



STATEMENT OF ACCOUNTS

2015/2016

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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 2015*. 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 2016 and its income and expenditure for the year ended 31 March 2016.

Signed

Joanne Wagstaffe CPFA
Director of Finance

Date: XX September 2016

Date: XX September 2016

Signed

Councillor X

NARRATIVE STATEMENT

1. Introduction

The purpose of this Narrative Statement 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 narrative statement 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.

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 2015, the Councils adopted a lead authority model for the Finance and Revenues and Benefits Services and a new arrangement for a shared procurement service.

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 XX September 2016.**

5. Revenue Activities

Revenue Out-turn 2015/16

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

NARRATIVE STATEMENT

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 surplus for the year of £0.325m. The actual outturn showed a deficit of £2.548m, a variance in the year of £2.873m.

The major variances are as follows:-

- Net increase in Business Rates (£0.776m)
- Additional planning income (£0.170m)
- Increase in trade refuse income (£0.077m)
- Additional investment interest received (£0.035m)
- Decrease in rental income on shops £0.037m
- Increase in ICT modernisation costs £0.101m
- Increased recycling costs £0.217m
- Increase in cost of homelessness £0.257m
- Increase in Housing Benefits Payments £0.677m

NARRATIVE STATEMENT

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

Income & Expenditure Account	2015/16	
	Original Net Budget £000	Net Outturn £000
Policy & Scrutiny Committee		
Leisure Wellbeing & Health	3,805	4,095
Sustainable Development, Planning & Transportation	2,957	2,926
General Public Services & Community Safety	3,611	4,031
Policy & Resources	3,495	4,097
Net Cost of District Services	13,868	15,150
Pensions Adjustment	1,091	625
Parish Precepts	1,587	1,587
Net Interest Income to General Fund	(177)	(217)
Other Income	0	586
Capital Receipts to Pool	0	0
Net District Operating Expenditure	16,369	17,731
Contributions to/(from) Earmarked Reserves	(60)	1,903
Adjustments Under Statute	(4,428)	(333)
(Contribution from Balances)/Surplus/(Deficit) for year	(325)	(2,547)
Amount To Be Met From Government Grant And Local Tax Payers	11,556	16,754
Demanded From Collection Fund	(7,274)	(7,274)
Collection Fund Transfer of (Surplus)/Deficit	0	(67)
Revenue Support Grant	(1,252)	(1,493)
Redistributed NNDR	(1,725)	(2,698)
Non - Specific grants	(1,374)	(5,365)
Business Rate Growth	0	0
Grant to Parish Councils	68	68
Other Income	0	0
Total	(11,557)	(16,828)
Balance in Hand at 1 April	(6,944)	(6,944)
(Surplus)/Deficit For Year	(325)	2,548
Balance in Hand at 31 March	(7,269)	(4,396)

NARRATIVE STATEMENT

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 0.11% in the average council tax charge for 2015/16, the Council budgeted 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 2015/16

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2015/16 is shown below:

	Original Budget £000	Actual Out-turn £000	Variance (Under) / Over Spend £000
Leisure Facilities	2,081	1,231	(850)
Asset Management	559	425	(134)
Waste Collection & Recycling	920	197	(723)
Footpaths, Cycle Paths, Roads and Car Parks	295	277	(18)
Private Sector Housing	644	396	(248)
Information & Communication Technology	444	569	125
Other	287	1,310	1,023
Total	5,230	4,405	(825)

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The Council planned to complete capital schemes valued at £5.230m in 2015/16. The Council completed and funded £4.408m worth of capital work, £2.751m 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.

The underspends mainly related to:

- Garage improvements- work will continue into 2016/17
- Customer contact programme- delays in the implementation
- Delays in the implementation of building improvements at Three Rivers House

Future Capital Expenditure and its Funding

The Council plans to spend £11.404m on capital schemes in 2016/17. Of this £8.753m is to be funded from capital receipts and £2.651m 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 2016 of £16.729m. This has decreased from £19.863m at 31 March 2015 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.

Following the results of the triennial valuation of the pension fund, on the advice of the pension fund actuaries, the Council made a contribution of £205k in 2015/16 to reduce the deficit on the pensions fund.

NARRATIVE STATEMENT

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 2015/16, to find the savings required in future years. Tight financial control is being exercised to ensure that the savings identified are achieved. **TO BE UPDATED**

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. **TO BE UPDATED**

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. **TO BE UPDATED**

In the meantime, balances remain relatively healthy. The General Fund balance at 31 March 2016 was £4.396m. The Council held £20.324m at 31 March 2016 in capital receipts & grants and earmarked reserves 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. **TO BE UPDATED**

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Joanne Wagstaffe CPFA
Director of Finance
29th June 2016

To be updated
when approved

To be updated
when approved

To be updated
when approved

To be updated
when approved

To be updated
when approved

To be updated
when approved

To be updated
when approved

To be updated
when approved

To be updated
when approved

ANNUAL GOVERNANCE STATEMENT

Signed
Sara Bedford
Leader of the Council

Date: XX September 2016

Signed
Dr Steven Halls
Chief Executive

Date: XX September 2016

EXPLANATION OF CORE FINANCIAL STATEMENTS

Statement of Movement in Reserves (Pages 20 - 22)

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 23)

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 24)

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 25)

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	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2014	Note	(5,069)	(8,786)	(10,673)	0	(24,528)	(39,543)	(64,071)
Movement in Reserves during 2014/15								
(Surplus) or deficit on provision of services	CIES	(1,897)	0	0	0	(1,897)	0	(1,897)
Other Comprehensive Expenditure and (Income)	CIES	(1,396)	0	0	0	(1,396)	0	(1,396)
Total Comprehensive Expenditure and (Income) (CI&E)		(3,293)	0	0	0	(3,293)	0	(3,293)
Adjustments between accounting basis & funding basis under regulations								
Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:								
Charges for depreciation and impairment of non-current assets	17b	(1,832)	0	0	0	(1,832)	1,832	0
Revaluation Losses on Property, Plant and Equipment	34b	1,526	0	0	0	1,526	(1,526)	0
Surplus or (Deficit) on revaluation of Property, Plant and Equipment		2,421	0	0	0	2,421	(2,421)	0
Amortisation of intangible assets	16	(67)	0	0	0	(67)	67	0
Capital grants & contributions applied	20	531	0	0	0	531	(531)	0
Revenue expenditure funded from capital under statute	20	(1,034)	0	0	0	(1,034)	1,034	0
Adjustments primarily involving the Capital Receipts Reserve								
Lease Mitigation	20	(1)	0	0	0	(1)	1	0
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the CIES	CIES	76	0	0	0	76	(76)	0
Use of Capital Receipts Reserve to finance new capital expenditure	33b	0	0	4,673	0	4,673	(4,673)	0
Cont. from Capital Receipts Reserve to fin. payments to the Govt Capital Receipts Pool		0	0	0	0	0	0	0
Proceeds from sale of long-term assets	33b	0	0	(192)	0	(192)	192	0
Unattached capital receipts	33b	2,907	0	(2,897)	(10)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		0	0	0	0	0	0	0
Adjustments primarily involving the Collection Fund Adjustment Account:								
Amounts by which CTax and NNDR income credited to the CIES is different from that calculated for the year in accordance with statutory requirements	34d	(2,275)	0	0	0	(2,275)	2,275	0
Adjustments primarily involving the Accumulated Absences Reserve:								
Amount by which officers remuneration charged to the CIES on an accruals basis is diff from remuneration chargeable in year in accordance with statutory req.	34f	59	0	0	0	59	(59)	0
Adjustments primarily involving the Pensions Reserve:								
Employer's pension contributions and direct payments to pensioners payable in the year	31	1,355	0	0	0	1,355	(1,355)	0
Actuarial Gains/(Losses) on Pension Fund Assets/Liabilities		(1,025)	0	0	0	(1,025)	1,025	0
Reversal of items relating to retirement benefits debited or credited to the CI&E	31	(2,594)	0	0	0	(2,594)	2,594	0
Net (increase) / decrease before transfers to earmarked reserves		(3,246)	0	1,584	(10)	(1,672)	(1,621)	(3,293)
Transfers (to)/from earmarked reserves								
Section 106 Agreements & Commuted Sums	33c	842	(590)	0	0	252	(252)	0
Future Capital Expenditure	"	0	0	0	0	0	0	0
New Homes Bonus	"	607	(607)	0	0	0	0	0
Leavesden Hospital Open Space	"	(78)	78	0	0	0	0	0
Transfers (to)/from earmarked reserves		1,371	(1,119)	0	0	252	(252)	0
(Increase) / Decrease in 2014/15		(1,875)	(1,119)	1,584	(10)	(1,420)	(1,873)	(3,293)
Balance as at 31 March 2015		(6,944)	(9,905)	(9,089)	(10)	(25,948)	(41,416)	(67,364)

