64,880**	**81,901**

Balance Sheet as at 31 March 2017

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

31 March 2016 £'000		Note	31 March 2017 £'000
72,511	Property, Plant and Equipment	15	81,542
670	Heritage Assets	16	670
14,794	Investment Property	17	14,914
135	Intangible Assets	18	320
7,750	Long Term Investments (non-property)	20	7,000
4	Mortgages	20	1
16	Loans	20	16
2,000	Other Long Term Debtors	20	107
97,880	**Long Term Assets**		**104,570**
138	Inventories	21	149
4,745	Short Term Debtors	24	6,428
21,997	Short Term Non Property Investments	20	24,220
0	Assets Held for Sale	26	0
12,614	Cash & Cash Equivalents	25	8,206
39,494	**Current Assets**		**39,003**
(1,043)	Short Term Borrowing	20	(33)
(3,243)	Short Term Creditors	27	(5,929)
(4,764)	Receipts in Advance	27	(4,685)
(9,050)	**Current Liabilities**		**(10,647)**
(480)	Long Term Borrowing	20	(456)
(1,136)	Long Term Creditors	42	(133)
(955)	Provisions (> 1 year)	28	(966)
(47,836)	Liability related to Pension Scheme	43	(49,323)
49	Deferred Credits		49
(290)	Capital Grants Receipt in Advance	39	(196)
(50,648)	**Long Term Liabilities**		**(51,025)**
77,676	**Net Assets**		**81,901**
18,107	Usable Reserves	29	17,021
59,569	Unusable Reserves	30	64,880
77,676	**Total Reserves**		**81,901**

The un-audited accounts were issued on 23rd June 2017. The audited accounts were authorised for issue on the 21st September 2017.

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.

2015/16 £'000		2016/17 £'000
(2,082)	Net surplus or (deficit) on the provision of services	(2,456)
10,103	Adjustments for non-cash movements **(Note 32)**	3,920
(3,031)	Adjustments for items that are investing and financing activities **(Note 32)**	(4,331)
4,990	**Net cash flows from operating activities**	**(2,867)**
4,146	Investing Activities **(Note 32)**	(1,080)
1,448	Financing Activities **(Note 32)**	(461)
10,584	**Net Increase or (decrease) in cash and cash equivalents**	**(4,408)**
2,030	Cash and Cash Equivalents at the beginning of the year	12,614
12,614	**Cash and Cash Equivalents at the end of the year**	**8,206**

Notes to the Core Financial Statements

Index of Explanatory 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 2016 (the Code) and the accounting policies set out prior to the financial statements. The notes that follow (1 to 46) 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 2017/18 (from 1 April 2017) will need to be applied from 1 April 2017. The changes are:

- Amendments to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

These changes relate to reporting by pension funds and therefore do not affect North Hertfordshire District Council. Therefore no disclosure is required.

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 2017 of £248,000. 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.

- Hertfordshire Building Control Limited started trading on the 15th August 2016. This is a collaborative arrangement between North Herts and 6 other local authorities and consists of a wholly owned local authority company to deliver the statutory building control function and another company to deliver other related functions. A holding company sits above these two companies. A loan was made to the company in 2016/17 for £107k. The loan has been treated as a long term debtor.

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 2017 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 £205,000 for every year that useful lives had to be reduced.
Investment Properties	Investment Properties are not depreciated but are revalued annually according to market conditions. In the current economic climate it is uncertain if there will be a significant change in property prices over the next 12 months. However, the majority of the Authority's investment properties are ground leases which are considered to be relatively secure investments and less liable to large swings in value.	A yield of 7.5% has been used in the calculation of the value of investment properties. A 0.5% reduction in the yield would reduce the carrying value of investment property by approximately £1million (this is a simple estimation for illustration only and does not consider the complexities and circumstances of individual assets).
Debtors	At 31 March 2017 the Authority had a balance of short term debtors of £8.2million. A review of the trend in collection rates and the age profile of the outstanding debt suggested an impairment of £1.8million 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 £1.8million to be set aside.
National Non Domestic Rates – Provision for Appeals	The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. The Authority, acting as an agent on behalf of the major preceptors, central government and itself (as principal) is required to make provisions in accordance with the requirements of the Code and legislation for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years.	A provision of £928,000 has been made, as at 31 March 2017, 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 2017, after applying a success factor of 25% and likely reduction in RV of 16%. An increase of 1% in the success factor would increase the amount of provision required by £265,000.
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 2016/17, the Authority's actuaries advised that the net pensions liability had increased by £1.5million. This is due to the discount rate reducing from 3.4% to 2.5%.

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
Finance, Policy & Governance	Housing and Council Tax Benefits	The Authority paid a total of £36.1million of Housing Benefit payments in 2016/17 (£37.8million in 2015/16). This was funded by a grant subsidy from the Department for Work and Pensions of £35.7million (£37.5million in 2015/16).
Customer Services	Off Street Car Parking Income	Off Street Car Parking income received by the authority totalled £1.6millon in 2016/17 (£1.5million in 2015/16).
Customer Services	Waste and Recycling Contract	The Veolia Waste and Recycling Contract payments totalled £5.1million in 2016/17 (£5.1million in 2015/16).

5. EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred after the reporting period that need disclosing in 2016/17

6. PRIOR PERIOD ADJUSTMENTS

There were no prior period adjustments that needed disclosing in 2016/17.

7. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2016/17 or 2015/16. These would normally arise following boundary changes or from legislation, neither of which affected North Hertfordshire District Council during 2016/17. All operations are therefore classified as '*continuing operations*'.

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.

2015/16					2016/17			
Adjustments for Capital Purposes (Note 1)	Net Change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
0	(509)	6	**(503)**	Chief Executive	0	(368)	28	**(340)**
2,216	240	0	**2,456**	Customer Services	1,950	369	0	**2,319**
644	438	0	**1,082**	Finance, Policy and Governance	1,466	251	0	**1,717**
443	317	0	**760**	Planning Housing and Enterprise	68	190	0	**258**
3,303	**486**	**6**	**3,795**	**Net Cost of Services**	**3,484**	**442**	**28**	**3,954**
(159)	0	0	**(159)**	Other Operating Expenditure	9	0	0	**9**
(865)	1,731	0	**866**	Financing and Investment Income and Expenditure	(120)	1,630	0	**1,510**
(942)	0	(748)	**(1,690)**	Taxation and Non-Specific Grant Income and Expenditure	(2,088)	0	225	**(1,863)**
(1,966)	**1,731**	**(748)**	**(983)**	**Other Income and Expenditure from the Expenditure and Funding Analysis**	**(2,199)**	**1,630**	**225**	**(344)**
1,337	**2,217**	**(742)**	**2,812**	**Difference between the General Fund Surplus or Deficit and the CIES surplus or deficit on the provision of services**	**1,285**	**2,072**	**253**	**3,610**

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.

9. SEGMENTAL INCOME

Income received on a segmental basis is analysed below.

