



# STATEMENT OF ACCOUNTS

2014/2015

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# STATEMENT OF RESPONSIBILITIES

The *Code of Practice on Local Authority Accounting in The United Kingdom* reflects the requirements of the *Accounts and Audit Regulations 2011*. The Council must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Council and the Chief Financial Officer for the Accounts.

## The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council the Chief Financial Officer is the Director of Finance
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

## The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

The Statement of Accounts presents a true and fair view of the financial position of Three Rivers District Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Signed .....  
Joanne Wagstaffe CIPFA  
Director of Finance

Date: 29 September 2015

Signed .....  
Councillor Steve Drury  
Vice Chairman of Audit Committee (In the Chair)

Date: 29 September 2015

# EXPLANATORY FOREWORD

## 1. Introduction

The purpose of this Foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the Statement of Accounts.

## 2. The Core Financial Statements

The accounts that follow this foreword contain four core financial statements:

- Statement of Movements in Reserves
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

For a definition of each statement see the Explanation Of Core Financial Statements at page 19.

## 3. Changes to the Statement of Accounts

### *Accounting Policies*

The Financial Statements have been prepared under International Financial Reporting Standards (IFRS). In addition, the Chartered Institute of Public Finance and Accountancy produces a Code of Practice on Local Authority Accounting which reflects the statutory requirements and has been followed in preparing the financial statements.

There were no major changes to accounting policies in the year.

The Council is required to prepare 'group accounts' where there are significant interests in other organisations. A review has been carried out and it has been determined that the preparation of group accounts is not required.

### *Changes in Functions*

The Council shares its Revenues and Benefits, Finance, Human Resources and ICT functions with Watford Borough Council. From 1 April 2014, the Councils adopted a lead authority model for the Finance and Revenues and Benefits Services and a new arrangement for a shared procurement service.

## EXPLANATORY FOREWORD

### 4. Contingent Assets and Liabilities

Note 32 to the Core Financial Statements gives details of contingent assets and liabilities. No exceptional or unusual items of income or expenditure have occurred. No material events affecting the accounts occurred after the end of the year up to 29 September 2015.

### 5. Revenue Activities

#### *Revenue Out-turn 2014/2015*

For accounting purposes, the Council distinguishes between 'revenue' and 'capital' activities. Capital activities are dealt with below. Revenue activities are included in the Comprehensive Income and Expenditure Statement and cover the day to day income and expenditure involved in providing services to the public. The Council holds a General Fund Balance, shown in the Statement of Movement in Reserves and on the Balance Sheet, which is available to support revenue expenditure and to which surpluses are added and from which any deficits are met.

The net cost of revenue activities is met by central government grant, a share of non-domestic rates (business rates) and by the council tax charge made to residents. This is set each February prior to the start of the financial year and takes into account the General Fund Balance and detailed estimates of income and expenditure. A comparison of outturn figures to budgets, therefore, often provides a better indication of financial stewardship than comparison to the prior year.

It was estimated that there would be a deficit for the year of £0.379m. The actual outturn showed a surplus of £1.875m, a variance in the year of £2.254m.

The major variances are as follows:-

- Increase in New Homes Bonus Grant £600k
- Increase in Section 106 receipts of £598k
- Waste Management Grant of £255k
- Additional interest earned £52k
- Dividend received of £50k
- Reduction in Business Rates income of £342k
- Surplus received on Council Tax from 2013/14 of £23k
- Reduction in cost of car park enforcement service of £61k
- Reduction in staffing costs due to vacancies and restructures of £173k
- Reduced grounds maintenance costs of £56k
- Lower income from trade waste of £50k
- Lower running costs for Three Rivers House of £65k
- Increase in shop rents income of £30k
- Lower repair costs for shops and garages of £50k
- Additional VAT claim receipt on trade waste of £48k
- Reduction in external audit fees of £35k
- Additional election grant income received of £41k

## EXPLANATORY FOREWORD

The table below compares the original budget for the year against the out-turn:

<b>Income &amp; Expenditure Account</b>	<b>2014/15</b>	
	<b>Original Net Budget £000</b>	<b>Net Outturn £000</b>
<b>Policy &amp; Scrutiny Committee</b>		
Leisure Wellbeing & Health	3,828	3,649
Sustainable Development, Planning & Transportation	3,351	2,893
General Public Services & Community Safety	3,761	3,671
Policy & Resources	3,155	2,163
<b>Net Cost of District Services</b>	<b>14,095</b>	<b>12,376</b>
Pensions Adjustment	1,027	732
Parish Precepts	1,534	1,534
Net Interest Income to General Fund	(127)	(179)
Other Income	0	(3,918)
Capital Receipts to Pool	0	0
<b>Net District Operating Expenditure</b>	<b>16,529</b>	<b>10,545</b>
Contributions to/(from) Earmarked Reserves	(110)	1,371
Adjustments Under Statute	(4,469)	(1,349)
(Contribution from Balances)/Surplus/(Deficit) for year	(379)	1,875
<b>Amount To Be Met From Government Grant And Local Tax Payers</b>	<b>11,571</b>	<b>12,442</b>
Demanded From Collection Fund	(7,144)	(7,144)
Collection Fund Transfer of (Surplus)/Deficit	0	(23)
Revenue Support Grant	(1,874)	(1,876)
Redistributed NNDR	(1,692)	(1,244)
Non - Specific grants	(713)	(1,676)
Business Rate Growth	(250)	0
Grant to Parish Councils	102	102
Other Income	0	(581)
<b>Total</b>	<b>(11,571)</b>	<b>(12,442)</b>
Balance in Hand at 1 April	(4,403)	(5,069)
(Surplus)/Deficit For Year	379	(1,875)
<b>Balance in Hand at 31 March</b>	<b>(4,024)</b>	<b>(6,944)</b>

# EXPLANATORY FOREWORD

## ***Future Revenue Expenditure & its Funding***

The Council ensures that its strategic, service and financial planning is closely linked so that resources are properly allocated to its priorities. The Council's aims and objectives are included within its Strategic Plan. This is based on the themes 'safety and wellbeing', 'clean and green', 'economic opportunities' and 'customer service' derived from the Community Strategy developed with the Council's partners. The Strategic Plan is supported by individual Service Plans. There is a performance management framework which measures how the Council is performing against these plans.

The Medium-Term Three-Year Financial Plan is continually updated by regular budget monitoring. The plan assumes reductions in government grant over the next three years. Following a reduction of 0.05% in the average council tax charge for 2014/15, the Council is budgeting for increases of 1.98% in subsequent years. The levels of council tax and government grant are critical to the Council's future revenue streams.

Because of a change in accounting treatment in 2013/14, Government Grant has been partially replaced by retention of the Business Rates the Council collects. This change creates additional uncertainty in funding, as it places the emphasis on the Council to generate additional income by encouraging business regeneration. This means that the Council's share of any surplus or deficit on Business Rate collection, falls on the General Fund and, potentially the Council Tax payers in the following year.

## **6. Capital Activities**

### ***Capital Out-turn 2014/15***

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2014/15 is shown below:

	<b>Original Budget £000</b>	<b>Actual Out-turn £000</b>	<b>Variance (Under) / Over Spend £000</b>
Leisure Facilities	2,326	1,075	(1,251)
Asset Management	315	797	482
Waste Collection & Recycling	2,488	2,222	(266)
Footpaths, Cycle Paths, Roads and Car Parks	400	330	(70)
Private Sector Housing	745	602	(143)
Information & Communication Technology	309	123	(186)
Other	119	56	(63)
<b>Total</b>	<b>6,702</b>	<b>5,205</b>	<b>(1,497)</b>

The Council planned to complete capital schemes valued at £6.702m in 2014/15. The Council completed and funded £5.205m worth of capital work, £4.674m of which was funded from capital receipts. The remainder was funded from government grants, contributions from third parties and reserves. The creation of assets adds to their value and reduces cash holdings. Their funding reduces the value of usable reserves and increases the value of unusable reserves in the bottom half of the balance sheet.

## EXPLANATORY FOREWORD

The underspends mainly related to:

- delays in the implementation of the Leavesden Management Plan as well as project delays regarding some play areas including habitat improvements;
- approved applications for Disabled Facilities Grant where works were incomplete at year end;
- funds set aside for vehicles required for maintenance of grounds.

### ***Future Capital Expenditure and its Funding***

The Council plans to spend £9.147m on capital schemes in 2015/16. Of this £8.621m is to be funded from capital receipts and £0.526m from government grants, contributions from third parties and reserves.

### ***Borrowing Facilities and Capital Borrowing***

The Council has no agreed plans to borrow in the medium term and will finance capital expenditure from existing resources. The current agreed capital programme indicates that the Council will remain debt free for the immediate future, although it has operational short-term borrowing facilities up to £7m. All historic capital expenditure has been fully funded and therefore there is no capital financing requirement.

The Council applies the 'Prudential Code for Capital Finance'. The Code is designed to ensure that all external borrowing is within prudent and sustainable levels, that capital expenditure plans are affordable, that treasury management decisions are taken in accordance with good practice and that the Council is accountable by providing a clear and transparent framework. The Council takes into account all sources of future income and the potential calls on the use of that income.

## **7. Pensions**

The Council has disclosed its full liabilities to the Hertfordshire Pension Fund. The Income and Expenditure Account includes the charges made for retirement benefits in accordance with International Accounting Standard 19. The Statement of Movement in Reserves shows how this is adjusted for in the General Fund for the actual amount paid to the Fund in the year (i.e. the amount met from council tax). The balance sheet shows a net liability to the Fund at 31 March 2015 of £19.863m. This has increased from £17.593m at 31 March 2014 and reflects actuarial changes. There are statutory arrangements for funding the deficit that protect the Council's financial position. Note 31 to the Core Statements of Account provides further information.

The Council made no additional contribution to the Pension Fund Deficit in 2014/15.

## EXPLANATORY FOREWORD

### 8. Conclusion

#### *The Council's Overall Financial Position*

The Council's medium-term financial planning has aimed to achieve tax increases at or below the rate of inflation, a balanced budget and a prudent level of balances. With the reductions in government grant and changes to business rates, however, this means that significant savings have had to be identified. The Council conducted a series of service reviews in 2014/15, to find the savings required in future years. Tight financial control is being exercised to ensure that the savings identified are achieved.

In the current financial climate, the Council monitors on a regular basis the financial and budgetary risks that it faces. At the date of issue of this Statement of Accounts, no significant impairment has been made to assets although provisions for bad debts have been increased to reflect the increased probability that debtors may default.

In the longer term the Council will also have to address the impact on the revenue account of reduced interest income as capital receipts are used to fund capital expenditure.

In the meantime, balances remain relatively healthy. The General Fund balance at 31 March 2015 was £6.944m. The Council held £16.746m at 31 March 2015 in capital receipts and capital grants available for new capital expenditure.

The Council is constantly looking to improve its financial management and internal control. The Annual Governance Statement shows the steps the Council is taking to achieve this and to address the challenges brought about by changes to business rates, the local support to council tax and the introduction of benefit caps and universal credit.

***Joanne Wagstaffe CPFA***  
***Director of Finance***  
***29 September 2015***

# ANNUAL GOVERNANCE STATEMENT

## 1. Scope of Responsibility

Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website at:-

<http://www.threerivers.gov.uk/Default.aspx/Web/CorporateGovernance>

or can be obtained from:-

Three Rivers District Council  
Democratic Services  
Three Rivers House  
Northway  
Rickmansworth  
WD3 1RL

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011, which requires the preparation of an annual governance statement.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework described below has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

# ANNUAL GOVERNANCE STATEMENT

## 3. The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements are:

### ***Identifying, communicating and reviewing the council's vision***

To May 2015, the Council and the Policy and Resources Committee met regularly to set the strategic direction of the Council and together with the Audit Committee, and the Service Committees, monitor service delivery.

With effect from May 2014, the Council reduced in numbers from 48 to 39 members and reverted to a traditional committee system.

The Council's Strategic Plan focuses on those areas where it has a lead role, or can play a key part in delivering or influencing the outcomes within the Community Strategy which has been developed through public consultation undertaken by the Local Strategic Partnership (LSP). The LSP comprises key stakeholders such as NHS, Police, County Council, Parish Councils, Thrive Homes, Watford Housing Trust, Job Centre Plus, West herts College, CAB and the business sector.

The Council updates its Strategic Plan every February. Its purpose is to guide the Council over a three year period in its annual consultation, planning, resource allocation and performance management process by articulating clearly a series of SMART targets (targets that are Specific, Measurable, Achievable, Resourced and Time-limited) by which it is able to track its progress towards delivering the Council's long-term objectives.

The Council's vision is that the district should remain a prosperous, safe and healthy place where people want and are able, to live and work.

It has decided to concentrate its energies on four major thematic areas of activity:

- safety and well-being - We shall work with partners to make the district a safer and healthier place, providing a safe and healthy environment, and reducing health inequalities
- clean and green - We want to maintain a high quality local environment and reduce the eco-footprint of the district
- economic opportunities - We shall work in partnership to promote the economic prospects for all our communities
- Customer Service - We shall deliver services to a standard that meets the needs and expectations of all of our customers and provides exemplary value for money.