STATEMENT OF MOVEMENT IN RESERVES

		General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2015	Note	(6,944)	(9,905)	(9,089)	(10)	(25,948)	(41,416)	(67,364)
Movement in Reserves during 2015/16								
(Surplus) or deficit on provision of services	CIES	477	0	0	0	477	0	477
Other Comprehensive Expenditure and (Income)	CIES	0	0	0	0	0	(6,694)	(6,694)
Total Comprehensive Expenditure and (Income) (CI&E)		477	0	0	0	477	(6,694)	(6,217)
Adjustments between accounting basis & funding basis under regulations								
Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:								
Charges for depreciation and impairment of non-current assets	17b	(2,213)	0	0	0	(2,213)	2,213	0
Revaluation Losses on Property, Plant and Equipment	34b	498	0	0	0	498	(498)	0
Amortisation of intangible assets	16	(128)	0	0	0	(128)	128	0
Capital grants & contributions applied	20	157	0	0	1,352	1,509	(1,509)	0
Revenue expenditure funded from capital under statute	20	(1,171)	0	0	0	(1,171)	1,171	0
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants & contributions unapplied credited to the CIES		0	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Lease Mitigation	20	(1)	0	0	0	(1)	1	0
Transfer of cash sale proceeds or as part of the gain/(loss) on disposal to the CIES		0	0	0	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	33b	0	0	3,056	0	3,056	(3,056)	0
Cont. from Capital Receipts Reserve to fin. payments to Govt Capital Rec. Pool		0	0	0	0	0	0	0
Unattached capital receipts		3,822	0	(1,885)	(1,937)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		0	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceeds or part of the Gain / Loss on disposal to CIES	34c	(269)	0	0	0	(269)	269	0
Adjustments primarily involving the Collection Fund Adjustment Account:								
Amounts by which CTax and NNDR income credited to the CIES is different from that calculated for the year in accordance with statutory requirements	34d	861	0	0	0	861	(861)	0
Adjustments primarily involving the Accumulated Absences Reserve:								
Amount by which officers remuneration charged to the CIES on an accruals basis is diff from remuneration chargeable in year in accordance with statutory req.	34f	(20)	0	0	0	(20)	20	0
Adjustments primarily involving the Pensions Reserve:								
Employer's pension contributions and direct payments to pensioners payable in yr	31	1,616	0	0	0	1,616	(1,616)	0
Reversal of items relating to retirement benefits debited or credited to the CI&E	31	(2,832)	0	0	0	(2,832)	2,832	0
Other adjustments to General Fund Balances		(152)	0	0	(3)	(155)	(2)	(157)
Net (increase) / decrease before transfers to earmarked reserves		645	0	1,171	(588)	1,228	(7,602)	(6,374)
Transfers (to)/from earmarked reserves								
Section 106 Agreements & Commuted Sums	33c	(853)	2,246	0	(1,393)	0	0	0
Community Infrastructure Levy	"	42	(42)	0	0	0	0	0
Future Capital Expenditure	"	0	0	0	0	0	0	0
New Homes Bonus	"	784	(784)	0	0	0	0	0
Leavesden Hospital Open Space	"	(71)	71	0	0	0	0	0
Economic Impact		2,000	(2,000)	0	0	0	0	0
Transfers (to)/from earmarked reserves		1,903	(510)	0	(1,393)	0	0	0
(Increase) / Decrease in 2015/16		2,548	(510)	1,171	(1,981)	1,228	(7,602)	(6,374)
Balance as at 31 March 2016		(4,396)	(10,415)	(7,918)	(1,991)	(24,720)	(49,018)	(73,738)

STATEMENT OF MOVEMENT IN RESERVES

General Fund Balances

The General Fund is the statutory fund into which all the receipts of a Council are paid and out of which all liabilities of the Council are met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15				Note	2015/16		
GROSS EXPEND-ITURE £000	GROSS INCOME £000	NET EXPEND-ITURE £000			GROSS EXPEND-ITURE £000	GROSS INCOME £000	NET EXPEND-ITURE £000
1,118	(304)	814	Central Services to the Public:		1,012	(277)	735
26,082	(25,535)	547	Local Taxation Collection		26,501	(25,758)	743
1,692	(1,611)	81	Housing Benefits		1,555	(1,462)	93
			Other Services to the Public				
3,328	(596)	2,732	Cultural and Related Services:		3,743	(725)	3,018
			Leisure Services				
1,476	(339)	1,137	Environmental and Regulatory Services:		1,658	(380)	1,278
192	(160)	32	Environmental Health		4,340	(1,654)	2,686
3,834	(1,502)	2,332	Other Environmental Services		1,994	(1,184)	810
1,890	(913)	977	Waste Collection and Disposal		190	(170)	20
1,532	(339)	1,193	Planning and Economic Development		1,673	(345)	1,328
1,424	(93)	1,331	Highways and Transport Services		1,581	(201)	1,380
1,995	0	1,995	Other Housing Services		1,973	0	1,973
221	(221)	0	Corporate and Democratic Core		219	(219)	0
232	0	232	Central Support Services		232	0	232
45,016	(31,613)	13,403	Non-distributed Costs		46,671	(32,375)	14,296
			Cost of Services				
			Other Operating (Income)/Expenditure				
		0	Payments to the Government				
		1,534	Housing Capital Receipts Pool				0
	(76)		Parish Council Precepts				1,587
	(843)		(Gain)/Loss on Disposal of Non-current Assets				153
	(2,897)		Other (Income)/Expenditure				809
			Unattached Capital Receipts				(305)
			Financing & Investment (Income)/Expenditure				
		0	Interest Payable and Similar Charges				0
		732	Net Interest on the Net Defined Benefit Liability/(Asset)				625
	(179)		Interest Receivable and Similar Income				(212)
		498	Income and Expenditure in Relation to Investment Properties				850
	(1,526)		Investment Properties- Changes in their Fair Value	19a			(498)
			Taxation and Non-Specific Grant (Income)				
	(7,167)		Council Tax Income				(7,341)
	(1,243)		Non-domestic Rates Income and Expenditure				(2,698)
	(3,223)		Non-ringfenced Government Grants	8			(2,976)
	(910)		Capital Grants & Contributions	8			(3,813)
	(1,897)		(Surplus) or Deficit on Provision of Services	7			477
	(2,421)		(Surplus)/Deficit on Revaluation of PPE assets				(2,344)
	1,025		Remeasurement of the Net Defined Liability/(Asset)	31			(4,350)
	(1,396)		Other Comprehensive (Income) & Expenditure				(6,694)
	(3,293)		Total Comprehensive (Income) & Expenditure				(6,217)
Total Comprehensive (Income) & Expenditure							(6,217)
MiRS adj, not through CIES (Notes 34b and 17a)							(157)
							(6,374)
Balance Sheet movement between 2014/15 & 2015/16							(6,374)