Directorate	2015/16 £'000	2016/17 £'000
Chief Executive	(1,613)	(1,088)
Finance, Policy & Governance	(41,243)	(39,690)
Customer Services	(5,984)	(6,133)
Planning, Housing & Enterprise	(3,605)	(4,005)
Total Directorate Income	**(52,445)**	**(50,916)**
Other Income Received		
Non-Ringfenced Government Grants	(5,142)	(4,285)
Income from Council Tax and Business Rates	(12,706)	(13,610)
Total Income within Surplus or Deficit on the Provision of Services	**(70,293)**	**(68,811)**

10. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2015/16 £000	2016/17 £000
Employee costs	12,770	13,313
Other Service Expenditure	17,121	17,606
Housing Benefit Payments	37,811	36,114
Interest Payments	164	119
Net Pension Costs	1,731	1,630
Capital Charges (Depreciation, amortisation, impairment)	2,831	3,396
Payments to Housing Capital Receipts Pool	2	2
(Increase) / Decrease in Fair Value of Investment Properties	(855)	(117)
(Gain) / Loss on the disposal of assets	(166)	8
Gain on receipt of donated asset	0	(1,809)
Parish Council Precepts	966	1,005
Total Expenditure	**72,375**	**71,267**
Fees and Charges	(8,222)	(8,328)
Interest and Rental Income	(1,539)	(1,749)
Housing Benefit Subsidy	(37,518)	(35,754)
Grants and Contributions	(10,308)	(9,370)
Income from Council Tax and Business Rates	(12,706)	(13,610)
Total Income	**(70,293)**	**(68,811)**
(Surplus) or Deficit on the Provision of Services	**2,082**	**2,456**

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 2015/16:

2015/16	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments Primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the comprehensive Income and Expenditure Statement.				
Charges for depreciation and impairment of non-current assets	(2,772)	0	0	2,772
Movements in the market value of Investment Properties	855	0	0	(855)
Amortisation of Intangible Assets	(59)	0	0	59
Capital Grants and contributions applied	1,278	0	16	(1,294)
Revenue Expenditure funded from capital under statute	(808)	0	0	808
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(5,317)	0	0	5,317
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	10	0	0	(10)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account.	5,488	(5,488)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	877	0	(877)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(10)	10	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	(4)	0	4
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,035)	0	0	4,035
Employers pensions contributions and direct payments to pensioners payable in year	1,818	0	0	(1,818)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	748	0	0	(748)
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(6)	0	0	6
Total Adjustments	**(2,812)**	**(4,603)**	**16**	**7,399**

The following table shows the adjustments made in 2016/17:

2016/17	**Usable Reserves**			**Movement in Unusable Reserves £'000**
	General Fund Balance **£'000**	Capital Receipts Reserve **£'000**	Capital Grants Unapplied **£'000**	
Adjustments Primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(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			(1,809)
Revenue Expenditure funded from capital under statute	(971)	0	0	971
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	3	0	0	(3)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account.	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
Adjustments primarily involving the Pension Reserve:				
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)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	(225)	0	0	225
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(28)	0	0	28
Total Adjustments	**(3,610)**	**2,230**	**10**	**1,370**

12. OTHER OPERATING EXPENDITURE

2015/16 £000		2016/17 £000
966	Parish council precepts	1,005
2	Payments to the Government Housing Capital Receipts Pool	2
(166)	(Gains)/losses on the disposal of non-current assets	7
802	**Total**	**1,014**

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16 £000		2016/17 £000
164	Interest payable and similar charges	119
1,731	Pensions interest cost and expected return on pensions assets	1,630
(485)	Interest receivable and similar income	(471)
(855)	Change in Fair Value of Investment Properties	(117)
(954)	Income and expenditure in relation to investment properties	(1,195)
(399)	**Total**	**(34)**

14. TAXATION & NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2015/16 £000		2016/17 £000	2016/17 £000
(10,802)	Council Tax Income		(11,219)
(2,742)	Revenue Support Grant		(1,562)
0	Gain on receipt of donated asset		(1,809)
	National Non-Domestic Business Rates (NNDR)		
(15,232)	Share of total collectible	(16,145)	
12,792	Less NNDR Tariff	12,934	
536	Less NNDR Collection Fund Deficit	820	
(1,904)	Net Recognised NNDR		(2,391)
(2,401)	New Homes Bonus		(2,724)
(941)	Capital Grants and Contributions (see below)		(278)
(18,790)			**(19,983)**

2015/16 £'000	Capital Grants and Contributions	2016/17 £'000
402	S106 Developer Contributions	103
0	Performance Reward Grant	(10)
534	Museum Lottery Funding	185
5	Westmill Community Centre	0
941	**Total**	**278**

In 2013/14 there was a change to the method for distributing and accounting for national non-domestic business rates (NNDR) income. Prior to 1 April 2013 NNDR were collected by the Council and paid over to the Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant. The Business Rates Retention Scheme came into effect on 1 April 2013 and from this date 50% of the business rates collected for the area is retained locally (North Hertfordshire Council (40%), Hertfordshire County Council (10%)). The remaining 50% is paid to central government. In addition the government has set a base level of business rates for each Council and either a top-up grant is received (if business rates collected are below this base level) or a tariff is paid to central government (if business rates collected are above this base level). North Hertfordshire District Council is a tariff Authority and paid £12.850million in 2016/17.

If a local authority increases its business rates income it is allowed to retain a proportion of this increased income, whilst paying 50% across to central government. This payment is known as a levy payment. The Government has also stated that no local authority will suffer a reduction in business rate income of more than 7.5% of its Business Rates funding baseline. If business rates income falls below this 7.5% level then the Government will make a safety net payment. In 2016/17 NHDC were required to make a levy payment of £85k.

15. PROPERTY, PLANT AND EQUIPMENT

The movement on property, plant and equipment balances during the year and in the 2015/16 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 2016/17 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 £7.373million.

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

2013/14	2014/15	2015/16	2016/17
Industrial Properties	Industrial Properties	Industrial Properties	Industrial Properties
Investment Properties	Investment Properties	Investment Properties	Investment Properties
Agriculture	Access Licence	Amenity Land	Amenity Land
Allotments	Depot/Storage	Garden Licence	Allotments
Amenity Land	Garden Licence	Play Areas	Community Centres
Bridges	Minor Letting	Land in advance of need	Depot/Storage
Markets	Ransom Strip	Recreation Grounds	Museum
Play Areas	Sub Stations	Storage	Offices
Public Open Spaces	Wayleaves		Public Halls
Recreation Grounds			Scouts & Guides
			Storage
			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.

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 2017 to ascertain if the carrying value of the assets had decreased materially since the last revaluation. The value of the Westmill Community Centre, Hitchin was impaired by £534,209, and Bancroft Hall, Hitchin were impaired by £96,140.

DISPOSALS
No assets were disposed of during 2016/17.

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2015/16

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2015	**65,787**	**9,053**	**93**	**6,189**	**3,112**	**3,975**	**88,209**
Additions	251	513	0	0	0	1,958	**2,722**
Disposals	(127)	0	0	0	0	0	**(127)**
Reclassifications	(115)	107	0	0	43	(126)	**(91)**
Write Off to Revenue	0	0	0	0	0	0	**0**
Upward and Downward Revaluations taken to Revaluation Reserve	187	0	0	0	746	0	**933**
Impairments / Downward Revaluation recognized in the Surplus/Deficit on the Provision of Services	(450)	0	0	0	(25)	0	**(475)**
At 31 March 2016	**65,533**	**9,673**	**93**	**6,189**	**3,876**	**5,807**	**91,171**
Depreciation & Impairments							
At 1 April 2015	(8,757)	(6,715)	(30)	(851)	(14)	0	**(16,367)**
Depreciation Charge for 2015/16	(1,566)	(582)	(2)	(141)	(5)	0	**(2,296)**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Depreciation written out to the Revaluation Reserve	3	0	0	0	0	0	**3**
At 31 March 2016	**(10,320)**	**(7,297)**	**(32)**	**(992)**	**(19)**	**0**	**(18,660)**
Balance Sheet amount at 31 March 2016	**55,213**	**2,376**	**61**	**5,197**	**3,857**	**5,807**	**72,511**
Balance Sheet amount at 1 April 2015	**57,030**	**2,339**	**63**	**5,338**	**3,098**	**3,975**	**71,843**