The means by which these objectives are to be achieved are then included in service plans and cascaded to individual employees via the council's appraisal system.

# ANNUAL GOVERNANCE STATEMENT

## ***Measuring the quality of services and ensuring they represent the best use of resources and value for money***

The Council has a performance management framework linked to the Council's Strategic Plan. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's committees report the Council's achievements against the targets it set for improvements.

The Council's Procurement Strategy and its Procurement Policies and Procedures assist it in achieving good value for money. The Council has in place a Value for Money Strategy. Under this strategy the Council proposes to achieve VFM by:

- measuring service quality against external objective quality standards such as the Customer Services Excellence standard, Investors in People & other external accreditations and against nationally published performance indicators and locally determined indicators;
- systematically reviewing services for VFM by benchmarking them using comparative data from the private and public sectors;
- ensuring that its limited resources are allocated to its priorities through a rigorous strategic, service and financial planning process;
- hitting budgetary targets through tight budgetary control and good project management;
- maintaining the policy of competitive tendering and adopting best procurement practices;
- minimising waste and achieving efficiency improvements year on year;
- working with the Local Strategic Partnership and other partners;
- listening to the views of residents, service users, and businesses, and by dealing efficiently with complaints so that problems can be put right quickly;
- promoting equality of opportunity.

## ***Developing, communicating and embedding codes of conduct for standards of behaviour***

The Council has adopted its own local code of conduct for members under the Localism Act 2011, and has in place its own local arrangements to deal with code of conduct complaints against members, consistent with the Nolan principles. There is also a code of conduct for officers.

## ***Defining and documenting roles and responsibilities***

The Council has a Constitution which sets out the processes by which its policies are made and its decisions taken. The Constitution spells out the responsibilities of committees.

The Council is responsible for the adoption of the budget and policy framework.

# ANNUAL GOVERNANCE STATEMENT

The Constitution sets out delegations to officers. The Council's statutory officers are its Chief Executive, who is the Head of Paid Service, the Director of Finance who is its Chief Finance Officer, and the Council's Solicitor who carries out the role of Monitoring Officer.

## ***Risk Management***

The Council has adopted a Risk Management Strategy which has been updated annually. All of the Council's key objectives, including those in its Strategic Plan, have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through sixteen service plans (including four plans for Shared Services). Risks have been identified and assessed for their impact and likelihood. Where they require managing a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.

## ***Whistle-blowing and arrangements for receiving and investigating complaints from the public***

An anti-fraud and corruption policy exists and arrangements for whistle-blowing are in place. Any allegations of fraud and corruption are pursued by dedicated staff. These policies are regularly reviewed and will be updated during 2015.

## ***The Council's financial management and assurance arrangements***

The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). Its assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

## ***Undertaking the core functions of an audit committee***

Included in the Council's Constitution are the Audit Committee's responsibilities, which are to:-

- approve (but not direct) internal audit's strategy, plan and performance;
- review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- consider the reports of external audit and inspection agencies;
- consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors;
- be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted; and,
- review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

# ANNUAL GOVERNANCE STATEMENT

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

The Council's Constitution sets out how members and officers ensure compliance with policies, procedures and legislation. The Council has adopted a 'Local Code of Corporate Governance' in accordance with the CIPFA/SOLACE Framework for Corporate Governance.

## ***Identifying the development needs of members and senior officers***

Appropriate training is identified to support officers and Members in relation to their strategic roles.

## ***Establishing clear channels of communication with all sections of the community***

The Council has a Consultation Strategy and a Communications Strategy which it follows in order to ensure accountability and encourage open consultation with the community and other stakeholders. It publishes a newsletter - Three Rivers Times – twice a year which is delivered to every household.

## ***Enhancing the accountability for service delivery and effectiveness of other public sector providers***

The Council has member representation on the Police and Crime Panel and Forum established under the Police Reform and Social Responsibility Act 2012.

## ***Incorporating good governance arrangements in respect of partnerships***

The Council shares its human resources, ICT, finance, revenues and benefits services with Watford Borough Council. From April 2014, the councils have adopted a lead authority model for the four these services and a new arrangement for a shared procurement service.

The internal audit service (provided through a countywide consortia) allocates a number of audit days to the validation of the control environment.

The increasing importance of partnership working means that arrangements for group working, such as those detailed above, need to be reflected in the Council's overall governance arrangements and constantly reviewed.

# ANNUAL GOVERNANCE STATEMENT

## 4. Review of Effectiveness

### *The Council*

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of councillors, the officers who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

### *Committees*

With regard to performance management, quarterly reports have been produced for the Management Board. Members received half-yearly reports and corrective action has been detailed and monitored where necessary. The monthly budget monitoring system incorporated an update on financial and budgetary risks, a quantitative evaluation of fee income, and the position on reserves and balances. Continued emphasis was placed during 2014/15 on how the Council was achieving the reductions in expenditure identified in its budget through the Strategic Service Review Working Party.

### *The Audit Committee*

The Audit Committee have monitored the implementation of internal and external audit recommendations throughout 2014/15. Significant progress has been made in reducing the number of outstanding recommendations and the time it has taken to implement them. The main concern continued to be the number of outstanding recommendations concerning the ICT service. Senior management from both councils and the ICT contractor continue to meet regularly to monitor progress and achievement against key milestones.

The Audit Committee considered a review of the effectiveness of the governance framework at its meeting on 26 June 2014, which includes an assessment of how the Council is meeting the requirements of the Local Code of Corporate Governance. An update is scheduled for September 2015.

### *Internal Audit*

The internal audit service is provided the Hertfordshire Shared Internal Audit Service (SIAS). A programme of audits across the whole range of the Council's activities is carried out. Internal Audit recommendations and the progress made in implementing them are reported to the Audit Committee. The SIAS Annual Report provides a substantial assurance opinion on the adequacy and effectiveness of financial systems and a moderate assurance opinion on the adequacy and effectiveness of non financial systems in the internal control environment for the year ended 31 March 2015. There are no qualifications to this assurance. The SIAS Head of Assurance comments 'In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based primarily on the work undertaken by the Council and reported in its Annual Governance Statement for 2014/15; and, the specific review of Risk Management carried out by SIAS over February and March 2015, which received overall a Full Assurance opinion.

### *External Audit*

The Council's external auditors produced an Annual Report to those Charged with Governance in September 2015. The auditor issued an unqualified opinion on the Council's financial statements

# ANNUAL GOVERNANCE STATEMENT

and gave an unqualified value for money conclusion. The implementation of recommendations arising from the report has been monitored by the Audit Committee.

## **Other review / assurance mechanisms**

During 2014/15 Internal Audit have tested the adequacy of the controls to minimise risk, have gained assurances and gathered evidence that the controls are working. Where they have identified any weaknesses the matter has been included in the 2015/16 Internal Audit Plan for detailed consideration. Any assurances that are not obtained in this way will be gathered and evidenced by officers and reported to the Audit Committee to ensure that the internal control framework is robust.

As part of the annual review of the effectiveness of its governance framework, including the system of internal control, heads of service provide an assurance statement concerning their activities. These assurances were reported to the Audit Committee on 25 June 2015.

## **5. Significant Governance Issues**

Over the coming year the Council proposes to take steps to address the matters shown in the table below to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements that were identified in its review of effectiveness. It will monitor their implementation and operation through regular reporting to the Audit Committee.

<i>Action</i>	<i>Priority</i>	<i>Officer Responsibility</i>	<i>Action to date / Action Required</i>	<i>Resolved</i>	<i>Original Implementation Date</i>
Monitor the performance of the outsourced ICT service to ensure it is achieving service and budgetary targets. The disaster recovery plan should be tested.	High	Shared Director of Finance	The ICT service is being monitored monthly and has a range of PIs against which performance is measured. In addition there are fortnightly meetings to discuss ongoing issues. Backup solution architect is currently assessing ability to recover. This is all feeding into the data centre migration project. The disaster recovery test is scheduled prior to the data centre move. <b><i>This will now be reviewed in the light of the Council's decision to terminate the Capita contract.</i></b>	*	March 2014

## ANNUAL GOVERNANCE STATEMENT

<p>The Disaster Recovery Plan is not current. The Council should take priority to ensure the kit list is updated and fit for purpose.</p>	<p>High</p>	<p>Capita Account Director</p>	<p>The Council will ensure that the kit lists are updated and fit for purpose in conjunction with Capita who are responsible for the third party contracts for DR. IT DR and business continuity plans should be reviewed annually to ensure its continuing suitability, adequacy and effectiveness The kit list has been updated for both Three Rivers and Watford Council's. There is now a draft disaster recovery plan in place. This is to be reviewed by Officers before sign off. Revised date: October 2015 <b><i>This will now be reviewed in the light of the Council's decision to terminate the Capita contract.</i></b></p>	<p>*</p>	<p>August 2015</p>
<p>The lack of an effective testing strategy for Disaster Recovery may mean that gaps and defects in the plan may not be identified</p>	<p>High</p>	<p>Capita Account Director</p>	<p>Once the kit lists are updated DR tests will take place on critical systems and their key dependencies This is yet to be scheduled. Revised Date: December 2015. <b><i>This will now be reviewed in the light of the Council's decision to terminate the Capita contract.</i></b></p>	<p>*</p>	<p>August 2015</p>
<p>There is insufficient evidence from Capita Secure Information Solutions Limited (CSIS) to support the closure of actions to address performance issues</p>	<p>High</p>	<p>Capita Account Director</p>	<p>The CSIS Account Director will agree a clear, formal process for the completion and closure of incidents, within their team and gain formal approval of this process from the Councils <b><i>This will now be reviewed in the light of the Council's decision to terminate the Capita contract.</i></b></p>	<p>*</p>	<p>August 2015</p>

## ANNUAL GOVERNANCE STATEMENT

<p>Key Performance Indicators (KPI) and the inclusive Service Level Agreements are not being met, having been agreed by both parties and appropriate financial penalties are not being enforced</p>	<p>High</p>	<p>ICT Section Head Client</p>	<p>Discussions between the Council and CSIS should take place once improvements have been observed with the delivery of ICT Shared Services. This should encompass the current KPI definitions and how they are measured with associated targets. This would include the amount of physical evidence deemed appropriate and sufficient to support the closure of tickets. Remediation ended on July 31. This position is currently under review by Council Officers. Some outstanding remediation works have been moved by agreement between both parties to a continuous service improvement plan. Service levels continue to not be met for Helpdesk resolution. Service credits are to be applied from 1 August. Positive call closure remains in place whereby the policy is that no ticket is closed without agreement by the user themselves. The exception to this is if the user does not respond in 5 working days. <b><i>The Council has taken the decision to terminate the Capita contract in June 2016.</i></b></p>	<p style="text-align: center;">✘</p>	<p>August 2015</p>
<p>To establish a South Oxhey Initiative project Board in accordance with PRINCE2 principles, chaired by the Director of Community and Environment including other senior Council officers and representatives from the development partner</p>	<p>High</p>	<p>Head of Major Projects</p>	<p>Once a preferred bidder is identified a report will be presented to the Policy &amp; Resources Committee who will act as the Executive Board, to ensure that the project board are operating under their delegated authority. The recommendation to form a South Oxhey Initiative Project Board was not accepted by P&amp;R Committee. Officers await further instructions now the project is progressing.</p>	<p style="text-align: center;">✔</p>	<p>June 2015</p>

## ANNUAL GOVERNANCE STATEMENT

We have been advised by the Audit Committee on the implications of the review of the effectiveness of the governance framework. We note that the Action Plan will address weaknesses and ensure continuous improvement of the system.

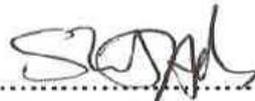
Signed .....



**Ann Shaw O.B.E.  
Leader of the Council**

**Date: 29 September 2015**

Signed .....



**Dr Steven Halls  
Chief Executive**

**Date: 29 September 2015**

# EXPLANATION OF CORE FINANCIAL STATEMENTS

## **Statement of Movement in Reserves (Pages 20 - 23)**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (unusable reserves). The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council'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. 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.

## **Comprehensive Income and Expenditure Statement (Page 24)**

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

## **Balance Sheet (Page 25)**

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the Council maybe used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services (non useable reserves). 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'.