BALANCE SHEET

31 March 2015		Note	31 March 2016	
£000	£000		£000	£000
	Property, Plant and Equipment:			
41,590	Land and Buildings	17	48,507	
5,366	Vehicles, Plant and Equipment	17	5,729	
1,112	Infrastructure Assets	17	845	
47	Community Assets	17	47	
0	Assets under Construction	17	1,516	
206	Heritage Assets	18	206	
13,262	Investment Properties	19	8,630	
1,736	Long Term Debtors	22	1,595	
63,319	Long Term Assets			67,075
229	Assets Held For Sale	23	100	
21	Inventories	24	26	
14,899	Short Term Debtors	25	6,464	
20,734	Short Term Investments	35	24,569	
1,931	Cash and Cash Equivalents	26	1,834	
37,814	Current Assets			32,993
(11,282)	Short Term Creditors	28	(6,373)	
0	Short Term Borrowing	26	0	
(11,282)	Current Liabilities			(6,373)
(147)	Long-term Creditors	29	(1,185)	
(2,477)	Provisions	30	(2,043)	
(19,863)	Liability related to Defined Benefit Pension Scheme	31	(16,729)	
(22,487)	Long Term Liabilities			(19,957)
67,364	Net Assets			73,738
(6,944)	General Fund Balance	33d	(4,396)	
(9,089)	Capital Receipts Reserve	33b	(7,918)	
(10)	Capital Grants Unapplied	33e	(1,991)	
(9,905)	Earmarked Reserves	33c	(10,415)	
(25,948)	Usable Reserves			(24,720)
(37,984)	Capital Adjustment Account	34b	(32,930)	
(1,735)	Deferred Capital Receipts	34c	(1,466)	
2,222	Collection Fund Adjustment Account	34d	1,361	
(23,829)	Revaluation Reserve	34e	(32,779)	
47	Accumulated Absences Reserve	34f	67	
19,863	Pensions Reserve	34g	16,729	
(41,416)	Unusable Reserves			(49,018)
(67,364)	Total Reserves			(73,738)

Signed

Joanne Wagstaffe CPFA
Director of Finance

Date: XX September 2016

Signed

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

Date: XX September 2016

CASH FLOW STATEMENT

2014/15		Note	2015/16	
£000	£000		£000	£000
1,897		CIES	(477)	
(2,239)		27a	5,212	
(2,378)		27a	(2,945)	
	(2,720)			1,790
3,000		27b	(3,688)	
(635)		27c	1,801	
	(355)			(97)
				1,931
	2,286			
	1,931	26		1,834

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies

1.01 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) [and statutory guidance issued under section 12 of the 2003 Act]. 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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. There are no PPA in this set of accounts.

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 3.6%-3.8% (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;
- 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

However, the Council has made a few loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

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.

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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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.

Where there is intangible asset expenditure of an immaterial nature, the Council's policy is that these be capitalised and then written off in-year.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015/16 (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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

It should be noted that at present the Council has no donated assets.

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

- infrastructure, community assets and assets under construction — depreciated historical cost
- 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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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).

Depreciation is calculated on the following bases:-

Buildings	straight-line allocation over the useful life of the asset as estimated by the valuer- up to 60 years
Vehicles	straight-line over the estimated life of the asset- up to 7 years
Plant, furniture and equipment	straight-line over the estimated life of the asset- up to 25 years
Infrastructure	straight-line over the estimated life of the asset- up to 20 years
Finance Leases	straight-line over the term of the lease

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 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

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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.

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 **have been simplified** 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, 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.23 Fair Value

The Council measures some of its non-financial assets, such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- * In the principal market for the asset or liability, or
- * In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- * Level 1 – quoted prices,

NOTES TO THE CORE FINANCIAL STATEMENTS

- * Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- * Level 3 – unobservable inputs for the asset or liability.

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

For 2016/17 the following accounting policy changes that need to be reported relate to:-

- Amendments to IAS19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual improvements to IFRSs (2010-2012 cycle)
- Amendments to IFRS11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual improvements to IFRSs (2012-2014 cycle)
- Amendments to IAS1 Presentation of Financial Statements (Disclosure Initiative)
- Changes to the format of the Comprehensive Income & Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement

The new and amended standards require implementation from 1 April 2016.

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 XX September 2016. 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 2016, the figures in the financial statement and notes have been adjusted in all material respects to reflect the impact of this information.

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 2016 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:-

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015/16, The Council's actuaries advised that the net pensions liability had decreased by £5,456k as a result of estimates and assumptions being updated.
Arrears	At 31 March 2016, the Council had gross short term debtors totalling £9,189k. A review of significant balances suggested a provision of (£2,725k) 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 2016, 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.
Fair Value Estimations	When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using the following valuation techniques: 1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; 2. For level 3 inputs, valuations based on:- Most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value	The Council uses combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

of The Council's assets and liabilities. Where Level 1 inputs are not available, the authority employs RICS qualified valuers to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

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 Service Reporting 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.

2014/15 £000	Income and Expenditure Account	2015/16 £000
	Policy and Scrutiny Committee	
3,649	Leisure Wellbeing & Health	4,095
2,893	Sustainable Development, Planning & Transportation	2,926
3,671	General Public Services & Community Safety	4,031
2,163	Policy & Resources	4,097
12,376	Net Cost of District Services	15,150
732	Pensions Adjustment	625
1,534	Parish Precepts	1,587
(179)	Net Interest Income	(217)
(3,918)	Other Income	586
0	Capital Receipts to Pool	0
10,545	Net District Operating Expenditure	17,731
1,371	Contributions to/(from) Earmarked Reserves	1,903
(1,349)	Adjustments under Statute	(333)
1,875	Contribution from Balances / Surplus/(Deficit) for Year	(2,547)
12,442	Amount to be met from Government Grant and by Local Tax Payers	16,754
(7,144)	Demanded from Collection Fund	(7,274)
(23)	Collection Fund (Surplus) / Deficit	(67)
(1,876)	Revenue Support Grant	(1,493)
(1,244)	Redistributed National Non-domestic Rates	(2,698)
(1,676)	Non-Specific Grant	(5,365)
0	Council Tax Support Grant	0
102	Grants to Parish Councils	68
(581)	Other Income	0
(12,442)	Total	(16,828)
(5,069)	Balance in Hand at 1 April	(6,944)
(1,875)	(Surplus)/Deficit for Year	2,548
(6,944)	Balance in Hand at 31 March	(4,396)

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.

2014/15		2015/16		
Total £000		General Fund Net Cost of Services £000	Adjust- ment in CIES £000	Total £000
(8,424)	Fees and Charges	(9,039)	0	(9,039)
(179)	Interest and Investment Income	0	(217)	(217)
(7,144)	Income From Council Tax	0	(7,341)	(7,341)
(31,400)	Govt Grants & Contributions (incl RSG & NNDR)	(26,205)	(9,487)	(35,692)
0	Gains / Losses on Long Term Assets	0	0	0
0	Non Ringfenced Government Grants	0	0	0
(321)	Support Service Recharge	(333)	0	(333)
(47,468)	Total Income	(35,577)	(17,045)	(52,622)
13,237	Employee Expenses	13,946	0	13,946
32,476	Other Service Expenditure	33,269	0	33,269
1,407	Depreciation, amortisation and impairment	3,512	0	3,512
1	Interest Payments	0	4	4
1,534	Precepts & Levies	0	1,587	1,587
(3,816)	Gains / Losses on Fixed Assets	0	156	156
732	Pensions Adjustments	0	625	625
0	Capital Receipts to Government Pool	0	0	0
45,571	Total Expenditure	50,727	2,373	53,099
(1,897)	(Surplus)/Deficit on Provision of Services (I&E)	15,150	(14,673)	477
(1,396)	Other Comprehensive Income & Expenditure	0	(6,694)	(6,694)
(3,293)	Total Comprehensive Income & Expenditure	15,150	(21,367)	(6,217)
1,418	Movement in Reserves	0	8,766	8,766
(1,875)	(Increase)/Decrease in General Fund Balance	15,150	(12,601)	2,548

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 2015/16.