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

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2016	**65,533**	**9,673**	**93**	**6,189**	**3,876**	**5,807**	**91,171**
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 and Downward Revaluations taken to Revaluation Reserve	2,111	0	0	0	3,443	0	**5,554**
Upward Revaluations recognized in the Surplus/Deficit on Provision of Services	1,810	0	0	0	0	0	**1,810**
Impairments / Downward Revaluations recognized in the Surplus/Deficit on the Provision of Services	(873)	0	0	0	0	0	**(873)**
At 31 March 2017	**70,925**	**10,054**	**93**	**6,189**	**6,750**	**8,020**	**102,031**
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**
At 31 March 2017	**(11,479)**	**(7,822)**	**(35)**	**(1,133)**	**(20)**	**0**	**(20,489)**
Balance Sheet amount at 31 March 2017	**59,446**	**2,232**	**58**	**5,056**	**6,730**	**8,020**	**81,542**
Balance Sheet amount at 1 April 2016	**55,213**	**2,376**	**61**	**5,197**	**3,857**	**5,807**	**72,511**

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

16. HERITAGE ASSETS

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

	Museum Collections £'000	Public Sculpture / Artwork £'000	Total Heritage Assets £'000
1 April 2015	540	46	586
In year Movements	84	0	84
31 March 2016	**624**	**46**	**670**
1 April 2016	624	46	670
Additions	0	0	0
Revaluations	0	0	0
31 March 2017	**624**	**46**	**670**

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 2017. 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 2017.

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 is not recognised in the financial statements. These are insured for £7,000 and £5,000 respectively.

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

Heritage Asset Transactions

A summary of the transactions relating to Heritage Assets over the period 1 April 2016 to 31 March 2017 is as follows:

The Authority received 3 major loans and 7 separate donations or groups of donations in the year.

Pedestal bowl made by Abdo Nagi, late 1990s, given by Vicky Daybell of Cambridge.
Three etchings of Hitchin by F L Griggs, early 20th century, given by Angela Dilley, Biggleswade

Drawing by William Ratcliffe, early 20th century, given by Tony Carter, Letchworth
Roman coin of Allectus, given by Malcolm Payne, Pirton

The Museum Service purchased the following item: William Ratcliffe watercolour, 'Street in Dieppe', purchased for £1900 (grant of £900 received from Hertfordshire Heritage Fund)

There were also a number of other low value donations received.

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

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:

	2015/16 £'000	2016/17 £'000
Rental Income from Investment Property	(995)	(1,215)
Deminimis land sales	0	0
Direct Operating Expenses arising from Investment Property	41	25
Net Gain / (Loss)	**(954)**	**(1,190)**

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:

	2015/16 £'000	2016/17 £'000
Not later than one year	(993)	(1,145)
Later than one year and not later than five years	(3,973)	(4,588)
Later than five years	(60,189)	(66,126)

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

	2015/16 £'000	2016/17 £'000
Balance at Start of the Year	**14,530**	**14,797**
Net Gains / (Losses) from Fair Value adjustments	866	117
Disposal	(690)	0
Transfers to/from Property, Plant and Equipment	91	0
Balance at End of Year	**14,797**	**14,914**

18. INTANGIBLE ASSETS

	Purchased Software Licences £'000
Original Cost	1,586
Amortisations to 1 April 2016	(1,451)
Balance at 1 April 2016	**135**
Expenditure in Year	342
Written off to Revenue in Year	(157)
Balance at 1 April 2017	**320**

19. CONTRIBUTION TO HOUSING POOLED CAPITAL RECEIPTS

The Council transferred its housing stock in March 2003. However, capital receipts of £2,271 relating to the remaining outstanding right to buy mortgages were received in 2016/17. The payment to the pool of £1,703 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 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Financial Liabilities at amortised cost:				
Creditors payable in one year	0	0	1,967	5,191
Borrowing	480	456	1,043	33
Total Financial Liabilities:	**480**	**456**	**3,010**	**5,224**
Financial Assets (loans and receivables):				
Debtors	2,020	124	3,529	5,376
Investments	7,750	7,000	21,997	24,220
Cash & Cash Equivalents	0	0	12,614	8,206
Total Financial Assets:	**9,770**	**7,124**	**38,140**	**37,802**

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	
	2016	2017	2016	2017	2016	2017
Interest Expense	(164)	(119)	0	0	(164)	(119)
Interest Payable & Similar Charges	**(164)**	**(119)**	**0**	**0**	**(164)**	**(119)**
Interest Income	0	0	485	471	485	471
Interest & investment income	**0**	**0**	**485**	**471**	**485**	**471**
Net gain/(loss) for year	**(164)**	**(119)**	**485**	**471**	**321**	**352**

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 2017 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 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	3,490	4,159	5,680	6,173

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 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans & Receivables	47,910	48,243	44,820	45,135

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 2016/17 or 2015/16. The table below details the investment limits for 2016/17.

Notes to the Core Financial Statements

	Maximum Amount of Investment Allowable	Amount Invested as at 31 March 2017* £'000
UK Clearing Banks	10% of Investments	10,500
UK Clearing Banks (Wholly owned Subsidiaries)	10% of Investments	0
Building Societies (Assets £4.5bn)	10% of Investments	7,000
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	5,000
Money Market Funds	10% of Investments	5,000
Other Local Authorities	10% of Investments	0
Total Invested		**36,000**

* This column shows the total invested in all counterparties in the group (for example, there was £7.0million invested in three separate building societies, assets £4.5bn and above, as at 31 March 2017).

The analysis of the £36.0million 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	AAAmoney market fund	Not rated*
	£'000	£'000	£'000	£'000	£'000	£'000
Investments	0	0	9,500	8,000	5,000	13,500

* 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, such that £0.694M of the total £1.507M sundry debtor balance at 31 March 2017 has passed its due date for payment. The risk of default is accounted for through the corresponding bad debt provision, which is determined primarily by the age of the sundry debtor outstanding. The sundry debtor balance and corresponding provision is presented in the table below.

Age of Debt	**Sundry Debtors**	**Provision Percentage**	**Provision Required**	**Net Sundry Debtors**
	£'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
Total at 31 March 2017	**1,507**		**(223)**	**1,284**

Notes to the Core Financial Statements

The equivalent position at the end of 2015/16 is shown in the table below:

Age of Debt	Sundry Debtors	Provision Percentage	Provision Required	Net Sundry Debtors
	£'000		£'000	£'000
Within payment terms	347	0%	0	347
1-3 months over term	185	0%	0	185
3-12 months overdue	28	25%	(7)	21
12-24 months overdue	14	75%	(11)	3
More than 24 months overdue	220	100%	(220)	0
Total at 31 March 2016	**794**		**(238)**	**556**

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 2016/17 was to utilize capital receipts set aside reserves and no new long term borrowing was taken out.

The total financial liability is made up as follows:

	31 March 2016 £'000	31 March 2017 £'000
Public Works Loan Board	515	480
Banks and Other Monetary Sectors	1,000	0
Total Borrowing	**1,515**	**480**
Less: Debt Maturing in 12 Months	1,035	24
Total Long Term Borrowing	**480**	**456**

At 31 March 2017 the average rates of interest on the different varieties of loans were as follows:

	%
Other Loans	na
Public Works Loan Board	9.43

The consolidated rate of interest, the rate used for internal transactions, was 10.67%.

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	16	0	0	16
Maturing in more than 2 and less than 5 years	53	0	0	53
Maturing in more than 5 and less than 10 years	97	0	0	97
Maturing in more than 10 years	290	0	0	290
Total	**456**	**0**	**0**	**456**

Notes to the Core Financial Statements

Market Risk

Interest rate risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2017 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 £19k in interest receivable from cash investments. The fair value of the loans outstanding would have been £10k higher (cost of repayment would have increased). This is shown below:

	£'000
Increase in interest receivable on variable rate investments	(19)
Impact on Income and Expenditure Account	**(19)**
Decrease in fair value of fixed rate loans	10

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.