## **Cash Flow Statement (Page 26)**

The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses the 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from finance activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2013</b>	<b>7,549</b>	<b>5,380</b>	<b>12,331</b>	<b>25,260</b>	<b>30,837</b>	<b>56,097</b>
<b>Movement in Reserves during 2013/14</b>						
(Surplus) or deficit on provision of services	(2,150)	0	0	<b>(2,150)</b>	0	<b>(2,150)</b>
Other Comprehensive Expenditure and (Income)	10,124	0	0	<b>10,124</b>	0	<b>10,124</b>
<b>Total Comprehensive Expenditure and (Income) (CI&amp;E)</b>	<b>7,974</b>	<b>0</b>	<b>0</b>	<b>7,974</b>	<b>0</b>	<b>7,974</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>						
<b>Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:</b>						
Charges for depreciation of Long Term Assets	1,747	0	0	<b>1,747</b>	(1,747)	<b>0</b>
Revaluation Losses recognised in Net Cost of Services or Investment Inc/Exp	6	0	0	<b>6</b>	(6)	<b>0</b>
(Surplus) or Deficit on revaluation of Property, Plant and Equipment (OCIE)	(4,081)	0	0	<b>(4,081)</b>	4,081	<b>0</b>
Amortisation of intangible Long Term Assets	177	0	0	<b>177</b>	(177)	<b>0</b>
Capital grants & contributions applied to capital financing	(314)	0	0	<b>(314)</b>	314	<b>0</b>
Revenue expenditure funded from capital under Statute	1,289	0	0	<b>1,289</b>	(1,289)	<b>0</b>
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Lease Mitigation	1	0	0	<b>1</b>	(1)	<b>0</b>
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure account	6	0	0	<b>6</b>	(6)	<b>0</b>
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(2,869)	<b>(2,869)</b>	2,869	<b>0</b>
Contribution from Capital Receipts Reserve to finance payments to the Government						
Capital Receipts Pool	19	0	(19)	<b>0</b>	0	<b>0</b>
Proceeds from sale of long-term assets	0	0	415	<b>415</b>	(415)	<b>0</b>
Unattached capital receipts	(793)	0	793	<b>0</b>	0	<b>0</b>
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	0	22	<b>22</b>	(22)	<b>0</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Council's share of Movement in Collection Fund Surplus/(Deficit)	(53)	0	0	<b>(53)</b>	53	<b>0</b>
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>						
Accrued Employee benefits	(6)	0	0	<b>(6)</b>	6	<b>0</b>
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Employer's pension contributions and direct payments to pensioners payable in the year	(1,658)	0	0	<b>(1,658)</b>	1,658	<b>0</b>
Actuarial (Gains)/Losses on Pension Fund Assets/Liabilities	(6,043)	0	0	<b>(6,043)</b>	6,043	<b>0</b>
Reversal of items relating to retirement benefits debited or credited to the CI&E	2,694	0	0	<b>2,694</b>	(2,694)	<b>0</b>
<b>Net increase / (decrease) before transfers to earmarked reserves</b>	<b>965</b>	<b>0</b>	<b>(1,658)</b>	<b>(693)</b>	<b>8,667</b>	<b>7,974</b>

## STATEMENT OF MOVEMENT IN RESERVES

*-continued*

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Net increase / (decrease) before transfers to earmarked reserves</b>	<b>965</b>	<b>0</b>	<b>(1,658)</b>	<b>(693)</b>	<b>8,667</b>	<b>7,974</b>
<b>Transfers to/from earmarked reserves</b>						
Section 106 Agreements & Commuted Sums	(1,277)	1,238	0	(39)	39	0
Future Capital Expenditure	(1,500)	1,500	0	0	0	0
New Homes Bonus	(737)	737	0	0	0	0
Leavesden Hospital Open Space	69	(69)	0	0	0	0
<b>Transfers to/from earmarked reserves</b>	<b>(3,445)</b>	<b>3,406</b>	<b>0</b>	<b>(39)</b>	<b>39</b>	<b>0</b>
<b>Increase/(Decrease) in 2013/14</b>	<b>(2,480)</b>	<b>3,406</b>	<b>(1,658)</b>	<b>(732)</b>	<b>8,706</b>	<b>7,974</b>
<b>Balance as at 31 March 2014</b>	<b>5,069</b>	<b>8,786</b>	<b>10,673</b>	<b>24,528</b>	<b>39,543</b>	<b>64,071</b>

# STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2014</b>	<b>5,069</b>	<b>8,786</b>	<b>10,673</b>	<b>24,528</b>	<b>39,543</b>	<b>64,071</b>
<b>Movement in Reserves during 2014/15</b>						
Surplus or (deficit) on provision of services	1,897	0	0	1,897	0	1,897
Other Comprehensive (Expenditure) and Income (OCIE)	1,396	0	0	1,396	0	1,396
<b>Total Comprehensive Expenditure and (Income) (CI&amp;E)</b>	<b>3,293</b>	<b>0</b>	<b>0</b>	<b>3,293</b>	<b>0</b>	<b>3,293</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>						
<b>Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:</b>						
Charges for depreciation of Long Term Assets	1,832	0	0	1,832	(1,832)	0
Revaluation Losses recognised in Net Cost of Services or Financing & Investment Inc/Exp	(1,526)	0	0	(1,526)	1,526	0
(Surplus) or Deficit on revaluation of Property, Plant and Equipment (OCIE)	(2,421)	0	0	(2,421)	2,421	0
Amortisation of intangible Long Term Assets	67	0	0	67	(67)	0
Capital grants & contributions applied to capital financing	(531)	0	0	(531)	531	0
Revenue expenditure funded from capital under Statute	1,034	0	0	1,034	(1,034)	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Lease Mitigation	1	0	0	1	(1)	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure account	(76)	0	0	(76)	76	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(4,673)	(4,673)	4,673	0
Contribution from Capital Receipts Reserve to finance payments to the Government Capital Receipts Pool	0	0	0	0	0	0
Proceeds from sale of long-term assets	0	0	192	192	(192)	0
Unattached capital receipts	(2,907)	0	2,907	0	0	0
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	0	0	0	0	0
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Council's share of Movement in Collection Fund Surplus/(Deficit)	2,275	0	0	2,275	(2,275)	0
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>						
Accrued Employee benefits	(59)	0	0	(59)	59	0
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Employer's pension contributions and direct payments to pensioners payable in the year	(1,355)	0	0	(1,355)	1,355	0
Actuarial (Gains)/Losses on Pension Fund Assets/Liabilities (OCIE)	1,025	0	0	1,025	(1,025)	0
Reversal of items relating to retirement benefits debited or credited to the CI&E	2,594	0	0	2,594	(2,594)	0
<b>Net increase / (decrease) before transfers to earmarked reserves</b>	<b>3,246</b>	<b>0</b>	<b>(1,574)</b>	<b>1,672</b>	<b>1,621</b>	<b>3,293</b>

## STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Net increase / (decrease) before transfers to earmarked reserves</b>	<b>3,246</b>	<b>0</b>	<b>(1,574)</b>	<b>1,672</b>	<b>1,621</b>	<b>3,293</b>
<b>Transfers to/from earmarked reserves</b>						
Section 106 Agreements & Commuted Sums	(842)	590	0	(252)	252	0
Future Capital Expenditure	0	0	0	0	0	0
New Homes Bonus	(607)	607	0	0	0	0
Leavesden Hospital Open Space	78	(78)	0	0	0	0
<b>Transfers to/from earmarked reserves</b>	<b>(1,371)</b>	<b>1,119</b>	<b>0</b>	<b>(252)</b>	<b>252</b>	<b>0</b>
<b>Increase/(Decrease) in 2014/15</b>	<b>1,875</b>	<b>1,119</b>	<b>(1,574)</b>	<b>1,420</b>	<b>1,873</b>	<b>3,293</b>
<b>Balance as at 31 March 2015</b>	<b>6,944</b>	<b>9,905</b>	<b>9,099</b>	<b>25,948</b>	<b>41,416</b>	<b>67,364</b>

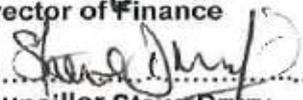


# BALANCE SHEET

31 March 2014			Note	31 March 2015	
£000	£000			£000	£000
37,214		Land and Buildings	17	41,590	
3,916		Vehicles, Plant and Equipment	17	5,366	
956		Infrastructure Assets	17	1,112	
0		Community Assets	17	47	
201		Heritage Assets	18	206	
11,925		Investment Properties	19	13,262	
2,671		Long Term Debtors	22	1,736	
	<b>56,883</b>	<b>Long Term Assets</b>			<b>63,319</b>
305		Assets Held For Sale	23	229	
14		Inventories	24	21	
5,121		Short Term Debtors	25	14,899	
24,530		Short Term Investments	35	20,734	
2,286		Cash and Cash Equivalents	26	1,931	
	<b>32,256</b>	<b>Current Assets</b>			<b>37,814</b>
(7,326)		Short Term Creditors	28	(11,282)	
0		Short Term Borrowing	26	0	
	<b>(7,326)</b>	<b>Current Liabilities</b>			<b>(11,282)</b>
(149)		Government Grants & Other Contributions Unapplied	29	(147)	
0		Provisions	30	(2,477)	
(17,593)		Liability related to Defined Benefit Pension Scheme	31	(19,863)	
	<b>(17,742)</b>	<b>Long Term Liabilities</b>			<b>(22,487)</b>
	<b>64,071</b>	<b>Net Assets</b>			<b>67,364</b>
5,069		General Fund Balance	33d	6,944	
10,673		Capital Receipts Reserve	33b	9,089	
0		Capital Grants Unapplied		10	
8,786		Earmarked Reserves	33c	9,905	
	<b>24,528</b>	<b>Usable Reserves</b>			<b>25,948</b>
35,307		Capital Adjustment Account	34b	37,984	
2,977		Deferred Capital Receipts	34c	1,735	
54		Collection Fund Adjustment Account	34d	(2,222)	
18,904		Revaluation Reserve	34e	23,829	
(106)		Accumulated Absences Reserve	34f	(47)	
(17,593)		Pensions Reserve	31	(19,863)	
	<b>39,543</b>	<b>Unusable Reserves</b>			<b>41,416</b>
	<b>64,071</b>	<b>Total Reserves</b>			<b>67,364</b>

Signed  .....  
 Joanne Wagstaffe CPFA  
 Director of Finance

Date: 29 September 2015

Signed  .....  
 Councillor Steve Drury  
 Vice Chairman of Audit Committee (In the Chair)

Date: 29 September 2015

# CASH FLOW STATEMENT

2013/14			Note	2014/15	
£000	£000			£000	£000
(2,150)		<b>Net surplus or (deficit) on the provision of services</b>		1,897	
5,492		Adjustments to net surplus or deficit on the provision of services for non cash movements	27	(1,442)	
(186)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	27	(179)	
	<b>3,156</b>				<b>276</b>
(1)		Interest paid		0	
187		Interest received		179	
	<b>186</b>				<b>179</b>
	<b>3,342</b>	<b>Net cash flows from Operating Activities</b>			<b>455</b>
		<b>Investing and Financing Activities</b>			
(1,756)		Purchase of Long Term Assets		(4,100)	
(1,466)		Other payments for investing activities		(1,101)	
(145,466)		Purchase of short term and long term investments		(52,424)	
146,805		Proceeds from the sale of investments		56,220	
402		Grants and Contributions Applied		531	
415		Proceeds from the sale of Long Term Assets		66	
(53)		Movement in Unapplied Grants and Contributions		(2)	
	<b>(1,119)</b>				<b>(810)</b>
	<b>2,223</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>(355)</b>
	<b>63</b>	<b>Cash and Cash equivalents at the beginning of the reporting period</b>			<b>2,286</b>
	<b>2,286</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>	26		<b>1,931</b>

## 1 Accounting Policies

### 1.01 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2011, which require these 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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS). 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.

### 1.02 Accruals of Income and Expenditure

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 Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council 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 Council
- 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
- 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
- where revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

### 1.03 Cash and Cash Equivalents

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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. The Council has no overdraft facility.

## 1.04 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

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

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

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

## 1.06 Charges to Revenue for Long Term Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Long Term Assets during the year:-

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible long term assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. These entries are adjusted through the Movement in Reserves Statement.

## 1.07 Employee Benefits

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of leave 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 for leave entitlement 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 the Net Cost of Service, but then reversed out through the Movement in Reserves Statement so that leave benefits are charged to revenue in the financial year in which the leave occurs.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council 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 to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement at the point when the Council can not withdraw the termination of the employment offer.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council 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 and credits for pension enhancement termination 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.

## Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Hertfordshire County Council. The scheme provides defined benefits to members (retirement lump sums and annual pension payments), earned as employees who worked for the Council. The schemes arrangements are summarised as follows:-

### The Local Government Pension Scheme

- the Local Government Scheme is accounted for as a defined benefits scheme;
- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council 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 projected earnings for current employees;
- liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the indicative rate of return on high quality corporate bonds);
- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS)19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure;

The change in the net pensions liability is analysed into seven components:-

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked and reported in the Net Cost of Service line;
- 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 Net Cost of Service in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;

## NOTES TO THE CORE FINANCIAL STATEMENTS

- interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets — the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Net Cost of Service as part of Non-Distributed Costs;
  
- 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 — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve;
- contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council 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 earned by employees.

### **Discretionary Benefits**

The Council 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.

### **1.08 Events After the Balance Sheet Date**

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

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

## 1.09 Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. The Council currently has no long term external debt.

### Financial Assets - Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market.

They are recognised on the Balance Sheet when the Council 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 most of the loans that the Council 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.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year — the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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. The Council has made a number of small loans to voluntary organisations at less than market rates. These are regarded as not material and no adjustment has been made.

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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 1.10 Government Grants and Contributions

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

- the Council will comply with the conditions of the payment
- the grants or contributions will be received

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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.

### 1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

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 Council 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).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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(s) 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(s) 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### 1.12 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

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.

### 1.13 Investment Property

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.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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.

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 the Capital Receipts Reserve.

### 1.14 Leases

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.

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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## ***The Council as Lessee***

### **Finance Leases**

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 Council 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.