2014/15 £000		2015/16 £000
	Credited to Taxation and Non Specific Grant Income	
0	Capital Funding	0
(8)	Community Right to Bid	0
(9)	Community Right to Challenge	0
(68)	Council Tax New Burdens Grant	(9)
0	Council Tax Support Grant	0
0	High Street Innovation Fund	0
(908)	New Homes Bonus	(1,474)
0	NNDR Redistributed	0
(910)	Other	(128)
(1,876)	Revenue Support Grant	(1,493)
0	S106 contributions / Community Infrastructure Levy	(3,753)
0	Grant to parish Council	68
(354)	Small Business Rate Relief	0
(4,133)		(6,789)
	Credited to Services	
0	Active Community Development Fund	0
0	Air Quality Exercise	(20)
0	Big Lottery	0
0	Cabinet Office - Elections	0
0	Capital Funding	0
(7)	Community Development	(16)
(7)	Community Sports Network	(16)
(417)	Council Tax Benefit Administration Grant	(374)
0	Council Tax Benefit Freeze Grant	0
(19)	Countrywide Stewardship	(6)
(41)	County Elections	0
(209)	Disabled Facilities Grant	0
0	Environment Agency	0
0	Food Standards Agency	0
(5)	Herts County Council - Green Waste	(8)
0	Homelessness	0
(55)	Housing And Regeneration Initiative	(89)
(25,118)	Housing Benefits - DWP	(25,286)
0	Improvement East	0
(36)	Individual Electoral Registration	(37)
(25)	Local Area Assessment	(11)
(19)	New Burdens	(27)
(96)	NNDR - Cost of Collection Grant	(96)
(39)	Other	(62)
(3)	Parish Elections	0
0	Police & Crime Commissioner	0
(53)	Safer & Stronger Communities	(84)
(36)	European Elections	0
0	Parliamentary Elections	(90)
(25)	Major Incident Planning	0
(19)	Watford Borough Council - Building Control	0
(26,228)		(26,221)
(30,363)	Total	(33,010)

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:-

2014/15 £000		2015/16 £000
0	Current liabilities- Grant Receipts in Advance (Capital Grants)-	0
(147)	Long term liabilities- Grant Receipts in Advance (Capital Grants)- Section 106	(1,185)
(147)	Total	(1,185)

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 with Grant Thornton for 2014/15 and in Ernst & Young 2015/16.

2014/15 £000		2015/16 £000
60	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	46
13	Fees payable for other services provided by external auditors during the year.	8
73	Total	54

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 £252,750 (£262,562 in 2014/15).

2014/15 £000		2015/16 £000
0	Salaries	0
261	Allowances	251
2	Expenses (travel & subsistence)	2
263	Total	253

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 (excluding pensions) from the second table of this note, in the first table of this note, detailed below:-

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 No. of Employees	Remuneration Band	2015/16 No. of Employees
6	£50,000 - £54,999	7
2	£55,000 - £59,999	4
8	£60,000 - £64,999	3
0	£65,000 - £69,999	3
1	£70,000 - £74,999	1
0	£75,000 - £79,999	0
1	£80,000 - £84,999	0
0	£85,000 - £89,999	2
1	£90,000 - £94,999	0
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	0
0	£120,000 - £124,999	1
20		21

The Director of Finance is a shared post with Watford Borough Council, Three Rivers District Council as the lead authority model pick up the costs of this post which is recharged to Watford Borough Council on a 50:50 basis. The following tables provide additional detail for senior officers remuneration where salary for the establishment post falls between £50,000 and £150,000.

2014/15 Post	Salary including fees & allowances £	Expenses Allowances £	Compensation for loss of office £	Pension Contribution £	Total Remuneration £
Chief Executive	118,582	0	0	18,892	137,474
Director of Finance (Shared post with WBC)	90,400	0	0	14,554	104,954
Director of Community & Environmental Services	81,406	0	0	12,956	94,362
Solicitor to the Council	44,106	0	0	7,736	51,842
	334,494	0	0	54,138	388,632

2015/16 Post	Salary including fees & allowances £	Expenses Allowances £	Compensation for loss of office £	Pension Contribution £	Total Remuneration £
Chief Executive	121,515	0	0	19,018	140,534
Director of Finance (Shared post with WBC)	89,767	0	0	14,452	104,219
Director of Community & Environmental Services	85,215	0	0	13,520	98,735
Solicitor to the Council	51,848	0	0	8,348	60,196
	348,346	0	0	55,338	403,684

There were no bonuses given during either period.

NOTES TO THE CORE FINANCIAL STATEMENTS

13 Termination Benefits

The Council terminated the contracts of 2 employees in 2015/16, incurring liabilities of £29,475 (£55,274 2014/15). Of this total, £29,475 (£22,554 2014/15) was payable in the form of compensation for loss of office and no payments (£nil 2014/15) 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:-

2014/15			Cost Band	2015/16		
Total number of comp redundancies	Total number of other departures	Total cost £ of exit packages		Total number of comp redundancies	Total number of other departures	Total cost £ of exit packages
3	0	31,720	£0 - £20,000	1	0	5,475
1	0	23,554	£20,001 - £40,000	0	1	24,000
0	0	0	£40,001 - £60,000	0	0	0
0	0	0	£60,001 - £80,000	0	0	0
0	0	0	£80,001 - £100,000	0	0	0
0	0	0	£100,001 - £150,000	0	0	0
4	0	55,274	Total	1	1	29,475

The total cost of £29,475 in the table above includes £29,475 for exit packages that have been charged to the Council's CIES in the current year.

14 Related Party Transactions

This disclosure note has been prepared using specific declarations obtained in respect of related party transactions from Members and Senior Officers. The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates. It provides a substantial part of the funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example- Council tax bills and Housing Benefits).

Details of grant funding transactions with government departments and agencies are set out in Note 8 to the Core Financial Statements. The Council also paid precepts to Hertfordshire County Council, Hertfordshire Police Authority and Parish Council's with which details can be found in the Collection Fund Accounts.

Members and Senior Officers

Information gathered through declarations provided by both members and officers alike has been tabulated below:

Name	Role		Name of Entity	Details
	Three Riv. DC	Entity		
David Major	Counc-illor	Representative	West Herts Crematorium	An agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers and Watford) to constitute a Joint Committee under the Local Government Act 2000. In 2015/16, Three Rivers received a contribution of £50,000 (2014/15 £50,000).
Jo Wagstaffe	Director of Finance	Treasurer		

NOTES TO THE CORE FINANCIAL STATEMENTS

Hertfordshire Pension Fund

The details of the transactions with the Council's pension fund are provided in Note 31 to the Core Financial Statements.

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 5 shared services (4 when Tax and Benefits are considered as one) and the charge to each authority which Three Rivers District Council's share was £2.481m in 2015/16 (£2.410m 2014/15).

2014/15		2015/16		
		Provided by TRDC	Provided by WBC	Total Net Cost
Net Cost £000	Services	£000	£000	£000
1,529	Local Tax Collection	1,551	0	1,551
1,646	Housing Benefits	1,750	0	1,750
1,150	Finance	1,100	0	1,100
556	HR	0	650	650
1,033	ICT	0	1,159	1,159
5,914	Net Cost of Services / Operating Expenditure	4,401	1,810	6,211
(2,410)	Paid by Three Rivers District Council	(1,808)	(674)	(2,481)
(3,504)	Paid by Watford Borough Council	(2,593)	(1,136)	(3,730)
0	(Surplus) / Deficit for the year	0	0	0

16 Intangible Assets

Intangible non-current 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, which brings benefits to the Council for more than one year.

During 2015/16, all capital expenditure recorded in this category (£128k) was written off in year.