Notes to the Core Financial Statements

21. INVENTORIES

	31 March 2016 £'000	31 March 2017 £'000
Inventory:		
Paper and Stationery	8	7
Postage	2	1
Waste & Recycling equipment	13	16
Museum merchandise	14	14
Careline Telecare equipment	93	101
Hitchin Town Hall beverages	0	2
Electrical equipment	7	7
Other	1	1
Total	**138**	**149**

22. CONSTRUCTION CONTRACTS

As at the 31 March 2017 the Council had committed to £2,640,000 of capital expenditure for a number of capital schemes within the capital programme (see the Narrative Report, page 10). These are as follows:

Capital Scheme	Commitment £'000
Area Visioning	30
Bancroft Gardens Play Area	72
Bancroft Recreation Ground, Multi Use Games Area (MUGA)	170
DCO Refurbishment	66
Mandatory Disabled Facility Grants	243
Museum & Community Facility	66
North Herts Leisure Centre Development	1,633
Norton Common Wheeled Sports	158
Off Street Car Parks	29
Premises Enhancement Programme	60
Hitchin Outdoor Pool.	29
Hitchin Swim Centre	51
Serby Avenue Play Area	33
Total Commitments	**2,640**

Notes to the Core Financial Statements

23. UNDISCHARGED OBLIGATIONS ARISING FROM LONG TERM CONTRACTS

The Authority is committed to making payments estimated at £14.8 million in 2017/18. The estimated liability of the contracts from 1st April 2017 to contract expiry is £29.0 million. Those contracts with an annual value of over £25,000 and with more than one year left to run are shown below.

Contractor	Service	Payment 17/18 £'000	Contract expiry date
Northgate Public Services (UK) Ltd	Revenues	48	30 November 2020
Veolia	Waste Management	6,356	08 May 2018
Danfo	Public Conveniences	49	31 March 2019
Tynetec	Careline	100	24 November 2020
Parkeon Limited	Car Parking	27	15 March 2021
Britannic Technologies	Customer Services	55	09 November 2018
Steve Dear Tree Services Ltd	Parks and Open Spaces	150	31 March 2021
John O'Connor	Grounds Maintenance	1,766	31 March 2027
Tascomi Limited	Housing & Public Protection	25	28 February 2022
Total		**8,576**	
Other Contract Payments in 17/18		6,128	
Total Contract Payments		**14,705**	

24. DEBTORS

	31 March 2016 £'000	31 March 2017 £'000
Central Government Bodies	106	199
Impairment	0	0
Net Total Central Government Bodies	**106**	**199**
Other Local Authorities	1,001	734
Impairment	0	0
Net Total Other Local Authorities	**1,001**	**734**
Ratepayers/Council Tax payers	1,929	1,668
Impairment	(818)	(816)
Net Total Ratepayers / Council Tax payers	**1,111**	**852**
Housing Benefit Overpayments	1,669	1,562
Impairment	(604)	(646)
Net Total Housing Benefit Overpayments	**1,065**	**916**
Other Entities and Individuals	1,770	4,027
Impairment	(308)	(300)
Net Total Other Entities and Individuals	**1,462**	**3,727**
Total Net Debtors	**4,745**	**6,428**

25. CASH AND CASH EQUIVALENTS

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

31 March 2016 £000		31 March 2017 £000
4	Cash held by the Authority	16
4,085	Bank current accounts	3,190
3,000	Short-term Deposits with Banks/Building Societies	0
5,000	Short-term Deposits with other Local Authorities	0
525	Short-term Deposits with Money Markets Funds	5,000
12,614	**Total**	**8,206**

Notes to the Core Financial Statements

26. ASSETS HELD FOR SALE (Non-Current)

	2015/16 £'000	2016/17 £'000
Balance at Start of the Year	**2,000**	**0**
Assets sold	(2,000)	0
Balance Outstanding at End of Year	**0**	**0**

27. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

Short Term Creditors	31 March 2016 £000	31 March 2017 £000
Central government bodies	1,157	590
Other local authorities	451	491
NHS bodies	1	1
Other entities and individuals*	1,634	4,847
Total	**3,243**	**5,929**

* As at 31 March 2017 there were £206k of prepayments received in the last couple of days of the year (£93k as at 31 March 2016).

Receipts in Advance	31 March 2016 £000	31 March 2017 £000
Central government bodies	58	223
Other local authorities	114	238
Other entities and individuals	4,592	4,224
Total	**4,764**	**4,685**

28. PROVISIONS

Provisions (> 1year)

	Insurance Fund £'000	NNDR Appeals £'000	Baldock Road Pavillion £'000	Total £'000
Balance at 1 April 2016	(28)	(910)	(17)	(955)
Additional provisions made in 2016/17	(50)	0	0	(50)
Amounts used in 2016/17	40	(18)	17	39
Balance at 31 March 2017	**(38)**	**(928)**	**0**	**(966)**

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 2016/17 was £2.321million (£2.275million in 2015/16) and, as this is shared between North Herts, Herts County Council and Central Government, the North Herts proportion reflected in the balance sheet was £928k (£910k in 2015/16).

Notes to the Core Financial Statements

Baldock Road Pavilion
The original pavilion at Baldock Road was destroyed by a fire and the insurance funds were placed in a provision to cover the cost of replacing the pavilion. The main use of the pavilion was by football clubs as a changing room and an alternative facility has been found. Therefore the provision is no longer needed.

29. 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 2016 £'000	Net Movement in Year £'000	Balance at 31 March 2017 £'000
Usable Capital Receipts	5,453	(2,230)	3,223
Earmarked Reserves	4,605	4	4,609
Capital Grants Unapplied	964	(10)	954
General Fund Reserve	7,085	1,150	8,235
Total Usable Reserves	**18,107**	**(1,086)**	**17,021**

Usable Capital Receipts	**2015/16 £'000**	**2016/17 £'000**
Amounts receivable	5,491	108
Amounts applied to finance new capital investment	(877)	(2,328)
Contribution towards administrative costs of non current-asset disposals	(9)	(8)
Payments to Capital Receipts Pool	(2)	(2)
Total increase in realised capital resources	**4,603**	**(2,230)**
Balance brought forward at 1 April	850	5,453
Balance carried forward at 31 March	5,453	3,223

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.