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)

Property, Plant and Equipment recognised under finance leases is 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 Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution (minimum revenue provision) 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 within the Capital Adjustment Account in the Movement in Reserves Statement.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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 Council as Lessor***

### **Finance Leases**

Where the Council 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 or loss on disposal. A gain, representing the Council'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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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)

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.

The written-off value of disposals is not a charge against council tax, as the cost of Long Term 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**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income and Expenditure section 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.

### **1.15 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used — the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:-

- Corporate and Democratic Core — costs relating to the Council's status as a multi-functional, democratic organisation
- Non-Distributed Costs — the cost of discretionary benefits awarded to employees retiring early, discontinued operations and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## 1.16 Property, Plant and Equipment

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

### Recognition

Expenditure 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 Council 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) is charged as an expense when it is incurred.

### Measurement

Assets 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair 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. The Council has no such assets for 2014/15.

Assets are then carried in the Balance Sheet using the following measurement basis:-

- infrastructure, community assets and assets under construction — depreciated historical cost
- dwellings — fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets — fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value — EUV)

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. In addition, should current valuations of a similar class of assets suggest material differences in valuations, the entire class to which the asset belongs would be revalued. The current valuers have undertaken a market review of individual asset types within the council portfolio at year end to identify any material changes to the fair value of assets. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified:-

- 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

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**

Assets are assessed at each year-end as to whether there is any indication that an asset may be economically 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.

When impairment losses are identified:-

- 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

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**

Depreciation is provided for on 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).

## NOTES TO THE CORE FINANCIAL STATEMENTS

On all other assets where depreciation has been provided, assets have been depreciated from the year following acquisition on a straight line method over the following periods:-

Buildings	Straight-line over the useful life of the property as estimated by the valuer (usually 20 to 60 years)
Infrastructure (e.g. district footpaths)	10 to 20 years
Plant and Computer Equipment	3 to 5 years
Furniture	5 to 25 years
Vehicles	5 to 7 years

Depreciation commences in the year following acquisition.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, in order to ensure the depreciation charge is realistic.

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**

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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale and are written out of the fixed asset register.

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.

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. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The written-off value of disposals is not a charge against council tax, as the cost of Long Term 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.

### 1.17 Heritage Assets

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

The Council's collection of Heritage Assets, which includes works of art, musical equipment, sculptures, statues, war memorials and civic regalia, are reported at insurance valuations, which are based on market values, internal or external valuations. These insurance valuations are reviewed and updated on an annual basis. The carrying amounts of heritage assets are reviewed where there is evidence of impairment or where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

### 1.18 Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

Provisions are made where an event has taken place that gives the Council 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. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line of the Net Cost of Services in the Comprehensive Income and Expenditure Statement in the year that the Council 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.

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.

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 Council settles the obligation.

The level of provisions are reviewed annually by the Council.

## **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 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**

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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.

## **1.19 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies and future expenditure plans. 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.

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

## **1.20 Revenue Expenditure Funded From Capital Under Statute**

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

## **1.21 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.

## 1.22 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other organisations, that involve the use of assets and resources of the Council and organisations without the establishment of a separate legal entity.

The Council recognises the assets and liabilities it controls on the Council's balance sheet. Expenditure incurred by the Council and income it earns from the operation is included in the Council's CI&E.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other organisations. The assets being used to obtain benefit to the Council and organisations. The arrangement does not involve the formation of a legal entity.

The Council accounts for only its share of jointly controlled assets, liabilities and expenses incurred in respect of its interest in the arrangement.

An agreement exists between Dacorum Borough Council, Hertsmere Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. Councillor David Major represents the Council on the Joint Committee. The Council's Director of Finance is the Treasurer to the Joint Committee. Watford Borough Council provide the Clerk.

## 2 Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

For 2015/16 the following accounting policy changes that need to be reported relate to:-

- IFRS 13 Fair Value Measurement (May 2011)
- IFRIC 21 Levies
- Annual improvements to IFRS (2011-2013 cycle)

The new and amended standards require implementation from 1 April 2015.

### IFRS 13 Fair Value Measurement

This standard provides a consistent definition of fair value and outlines enhanced disclosure requirements. The standard applies to assets and liabilities which permit or require measurement at fair value. The standard applies to assets and liabilities which permit measurement at fair value. The standard will require surplus assets to be revalued at market value, rather than as at present on existing use value. The council has no material surplus assets.

### IFRIC 21 Levies:

This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC clarifies that the timing of the levy payment is the obligatory event. This standard will not have a material impact on the Council's accounts.

Annual improvements to IFRS (2011-2013 cycle) - these improvements are minimal and will not have a material impact on the Statement of Accounts.

## 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement in the Statements of Accounts is the level of uncertainty about future levels of funding for local government. However, the Council has planned to make savings to compensate for reductions in funding. These savings will result predominantly from efficiencies and not reduced level of services, so the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has entered into a shared service arrangement with Watford Borough Council for ICT, HR, Finance and Revenues & Benefits services. These working arrangement and future related changes will not reduce the level of service provided by the Council. Therefore the council believe that it is not necessary to impair any non current assets in light of this arrangement.

## 4 Prior Period Adjustments

There are no prior period adjustments included in the statements.

## 5 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 29 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statement and notes have been adjusted in all material respects to reflect the impact of this information.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6 Assumptions Made About the Future and Other Major Sources of Uncertainty

The Statements of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking in to 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 Council's Balance Sheet at 31 March 2015 for which there is significant 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 useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
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 the retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	"The effects of these individual assumptions can have a major impact on the pension liability calculation. During 2014/15, The Council's actuaries advised that the net pensions liability had increased by £7,223k as a result of estimates and assumptions being updated."
Arrears	At 31 March 2015, the Council had gross short term debtors totalling £10,565k A review of significant balances suggested a provision of £7,223k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See Note 25.	If collection rates were to deteriorate an increasing level of doubtful debts would require an additional amount to be set aside as a bad debt provision or additional bad debt write offs.
Non Domestic Rates Appeals provision	The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2015, an estimate of the appeals not yet lodged.	If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 7 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Accounting Code of Practice. However decisions about resource allocation are taken by the Council on the basis of budget reports analysed by committee. These reports are prepared on a different basis from the accounting policies used in the comprehensive income and expenditure statement. These adjustments include the accrual of employee absences, capital financing charges, revenue expenditure funded by capital under statute and adjustments to show the cost of pension liabilities. These items are all technical accounting adjustments which are included within expenditure on services to meet financial reporting standards but are cancelled out on consolidation because they are not costs that are met by the taxpayer.

2013/14 £000	Income and Expenditure Account	2014/15 £000
	Policy and Scrutiny Committee	
4,298	Leisure Wellbeing & Health	3,649
3,214	Sustainable Development, Planning & Transportation	2,893
3,707	General Public Services & Community Safety	3,671
2,801	Policy & Resources	2,163
<b>14,020</b>	<b>Net Cost of District Services</b>	<b>12,376</b>
1,017	Pensions Adjustment	732
1,449	Parish Precepts	1,534
(186)	Net Interest Income	(179)
(2,057)	Other Income	(3,918)
19	Capital Receipts to Pool	0
<b>14,262</b>	<b>Net District Operating Expenditure</b>	<b>10,545</b>
3,445	Contributions to/(from) Earmarked Reserves	1,371
(3,115)	Adjustments under Statute	(1,349)
(2,480)	Contribution from Balances / Surplus/(Deficit) for Year	1,875
<b>12,112</b>	<b>Amount to be met from Government Grant and by Local Tax Payers</b>	<b>12,442</b>
(7,009)	Demanded from Collection Fund	(7,144)
(53)	Collection Fund (Surplus) / Deficit	(23)
(2,147)	Revenue Support Grant	(1,876)
(1,337)	Redistributed National Non-domestic Rates	(1,244)
(1,030)	Non-Specific Grant	(1,676)
(602)	Council Tax Support Grant	0
116	Grants to Parish Councils	102
(50)	Other Income	(581)
<b>(12,112)</b>	<b>Total</b>	<b>(12,442)</b>
(7,549)	Balance in Hand at 1 April	(5,069)
2,480	(Surplus)/Deficit for Year	(1,875)
<b>(5,069)</b>	<b>Balance in Hand at 31 March</b>	<b>(6,944)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Reconciliation of Committee Income and Expenditure to Cost of Services In the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement, analysed by Subjective headings.

2013/14		2014/15		
Total £000		General Fund Net Cost of Services £000	Adjust- ment in CIES £000	Total £000
5,745	Fees and Charges	8,424	0	8,424
187	Interest and Investment Income	0	179	179
7,009	Income From Council Tax	0	7,144	7,144
31,356	Govt Grants & Contributions (incl RSG & NNDR)	26,000	5,400	31,400
0	Gains / Losses on Long Term Assets	0	0	0
169	Non Ringfenced Government Grants	0	0	0
321	Support Service Recharge	321	0	321
<b>44,787</b>	<b>Total Income</b>	<b>34,745</b>	<b>12,723</b>	<b>47,468</b>
11,047	Employee Expenses	13,237	0	13,237
32,979	Other Service Expenditure	32,476	0	32,476
2,432	Depreciation, amortisation and impairment	1,407	0	1,407
1	Interest Payments	0	1	1
1,449	Precepts & Levies	0	1,534	1,534
(2,007)	Gains / Losses on Fixed Assets	0	(3,816)	(3,816)
1,017	Pensions Adjustments	0	732	732
19	Capital Receipts to Government Pool	0	0	0
<b>46,937</b>	<b>Total Expenditure</b>	<b>47,120</b>	<b>(1,549)</b>	<b>45,571</b>
<b>2,150</b>	<b>(Surplus)/Deficit on Provision of Services (I&amp;E)</b>	<b>12,375</b>	<b>(14,272)</b>	<b>(1,897)</b>
(10,124)	Other Comprehensive Income & Expenditure	0	(1,396)	(1,396)
<b>(7,974)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>12,375</b>	<b>(15,668)</b>	<b>(3,293)</b>
10,454	Movement in Reserves	0	1,418	1,418
<b>2,480</b>	<b>(Increase)/Decrease in General Fund Balance</b>	<b>12,375</b>	<b>(14,250)</b>	<b>(1,875)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 8 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15.

2013/14 £000		2014/15 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
56	Capital Funding	0
8	Community Right to Bid	8
9	Community Right to Challenge	9
44	Council Tax New Burdens Grant	68
602	Council Tax Support Grant	0
0	High Street Innovation Fund	0
736	New Homes Bonus	908
0	NNDR Redistributed	0
50	Other	910
2,147	Revenue Support Grant	1,876
2	Shared Services Capital - Watford Borough Council	0
175	Small Business Rate Relief	354
3,829		4,133
	<b>Credited to Services</b>	
0	Active Community Development Fund	0
0	Big Lottery	0
0	Cabinet Office - Elections	0
8	Capital Funding	0
13	Community Development	7
6	Community Sports Network	7
446	Council Tax Benefit Administration Grant	417
211	Council Tax Benefit Freeze Grant	0
15	Countrywide Stewardship	19
20	County Elections	41
249	Disabled Facilities Grant	209
0	Environment Agency	0
0	Food Standards Agency	0
12	Herts County Council - Green Waste	5
68	Homelessness	0
66	Housing And Regeneration Initiative	55
25,191	Housing Benefits - DWP	25,118
0	Improvement East	0
10	Individual Electoral Registration	36
61	Local Area Assessment	25
21	New Burdens	19
0	NNDR - Cost of Collection Grant	96
17	Other	39
31	Parish Elections	3
28	Police & Crime Commissioner	0
16	Safer & Stronger Communities	53
0	European Elections	36
0	Major Incident Planning	25
26	Watford Borough Council - Building Control	19
26,515		26,229
<b>30,344</b>	<b>Total</b>	<b>30,362</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year end are as follows:-

2013/14 £000		2014/15 £000
149	Section 106	147
<b>149</b>	<b>Total</b>	<b>147</b>

### 9 Joint Operations

The Council is party to the West Herts Crematorium Joint Committee under the Local Government Act 2000, as disclosed at note 14.

### 10 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections.

2013/14 £000		2014/15 £000
53	Fees payable to the audit commission with regard to external audit services carried out by the appointed auditor for the year, Grant Thornton.	60
11	Fees payable to Grant Thornton for the certification of grant claims and returns for the year.	13
18	Fees payable to Grant Thornton for other services provided for the year.	0
<b>82</b>	<b>Total</b>	<b>73</b>

In 2014/15 a review of phase two of the William Penn leisure centre project was undertaken by the external auditors which was a one off piece of work.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 11 Members' Allowances

The Local Authorities (Members' Allowances)(England) Regulations 2003 provide for the circumstances in which allowances are payable to members and the maximum amounts payable in respect of certain allowances.

The total of Members' Allowances paid in the year was £262,562 (£309,150 in 2013/14).

Further information on Members' Allowances can be obtained from the Council's Democratic Services section.