NOTES TO THE CORE FINANCIAL STATEMENTS

17 Property, Plant and Equipment

a) Movement of Property, Plant and Equipment

2014/15	Communi ty Assets £000	Land & Buildings £000	Vehicles, Plant & Equip- ment £000	Infra- structure Assets £000	Total £000
Cost or valuation					
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
At 31 March 2015	47	41,969	9,681	1,652	53,349
Accumulated Depreciation & Impairment					
At 1 April 2014	0	(1,136)	(3,306)	(468)	(4,910)
Depreciation Charge	0	(751)	(1,009)	(72)	(1,832)
Depreciation written out to the Revaluation Reserve	0	1,509	0	0	1,509
Depreciation written out to the surplus / deficit on the provision of services	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Assets reclassified	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0
At 31 March 2015	0	(378)	(4,315)	(540)	(5,233)
Balance Sheet Value at 31 March 2015	47	41,591	5,366	1,112	48,116
Balance Sheet Value at 1 April 2014	0	37,214	3,916	956	42,086

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	Assets under construction £000	Community Assets £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Total £000
Cost or valuation						
At 1 April 2015	0	47	41,969	9,681	1,652	53,349
Additions	1,048	0	550	1,513	1	3,112
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	9,625	0	0	9,625
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	0	(2,621)	0	0	(2,621)
Derecognition - Disposals	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0
Assets reclassified	468	0	0	0	0	468
Assets reclass'ed (to) / from HfSale	0	0	0	0	0	0
Other movements in cost or valuation	0	0	157	0	0	157
At 31 March 2016	1,516	47	49,680	11,194	1,653	64,090
Accumulated Depn. & Imp'ment						
At 1 April 2015	0	0	(378)	(4,315)	(540)	(5,233)
Depreciation Charge	0	0	(795)	(1,150)	(268)	(2,213)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0
Depreciation written out to the surplus / deficit on the provision of services	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0
At 31 March 2016	0	0	(1,173)	(5,465)	(808)	(7,446)
Balance Sheet at 31 March 2016	1,516	47	48,507	5,729	845	56,644
Balance Sheet at 1 April 2015	0	47	41,591	5,366	1,112	48,116

b) 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 2015/16 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. The Council undertakes an impairment review at the year end and any asset which has had a material gain or loss in value during the year is adjusted. Therefore, the Council believes that the prior year valuations are still appropriate.

NOTES TO THE CORE FINANCIAL STATEMENTS

31 Mar 15 Total £000		Communi ty Assets £000	Land & Buildings £000	Vehicles, Plant & Equip- ment £000	Infra- structure £000	31 Mar 16 Total £000
11,336	Carried at historical cost	47	0	11,194	1,653	12,894
-	Valued at current value as at:					
	31 March 2016	0	10,184	0	0	10,184
15,323	31 March 2015	0	15,323	0	0	15,323
19,769	31 March 2014	0	19,769	0	0	19,769
1,557	31 March 2013	0	1,557	0	0	1,557
2,847	31 March 2012	0	2,847	0	0	2,847
50,832	Total Cost or Valuation	47	49,680	11,194	1,653	62,574

c) 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, Investment Properties, Community Assets and Heritage Assets are not depreciated. On all other assets where depreciation has been provided, assets have been depreciated on the following periods:-

Buildings	straight-line allocation over the useful life of the asset as estimated by the valuer- up to 60 years
Vehicles	Straight-line over the estimated life of the asset- up to 7 years
Plant and Equipment	Straight-line over the estimated life of the asset- up to 25 years
Infrastructure	straight-line over the estimated life of the asset- up to 20 years
Finance Leases	Straight-line over the term of the lease

18 Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations (dated 31/03/2016) 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.

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

2015/16	Musical Instrument £000	Works of Art £000	Civic Regalia £000	Total £000
Cost or valuation				
At 1 April 2015	150	41	15	206
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2016	150	41	15	206

NOTES TO THE CORE FINANCIAL STATEMENTS

19 Investment Properties and Surplus Assets

a) Movement of Investment Properties and Surplus Assets

2014/15	Investm't Props £000	Surplus Assets £000	Total £000
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	(657)	0	(657)
Other movements in cost or valuation	0	0	0
At 31 March 2015	13,262	0	13,262
Balance Sheet Value at 31 March 2015	13,262	0	13,262
Balance Sheet Value at 1 April 2014	11,925	0	11,925

2015/16	Investm't Props £000	Surplus Assets £000	Total £000
At 1 April 2015	13,262	0	13,262
Additions	0	0	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	498	0	498
Derecognition - Disposals	0	0	0
Derecognition - Other	0	0	0
Assets reclassified (AuC)	(468)	0	(468)
Other movements in cost or valuation	(4,662)	0	(4,662)
At 31 March 2016	8,630	0	8,630
Balance Sheet Value at 31 March 2016	8,630	0	8,630
Balance Sheet Value at 1 April 2015	13,262	0	13,262

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes (see Note 1 for explanation of fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value of investment property has been measured using the Investment Method of Valuation. The valuers have used a desktop valuation relying on data provided by Wilks, Head & Eve LLP, the Council's managing agents. Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including Market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants.

Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuers

The investment property portfolio has been valued at 31 March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Wilks, Head & Eve LLP, the Council's valuing agents.

b) 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.

2014/15 £000		2015/16 £000
(224)	Rental income from Investment Property	(214)
722	Direct operating expenses arising from Investment property	1,065
498	Net (gain) / loss	851

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.

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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

31 Mar 15 £000		31 Mar 16 £000
0	Opening Capital Financing Requirement	0
	Capital Investment	
3,635	Property, Plant and Equipment	3,112
67	Intangible Assets	128
469	Investment Property	0
1,034	Revenue Expenditure Funded from Capital Under Statute	1,171
5,205		4,411
	Sources of Finance	
(4,674)	Capital Receipts	(3,056)
(531)	Government Grants and Other Contributions	(1,355)
0	Sums set aside from revenue;	
0	* Direct revenue contributions	0
0	* MRP/ loans fund principal	0
(5,205)		(4,411)
0	Closing Capital Financing Requirement	0

At 31 March 2016 the Council had entered into contractual commitments valued at £474,876 (31 March 2015: £452,297) in respect of its capital schemes.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015/16 was £84,562 (2014/15 £83,335) and is as follows:-

2014/15 £000		2015/16 £000
0	Land & Buildings - Car Park	0
83	Vehicles, Plant and Office Equipment	84
83	Total	84

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

2014/15			2015/16		
Land & Buildings £000	Vehicles, Plant & Equip-ment £000	Total £000	Land & Buildings £000	Vehicles, Plant & Equip-ment £000	Total £000
0	6	6	0	8	8
0	71	71	0	67	67
0	5	5	0	9	9
0	82	82	0	84	84

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 £824,792 (2014/15: £875,734). It has granted leases at a reduced rate to Herts Constabulary, local organisations and a registered social landlord totalling £170,563 (2014/15: £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 £965,405. 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 £26,208,583 (2014/15: £26,081,950) subject to £176,518 (2014/15: £229,321) depreciation to 31 March 2016.

ii) Finance Leases

The Council has leased out property on finance leases. The Council has a gross investment in the lease made up of minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments compromise 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The gross investment is made up of the following amounts:

31 Mar 15 £000		31 Mar 16 £000
	<u>Land & Buildings</u>	
25	Finance lease debtor (net present value of minimum lease payments)	24
109	Unearned finance income	102
134	Gross investment in the lease	125

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

31 Mar 15			31 Mar 16	
Gross Lease Investment £000	Minimum Lease Payment £000		Gross Lease Investment £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
91	21	Later than five years	84	20
109	25	Total	102	24

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 15 £000		Net Movement in year £000	31 Mar 16 £000
4	Mortgages	(1)	3
1,706	Rent to Mortgage	(153)	1,553
24	Finance Leases as Lessor	(1)	23
2	Charges Registered to Properties	14	16
1,736	Total	(141)	1,595

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 15 £000		31 Mar 16 £000
	Cost or valuation	
305	Balance at 1 April	229
0	Revaluation losses	0
0	Revaluation gains	0
(76)	Assets sold / disposals	(129)
229	Balance at 31 March	100

NOTES TO THE CORE FINANCIAL STATEMENTS

24 Inventories

The following inventories were held as at 31 March 2016:

31 Mar 15 £000		31 Mar 16 £000
4	Watersmeet Bar Stock	4
17	Fuel Stock	22
21	Total	26

There was no work-in-progress as at 31 March 2016.