Notes to the Core Financial Statements

	Balance as at 1 April 2015	Transfers out 2015/16	Transfers In 2015/16	Balance at 31 March 2016	Transfers out 2016/17	Transfers in 2016/17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Special Reserve	1,720	0	0	1,720	0	0	1,720
Housing & Planning Delivery	259	(7)	118	370	(83)	81	368
Information Technology Reserve	152	(70)	0	82	0	0	82
Environmental Warranty Reserve	209	0	0	209	0	0	209
Insurance Reserve	38	(4)	2	36	(4)	0	32
Cemetery Mausoleum Reserve	103	0	15	118	0	11	129
S106 Monitoring Reserve	95	(15)	4	84	(16)	0	68
Museum Exhibits Reserve	13	0	0	13	0	0	13
Property Maintenance Reserve	58	(10)	10	58	0	10	68
Hitchin Museum Donations	0	0	0	0	0	0	0
Leisure Management Maintenance	69	0	20	89	0	0	89
Performance Reward Grant	50	(50)	0	0	0	0	0
DWP Additional Grants Reserve	43	(84)	54	13	(116)	107	4
Homelessness Reserve	22	(22)	33	33	0	9	42
Climate Change Grant Reserve	49	(19)	0	30	0	0	30
Children's Services Reserve	12	(9)	6	9	(8)	6	7
Paintings Conservation Reserve	14	(2)	0	12	(2)	0	10
Community Right to Challenge	44	0	0	44	0	0	44
Traffic Regulation Orders	169	0	53	222	0	0	222
Town Centre Maintenance	38	(11)	8	35	(3)	8	40
Street Furniture	3	(1)	4	6	0	4	10
Office Move IT Works	7	0	0	7	0	0	7
LAMS Interest Reserve	56	0	25	81	0	25	106
DCLG Grants Reserve	1,045	(1,493)	997	549	(803)	743	489
Growth Area Fund Reserve	53	0	0	53	0	0	53
Community Development Reserve	1	0	0	1	0	0	1
Land Charges Reserve	186	(142)	137	181	(71)	53	163
Street Name Plates	0	0	8	8	0	30	38
Syrian Refugee Project	0	0	0	0	(10)	29	19
Taxi Reserve	3	0	4	7	0	6	13
Waste Reserve	387	0	93	480	0	32	512
Neighbourhood Plan Reserve	40	(10)	25	55	(40)	6	21
Total Earmarked Reserves	**4,938**	**(1,949)**	**1,616**	**4,605**	**(1,156)**	**1,160**	**4,609**

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:

Notes to the Core Financial Statements

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

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

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

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

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

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

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

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

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

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

The **Leisure Management Maintenance Reserve** is to cover the cost of any future repairs liabilities on the leisure facilities.

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

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

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

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

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

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

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

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.

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

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

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

LAMS Interest Reserve, interest received from the Local Authority Mortgage scheme. Interest will remain in reserve for 5 years and if customers default on their mortgage the interest will be used to offset the cost. If nobody defaults the interest will go back into the general fund.

Notes to the Core Financial Statements

DCLG Grants Reserve, reserve where ad hoc grants from DCLG will be transferred if not spent within the financial year, ready to be drawn down when grant is spent.
Growth Area Fund Reserve, reserve where revenue Growth Area Grant has been transferred.
Community Development Reserve – various grants for Community Development.
Land Charges Reserve – reserve established to help meet the potential cost should the financial risk of the repayment of personal search fees occur.
Street Name Plate Reserve is a reserve to fund Street Name Plates as and when required.
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.
Waste Reserve –is a new reserve where AFM monies will be transferred to help mitigate any potential risk to the waste service for example construction of potential Northern Transfer Station.
Neighbourhood Plan Reserve – This is a new reserve where funds received for neighbourhood Plans from the DCLG will be transferred. DCLG gave funding to authorities who received neighbourhood plans as funding will be needed in future years as plans are developed and public examinations and public referendums are required

30. UNUSABLE RESERVES

	Balance at 1 April 2016 £'000	Net Movement in Year £'000	Balance at 31 March 2017 £'000
Revaluation Reserve (note 30A)	**28,999**	5,399	**34,398**
Capital Adjustment Account (note 30B)	**78,999**	1,654	**80,653**
Deferred Capital Receipts (note 30C)	**5**	(2)	**3**
Pensions Reserve (note 30D)	**(47,836)**	(1,487)	**(49,323)**
Short Term Accumulating Compensated Absences Account	**(119)**	(28)	**(147)**
Collection Fund Adjustment Account (note 30E)	**(479)**	(225)	**(704)**
Total Unusable Reserves	**59,569**	**5,311**	**64,880**

Note 30A – 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	**26,295**	**28,999**
Upward revaluation of assets	3,654	6,983
Downward revaluation of assets and Impairment losses not charged to the surplus/deficit on the Provision of Services.	(128)	(887)
Difference between fair value depreciation and historical cost depreciation.	(572)	(697)
Accumulated gains on assets sold or scrapped.	(250)	0
Balance at 31 March	**28,999**	**34,398**

Notes to the Core Financial Statements

Note 30B – 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	**84,099**	**78,999**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation and impairment of non-current assets	(2,744)	(1,426)
Amortisation of Intangible assets	(59)	(157)
Revenue expenditure funded from capital under statute	(808)	(971)
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.	(5,067)	0
Sub-Total	**(8,678)**	**(2,554)**
Adjusting amounts written out of the Revaluation Reserve.	544	692
Capital Financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	877	2,328
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	1,293	1,163
Application of grants to capital financing from the Capital Grants Unapplied Account	1	10
Statutory provision for the financing of capital investment charged against the General Fund	8	(103)
Capital expenditure charged against the General Fund	0	0
Sub-Total	**2,179**	**3,398**
Movements in the market value of investment properties	855	118
Balance carried forward at 31 March	**78,999**	**80,653**

Notes to the Core Financial Statements

Note 30C – 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.

	2015/16 £'000	2016/17 £'000
Balance at 1st April	**7**	**5**
Transfer to the Capital Receipts Reserve upon receipt of cash	(2)	(2)
Balance at 31st March	**5**	**3**

Note 30D – 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.

	2015/16 £'000	2016/17 £'000
Balance at 1st April	**(55,632)**	**(47,836)**
Actuarial gains or losses on pension assets and liabilities	10,013	585
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	(4,035)	(3,907)
Employer's pensions contributions and direct payments to pensioners payable in the year.	1,818	1,835
Capitalisation of Pension Costs	0	0
Balance at 31st March	**(47,836)**	**(49,323)**

Note 30E – 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	**(1,227)**	**(479)**
Movement in the Authority's share of the Collection Fund surplus / deficit	748	(225)
Balance at 31 March	**(479)**	**(704)**

Notes to the Core Financial Statements

Note 30F 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	**(113)**	**(119)**
Amounts accrued at the end of the current year	(6)	(28)
Balance at 31 March	**(119)**	**(147)**

31. INSURANCE

The Council maintains and reviews an insurance reserve which at 31 March 2017 had a balance of £31,929, a decrease of £4,384 from the balance at 31 March 2016. The reserve is in place to cover the self-insurance of a number of items for which there is no external insurance cover.

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

The Council has decided to self-insure some assets such as Town Centre CCTV equipment (£232,200), damage to car park machines (£232,696 total value at risk) and Document Centre equipment (£136,768), vehicle electric charging points (£13,720), and other miscellaneous items totalling £98,909.

32. NOTES RELATING TO THE CASH FLOW STATEMENT

Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
467	Interest Received	278
(165)	Interest Paid	(120)
302	**Net cash flows from operating activities**	**158**

The adjustments for non-cash movements are as follows:

2015/16 £'000		2016/17 £'000
2,297	Depreciation	2,362
476	Impairments and downward revaluations	873
59	Amortisation of intangible assets	157
(110)	Movement in Creditors	1,119
1,149	Movement in Debtors	(2,462)
(68)	Movement in Inventories	(11)
2,217	Pension Liability	2,072
5,067	Carrying amount of non-current assets sold	0
(984)	Movement in other provisions	(190)
10,103	**Net Adjustment for non-cash movements**	**3,920**

Notes to the Core Financial Statements

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

2015/16 £'000		2016/17 £'000
(1,278)	Grants applied to the financing of capital expenditure	(2,972)
(1,753)	Proceeds from the sale of non-current assets	(1,359)
(3,031)	**Net Adjustment for investing or financing activities**	**(4,331)**

Cash Flow Statement - Investing Activities

2015/16 £'000		2016/17 £'000
(2,760)	Purchase of property, plant and equipment, investment property and intangible assets	(4,250)
(70,071)	Purchase of short-term and long-term investments	(89,532)
0	Other payments for investing activities	(107)
5,491	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	108
70,071	Proceeds from short-term and long-term Investments	89,532
1,415	Other receipts from investing activities	3,169
4,146	**Net cash flows from investing activities**	**(1,080)**

Cash Flow Statement - Financing Activities

2015/16 £'000		2016/17 £'000
0	Cash receipts of short and long-term borrowing	0
1,515	Council Tax and NNDR adjustments	576
(10)	Cash payments for the reduction of finance leases liabilities	(2)
(57)	Repayments of short and long-term borrowing	(1,035)
1,448	**Net Cash flows from financing activities**	**(461)**

33. TRADING OPERATIONS

The Council has no trading operations.