## 12 Officers' Remuneration

The Council is required to disclose the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £5,000, starting with £50,000. For completeness, the Council has included the senior officers remuneration in the table detailed below:-

2013/14 No. of Employees	Remuneration Band	2014/15 No. of Employees
9	£50,000 - £54,999	6
5	£55,000 - £59,999	2
3	£60,000 - £64,999	8
1	£65,000 - £69,999	0
1	£70,000 - £74,999	1
1	£75,000 - £79,999	0
0	£80,000 - £84,999	1
0	£85,000 - £89,999	0
0	£90,000 - £94,999	1
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
1	£115,000 - £119,999	1
<b>21</b>		<b>20</b>

The following tables provide additional detail for senior officers remuneration where salary for the establishment post falls between £50,000 and £150,000.

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>2013/14</b>	Salary (Including fees & allowances)	Benefit in Kind	Total Remuner- ation Excl Pension Contribution	Pension Contribution	Total Remuner- ation
<b>Post</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	118,582	0	118,582	18,892	<b>137,474</b>
Director-Corporate Resources & Governance (Post deleted upon retirement of post holder in June 2013)	23,682	828	24,510	3,775	<b>28,285</b>
Director of Finance (Shared post with WBC)	57,099	0	57,099	9,193	<b>66,292</b>
Director-Environment & Community Services (Shared Post)					
Post 1	63,792	0	63,792	10,087	<b>73,879</b>
Post 2	26,282	0	26,282	2,872	<b>29,154</b>
	<b>289,437</b>	<b>828</b>	<b>290,265</b>	<b>44,819</b>	<b>335,084</b>

<b>2014/15</b>	Salary (Including fees & allowances)	Benefit in Kind	Total Remuner- ation Excl Pension Contribution	Pension Contribution	Total Remuner- ation
<b>Post</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	118,582	0	118,582	18,892	137,474
Director of Finance (Shared post with WBC)	90,400	0	90,400	14,554	104,954
Director of Community & Environmental Services	81,406	0	81,406	12,956	94,362
	<b>290,388</b>	<b>0</b>	<b>290,388</b>	<b>46,402</b>	<b>336,790</b>

Senior officers remuneration for 2014/15 reflects the full year impact of the senior management restructure initiated in 2013/14.

### 13 Termination Benefits

The Council terminated the contracts of 4 employees in 2014/15, incurring liabilities of £55,274 (£19,341 2013/14). Of this total, £22,554 (£16,200 2013/14) was payable in the form of compensation for loss of office and no payments (£3,141 2013/14) were made for enhanced pension benefits as part of the Council's rationalisation of Services.

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:-

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14				2014/15	
Total number of exit packages	Total cost of exit packages			Total number of exit packages	Total cost of exit packages
		<b>Cost Band</b>			
3	19,341	£0	- £20,000	3	31,720
0	0	£20,001	- £40,000	1	23,554
0	0	£40,001	- £60,000	0	0
0	0	£60,001	- £80,000	0	0
0	0	£80,001	- £100,000	0	0
0	0	£100,001	- £150,000	0	0
<b>3</b>	<b>19,341</b>	<b>Total</b>		<b>4</b>	<b>55,274</b>

## 14 Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions in this Statement of Accounts allows the readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

Related parties to this Council would include:-

- central government
- local authorities and other bodies precepting or levying demands on the council tax
- its councillors
- its chief officers
- its pension fund

Members of the close family, or the same household of an individual identified as a related party, are also presumed to be related parties.

All significant transactions with the Government, other local authorities, precepting authorities and the Hertfordshire County Council pension fund have been disclosed elsewhere in this Statement of Accounts.

No material transactions took place in respect of councillors and chief officers except for the following:-

# NOTES TO THE CORE FINANCIAL STATEMENTS

## West Hertfordshire Crematorium Joint Committee

An agreement exists between Dacorum Borough Council, Hertsmere Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. Councillor David Major represents the Council on the Joint Committee. The Council's Director of Finance is the Treasurer to the Joint Committee. Watford Borough Council provide the Clerk.

In practice the crematorium meets its running costs from its own income, and builds up reserves where possible to meet future capital improvement costs. The memorandum of agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment - in 2014/15 the Council received £50,000 (£50,000 2013/14).

All land and property is vested in Three Rivers Council but is managed and maintained by the Joint Committee.

## Other Organisations

Some councillors act as either the Council's representative or in their own right as members of the management committees of local organisations, for example, Thrive Homes Limited and citizens' advice bureaux. No councillor benefits financially from these arrangements but will declare an interest when matters concerning these bodies are discussed at Council meetings.

## 15 Partnership Working

From April 2009 to March 2014, Three Rivers District Council and Watford Borough Council had been participating in shared services, provided by a Joint Shared Services Committee. From April 2014, the Governance arrangements changed with the Council being the lead authority for the provision of Revenue & Benefits and Finance Services.

The table below shows the net expenditure of the 4 shared services and the charge to each authority which Three Rivers District Council's share was £2.410m in 2014/15 (£2,963m 2013/14).

2013/14	Services	2014/15		
		Provided by TRDC £000	Provided by WBC £000	Total Net Cost £000
1,627	Local Tax Collection	1,529	0	1,529
1,883	Housing Benefits	1,646	0	1,646
1,332	Finance	1,150	0	1,150
635	HR	0	556	556
1,957	ICT	0	1,033	1,033
<b>7,434</b>	<b>Net Cost of Services / Operating Expenditure</b>	<b>4,325</b>	<b>1,589</b>	<b>5,914</b>
(2,963)	Paid by Three Rivers District Council	(1,818)	(592)	(2,410)
(4,471)	Paid by Watford Borough Council	(2,507)	(997)	(3,504)
<b>0</b>	<b>(Surplus) / Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 16 Intangible Assets

Intangible Long Term Assets are non-financial assets which do not have a physical substance but are identified and controlled by the Council through legal rights, e.g. IT software, and which bring benefits to the Council for more than one year. Expenditure on Intangible assets was as follows:-

31 Mar 14 £000		31 Mar 15 £000
177	Expenditure on Software Licences	67
(177)	Written out in year of Acquisition	(67)
<b>0</b>	<b>Total</b>	<b>0</b>

## 17 Property, Plant and Equipment

### a) Information on Assets Held

The Operational Property of the Council comprises:-

31 Mar 14 £000		31 Mar 15 £000
1,521	Depots	1,521
415	Cemeteries	415
6,340	Offices	6,437
4,060	Car Parks	4,389
19,337	Leisure Land & Buildings	19,885
6,413	Garages	7,821
264	Other Land/Property	1,122
<b>38,350</b>	<b>Total</b>	<b>41,590</b>

Community Assets: These assets are held for the community in perpetuity. They are often assets that have been in the community for a long period, and little if any record exists of their original cost. The assets are not expected to be sold and have a nominal value in the accounts of £1.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## b) Movement of Property, Plant and Equipment

2013/14	Land & Buildings £000	Vehicles, Plant & Equip-ment £000	Infra-structure Assets £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2014	35,291	6,600	1,415	43,306
Additions	658	682	9	1,349
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,688	0	0	3,688
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(1,287)	(60)	0	(1,347)
Derecognition - Disposals	0	0	0	0
Derecognition - Other	0	0	0	0
Assets reclassified	0	0	0	0
Assets reclassified (to) / from Held for Sale	0	0	0	0
Other movements in cost or valuation	0	0	0	0
<b>At 31 March 2014</b>	<b>38,350</b>	<b>7,222</b>	<b>1,424</b>	<b>46,996</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
At 1 April 2014	(2,227)	(2,301)	(396)	(4,924)
Depreciation Charge	(670)	(1,005)	(72)	(1,747)
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the surplus / deficit on the provision of services	1,418	0	0	1,418
Impairment losses / (reversals) recognised in the Revaluation Reserve	343	0	0	343
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0
Derecognition - Disposals	0	0	0	0
Derecognition - Other	0	0	0	0
Assets reclassified	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0
<b>At 31 March 2014</b>	<b>(1,136)</b>	<b>(3,306)</b>	<b>(468)</b>	<b>(4,910)</b>
<b>Balance Sheet Value at 31 March 2014</b>	<b>37,214</b>	<b>3,916</b>	<b>956</b>	<b>42,086</b>
<b>Balance Sheet Value at 1 April 2013</b>	<b>33,064</b>	<b>4,299</b>	<b>1,019</b>	<b>38,382</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	Communit y Assets £000	Land & Buildings £000	Vehicles, Plant & Equip- ment £000	Infra- structure Assets £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2014	0	38,350	7,222	1,424	46,996
Additions	47	901	2,459	228	3,635
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,670	0	0	2,670
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	(609)	0	0	(609)
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Assets reclassified	0	657	0	0	657
Assets reclassified (to) / from Held for Sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
<b>At 31 March 2015</b>	<b>47</b>	<b>41,969</b>	<b>9,681</b>	<b>1,652</b>	<b>53,349</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
At 1 April 2014	0	(1,136)	(3,306)	(468)	(4,910)
Depreciation Charge		(751)	(1,009)	(72)	(1,832)
Depreciation written out to the Revaluation Reserve		1,509	0	0	1,509
Depreciation written out to the surplus / deficit on the provision of services		0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve		0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services		0	0	0	0
Derecognition - Disposals		0	0	0	0
Derecognition - Other		0	0	0	0
Assets reclassified		0	0	0	0
Other movements in depreciation and impairment		0	0	0	0
<b>At 31 March 2015</b>	<b>0</b>	<b>(378)</b>	<b>(4,315)</b>	<b>(540)</b>	<b>(5,233)</b>
<b>Balance Sheet Value at 31 March 2015</b>	<b>47</b>	<b>41,591</b>	<b>5,366</b>	<b>1,112</b>	<b>48,116</b>
<b>Balance Sheet Value at 1 April 2014</b>	<b>0</b>	<b>37,214</b>	<b>3,916</b>	<b>956</b>	<b>42,086</b>

### c) Revaluations

The Council carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Wilks, Head & Eve LLP undertook valuations on behalf of the Council in 2014/15 in relation to Operational and Investment Properties and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final statements of account reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in the Statement of Accounting Policies at Note 1.

The following table illustrates the scope of the revaluation work undertaken and demonstrates the Council's rolling revaluation programme.

# NOTES TO THE CORE FINANCIAL STATEMENTS

31 Mar 14 Total £000		Land & Buildings £000	Vehicles, Plant & Equip- ment £000	Infra- structure £000	31 Mar 15 Total £000
8,646	Carried at historical cost	0	9,682	1,654	11,336
	<b>Valued at current value as at:</b>				
0	31 March 2015	15,323	0	0	15,323
19,769	31 March 2014	19,769	0	0	19,769
1,557	31 March 2013	1,557	0	0	1,557
2,847	31 March 2012	2,847	0	0	2,847
2,095	31 March 2011	2,095	0	0	2,095
12,082	31 March 2010		0	0	0
<b>46,996</b>	<b>Total Cost or Valuation</b>	<b>41,591</b>	<b>9,682</b>	<b>1,654</b>	<b>52,927</b>

## d) Information About Depreciation Methodologies

Depreciation has been provided for all assets with a finite useful life. The basis for depreciating assets is detailed in the Statement of Accounting Policies at Note 1. Depreciation commences in the year following acquisition. Freehold land and investment properties are not depreciated. On all other assets where depreciation has been provided, assets have been depreciated on a straight line method over the following periods:-

Buildings	Straight-line over the useful life of the property as estimated by the valuer
Infrastructure (e.g. district footpaths)	Straight line over 10 to 20 years
Plant and Computer Equipment	Straight line over 3 to 5 years
Furniture	Straight line over 5 to 25 years
Vehicles	Straight line over the estimated useful life of the vehicle

## 18 Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated annually. The Council has a rolling programme of repair and restoration of its heritage assets and regularly reviews the conditions of its assets. The Council keeps a register of all its Heritage Assets and records the nature, condition and location of each asset.

2013/14	Musical Instrument £000	Works of Art £000	Civic Regalia £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2013	150	36	15	201
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations & Impairments	0	0	0	0
<b>At 31 March 2014</b>	<b>150</b>	<b>36</b>	<b>15</b>	<b>201</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

	Musical Instrument £000	Works of Art £000	Civic Regalia £000	Total £000
<b>2014/15</b>				
<b>Cost or valuation</b>				
At 1 April 2014	150	36	15	201
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations & Impairments	0	5	0	5
<b>At 31 March 2015</b>	<b>150</b>	<b>41</b>	<b>15</b>	<b>206</b>

## 19 Investment Properties and Surplus Assets

### a) Information on Assets Held

The Council's Investment Properties comprise:

31 Mar 14 £000		31 Mar 15 £000
5,226	Shops	5,226
6,699	Other Investment Properties	8,036
<b>11,925</b>		<b>13,262</b>

In 2014/15 Council did not classify any of its land and buildings as Surplus Assets.

