THREE RIVERS DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2017/2018

24/07/2018 V2

CONTENTS

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure 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; and
- complied with the local authority Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date; and
- 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 2018 and its income and expenditure for the year ended 31 March 2018.

Signed ……………………………..…………… **Date:**
Joanne Wagstaffe CPFA
Director of Finance

Date:

Signed ……………………………..……………
Councillor Keith Martin
Chairman of Audit Committee

NARRATIVE STATEMENT

1. An introduction to Three Rivers District Council Organisational overview and external environment

Three Rivers is located in the south west of Hertfordshire, and has a population of 91,700. Most of the residents are families whose successful careers have led to a spacious home in a prestigious and established residential area. While some are mature empty-nesters or elderly retired couples, others are still supporting their teenage or older children.

The district has one of the lowest rates of hate crime, robberies, domestic abuse and violence. It also has low criminal damage, vehicle crime and antisocial behaviour. However, it is subject to national trends and there is an increasing spend needed to help the homeless and those at risk of homelessness.

The economy is important in generating 37,000 jobs, with 1,400 businesses based here, including Warner Bros, Camelot, VocaLink, Imagination Technologies, Skansa and RES.

Over three-quarters of the District is in the Green Belt, with 22 conservation areas, 19 sites of known archaeological interest,17 different areas allocated as public open space and 7 local nature reserves. There are over 40 play areas, 5 skate parks and six purpose built outdoor gyms in a range of facilities.

In 2015/16 over 92% of new homes were built on previously developed land, including 85 new affordable homes and 5,251 sqm of additional employment floor space.

Satisfaction with the way the District is run is 9% higher than Hertfordshire residents overall (64%), and higher than all other individual districts/boroughs within the County when considering the local council.

Further details about the district, residents' views, and its towns can be found on the Council's website under 'fast – facts,' for information as at June 2017.

Each year the Council updates its Strategic Plan, which takes into account the plans of the government, County Council, the health service and our many partners. Our Strategic Plan sets out what we want to deliver over the next few years and covers services where the Council has a lead role or can play a key part in delivering or influencing the outcomes.

NARRATIVE STATEMENT

The Council's Vision and Priorities

The District should be a better place for everyone, their neighbourhoods, health, employment and access to services.

In 2017/18 we set out our aims in two headings, with related priorities:

- Better Neighbourhoods
  - Maintain high quality neighbourhoods;
  - Reduce the eco-footprint of the district;
  - Create access to good quality jobs and employment; and
  - Support businesses and the local economy.

- Healthier Communities.
  - Develop and improve access to good quality housing;
  - Create prosperity for all and access to opportunities;
  - To support the most vulnerable people in the district;
  - Provide a healthy and safe environment; and

    Reduce health inequalities, promote healthy lifestyles

Values

To underpin what we sought to achieve in the Strategic Plan, we wanted to ensure that the Council:

- Addresses the shortage of housing for those needing temporary accommodation and those who have not the means to pay market rents;
- Concentrates on aiding the most vulnerable people in our district;
- Promotes "greener" ways of delivering services, reducing the Eco-footprint of the district;
- Creates diverse and harmonious communities that enable people to live in harmony with each other and with their environment;
- Supports the local economy to create good quality jobs and prosperity;
- Increases its income through sound investment in order to provide the services the local community wants;
- Maintains public land and assets in the ownership of the public sector; and
- Provides excellent customer care whilst providing great services as efficiently as possible.

These values were measured by

Measures	Target	Lead Service
Satisfaction with Three Rivers District Council	73%	All Services, monitored by Community Partnerships
Public perception of how well informed they feel about public services	74%	Monitored by Corporate Services (Communications)
The perception of value for money from Three Rivers District Council	59%	All Services, monitored by Community Partnerships
The perception of people who agree that local public services: …promote the interests of local residents …act of the concerns of local residents …treat all types of people fairly	 67% 62% 81%	The Local Strategic Partnership (LSP) supported by Community Partnerships

2. Governance

The governance arrangements of the Council are covered in depth in the Annual Governance Statement on page 13. The most significant changes in 2017/18 related to joint venture partnership working with Watford Community Housing and the consequent creation of companies and limited liability partnerships to provide maximum flexibility and optimise our financial position without using tax avoidance techniques. The financial implications of these changes in 2017/18 were insufficient to warrant Group Accounts.

The Council had sound corporate governance arrangements in 2017/18, and there have been no noteworthy changes since then.