Notes to the Core Financial Statements

34. AGENCY SERVICES

The Authority provided highway verge maintenance and ground maintenance at Letchworth Library 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:

	2015/16 £'000	2016/17 £'000
Expenditure incurred in providing highway verge and grounds maintenance services at Letchworth Library to Hertfordshire County Council	332	349
Management fee payable by the County Council	(269)	(276)
Net deficit arising on the agency agreement	**63**	**73**
Expenditure incurred in providing a grounds and building maintenance service to Royston Town Council	5	4
Management fee payable by the Town Council	(2)	(3)
Net deficit arising on the agency agreement	**3**	**1**

35. MEMBERS' ALLOWANCES

The following table shows the amount of Members' allowances paid in 2016/17 compared to the previous financial year:

	2015/16 £'000	2016/17 £'000
Allowances	320	318
Expenses	12	12
Total	**332**	**330**

Notes to the Core Financial Statements

36. EMPLOYEES REMUNERATION

Senior Employee Remuneration in 2016/17

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 2016/17. The second table details the equivalent information for the comparative year, 2015/16. 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 2016/17) **£**
David Scholes Chief Executive	1	118,339	0	0	**118,339**	17,723	136,062
Norma Atlay Strategic Director of Finance Policy and Governance		90,712	0	0	**90,712**	13,440	104,152
John Robinson Strategic Director of Customer Services	2	45,879	0	185,660	**231,539**	6,720	238,259
Head of Development and Building Control		73,508	0	0	**73,508**	10,851	84,359
Head of Housing and Public Protection Service		70,795	0	0	**70,795**	10,364	81,159
Head of Finance Performance and Asset Management	3	54,717	0	0	**54,717**	7,975	62,692
Head of Policy Partnership and Community Development	4	36,112	0	123,023	**159,135**	4,694	163,829
Head of Revenues and Benefits		74,658	0	0	**74,658**	11,030	85,688
Head of Leisure and Environmental Services		69,191	0	0	**69,191**	10,193	79,384
Corporate Human Resources Manager		57,406	0	0	**57,406**	8,429	65,835
Corporate Legal Manager		64,256	120	0	**64,376**	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

Senior Employee Remuneration in 2015/16

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 2015/16) £
David Scholes Chief Executive	1	117,205	0	0	**117,205**	17,547	134,752
Norma Atlay Strategic Director of Finance Policy and Governance		90,066	0	0	**90,066**	13,340	103,406
John Robinson Strategic Director of Customer Services		90,066	0	0	**90.066**	13,340	103,406
Head of Development and Building Control		72,986	0	0	**72,986**	10,794	83,780
Head of Housing and Public Protection Service		70,429	0	0	**70,429**	10,287	80,716
Head of Policy Partnership and Community Development		63,621	0	0	**63,621**	9,319	72,940
Head of Finance Performance and Asset Management	2	50,744	0	0	**50,744**	0	50,744
Head of Revenues and Benefits		63,621	0	0	**63,621**	9,319	72,940
Head of Leisure and Environmental Services		72,529	0	0	**72,529**	10,686	83,215
Corporate Human Resources Manager		55,026	0	0	**55,026**	8,086	63,112
Corporate Legal Manager		60,115	85	0	**60,200**	8,775	68,975

1 The Chief Executive also held the position of Returning Officer for the Council and received £5,502 of expense allowances for this role in 2015/16.

2 The Head of Finance Performance and Asset Management resigned with effect from 17 January 2016. The annualised salary for this post in 2015/16, excluding fees and allowances, was equal to £63,473.

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	**2015/16**	**2016/17**
	Employees	Employees
£50,000-£54,999	5	6
£55,000-£59,999	4	1
£60,000-£64,999	0	0
£65,000-£69,999	1	2
Total	**10**	**9**

37. TERMINATION BENEFITS AND EXIT PACKAGES

The Authority terminated the contracts of nine employees in 2016/17, incurring liabilities of £429,020 (£2,562 in 2015/16) 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)	**(b)**		**(c)**		**(d)**		**(e)**	
Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other agreed departures**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
							£	**£**
£0 - £49,999	**1**	**1**	**3**	**5**	4	6	**2,562**	**58,523**
£50,000 - £99,999	**0**	**1**	**0**	**0**	0	1	**-**	**61,814**
£100,000 - £149,999	**0**	**0**	**0**	**1**	0	1	**-**	**123,023**
£150,000 - £199,999	**0**	**0**	**0**	**1**	0	1	**-**	**185,660**
Total Cost included in bandings and in CIES							**2,562**	**429,020**

Notes to the Core Financial Statements

38. FEES PAYABLE TO THE AUTHORITY'S APPOINTED EXTERNAL AUDITORS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the Authority's external auditors. The 2016/17 audit fees have been estimated for the element of grant based audit work in conjunction with the Council's external auditors.

	2015/16 £'000	2016/17 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	52	52
Fees payable for the certification of grant claims and returns for the year	8	6
Total	**60**	**58**

39. 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:

	2015/16 £'000	2016/17 £'000
Disabled Facilities Grant	361	520
Developer Contribution	82	354
Performance Reward Grant	0	10
S106 Refund for Housing Association Grant	(106)	0
Total	**337**	**884**

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

	2015/16 £'000	2016/17 £'000
Benefits Administration and Fraud Initiative Grants	888	891
Housing and Council Tax Benefit Subsidy	37,518	35,754
Waste minimisation – Herts County Council contribution	469	336
Waste Service Transport Subsidy	24	21
National Non-Domestic Rates Administration Grant	181	180
Refugees Syrian Project	0	63
Homelessness Prevention Grant	3	6
Community Safety Grants	25	24
Individual Electronic Registration Grant	40	22
Council Tax Reduction Scheme – New Burdens Grant	28	0
DCLG Neighbourhood Plans	15	0
Public Health Grant	120	31
Local Plan -DCLG	0	35
Inspire Grant – Defra	5	0
Get Active Grant	20	31
Air Monitoring, HCC	20	0
Local Land Charges	119	8
DCLG Waste Grants for Flats Recycling	78	94
Hertfordshire Museums – Lottery Fund	3	2
Satellite Clubs	3	0
Total	**39,559**	**37,498**

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 2017 is £195,834.

40. 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 2016/17, works and services to the value of £12,232 were commissioned from three 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). On 18th August 2016, NHDC acquired ownership of the new Westmill Community Centre from NHH. Half of the building was erected on freehold land owned by North Hertfordshire District Council and the other half on land owned by North Hertfordshire Homes. Upon completion of construction, the latter parcel of land and building was transferred to the District Council for the nominal sum of £1. The Community Centre has been recognised as a donated asset accordingly and is included in the balance sheet at 31 March 2017 at its assessed fair value of £1.8m. Income recorded from Service Level Agreements (SLA's) between the Authority and North Hertfordshire Homes totalled £330,848 (2015/16 £321,196), with an outstanding debtor balance at 31st March 2017 of £104,155 (2015/16: £4,235). £52,515 (2015/16: £99,086) was paid to NHH under reciprocal SLA's. In addition, an NHDC invoice for £30,204 was raised to NHH in March 2016 in relation to Section 106 obligations. This was recorded as a debtor balance at 31 March 2016.