### b) Movement of Investment Properties and Surplus Assets

	Investm't Props £000	Surplus Assets £000	Total £000
<b>2013/14</b>			
<b>Cost or valuation</b>			
At 1 April 2013	11,594	0	11,594
Additions	407	0	407
Revaluation increases / (decreases) recognised in the Surplus /			
Deficit on the provisions of services	(76)	0	(76)
Derecognition - Disposals	0	0	0
Derecognition - Other	0	0	0
Assets reclassified (to) / from LT Debtors	0	0	0
Assets reclassified	0	0	0
Other movements in cost or valuation	0	0	0
<b>At 31 March 2014</b>	<b>11,925</b>	<b>0</b>	<b>11,925</b>
<b>Balance Sheet Value at 31 March 2014</b>	<b>11,925</b>	<b>0</b>	<b>11,925</b>
<b>Balance Sheet Value at 1 April 2013</b>	<b>11,594</b>	<b>0</b>	<b>11,594</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	Investm't Props £000	Surplus Assets £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2014	11,925	0	11,925
Additions	468	0	468
Revaluation increases / (decreases) recognised in the Surplus /			
Deficit on the provisions of services	1,526	0	1,526
Derecognition - Disposals	0	0	0
Derecognition - Other	0	0	0
Assets reclassified (to) / from LT Debtors	0	0	0
Assets reclassified	(657)	0	(657)
Other movements in cost or valuation	0	0	0
<b>At 31 March 2015</b>	<b>13,262</b>	<b>0</b>	<b>13,262</b>
<b>Balance Sheet Value at 31 March 2015</b>	<b>13,262</b>	<b>0</b>	<b>13,262</b>
<b>Balance Sheet Value at 1 April 2014</b>	<b>11,925</b>	<b>0</b>	<b>11,925</b>

### c) Accounted for in Comprehensive Income and Expenditure Statement

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.

2013/14 £000		2014/15 £000
808	Rental income from Investment Property	224
(598)	Direct operating expenses arising from Investment property	(722)
<b>210</b>	<b>Net gain / (loss)</b>	<b>(498)</b>

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 20 Capital Expenditure, Financing and Commitments

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.

31 Mar 14 £000		31 Mar 15 £000
	<b>Capital Investment</b>	
1,349	Property, Plant and Equipment	3,635
177	Intangible Assets	67
407	Investment Property	469
1,289	Revenue Expenditure Funded from Capital Under Statute	1,034
3,222		5,205
	<b>Sources of Finance</b>	
(2,869)	Capital Receipts	(4,674)
(314)	Government Grants and Other Contributions	(531)
(39)	Reserves	0
(3,222)		(5,205)
<b>0</b>	<b>Total</b>	<b>0</b>

At 31 March 2015 the Council had entered into contracts valued at £452,297 (31 March 2014: £2,264,463) in respect of various capital schemes.

## 21 Leases

### a) Council as Lessee

#### i) Operating Leases

The Council has a number of operating leases. Under lease and lease back arrangements, it leases, at peppercorn rents, a car park and leisure centre, which it owns. It also leases a swimming pool at a peppercorn rent from Hertfordshire County Council. All rentals have been accounted for as operating leases. The Council also uses leased vehicles and office equipment. The total amount paid under these arrangements in 2014/15 was £83,335 (2013/14 £71,332) and is as follows:-

2013/14 £000		2014/15 £000
0	Land & Buildings - Car Park	0
71	Vehicles, Plant and Office Equipment	83
<b>71</b>	<b>Total</b>	<b>83</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

The future minimum payments due under non-cancellable leases in future years are:

2013/14		Future Years		
Total £000		Land & Buildings £000	Vehicles, Plant & Equip- ment £000	Total £000
11	Not later than one year	0	6	6
58	Later than one year and not later than five years	0	71	71
5	Later than five years	0	5	5
<b>74</b>	<b>Total Liability</b>	<b>0</b>	<b>82</b>	<b>82</b>

## ii) Finance Leases

The Council has no finance leases as lessee.

## b) Council as Lessor

### i) Operating Leases

The Council has granted commercial leases on land, shops and office buildings for a total annual market value of £875,734 (2013/14: £890,645). It has granted leases at a reduced rate to Herts Constabulary, local organisations and a registered social landlord totalling £153,455 (2013/14: £153,455), leases for Leisure Venues to a Leisure Trust and a car park to a registered social landlord at peppercorn rents. The market rent for these properties would have been approximately £865,405. All rentals have been accounted for as operating leases. With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases was £26,081,950 (2013/14: £26,081,950) subject to £229,321 (2013/14: £272,033) depreciation to 31 March 2015.

### ii) Finance Leases

The Council has leased out a property on a finance lease. The Council has a gross investment in the lease made up of minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts:

31 Mar 14 £000		31 Mar 15 £000
24	Finance lease debtor (net present value of minimum lease payments)	25
105	Unearned finance income	109
<b>129</b>	<b>Gross investment in the lease</b>	<b>134</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The gross investment in the lease will be received over the following periods:

31 Mar 14			31 Mar 15	
Unearned Finance Income £000	Minimum Lease Payment £000		Unearned Finance Income £000	Minimum Lease Payment £000
4	1	Not later than one year	4	1
14	3	Later than one year and not later than five years	14	3
87	20	Later than five years	91	21
<b>105</b>	<b>24</b>	<b>Total</b>	<b>109</b>	<b>25</b>

### 22 Debtors - Long Term

Long-term debtors are debtors which fall due after a period of at least one year and are analysed as follows:

31 Mar 14 £000		Net Movement in year £000	31 Mar 15 £000
5	Mortgages	(1)	4
2,640	Rent to Mortgage	(934)	1,706
24	Finance Leases as Lessor	0	24
2	Charges Registered to Properties	0	2
<b>2,671</b>	<b>Total</b>	<b>(935)</b>	<b>1,736</b>

### 23 Assets Held For Sale

Assets Held For Sale are those being actively marketed where there is an expectation that they will be sold within one year of the balance sheet date. They are shown within Current Assets in the Balance Sheet.

31 Mar 14 £000	Cost or Valuation	31 Mar 15 £000
530	Balance at 1 April	305
48	Revaluations	0
(273)	Disposals	(76)
<b>305</b>	<b>Balance at 31 March</b>	<b>229</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 24 Inventories

The following inventories were held as at 31 March 2015:

31/03/201 £000		31 Mar 15 £000
3	Watersmeet Bar Stock	4
11	Fuel	17
<b>14</b>	<b>Total</b>	<b>21</b>

There was no work-in-progress as at 31 March 2015.

## 25 Debtors - Short Term

An analysis of debtors falling due within one year is shown below:

31 Mar 14 £000		31 Mar 15 £000
1,638	Central Government Bodies	4,969
2,026	Local Authorities	5,574
0	NHS Bodies	0
0	Public Corporations	0
4,420	Other Entities and Individuals	6,793
109	Payments in Advance	256
8,193		17,592
(3,072)	Less: Provision for Bad Debts / Impairment	(2,693)
<b>5,121</b>	<b>Total</b>	<b>14,899</b>

## 26 Cash, Cash Equivalents and Short Term Borrowing

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

31 Mar 14 £000		31 Mar 15 £000
	<b>Current Assets</b>	
2	Cash held by the Authority	2
2,284	Bank Current Accounts	1,929
0	Short-term Deposits with Building Societies	0
2,286		1,931
	<b>Current Liabilities</b>	
0	Bank overdrafts	0
<b>2,286</b>	<b>Total</b>	<b>1,931</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 27 Adjustments to Net Surplus or Deficit on the Provision of Services for Non Cash Movements and Investing and Financing Activities

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

2013/14			2014/15	
£000	£000		£000	£000
		<b>Adjustments for non-cash transactions</b>		
(2,905)		Adjustments involving the Capital Adjustment Account and Revaluation Reserve	1,545	
53		Adjustments involving the Collection Fund Adjustment Account	(2,275)	
6		Adjustments involving the Accumulated Absences Reserve	59	
(1,036)		Net charges made for retirement benefits in accordance with IAS19	(1,239)	
	<b>(3,882)</b>			<b>(1,910)</b>
		<b>Items on an accruals basis</b>		
(6)		Increase / (Decrease) in Inventories	7	
755		Increase / (Decrease) in Debtors and Payments in Advance	9,778	
(2,390)		(Increase) / Decrease in Creditors and Receipts in Advance	(3,956)	
31		Movement in Provisions	(2,477)	
	<b>(1,610)</b>			<b>3,352</b>
		<b>Investing and Financing Activities</b>		
(1)		Interest payable and similar charges	0	
187		Interest receivable	179	
	<b>186</b>			<b>179</b>
	<b>(5,306)</b>	<b>Total</b>		<b>1,621</b>

## 28 Creditors - Short Term

An analysis of creditors falling due within one year is shown below:

31 Mar 14		31 Mar 15
£000		£000
2,467	Central Government Bodies	5,301
2,645	Local Authorities	3,815
1,682	Other Entities and Individuals	1,539
532	Receipts in Advance	627
<b>7,326</b>	<b>Total</b>	<b>11,282</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 29 Creditors - Long Term

An analysis of creditors falling due after one year is shown below:

31 Mar 14 £000		31 Mar 15 £000
149	Section 106 Contributions Unapplied	147
<b>149</b>	<b>Total</b>	<b>147</b>

## 30 Provisions

Provisions are accumulated funds held where the Council has an obligation which is likely to lead to a payment but the exact amount and timing of the payment is unknown.

31 Mar 14 £000		31 Mar 15 £000
0	Insurance Provision	0
0	Land Charges	104
0	NDR Appeals Provision	2,373
<b>0</b>	<b>Total</b>	<b>2,477</b>

Under Three Rivers District Council's agreement with its previous insurer Municipal Mutual Insurance (MMI), the Council is exposed to the possibility of having to repay all or part of its claims already settled, or to be settled, by MMI. In 2014/15, the Council paid MMI £3,884 in respect of this obligation (£30,814 2013/14).

The NNDR Appeals provision has arisen because of the change to the NNDR regime where the Council is now liable for any National Non Domestic Rates that are not collected. All business premises can appeal their valuation, set by the Valuation Office, which is used for setting the level of rates payable. Until the appeal is heard and decided a provision is estimated to cover the likely outcome.

The Council is a defendant in proceedings brought by a group of property Search Companies for refunds of fees paid to the Council to access land charges data. It is possible that additional claimants may come forward to submit claims for refunds, but none have been initiated as present.

## 31 Defined Benefit Pension Scheme

### Participation in Pension Scheme

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Transactions relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in Reserves Statement during the year:-

2013/14 £000		2014/15 £000
	<b>Comprehensive Income and Expenditure Statement (CI&amp;E)</b>	
	<i>Service cost comprising:</i>	
1,672	current service cost	1,862
5	past service cost	0
	<i>Financing and Investment Income and Expenditure</i>	
1,017	Net Interest Expense	732
<b>2,694</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,594</b>
	<b>Other Post Employment Benefit Charged to the CI&amp;E</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(4,347)	Return on plan assets	(6,198)
(2,610)	Actuarial gains and losses arising on changes in demographic assumptions	0
94	Actuarial gains and losses arising on changes in financial assumptions	7,866
820	Other experience	(643)
<b>(6,043)</b>	<b>Total remeasurement recognised in Other Comprehensive Income and Expenditure</b>	<b>1,025</b>
<b>(3,349)</b>	<b>Total Post Employment Benefit Charged to the CI&amp;E</b>	<b>3,619</b>
	<b>Movement in Reserves Statement</b>	
	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,619)
3,349		
1,658	Employers' contributions payable to the scheme	1,355
<b>1,658</b>	<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	<b>1,355</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2013/14 £000		Net Movement in year £000	2014/15 £000
(80,293)	Present value of the defined benefit obligation	(9,604)	(89,897)
62,700	Fair value of plan assets	7,334	70,034
<b>(17,593)</b>	<b>Net Liability arising from defined benefit obligation</b>	<b>(2,270)</b>	<b>(19,863)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

2013/14 £000		2014/15 £000
57,068	Opening fair value of scheme assets at 1 April	62,700
2,538	Interest income	2,540
4,347	Return on plan assets	6,198
1,658	Contributions from employer	1,355
430	Contributions from employees into the scheme	536
(3,341)	Benefits paid	(3,295)
<b>62,700</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>70,034</b>

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

2013/14 £000		2014/15 £000
79,674	Opening Balance at 1 April	80,299
1,672	Current service costs	1,862
3,555	Interest cost	3,272
430	Contributions by scheme participants	536
(2,610)	Actuarial gains and losses arising from changes in demographic assumptions	0
94	Actuarial gains and losses arising from changes in financial assumptions	7,866
820	Other experience	(643)
5	Past service costs	0
(3,341)	Benefits paid	(3,295)
<b>80,299</b>	<b>Closing Balance at 31 March</b>	<b>89,897</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Local Government Pension Scheme assets comprised

2013/14 £000		2014/15 £000
2,040.3	Cash and cash equivalents	1,963.8
	<i>Equity instruments:</i>	
6,313.7	Consumer	6,183.7
7,224.0	Manufacturing	7,325.8
2,785.2	Energy and Utilities	2,021.5
6,809.5	Financial Institutions	6,294.5
962.8	Health and Care	1,038.6
4,409.4	Information Technology	4,349.7
715.1	Other	516.5
<b>31,260.0</b>	<b>Sub-total equity</b>	<b>29,694.1</b>
	<i>Bonds:</i>	
5,197.3	Corporate Bonds (investment grade)	0.0
3,862.4	UK Government	0.0
1,327.1	Other	0.0
<b>10,386.8</b>	<b>Sub-total bonds</b>	<b>0.0</b>
	<i>Property:</i>	
2,427.5	UK Property	0.0
1,377.2	Overseas Property	0.0
<b>3,804.7</b>	<b>Sub-total property</b>	<b>0.0</b>
	<i>Private Equity:</i>	
2,541.8	All	2,901.0
<b>2,541.8</b>	<b>Sub-total private equity</b>	<b>2,901.0</b>
	<i>Other Investment Funds:</i>	
9,540.3	Equities	10,062.9
1,528.7	Bonds	18,680.5
266.3	Commodities	303.4
0.0	Infrastructure	62.6
3,316.6	Other	8,598.3
<b>14,651.9</b>	<b>Sub-total other investment funds</b>	<b>37,707.7</b>
	<i>Derivatives:</i>	
54.5	Foreign exchange	(151.8)
<b>54.5</b>	<b>Sub-total derivatives</b>	<b>(151.8)</b>
<b>62,699.7</b>	<b>Total Assets</b>	<b>70,151.0</b>