25 Debtors - Short Term

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

31 Mar 15 £000		31 Mar 16 £000
4,969	Central Government Bodies	397
5,574	Local Authorities	2,758
0	NHS Bodies	0
0	Public Corporations	0
6,793	Other Entities and Individuals	5,767
256	Payments in Advance	267
17,592		9,189
(2,693)	Less: Provision for Bad Debts / Impairment	(2,725)
14,899	Total	6,464

26 Cash and Cash Equivalents

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

31 Mar 15 £000		31 Mar 16 £000
	Current Assets	
2	Cash held by the Authority	2
1,929	Bank Current Accounts	1,832
0	Short-term Deposits with Building Societies	0
1,931		1,834
	Current Liabilities	
0	Bank overdrafts	0
1,931	Total	1,834

NOTES TO THE CORE FINANCIAL STATEMENTS

27 Cash Flow Statement- Operating, 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:

2014/15			2015/16	
£000	£000		£000	£000
178		Note 27a- Operation Activities	49	
0		Interest received	0	
	178	Interest paid		49
1,832		Depreciation	2,212	
685		Impairment and downward valuations	2,621	
67		Amortisation	128	
0		Increase/(decrease) in impairment of bad debts	0	
3,868		Increase/(decrease) in creditors	(6,710)	
(9,049)		(Increase)/decrease in debtors	8,272	
(7)		(Increase)/decrease in inventories	(5)	
(586)		Movement in pensions liability	(374)	
951		Other non-cash items charged to the net surplus/deficit on the provision of services	(932)	
	(2,239)			5,212
(1,847)		Proceeds from sale of property, plant, equipment, investment property and intangible assets	(1,616)	
(531)		Any other items for which the cash effects are investing or financing cash flows	(1,329)	
	(2,378)			(2,945)
	(4,439)			2,316
		Note 27b- Investing Activities		
(4,103)		Purchase of property, plant, equipment, investment property and intangible assets	(3,112)	
(61,896)		Purchase of st and It investments	(43,900)	
3,089		Proceeds from the sale of property, plant, equipment, investment property and intangible assets	1,899	
65,686		Proceeds from st and It investments	40,100	
224		Other receipts from investing activities	1,325	
	3,000			(3,688)
		Note 27c- Financing Activities		
0		Other receipts from financing activities	0	
(635)		Other payments for financing activities	1,801	
0		Repayments of st and It borrowing	0	
	(635)			1,801

NOTES TO THE CORE FINANCIAL STATEMENTS

28 Creditors - Short Term

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

31 Mar 15 £000		31 Mar 16 £000
(5,301)	Central Government Bodies	(2,033)
(3,815)	Other Local Authorities	(1,899)
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(1,539)	Other Entities and Individuals	(1,814)
(627)	Receipts in Advance	(627)
(11,282)	Total	(6,373)

29 Creditors - Long Term

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

31 Mar 15 £000		31 Mar 16 £000
(147)	Section 106 Contributions Unapplied	(1,185)
(147)	Total	(1,185)

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 15 £000		Change £000	Used £000	Unused Reversal £000	Unwinding Discounting £000	31 Mar 16 £000
0	Insurance Provision	0	0	0	0	0
(104)	Land Charges	0	0	0	0	(104)
(2,373)	NDR Appeals Provision	17	417	0	0	(1,939)
(2,477)	Total	17	417	0	0	(2,043)

Municipal Mutual Insurance

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. The Council believes the provision of £104k is prudent.

Land Charges

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.

NDR Appeals

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.

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 (for those benefits) 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.

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:-

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 £000		2015/16 £000
	Comprehensive Income and Expenditure Statement (CI&ES)	
	Costs of Service	
	<i>Service cost comprising:</i>	
1,862	current service cost	2,207
0	past service cost	0
0	(gain)/loss- effects from settlement	0
	<i>Financing and Investment Income and Expenditure</i>	
732	Net Interest Expense	625
2,594	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,832
	Other Post Employment Benefit Charged to the CI&ES	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(6,198)	Return on plan assets	1,106
0	Actuarial gains and losses arising on changes in demographic assumptions	0
7,866	Actuarial gains and losses arising on changes in financial assumptions	(4,456)
(643)	Other	(1,000)
1,025	Total remeasurement recognised in Other CI&ES	(4,350)
3,619	Total Post Employment Benefit Charged to the CI&ES	(1,518)
	Movement in Reserves Statement	
(3,619)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	1,518
1,355	Employers' contributions payable to the scheme	1,616
1,355	Actual amount charged against the General Fund Bal for pensions in the year	1,616

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:

2014/15 £000		Net Movement in year £000	2015/16 £000
(89,897)	Present value of the defined benefit obligation	2,770	(87,127)
70,034	Fair value of plan assets	364	70,398
(19,863)	Net liability arising from defined benefit obligation	3,134	(16,729)

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2014/15 £000		2015/16 £000
62,700	Opening fair value of scheme assets at 1 April	70,034
2,540	Interest income	2,160
	Remeasurement gain/(loss):	
6,198	Return on plan assets	(1,106)
1,355	Contributions from employer	1,616
536	Contributions from employees into the scheme	563
(3,295)	Benefits paid	(2,869)
0	Other	0
70,034	Closing fair value of scheme assets at 31 March	70,398

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

2014/15 £000		2015/16 £000
(80,299)	Opening Balance at 1 April	(89,897)
(1,862)	Current service costs	(2,207)
(3,272)	Interest cost	(2,785)
(536)	Contributions by scheme participants	(563)
	Remeasurement (gains) and losses:	
0	Actuarial gains and losses arising from changes in demographic assumptions	0
(7,866)	Actuarial gains and losses arising from changes in financial assumptions	4,456
643	Other	1,000
0	Past service costs	0
0	Losses/(gains) on curtailments	0
3,295	Benefits paid	2,869
(89,897)	Closing Balance at 31 March	(87,127)

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised

Restated as per Actuary report 2014/15 £000		2015/16 £000
1,846.8	Cash and cash equivalents	2,237.7
	<i>Equity instruments: by industry type</i>	
6,183.7	Consumer	5,718.9
7,325.8	Manufacturing	5,217.6
2,021.5	Energy and Utilities	1,223.2
6,294.5	Financial Institutions	5,349.6
1,038.6	Health and Care	932.1
4,349.7	Information Technology	3,329.4
516.5	Other	162.3
29,577.1	Sub-total equity and cash / cash equivalents	24,170.8
	<i>Bonds: by sector</i>	
0.0	Corporate Bonds (investment grade)	0.0
0.0	UK Government	0.0
0.0	Other	0.0
0.0	Sub-total bonds	0.0
	<i>Property: by type</i>	
0.0	UK Property	3,144.1
0.0	Overseas Property	1,837.6
0.0	Sub-total property	4,981.7
	<i>Private Equity: by type</i>	
2,901.0	All	3,021.7
2,901.0	Sub-total private equity	3,021.7
	<i>Other Investment Funds:</i>	
10,062.9	Equities	14,290.3
18,680.5	Bonds	19,276.2
303.4	Commodities	332.5
62.6	Infrastructure	90.4
8,598.3	Other	4,493.0
37,707.7	Sub-total other investment funds	38,482.4
	<i>Derivatives:</i>	
(151.8)	Foreign exchange	(258.6)
(151.8)	Sub-total derivatives	(258.6)
70,034.0	Total Assets	70,398.0

NOTES TO THE CORE FINANCIAL STATEMENTS

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 has 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 2016.

The significant assumptions used by the actuary have been:

31 Mar 15		31 Mar 16
14.1%	Total Returns from 1 April 2015 to 31 March 2016	1.50%
	Mortality Assumptions	
	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
3.5%	Rate of increase in salaries	3.6%
2.1%	Rate of increase in pensions	2.1%
3.1%	Rate for discounting scheme liabilities	3.4%

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

	2015/16 £000
Longevity (increase in 1 year)	2,614
Rate of increase in salaries (increase by 0.5%)	2,021
Rate of increase in pensions (increase by 0.5%)	6,158
Rate for discounting scheme liabilities (decrease by 0.5%)	8,270
	19,063

Information about the Defined benefit obligation

	Liability Split	Weighted Average Duration
Active members	47.5%	21.5
Deferred members	17.1%	21.2
Pensioner members	35.4%	10.9
Total	100.0%	16.5

NOTES TO THE CORE FINANCIAL STATEMENTS

The estimated Employer's contributions for the period to 31 March 2017 will be approximately £1,493,000.