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 2016/17 the Council's share of the losses for the year amounted to £15.7k (2015/16 £0k). 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.

Notes to the Core Financial Statements

Hertfordshire CCTV Partnership
The Authority is engaged in a jointly controlled operation for the provision and management of CCTV in the Hertfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmere Borough Council. Each member of the partnership arrangement accounts for their share of the assets, liabilities and cash flows of the CCTV in their accounts. In 2016/17 total payments to the Partnership of £69,091 (£63,325 2015/16) were charged to the Council's Comprehensive Income and Expenditure Statement. The Authority also purchased in 2016/17 new cameras and CCTV equipment through the Partnership at a total cost of £37,713.

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 2017 the company produced a profit after tax of £34,609. NHDC's share of the profit is £9,533 with the remainder belonging to the partner councils. In 2016/17 £55,618 (£38,660 2015/16) was paid by the Council for services provided by Hertfordshire CCTV Partnership Limited and charged to the CIES. In addition, in 2016/17 the Authority also purchased new cameras and equipment from the company at a total cost of £31,771.

41. 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 £5.686million, only £3.5million has been financed immediately, resulting in an increase of £2.19million 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 (£16.64million at 31 March 2017) because the Authority has set aside capital receipts which exceed the amount of outstanding loans and borrowings.

	2015/16 £'000	2016/17 £'000
Capital Investment:		
Operational Assets		
Land & Buildings	251	1,203
Vehicles, Plant & Equipment	513	201
Community Assets	0	0
Investment Properties	1	0
Non-Operational Assets		
Assets Under Construction	1,959	2,969
Intangible Assets - Software	7	342
Revenue Expenditure Funded from Capital under Statute	793	971
Total Capital Investment	**3,524**	**5,686**
Sources of Finance:		
Capital Receipts	877	2,328
Government Grants and Other Contributions	1,279	1,173
Sums set aside from Revenue	0	0
Total Finance Sources	**2,156**	**3,501**
Increase / (Decrease) in CFR	**1,368**	**2,185**

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

42. 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 2016/17 was £53,906 (2015/16 at £55,270).

Property
The Authority paid £56,313 in rent / leasing charges for properties in 2016/17. The most significant amount of £24,000 was paid for the King James Way Car Park. This agreement is due to expire in January 2024.

Commitments under operating leases
The Authority was committed at 31 March 2017 to making payments of £1.425 million under operating leases over the following periods:

	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	70	120
Later than one year and not later then five years	194	253
Later than five years	1,079	1,052
	1,343	**1,425**

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 2016/17 was £1,219,673 (2015/16 £996,220). The gross value of assets held for these leases is £14.914 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 assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2016 £'000	31 March 2017 £'000
Other Land and Buildings	145	132
Vehicles, Plant & Equipment	0	0
	145	**132**

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

	31 March 2016 £'000	31 March 2017 £'000
Finance Lease-Liabilities	139	136
Finance costs in future years	164	152
Minimum Lease Payments	**303**	**288**

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 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	14	14	3	3
Later than one year and not later than five years	58	58	13	14
Later than five years	231	216	123	119
	303	**288**	**139**	**136**

43. PENSION SCHEMES

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

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

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

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

Local Government Pension Scheme	**2015/16**	**2016/17**
Comprehensive Income and Expenditure Account:	**£'000**	**£'000**
Cost of Services:		
Service cost comprising:		
Current Service Cost *	2,304	2,123
Past Service Costs	0	154
Financing and Investment Income and Expenditure:		
Net Interest Expense	1,731	1,630
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,035**	**3,907**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined liability comprising:		
Return on Plan Assets	1,661	(9,880)
Actuarial (gains) and losses arising on changes in demographic assumptions	0	(1,742)
Actuarial (gains) and losses arising on changes in financial assumptions	(9,676)	25,326
Other	(1,993)	(14,129)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(5,973)**	**3,482**

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

Notes to the Core Financial Statements

Movement in Reserves Statement:	2015/16 £'000	2016/17 £'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,035)	(3,907)
Actual Amount charged against the General Fund balance for pensions in the year:		
• Employers' contributions payable to the scheme **	1,823	1,995
Net chargeable amount against the General Fund balance	**1,823**	**1,995**

** The figure of £1.995million for employers contributions to the scheme in 2016/17 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 2016/17 was £1.835million (£160k 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:

Local Government Pension Scheme	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	(152,804)	(165,071)
Fair Value of plan assets	104,968	115,748
Sub-total	(47,836)	(49,323)
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	**(47,836)**	**(49,323)**

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

Local Government Pension Scheme	2015/16 £'000	2016/17 £'000
Opening fair value of scheme assets	105,790	104,968
Interest Income	3,243	3,522
Re-measurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	(1,661)	9,880
Other		
The effect of changes in foreign exchange rates		
Contributions from employer	1,823	1,995
Contributions from employees into the scheme	574	587
Benefits paid	(4,801)	(5,204)
Closing fair value of scheme assets	**104,968**	**115,748**

Notes to the Core Financial Statements

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

Local Government Pension Scheme	**2015/16**	**2016/17**
	£'000	**£'000**
Opening balance at 1 April	161,422	152,804
Current service cost	2,304	2,123
Interest cost	4,974	5,152
Contributions from scheme participants	574	587
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	0	(1,742)
Actuarial (gains) / losses arising from changes in financial assumptions	(9,676)	25,326
Other	(1,993)	(14,129)
Past Service Cost	0	154
Benefits paid	(4,801)	(5,204)
Closing balance at 31 March	**152,804**	**165,071**

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets (Quoted Prices)					
	31 March 2016			**31 March 2017**		
	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	3,336	0	3%	3,820	0	3%
Equity instruments:						
Consumer	8,527	0	8%	9,025	0	8%
Manufacturing	7,780	0	7%	8,661	0	7%
Energy and utilities	1,824	0	2%	2,086	0	2%
Financial Institutions	7,977	0	8%	7,751	0	7%
Health and care	1,390	0	1%	1,567	0	1%
Information technology	4,964	0	5%	6,311	0	5%
Other	242	0	0%	390	0	0%
Sub-total equity	32,704	0	31%	35,791	0	30%
Bonds:	0	0	0%	0	0	0%
Private equity:						
All	0	4,506	4%	0	5,344	5%
Real Estate:						
UK Property	0	4,688	4%	0	3,745	3%
Overseas Property	0	2,740	3%	0	4,338	4%
Sub-total real estate	0	7,428	7%	0	8,083	7%
Investment funds and Unit Trusts:						
Equities	21,308	0	20%	24,253	0	21%
Bonds	28,742	0	27%	31,884	0	28%
Commodities	496	0	0%	0	0	0%
Infrastructure	0	135	0%	0	263	0%
Other	428	6,271	6%	447	6,093	6%
Sub-total other investment funds	50,974	6,406	53%	56,584	6,356	55%
Derivatives:						
Forward foreign exchange contracts	0	(386)	0%	0	(230)	0%
Total assets	**87,014**	**17,954**		**96,195**	**19,553**	

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 2013 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2017 £'000
Present Value of Liabilities	(148,476)	(141,453)	(161,422)	(152,804)	(165,071)
Fair Value of Assets	96,018	95,081	105,790	104,968	115,748
Deficit in the scheme	**(52,458)**	**(46,372)**	**(55,632)**	**(47,836)**	**(49,323)**

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 £165,071million has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £49,323million. 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 2018 is £2,536,000.