### 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 Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

# NOTES TO THE CORE FINANCIAL STATEMENTS

The significant assumptions used by the actuary have been:

31 Mar 14		31 Mar 15
7.8%	<b>Total Returns from 1 April 2014 to 31 March 2015</b>	14.10%
	<b>Mortality Assumptions</b>	
	Longevity at 65 for current pensioners	
22.3	• Men	22.3
24.5	• Women	24.5
	Longevity at 65 for future pensioners	
24.3	• Men	24.3
26.7	• Women	26.7
3.9%	Rate of increase in salaries	3.5%
2.6%	Rate of increase in pensions	2.1%
4.1%	Rate for discounting scheme liabilities	3.1%

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 reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all the 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, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

### Impact on the Defined Benefit Obligation in the Scheme

	2014/15 £000
Longevity (increase in 1 year)	2,697
Rate of increase in salaries (increase by 0.5%)	2,250
Rate of increase in pensions (increase by 0.5%)	6,013
Rate for discounting scheme liabilities (decrease by 0.5%)	8,393
	<b>19,353</b>

### Information about the Defined benefit obligation

	Liability Split	Weighted Average Duration
Active members	44.8%	21.5
Deferred members	17.8%	21.2
Pensioner members	37.4%	10.9
<b>Total</b>	<b>100.0%</b>	<b>16.5</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

The estimated Employer's contributions for the period to 31 March 2016 will be approximately £1,510,000.

## 32 Contingent Assets and Liabilities

### Contingent Asset - VAT Shelter Agreement

The Council used a VAT structure scheme when its housing stock was transferred to Thrive Homes Limited (THL). The scheme involves the Council contracting with THL for them to deliver works on which they can recover VAT. Both THL and the Council gain by this arrangement.

The recovery of VAT on major works will amount to an estimated £12.3m, of which the first £2.3m was paid to the Council. The Council will then receive 50% of the remaining £10m. The disbursement of this sum is dependent on the THL work programme. During 2014/15, £0.238m (2013/14: £0.477m) was received leaving a contingent asset of approximately £2.986m (2013/14: £3.224m) receivable in future years.

## 33 Usable Reserves

### a) Movement in Reserves

Details of the movements relating to individual usable reserves are shown below:

Balance at 31 Mar 13 £000	Net Movement in Year £000	Balance at 31 Mar 14 £000	Reserve	Net Movement in Year £000	Balance at 31 Mar 15 £000	Further Detail Note
7,549	(2,480)	5,069	General Fund Balance	1,875	6,944	33d
12,331	(1,658)	10,673	Capital Receipts Reserve	(1,584)	9,089	33b
0	0	0	Capital Grants Unapplied	10	10	
5,380	3,406	8,786	Earmarked Reserves	1,119	9,905	33c
<b>25,260</b>	<b>(732)</b>	<b>24,528</b>	<b>TOTAL NET WORTH</b>	<b>1,420</b>	<b>25,948</b>	

# NOTES TO THE CORE FINANCIAL STATEMENTS

## b) Capital Receipts Reserve

The Usable Capital Receipts Reserve holds capital receipts from the sale of assets which have been received and have not yet been used to finance capital expenditure. The balance on the Reserve is held to fund future years' expenditure in the approved Capital Budget.

2013/14 £000		2014/15 £000
12,331	Balance brought forward at 1 April	10,673
	Received in year	
415	Proceeds from sale of long-term assets	192
0	Transferred from Reserve for Future Capital Expenditure	0
291	Shares in preserved Right to Buy (Unattached Capital Receipts)	2,659
476	VAT Shelter compensation (Unattached Capital Receipts)	238
26	Other Receipts (Unattached Capital Receipts)	0
22	Transferred from Deferred Capital Receipts Reserve (Mortgages)	0
1,230	Applied in year	3,089
	Transferred to Capital Adjustment Account to finance new capital expenditure	(4,673)
(2,869)	Paid to DCLG Pool	0
(19)		
(2,888)		(4,673)
<b>10,673</b>	<b>Balance carried forward at 31 March</b>	<b>9,089</b>

## c) Earmarked Reserves

Earmarked Reserves result from events which have allowed funds to be set aside, surpluses generated from operating activities or decisions causing anticipated expenditure to have been postponed or cancelled.

For each reserve established the Council identifies:

- The reason/purpose of the reserve
- How and when the reserve can be used
- Procedures for the management and control of the reserve
- A process and timescale for review to ensure continuing relevance and adequacy.

### Reserve

S106 Agreements

Future Capital Expenditure

New Homes Bonus Reserve

Leavesden Hospital Open Space

Environmental Maintenance Plant

High Street Innovation Fund

### Purpose

Receipts generated from development agreements to provide community infrastructure

To fund key capital projects.

Government Grant received in respect of new homes built to support community infrastructure

To maintain Open Space.

To support improvement and purchase of environmental plant.

To support the regeneration of High Streets.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Balance at 31-Mar-14 £000		Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31-Mar-15 £000
3,405	Section 106 Agreements & Commuted Sums	598	(8)	3,995
3,067	Future Capital Expenditure	0	0	3,067
1,154	New Homes Bonus	607	0	1,761
968	Leavesden Hospital Open Space	0	(78)	890
92	Environmental Maintenance Plant	0	0	92
100	High Street Innovation Fund	0	0	100
<b>8,786</b>	<b>Total at 31 March</b>	<b>1,205</b>	<b>(86)</b>	<b>9,905</b>

### d) General Fund

The General Fund is the resources available to meet future running costs. The unallocated accumulated balances on the General Fund are set out below:

2013/14 £000		2014/15 £000
7,549	Balance brought forward at 1 April	5,069
965	Net increase/(decrease) before transfers to earmarked reserves	947
(3,445)	Transfer (to)/from earmarked reserves	928
<b>5,069</b>	<b>Balance carried forward at 31 March</b>	<b>6,944</b>

## 34 Unusable Reserves

### a) Movement in Reserves

Details of the movements relating to individual unusable reserves are shown below:

Balance at 31 Mar 13 £000	Net Movement in Year £000	Balance at 31 Mar 14 £000	Reserve	Net Movement in Year £000	Balance at 31 Mar 15 £000	Further Detail Note
34,984	323	35,307	Capital Adjustment Account	2,677	37,984	34b
3,371	(394)	2,977	Deferred Capital Receipts	(1,242)	1,735	34c
1	53	54	Collection Fund Adjustment Acct	(2,276)	(2,222)	34d
15,193	3,711	18,904	Revaluation Reserve	4,925	23,829	34e
(112)	6	(106)	Accumulated Absences Reserve	59	(47)	34f
(22,600)	5,007	(17,593)	Pensions Reserve	(2,270)	(19,863)	31
<b>30,837</b>	<b>8,706</b>	<b>39,543</b>	<b>TOTAL NET WORTH</b>	<b>1,873</b>	<b>41,416</b>	

# NOTES TO THE CORE FINANCIAL STATEMENTS

## b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of long term assets and for financing the acquisition, construction or enhancements of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement of property, plant and equipment and credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement of these assets.

2013/14 £000		2014/15 £000
34,984	Balance brought forward at 1 April	35,307
0	Transferred in from Deferred Capital Receipts	(509)
<b>34,984</b>		<b>34,798</b>
	Reversal of items relating to capital expenditure debited or credited to CI&E:	
(1,747)	Charges for depreciation and impairment of long-term assets	(1,832)
320	Charges for depreciation against the Revaluation Reserve	74
(6)	Revaluation gains / (losses) on Long-term Assets	(609)
(1,289)	Revenue Expenditure Funded from Capital under Statute	(1,033)
0	Disposal of long term assets	(76)
(177)	Intangible Assets	(67)
<b>(2,899)</b>		<b>(3,543)</b>
	<b>Capital financing applied in the year:</b>	
2,869	Capital Receipts	4,674
314	Government Grants and Other Contributions	522
39	Reserves (Section 106 Agreements & Commuted Sums)	8
<b>3,222</b>		<b>5,204</b>
0	Movement in the Market value of Investment Properties debited or Credited to the CI&E	1,526
<b>35,307</b>	<b>Balance carried forward at 31 March</b>	<b>37,985</b>

The credit balance on the Account shows that capital financing has been set aside at a faster rate than Long Term Assets have been consumed, and the Council has a nominal surplus when comparing financing to consumption of resources.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## c) Deferred Capital Receipts

Deferred Capital Receipts represent capital receipts from the sale of assets that will be repaid to the Council by instalments over an agreed number of years, shown as Long Term Debtors. The debtors have arisen from mortgage advances to Housing Associations and under Right To Buy, equity interest in the rent to mortgage scheme and Finance leases where the Council is the Lessor. See Notes 21b and 22 for details.

2013/14 £000		2014/15 £000
3,371	Balance brought forward at 1 April	2,977
48	Revaluation of Assets Held for Sale (Other CIES)	0
(273)	Disposal of Assets Held for Sale	0
0	Revaluation of Rent to Mortgage Properties	(935)
(148)	Disposal of Rent to Mortgage Properties	0
(23)	Transferred to Capital Receipts Reserve (Mortgages)	0
0	Finance Lease Mitigation	0
2	Charges Registered to Properties (Other CIES)	0
	Transferred to Capital Adjustment Account	(306)
<b>2,977</b>	<b>Balance carried forward at 31 March</b>	<b>1,736</b>

## d) Collection Fund Adjustment Account

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

2013/14 £000		2014/15 £000
1	Balance brought forward at 1 April	54
53	Amount by which council tax and non-domestic rates income credited to CI&E Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(2,275)
<b>54</b>	<b>Balance carried forward at 31 March</b>	<b>(2,221)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## e) Revaluation Reserve

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

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

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

2012/13 £000		2013/14 £000
15,193	Balance brought forward at 1 April	18,904
4,031	Upward Revaluation of assets and impairment (Other CIES)	5,808
0	Downward Revaluation of assets and impairment losses not charged to CIES	(809)
(320)	Historical Cost depreciation adjustment	(74)
<b>18,904</b>	<b>Balance carried forward at 31 March</b>	<b>23,829</b>

## f) Accumulated Absences Reserve

The Accumulated Absences Reserve 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 this Reserve.

2013/14 £000		2014/15 £000
(112)	Balance brought forward at 1 April	(106)
6	Employee costs accrued	60
<b>(106)</b>	<b>Balance carried forward at 31 March</b>	<b>(46)</b>

## g) Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employments benefits and for funding benefits in accordance with statutory provisions. See Note 31 for further details.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 35 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

### Financial Instruments - Balances

The Balance Sheet includes the following financial instruments:-

31 Mar 14 £000		31 Mar 15 £000
	<b>Other Financial Liabilities</b>	
(6,794)	Short Term Creditors	(11,282)
0	Short Term Borrowing	0
	<b>Loans and Receivables</b>	
2,671	Long Term Debtors	1,736
5,012	Short Term Debtors	14,899
24,530	Short Term Investments	20,734
2,286	Cash and Cash Equivalents	1,931
<b>27,705</b>	<b>Total</b>	<b>28,018</b>

### Fair Value

Long term debtors comprise mortgages and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value. The Council is debt free and has no long term borrowings.

### Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk**                      the possibility that other parties might fail to pay amounts due to the Council
- **Liquidity risk**                    the possibility that the Council might not have funds available to meet its commitments to make payments
- **Re-financing risk**                the possibility that the Council might be requiring to renew a financial instrument at disadvantageous interest rates or term
- **Market risk**                        the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and associated regulations. These require the Council to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing
  - its maximum and minimum exposures to fixed and variable rates
  - its maximum and minimum exposures to the maturity structure of its debt
  - its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

These are required to be reported and approved at or before the annual meeting where the Council agrees its budget and sets the council tax, or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 25 February 2014 and is available on the Council website. The key issues within the strategy were:-

- the Authorised Limit for 2014/15 was set at £9m (£9m 2013/14). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary was expected to be £7m (£7m 2013/14). This is the expected level of debt and other long term liabilities during the year

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

## Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy for 2014/15, which was approved by the Council on 25 February 2014, can be found on the Council's website.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, and individual credit limits are set where appropriate.

### Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need. The Council has no longer term borrowing requirements. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council does not generally allow credit for its trade debtors, such that £0.437 million of the £6.793 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 14 £000		31 Mar 15 £000
6	Less than 3 months	291
14	More than 3 months, less than 6 months	84
5	More than 6 months, less than 1 year	1
161	More than 1 year	61
<b>186</b>	<b>Total</b>	<b>437</b>

### Refinancing and Maturity risk

The approved treasury limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council maintains a significant investment portfolio and currently has no long-term debt outstanding. The longer-term risk to the Council relates to managing the exposure to replacing its investments as they mature.

# NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of the Council's investments at 31 March 2015 is as follows:-

31 Mar 14 £000		31 Mar 15 £000
24,530	Less than 1 year	20,734
<b>24,530</b>	<b>Total</b>	<b>20,734</b>

## Market Risk

### *Interest Rate Risk*

The Council's cash investments are exposed to interest rate movements. For instance, a rise in variable and fixed interest rates would have the effect of increasing the income credited to the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2013/14 £000		2014/15 £000
245	Increase in interest receivable on investments with consequential change in Income and Expenditure Account	162

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### *Price Risk*

The Council has no shareholdings that might expose it to this kind of risk.

### *Foreign Exchange Risk*

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

## COLLECTION FUND

This account reflects the statutory requirement for the Council, as the billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates).

2013/14			Note	2014/15		
£000	£000			NDR	Ctax	Total
		<b>Income</b>				
53,119		Council Tax Payers	CF1		54,081	
26,869		Business Rate Payers	CF2	26,925		
115		Business Rate Transitional Protection Deferrals		33		
	<b>80,103</b>	<b>Total Income</b>		<b>26,958</b>	<b>54,081</b>	<b>81,039</b>
		<b>Expenditure</b>				
		Council Tax				
52,654		Precepts and Demands	CF3		53,223	
		Bad and Doubtful Debts				
23		Write-offs			0	
193		Increase in Provision			549	
		Business Rates				
12,617		Shares to Preceptors and the Council	CF4	13,517		
12,618		Central Government Share	CF4	13,518		
0		Transitional Protection		418		
		Bad and Doubtful Debts and Appeals				
250		Write-offs		0		
1,349		Increase in Provision		4,906		
101		Cost of Collection		96		
		Contributions towards previous year's surplus				
0		Council Tax	CF6		172	
0		Business Rates		239		
	<b>79,805</b>	<b>Total Expenditure</b>		<b>32,694</b>	<b>53,944</b>	<b>86,638</b>
	<b>(298)</b>	<b>(Increase) / Decrease in Collection Fund Balance</b>	CF5	<b>5,736</b>	<b>(137)</b>	<b>5,599</b>
	(6)	Fund Balance - (Surplus) / Deficit at 1 April		(49)	(254)	(303)
	<b>(304)</b>	<b>Fund Balance - (Surplus) / Deficit at 31 March</b>	CF5	<b>5,687</b>	<b>(391)</b>	<b>5,296</b>

# NOTES TO THE COLLECTION FUND

## CF1 Council Tax Payers

The charge for council tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an "equivalent number of Band D dwellings" where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2014/15.

2013/14	Valuation Band	2014/15				
Equivalent Number of Band D Dwellings		Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Faction (Proportion)	Equivalent Number of Band D Dwellings
1.34	A (Disabled Relief)	0.00	0.02	0.02	5/9	0.01
301.55	A	841.00	(375.29)	465.71	6/9	310.47
695.50	B	2,013.00	(1,132.21)	880.79	7/9	685.06
3,846.53	C	6,276.00	(1,907.71)	4,368.29	8/9	3,882.92
7,651.23	D	9,717.00	(1,951.87)	7,765.13	9/9	7,765.13
7,913.40	E	7,318.00	(824.05)	6,493.95	11/9	7,937.05
5,261.30	F	4,037.00	(302.58)	3,734.42	13/9	5,394.16
7,744.85	G	5,004.00	(328.49)	4,675.51	15/9	7,792.52
2,715.34	H	1,439.00	(84.32)	1,354.68	18/9	2,709.36
<b>36,131.04</b>		<b>36,645.00</b>	<b>(6,906.50)</b>	<b>29,738.50</b>		<b>36,476.68</b>
(270.54)	Less: Allowance for losses on collection					(273.58)
175.33	Add: Contributions in lieu of tax					175.33
<b>36,035.83</b>	<b>Tax Base for Calculation of Council Tax</b>					<b>36,378.43</b>
318.81	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and empty properties					586.11
<b>36,354.64</b>	<b>Council Tax Base for the Year</b>					<b>36,964.54</b>

Each year, the Council needs to collect enough money from local residents to cover the cost of the services it provides which is not funded by government grants and charges for services. It also collects charges for Hertfordshire County Council and the Hertfordshire Police. The total is divided by the tax base for the purposes of calculating the council tax to arrive at an average Band D tax per dwelling. The Council set an average council tax charge for Band D dwellings of £1,463.04 (£1,461.15 for 2013/14).

2013/14 £000		2014/15 £000
53,119	Gross Council Tax Charge	54,081
<b>53,119</b>	<b>Income from Council Tax Payers</b>	<b>54,081</b>

## NOTES TO THE COLLECTION FUND

### CF2 Business Rate Payers

In line with the Local Government Act 2003, from 1 April 2005, all business premises are subject to a tax known as National Non-Domestic Rates (NNDR). The tax is calculated using local rateable values which are then multiplied by a uniform rate.

The relevant rateable value and multiplier data is shown below:

2013/14		2014/15
£69,312,796	Total Non-domestic Rateable Value at 31 March	£68,980,836
47.1	National Non-domestic Rate Multiplier - Standard	48.2
46.2	National Non-domestic Rate Multiplier - Small	47.1

Small Business Rate Relief came into effect on 1 April 2005. It is generally available to ratepayers who have only one business property with a rateable value of less than £18,000.

Until 31 March 2013, the Council was responsible for collecting the total amount of NNDR payable, less certain reliefs and other deductions, and paying this into a national pool managed by central government who then re-distributed the pool back to local authorities based on a standard amount per head of the local adult population.

From 1 April 2013, the Hertfordshire County Council share, the District share and the Central Government share (after allowable deductions) are paid direct from the Collection Fund.

### CF3 Precepts And Demands - Council Tax

The breakdown of precepts and demands on the Collection Fund are detailed below:

2013/14 £000	Council Tax	2014/15 £000
40,318	Precepts: Hertfordshire County Council	40,701
5,327	Hertfordshire Police and Crime Commissioner (PCC)	5,378
7,009	Demand: Three Rivers District Council	7,144
<b>52,654</b>	<b>Total</b>	<b>53,223</b>

# NOTES TO THE COLLECTION FUND

## CF4 Shares - Business Rates

2013/14 £000	Business Rates	2014/15 £000
2,523	Hertfordshire County Council	2,703
10,094	Three Rivers District Council	10,814
12,618	Central Government	13,518
<b>25,235</b>	<b>Total</b>	<b>27,035</b>

## CF5 Distribution of Balances

Based on the precepts and demands made in 2014/15, balances relating to the collection fund have been apportioned between the local authorities and central government, and are reflected on their balance sheets as follows:-

2013/14 Total £000	Council Tax	Herts County Council £000	Herts PCC £000	Three Rivers DC £000	2014/15 Total £000
3,425	Gross Arrears	2,613	345	459	3,417
(607)	Less: Prepayments & Credits	(513)	(68)	(90)	(671)
2,818	Net Arrears	2,100	277	369	2,746
1,498	Provision for Doubtful Debts	1,571	207	276	2,054
(255)	Collection Fund Balance	(299)	(39)	(53)	(391)

Total 2013/14 £000	Business Rates	Herts County Council £000	Three Rivers DC £000	Central Government £000	2014/15 Total £000
1,842	Gross Arrears	132	527	660	1,318
(1,328)	Less: Prepayments & Credits	(96)	(385)	(482)	(963)
514	Net Arrears	36	142	178	355
1,003	Provision for Doubtful Debts	100	400	500	1,000
1,288	Provision for Appeals	593	2,373	2,967	5,933
(49)	Collection Fund Balance	569	2,275	2,843	5,687

## NOTES TO THE COLLECTION FUND

Surpluses/Deficits on the Council Tax element of the Collection Fund balance are distributed/recovered in the subsequent year as an adjustment to the Council Tax charge calculation.

The District and County Council shares of Surpluses/Deficits on the Business Rates element of the Collection Fund balance are also distributed/recovered in the subsequent year as an adjustment to the Business rate calculation, but variations are mitigated by use of a Levy or Safety-Net payment to/from Central Government.

### CF6 Collection Fund Surpluses and Deficits

The Council Tax surplus that was generated up to 31 March 2014 was distributed to Herfordshire County Council, Hertfordshire Police and Crime Commissioner and Three Rivers District Council during 2014/15. The distribution was made in proportion to the value of the respective precepts and demands made by the bodies on the Collection Fund. The amounts are shown below

2013/14 Total £000	Council Tax	Herts County Council £000	Herts PCC £000	Three Rivers DC £000	2014/15 Total £000
0	Surplus Distribution	132	17	23	172

The Council Tax surplus of £390,912 at 31 March 2015 will be distributed in subsequent financial years.

The Business Rates deficit at 31 March 2014 will be recovered in subsequent financial years from the Council, Central Government and Herfordshire County Council in proportion to the value of the respective shares of the Business Rates Retention Scheme.

# GLOSSARY OF TERMS AND ABBREVIATIONS

## **Accounting Period**

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

## **Accruals**

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

## **Amortisation**

The term used to refer to the charging of the value of a transaction or asset (usually related to intangible Long Term Assets) to the Income and Expenditure Account over a period of time, reflecting the value to the Council; similar to the depreciation charge for tangible Long Term Assets.

## **Billing Authority**

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

## **Capital Expenditure**

Spending which produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

## **Capital Receipts**

The proceeds from the sale of Long Term Assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on Long Term Assets or to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

## **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accountancy body concerned with local authorities and the public sector.

## **Code of Practice on Local Authority Accounting in the United Kingdom (the Code)**

The annual Code of Practice, produced by CIPFA, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a Local Authority.

## **Collection Fund**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

## **Contingent Assets/Liabilities**

Potential gains and losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a debtor or provision in the accounts.

## **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful life of a Long Term Asset.

## **Earmarked Reserves**

These are funds set aside for a specific purpose, or a particular service, or type of expenditure.

# GLOSSARY OF TERMS AND ABBREVIATIONS

## **Finance Lease**

Arrangement whereby the lessee is treated as the owner of the leased asset, and is required to include such assets within Long Term Assets on the balance sheet.

## **Financial Reporting Standard (FRS)**

A statement of accounting practice issued by the Accounting Standards Board.

## **Group Accounts**

Group Accounts are prepared using consistent accounting policies which will require authorities to align their financial statements more closely with International Financial Reporting Standards.

Three Rivers District Council has not used acquisitions or mergers accounting methodologies following consideration of the level of involvement with companies, voluntary organisations and other public bodies to determine if there is a requirement to undertake group accounts. There are no subsidiaries, associates or joint ventures.

## **Heritage Assets**

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.

## **IFRS**

International Financial Reporting Standards.

## **Investment Property**

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.

## **Investments**

Deposits with approved institutions.

## **Infrastructure Assets**

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to, highways.

## **Long Term Assets – Tangible**

Tangible assets (i.e. land and buildings) that yield benefits to the Council and the services it provides for a period of more than one year.

## **Long Term Assets – Intangible**

Assets which are of benefit to the organisation, but have no physical presence such as software licences.

## **Long Term Debtors**

Amounts due to the Council more than one year after the Balance Sheet date.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **National Non-Domestic Rates (NNDR)**

Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collected Non-Domestic Rates for its area based on local rateable values, multiplied by nationally set rates. The total amount, less certain reliefs and deductions, was paid to a central pool managed by the Government, which in turn, paid back to Authorities their share of the pool based on a standard amount per head of the local adult population.

New arrangements for the distribution of NNDR came into force on 1 April 2013.

### **Operational Assets**

Long Term Assets held by the Council and used or consumed in the delivery of its services.

### **Operating Lease**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

### **Pension Fund**

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

### **Precept**

The amount by which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. a District Council) to meet its expenditure requirements.

### **Profit on the Sale of Long Term Assets**

The book value of an asset sold is compared to the net proceeds to calculate the profit or loss on the transaction.

### **Provisions**

Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.

### **Revenue Expenditure Funded From Capital Under Statute**

Capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the Code of Practice definition of Long Term Assets. Examples include grants and similar advances made to other parties to finance capital investment.

### **Revenue Support Grant**

This funding is a Government Grant provided by the Department for Communities and Local Government (DCLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

### **Surplus Assets**

Long Term Assets held by an organisation but not directly occupied, used or consumed in the delivery of services, or held as an investment.

# INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THREE RIVERS DISTRICT COUNCIL

### Opinion on the Authority financial statements

We have audited the financial statements of Three Rivers District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. 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 2014/15.

This report is made solely to the members of Three Rivers District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Members those matters we are required to state to them in an auditors report and for no other purpose. 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 Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance Responsibilities, the Director of Finance 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 2014/15, 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 Director of Finance and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the foreword 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 AND CERTIFICATE

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Three Rivers District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword 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 are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Respective responsibilities of the Authority and the auditor***

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.

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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 AND CERTIFICATE

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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 Authority 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 on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Three Rivers District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

## ***Delay in certification of completion of the audit***

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Paul Dossett, Partner  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
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30 September 2015