32 Contingent Assets and Liabilities

Contingent Assets - VAT Shelter Agreement with Thrive Homes Ltd

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 2015/16, £0.335m (2014/15: £0.238m) was received leaving a contingent asset of approximately £2.651m (2014/15: £2.986m) receivable in future years.

Employment tribunals

There is one employment tribunal on-going with the Council.

33 Usable Reserves

a) Movement in Reserves

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

Balance at 31 Mar 14 £000	Net Movement in Year £000	Balance at 31 Mar 15 £000	Reserve	Net Movement in Year £000	Balance at 31 Mar 16 £000	Further Detail Note
(5,069)	(1,875)	(6,944)	General Fund Balance	2,548	(4,396)	33d
(10,673)	1,584	(9,089)	Capital Receipts Reserve	1,171	(7,918)	33b
0	(10)	(10)	Capital Grants Unapplied	(1,981)	(1,991)	33e
(8,786)	(1,119)	(9,905)	Earmarked Reserves	(510)	(10,415)	33c
(24,528)	(1,420)	(25,948)	Total net worth	1,228	(24,720)	

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 £000		2015/16 £000
(10,673)	Balance brought forward at 1 April	(9,089)
	Received in year	
(192)	Proceeds from sale of long-term assets	(364)
0	Transferred from Reserve for Future Capital Expenditure	0
(2,659)	Shares in preserved Right to Buy (Unattached Capital Receipts)	(881)
(238)	VAT Shelter compensation (Unattached Capital Receipts)	(335)
0	Other Receipts (Unattached Capital Receipts)	0
0	Transferred from Deferred Capital Receipts Reserve (Mortgages)	0
(3,089)	Applied in year	(1,580)
4,673	Transferred to Capital Adjustment Account to finance new capital expenditure	912
0	Applied to Capital Adjustment Account to finance new capital expenditure	2,144
0	Advances re-paid	(305)
0	Paid to DCLG Pool	0
4,673		2,751
(9,089)	Balance carried forward at 31 March	(7,918)

c) Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

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	Purpose
S106 Agreements & Commuted Sums	Receipts generated from development agreements to provide community infrastructure
Community Infrastructure Levy	Funding from developers undertaking new building projects, to be used on infrastructure needed as a result of development.
Future Capital Expenditure	To fund key capital projects.
New Homes Bonus Reserve	Government Grant received in respect of new homes built to support community infrastructure
Leavesden Hospital Open Space	To maintain Open Space.
Environmental Maintenance Plant	To support improvement and purchase of environmental plant.
Economic Impact	To fund key future projects.
High Street Innovation Fund	To support the regeneration of High Streets.

NOTES TO THE CORE FINANCIAL STATEMENTS

Balance at 01-Apr-14 £000	Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31-Mar-15 £000		Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31-Mar-16 £000
(3,405)	(598)	8	(3,995)	Section 106 Commuted Sums	(33)	2,279	(1,749)
0	0	0	0	Community Infrastructure Levy	(42)	0	(42)
(3,067)	0	0	(3,067)	Future Capital Expenditure	0	0	(3,067)
(1,154)	(607)	0	(1,761)	New Homes Bonus	(784)	0	(2,545)
(968)	0	78	(890)	Leavesden Hospital Open Space	0	71	(820)
(92)	0	0	(92)	Environmental Maintenance Plant	0	0	(92)
0	0	0	0	Economic Impact	(2,000)	0	(2,000)
(100)	0	0	(100)	High Street Innovation Fund	0	0	(100)
(8,786)	(1,205)	86	(9,905)	Total at 31 March	(2,860)	2,350	(10,415)

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:

Restated 2014/15 £000		2015/16 £000
(5,069)	Balance brought forward at 1 April	(6,944)
(3,246)	Net increase/(decrease) before transfers to earmarked reserves	645
1,371	Transfer (to)/from earmarked reserves	1,903
(6,944)	Balance carried forward at 31 March	(4,396)

e) Capital Grant Unapplied

The Capital Grant Unapplied Reserve is the resources available to meet future grant funded projects. The unallocated of resources held are set out below:

2014/15 £000		2015/16 £000
0	Balance brought forward at 1 April	(10)
0	Section 106- grants held for future use (transfers from earmarked reserves)	(1,393)
0	Section 106- grants held for future use (new in year)	(612)
0	Section 106- grants applied (to CAA)	21
0	Grants applied (to CAA)	1,328
(10)	Grants received	(1,325)
(10)	Balance carried forward at 31 March	(1,991)

NOTES TO THE CORE FINANCIAL STATEMENTS

34 Unusable Reserves

a) Movement in Reserves

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

Balance at 31 Mar 14 £000	Net Move- ment in Year £000	Balance at 31 Mar 15 £000	Reserve	Net Move- ment in Year £000	Balance at 31 Mar 16 £000	Further Detail Note
(35,307)	(2,677)	(37,984)	Capital Adjustment Account	5,054	(32,930)	34b
(2,977)	1,242	(1,735)	Deferred Capital Receipts	269	(1,466)	34c
(54)	2,276	2,222	Collection Fund Adjustment Acct	(861)	1,361	34d
(18,904)	(4,925)	(23,829)	Revaluation Reserve	(8,950)	(32,779)	34e
106	(59)	47	Accumulated Absences Reserve	20	67	34f
17,593	2,270	19,863	Pensions Reserve	(3,134)	16,729	34g
(39,543)	(1,873)	(41,416)	TOTAL NET WORTH	(7,602)	(49,018)	

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the CI&ES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains/losses on Investment Properties.

The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

The MiRS provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 £000		2015/16 £000
(35,307)	Balance brought forward at 1 April	(37,985)
	Other	(157)
		(38,142)
	Reversal of items relating to capital expenditure debited/credited to CI&ES	
1,832	Charges for depreciation and impairment of non-current assets	2,212
67	Amortisation of Intangible Assets	128
609	Revaluation (gains) / losses on PPE	2,621
1,033	Revenue Expenditure Funded from Capital under Statute	1,171
76	Amounts of non-current assets w/o on disposal/sale as part of the gain/loss on disposal to the CI&ES	0
(74)	Adjusting amounts w/o of the Revaluation Reserve	(554)
3,543	Net w/o amount of the cost of non-current assets consumed in the year	5,578
	Capital financing applied in the year:	
(4,674)	Use of Capital Receipts Reserve to finance new capital expenditure	(3,056)
(522)	From Capital Grants Unapplied	(1,329)
(8)	From S106 Capital Grants Unapplied	(23)
(5,204)		(4,408)
	Other Movements:	
(1,526)	Mvmnt in Market value of Investment Properties debited/credited to the CI&ES	(498)
509	Transferred in from Deferred Capital Receipts	0
0	Other Movements	4,540
(37,985)	Balance carried forward at 31 March	(32,930)

c) Deferred Capital Receipts

The Deferred Capital receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

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.

2014/15 £000		2015/16 £000
(2,977)	Balance brought forward at 1 April	(1,736)
0	Revaluation of Assets Held for Sale (Other CIES)	0
0	Disposal of Assets Held for Sale	129
935	Revaluation of Rent to Mortgage Properties	0
0	Disposal of Rent to Mortgage Properties	154
0	Transferred to Capital Receipts Reserve (Mortgages)	0
0	Finance Lease Mitigation	1
0	Charges Registered to Properties (Other CIES)	(14)
306	Transferred to Capital Adjustment Account	0
(1,736)	Balance carried forward at 31 March	(1,466)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

2014/15 £000		2015/16 £000
(54)	Balance brought forward at 1 April	2,221
2,275	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	(860)
2,221	Balance carried forward at 31 March	1,361

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.