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 2016 %	31 March 2017 %
Mortality Assumptions:		
Longevity at 65 for current pensioners*:		
Men	22.3	22.5
Women	24.5	24.9
Longevity at 65 for future pensioners**		
Men	24.3	24.1
Women	26.7	26.7
Rate of increase in salaries	3.6	2.5
Rate of increase in pensions	2.1	2.4
Rate for discounting scheme liabilities	3.4	2.5
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.

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.

	Impact on the Defined Benefit Obligation in the scheme	
	% Increase to Liability £'000	**Monetary amount £'000**
Real Discount Rate (decrease by 0.5%)	9%	14,806
Rate of increase in salaries (increase by 0.5%)	1%	2,084
Rate of increase in pensions (increase by 0.5%)	8%	12,514

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 2017	Liability split (%) as at 31 March 2017	Weighted Average Duration
Active members	53,716	32.5%	22.4
Deferred members	39,421	23.9%	20.1
Pensioner members	71,934	43.6%	10.0
Total	**165,071**	**100.0%**	**15.4**

44. CONTINGENT ASSETS

There are no contingent assets for 2016/17.

45. 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 2017. The Council is liable only for the existing staff at the time of transfer of services to these bodies and as at the 31 March 2017 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.

46. 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 2017, 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;

	Fixed Assets Closing Net Book Value £'000	Directly Attributable Expenditure £'000	Externally Generated Income £'000
Hitchin Town Hall Gymnasium and Workman's Hall Trust	1,897	15	-
King George V Playing Fields Trust	222	30	-
Smithson Recreation Ground Trust	26	4	-

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 2017, available to fund capital and revenue activities is £2,761,036. (2015/16 £3,339,974)

Collection Fund Accounts

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

The accounts have been prepared on an accruals basis.

INCOME AND EXPENDITURE ACCOUNT

2015/16 Council Tax £'000	2015/16 Business Rates £'000	2015/16 Total £'000		Note	2016/17 Council Tax £'000	2016/17 Business Rates £'000	2016/17 Total £'000
			Income				
(72,611)		(72,611)	Council Tax Receivable	2	(76,069)		(76,069)
			Council Tax Benefit				
	(37,713)	(37,713)	Business Rates Receivable	1		(38,888)	(38,888)
	0	0	Transitional Protection Payments Receivable			0	0
			Contribution towards previous year deficit:				
0	(334)	(334)	Hertfordshire County Council	3	0	(52)	(52)
0		0	Hertfordshire Police Authority	3	0		0
	(1,668)	(1,668)	DCLG	3		(257)	(257)
0	(1,334)	(1,334)	North Hertfordshire District Council	3	0	(205)	(205)
(72,611)	**(41,049)**	**(113,660)**	**Total Income**		**(76,069)**	**(39,402)**	**(115,471)**
			Expenditure				
			Precepts, Demands and Shares	4			
54,055	3,816	57,871	Hertfordshire County Council		56,945	3,930	60,875
7,002		7,002	Hertfordshire Police Authority		7,055		7,055
9,854	15,264	25,118	North Hertfordshire District Council		10,172	15,721	25,893
966		966	Parishes, Town & Community Councils		1,005		1,005
	19,079	19,079	Central Government			19,650	19,650
			Distribution of previous years Surplus				
169		169	Hertfordshire County Council		218		218
24		24	Hertfordshire Police Authority		28		28
			Charges to Collection Fund				
0	1	1	Interest on Accruals		0	0	0
0	181	181	Cost of Collection Allowance	1	0	181	181
	570	570	Transitional relief Payable			48	48
	37	37	Energy Payments			54	54
260	376	636	Write off uncollectible amounts	1/2	284	460	744
	(103)	(103)	Increase / (decrease) in provision for appeals	1		45	45
114	7	121	Increase / (decrease) in bad debt provision	1/2	70	(70)	0
72,444	**39,228**	**111,672**	**Total Expenditure**		**75,777**	**40,019**	**115,796**
(167)	**(1821)**	**(1988)**	**Movement on Fund Balance**		**(292)**	**617**	**325**
(218)	3254	3036	Balance at beginning of year		(385)	1,433	1,048
(385)	**1,433**	**1,048**	**Balance at end of year**		**(677)**	**2,050**	**1,373**

Collection Fund Accounts

			Share of Balance			
(227)	143	(84)	Hertfordshire County Council	(417)	205	(212)
(29)		(29)	Hertfordshire Police Authority	(51)		(51)
(129)	573	444	North Hertfordshire District Council	(209)	820	611
	717	717	Central Government		1,025	1,025
(385)	**1,433**	**1,048**		**(677)**	**2,050**	**1,373**

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 2016/17 were estimated before the start of the financial year as £19.650 million to Central Government, £3.930 million to Hertfordshire County Council and £15.720 million to North Hertfordshire District Council. These sums have been paid in 2016/17 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 £12.850 million to Central Government from the General Fund in 2016/17.

The total net amount of NNDR income collectable in 2016/17, after all reliefs and deductions, was £38.888million. An increase of £389k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £576k as at 31 March 2017. A total of £459k of outstanding business rates were written off during 2016/17.

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 2016/17 the authority was a part of the Hertfordshire Business Rates Pool, which reduces the levy payment. The levy that would have been owed to the DCLG is £239k if North Herts had not been in the pool, this reduces to £85k by the pooling gain that Hertfordshire County Council has calculated as pool lead.

Collection Fund Accounts

The retained business rates scheme has also meant responsibility for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list has transferred to the Authority, as the agent. As such it is necessary for the Authority to make provision for future successful appeals on behalf of itself the major preceptor and Central Government. An increase of £45k has been made for the provision of outstanding appeals bringing the total provision to £2.32 million. This amount is based on the amount of outstanding appeals with the Valuation Office Agency, as at 31 March 2017, after applying an estimated overall success factor of 25%.

The total non-domestic rateable value for North Hertfordshire District Council is £97.3 million, (£97.0 million 2015/2016). The NNDR multiplier is 49.7p in the pound (49.3p in the pound in 2015/2016). The small business non domestic rating multiplier is 48.4p in the pound (48.0p in the pound in 2015/2016).

2. COUNCIL TAX

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

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Original Debt	86,567		89,962	
Additional Debt	9,833		9,507	
		96,400		**99,469**
Less:				
Council Tax Reductions		6,698		6,618
Transitional Relief		(1)		(1)
Discounts		6,606		6,849
Amounts Written-off, Exemptions & Allowances		10,486		9,934
		72,611		**76,069**

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, £1,545.58, (£1,496.92, 2015/2016) 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	3,342	0.67	1,030.39
B	8,829	0.78	1,202.12
C	19,729	0.89	1,373.85
D	9,979	1.00	1,545.58
E	7,109	1.22	1,889.04
F	4,513	1.44	2,232.50
G	3,271	1.67	2,575.97
H	340	2.00	3,091.16
Total	**57,112**		

An increase of £354k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £1.86million as at 31 March 2017. A total of £284k of outstanding council tax was written off during 2016/2017.

Collection Fund Accounts

3. PAYMENT OF SURPLUS/ DEFICITS FROM THE COLLECTION FUND

The element of the surplus/ deficit on the Collection Fund at 31 March 2017 will be distributed in subsequent financial years to Hertfordshire County Council, The Police and Crime Commissioner and the Council in proportion to the value of the respective precept demand made by the three Authorities on the Collection Fund. The apportioned (surplus)/deficit is shown at the bottom of the Income and Expenditure Statement.

4. PRECEPTS

	2015/16 £'000	2016/17 £'000
Hertfordshire County Council	54,055	56,946
Hertfordshire Police	7,002	7,054
North Hertfordshire District Council and Local Town and Parish Councils	10,820	11,177
	71,877	**75,177**

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.