2014/15 £000		2015/16 £000
(18,904)	Balance brought forward at 1 April	(23,829)
(5,808)	Upward Revaluation of assets	(7,618)
809	Downward Revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of service	2,655
(4,999)	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(4,963)
74	Difference between fair value depreciation and historical cost depreciation	554
0	Other movements	(4,541)
74	Amount written off to the Capital Adjustment Account	(3,987)
(23,829)	Balance carried forward at 31 March	(32,779)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

2014/15 £000		2015/16 £000
106	Balance brought forward at 1 April	46
(106)	Settlement of accrual made at the end of preceding year	(46)
46	Amounts accrued at the end of the current year	67
46	Balance carried forward at 31 March	67

g) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liability recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and resources the Council has set aside to meet them. the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £000		2015/16 £000
17,593	Balance brought forward at 1 April	19,863
1,025	Remeasurements of the net defined benefit liability/(asset)	(4,350)
2,600	Reversal of items relating to retirement benefits debited/(credited) to the Surplus/Deficit on the Provision of Services in the CIES	2,832
(1,355)	Employer's pension contributions and direct payments to pensioners payable in year	(1,616)
19,863	Balance carried forward at 31 March	16,729

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:-

Non-current	Current		Non-current	Current
31 Mar 15	31 Mar 15		31 Mar 16	31 Mar 16
£000	£000		£000	£000
	20,734	Investments		24,569
		Financial assets at fair value through profit and loss		
		Debtors		
1,736		Loans and receivables	1,595	
	14,899	Financial assets carried at contract amount		6,464
	1,931	Cash and Cash Equivalents		1,834
		Borrowing		
0		Financial liabilities at amortised cost	0	
	0	Financial liabilities at fair value through profit and loss		0
		Other long-term Liabilities		
0		PFI and Finance Leases	0	
		Creditors		
(147)		Financial liabilities at amortised cost	(1,185)	
	(11,281)	Financial liabilities carried at contract amount		(6,373)
1,589	26,283	Total	410	26,494
27,872			26,904	

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

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 24 February 2015 and is available on the Council website. The key issues within the strategy were:-

- the Authorised Limit for 2015/16 was set at £9m (£9m 2014/15). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary 2015/16 was expected to be £7m (£7m 2014/15). 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 2015/16, which was approved by the Council on 24 February 2015, can be found on the Council's website.

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 2016 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 £0.120 million of the £5.767 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 15 £000		31 Mar 16 £000
291	Less than 3 months	35
84	More than 3 months, less than 6 months	36
1	More than 6 months, less than 1 year	4
61	More than 1 year	45
437	Total	120

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.

The maturity analysis of the Council's investments at 31 March 2016 is as follows:-

31 Mar 15 £000		31 Mar 16 £000
20,734	Less than 1 year	24,569
20,734	Total	24,569

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014/15 £000		2015/16 £000
162	Increase in interest receivable on investments with consequential change in Income and Expenditure Account	227

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).

2014/15		Note	2015/16		
£000	£000		NDR	Ctax	Total
	Income				
(54,081)	Council Tax Payers	CF1		(56,111)	
(26,925)	Business Rate Payers		(28,408)		
(33)	Deferrals		0		
	Total Income		(28,408)	(56,111)	(84,519)
	Expenditure				
	Council Tax				
53,223	Precepts and Demands	CF3		54,856	
	Bad and Doubtful Debts				
549	Increase/(Dec.) in Prov. (inc write offs)			742	
	Business Rates				
13,517	Shares to Preceptors and the Council	CF4	14,112		
13,518	Central Government Share	CF4	14,113		
418	Transitional Protection Payment		47		
	Bad and Doubtful Debts and Appeals				
4,906	Increase/(Dec.) in Prov. (inc write offs)		(951)		
96	Cost of Collection		96		
	Contributions towards previous year's surplus				
172	Council Tax	CF6		82	
239	Business Rates		(1,022)		
	Total Expenditure		26,395	55,680	82,075
	(Increase) / Decrease in Collection Fund Balance		(2,013)	(431)	(2,443)
(303)	Fund Balance - (Surplus) / Deficit at 1 April		5,687	(391)	5,296
	Fund Balance - (Surplus) / Deficit at 31 March	CF5	3,674	(822)	2,853

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 2015/16.

2014/15		2015/16				
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Fraction (Proportion)	Equivalent Number of Band D Dwellings
0.01	A (Disabled Relief)	0	2.00	2.00	5/9	1.11
310.47	A	852	(367.75)	484.25	6/9	322.83
685.06	B	2,014	(1,099.99)	914.01	7/9	710.90
3,882.92	C	6,293	(1,856.11)	4,436.89	8/9	3,943.90
7,765.13	D	9,781	(1,791.41)	7,989.59	9/9	7,989.59
7,937.05	E	7,351	(774.66)	6,576.34	11/9	8,037.75
5,394.16	F	4,139	(341.31)	3,797.69	13/9	5,485.55
7,792.52	G	5,007	(329.94)	4,677.06	15/9	7,795.10
2,709.36	H	1,472	(62.85)	1,409.15	18/9	2,818.30
36,476.68		36,909	(6,622.02)	30,286.98		37,105.03
(273.58)	Less: Allowance for losses on collection					(371.05)
175.33	Add: Contributions in lieu of tax					182.08
36,378.43	Tax Base for Calculation of Council Tax					36,916.06
586.11	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and empty properties					844.55
36,964.54	Council Tax Base for the Year					37,760.61

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 £1,485.96 (£1,463.04 for 2014/15).

2014/15 £000		2015/16 £000
(54,081)	Gross Council Tax Charge	(56,111)
(54,081)	Income from Council Tax Payers	(56,111)

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:

2014/15		2015/16
£68,980,836	Total Non-domestic Rateable Value at 31 March	£68,743,807
48.2	National Non-domestic Rate Multiplier - Standard	49.3
47.1	National Non-domestic Rate Multiplier - Small	48.0

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:

2014/15 £000	Council Tax	2015/16 £000
40,701	Precepts:	42,125
5,378	Hertfordshire County Council	5,457
	Hertfordshire Police and Crime Commissioner (PCC)	
7,144	Demand:	7,274
	Three Rivers District Council	
53,223	Total	54,856

NOTES TO THE COLLECTION FUND

CF4 Shares - Business Rates

2014/15 £000	Business Rates	2015/16 £000
2,703	Hertfordshire County Council	2,822
10,814	Three Rivers District Council	11,290
13,518	Central Government	14,113
27,035	Total	28,225

CF5 Distribution of Balances

Based on the precepts and demands made in 2015/16, 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:-

2014/15 Total £000	Council Tax	Herts County Council £000	Herts PCC £000	Three Rivers DC £000	2015/16 Total £000
3,417	Gross Arrears	2,504	310	430	3,243
(671)	Less: Prepayments & Credits	(531)	(66)	(91)	(688)
2,746	Net Arrears	1,973	244	338	2,556
(2,054)	Provision for Doubtful Debts	(1,964)	(243)	(337)	(2,544)
(391)	Collection Fund Balance	(634)	(79)	(109)	(821)

Total 2014/15 £000	Business Rates	Herts County Council £000	Three Rivers DC £000	Central Government £000	2015/16 Total £000
1,318	Gross Arrears	115	461	576	1,152
(963)	Less: Prepayments & Credits	(62)	(249)	(312)	(623)
355	Net Arrears	53	212	264	529
(1,000)	Provision for Doubtful Debts	(96)	(384)	(480)	(960)
(5,933)	Provision for Appeals	(485)	(1,939)	(2,424)	(4,848)
5,687	Collection Fund Balance	367	1,470	1,837	3,674

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 2015 was distributed to Herfordshire County Council, Hertfordshire Police and Crime Commissioner and Three Rivers District Council during 2015/16. 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

2014/15 Total £000	Council Tax	Herts County Council £000	Herts PCC £000	Three Rivers DC £000	2015/16 Total £000
172	Surplus Distribution	63	8	11	82

The Council Tax surplus of £821,039 at 31 March 2016 will be distributed in subsequent financial years.

The Business Rates deficit at 31 March 2016 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

GLOSSARY OF TERMS AND ABBREVIATIONS

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

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.

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.

GLOSSARY OF TERMS AND ABBREVIATIONS

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.