3. Operational model

The Council agreed a revenue budget in February 2017 for the following activities:

Committees	Approved budget £000
Leisure, Wellbeing and Health	2,270
Sustainable Development, Planning and Transport	1,834
General Public Services & Community Safety	1,947
Policy and Resources	4,487
Net General Fund Total	**10,538**
Parish precepts	**1,824**
Investment Interest	**-139**
Net Transfer from reserves	**-60**
Total net spend	**12,163**

NARRATIVE STATEMENT

A capital investment programme of £27.6m over 2017/20 was agreed by the Council at the Budget meeting in February 2017. The four largest schemes were:

	£m
• South Oxhey Initiative	14.3
• Temporary Accomodation	3.4
• Vehicle Replacements	1.8
• Disabled Facilities Grants	1.5

Delivery of the Council's Vision and Priorities is led by the Management Board. This comprises of the following:

- Steven Halls – Chief Executive
    - Andy Stovold – Head of Community Partnerships
- Joanne Wagstaffe – Director of Finance
- Geof Muggeridge – Director of Community and Environmental Services
    - Kimberley Grout – Head of Housing
    - Claire May – Principal Planning Officer

In the Strategic Plan, all of the priorities have a series of objectives. These all have measures and related targets, with detail of the Lead Service / Partnership responsible for delivery.

Performance is logged against this comprehensive set of targets on a quarterly basis. It is included as part of the Members' Information Bulletin. This is a monthly report which provides a comprehensive schedule of information relating to a number of topics (for example): Planning, Water, Investment analysis, updates on projects e.g. Bury Lake Young Mariners (BLYM), YC Hertfordshire (HCC) targeted prevention and early intervention, and diary items.

NARRATIVE STATEMENT

4. Risks and Opportunities

The Council identified the following strategic risks in 2017/18 and the Service Plans with responsibility for their management / mitigation.

Strategic Risk	Service Plan
1) Failure to secure improvements to services	Community Partnerships
2) Failure to tell residents about improvements	Corporate Services
3) Failure to make progress on the sustainability action plan	Economic and Sustainable Development
4) Failure to engage the community in the Strategic Plan	Community Partnerships
5) Failure to achieve Community Safety targets	Community Partnerships
6) Failure to achieve the priorities of the community strategy through the LSP	Community Partnerships
7) Failure to deliver the South Oxhey Initiative Project to desired outcomes and Objectives	Major Projects
8) The medium term financial position worsens	Finance

During the year the Council was proactive in relation to its risks and opportunities. A good example of this occurred with the Leisure Services Management contract. The bidder that was initially successful withdrew their bid. Negotiations then took place with the bid assessed as next best. This led to a contract with a well-established provider, who has a robust DBMO for the new facility in South Oxhey plus an income stream that will break even in an acceptable period.

In addition to this, the Council has worked in partnership with Watford Community Housing and is in the process of buying a property with 20 units used by those in temporary accommodation. This purchase should enable the Council to fulfil its statutory responsibility to the homeless with a lower level of risk and a return on capital that fits the Councils risk appetite for its investments

The Council’s Financial and Budgetary risks are shown below, which are monitored by the Audit Committee and Council throughout the financial year.

NARRATIVE STATEMENT

FINANCIAL AND BUDGETARY KEY RISKS

Type of Risk	Comment
The Medium term financial position worsens.	In that the general fund balance falls below the minimum prudent threshold and capital funding is insufficient to meet the capital programme. This appears as item no.8 in the Council's strategic risk register.
Revenue balances insufficient to meet estimate pay award increases	The medium term planning period takes into account a 2% increase for the period 2018/19 to 2019/21
Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.
Interest rates resulting in significant variations in estimated interest income	The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market. The volatility of the global economy continues to place uncertainty on the investment strategy.
Inaccurate estimates of fees and charges income	See Key Budget Indicators shown in the latest Budget Monitoring report
Revenue balances insufficient to meet loss of partial exemption for VAT	If the Council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total VAT able expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs.
The estimated cost reductions and additional income gains are not achieved	Savings identified and included in the budget will be monitored as part of the budget monitoring process.
The Council is faced with potential litigation and other employment related risks	The Council has no outstanding litigation cases.
The amount of government grant is adversely affected	The provisional settlements for 2018/19 future years have been factored into the MTFP. The Council decided to accept the Government’s offer of a four year settlement.
Localising support for council tax	The introduction of universal credits and the localising of support for Council Tax will substantially alter the administering of Housing and Council Tax Benefits
Right to Buy Receipts & VAT Shelter Receipts	Under the housing stock transfer with Thrive Homes Limited (THL) the Council is entitled to use its share of the proceeds to fund the capital programme. The level of activity on these income streams are outside the Council's control.
Fluctuations in Business Rates Retention	The Council is legally obliged to cover the first 7.5% loss on its pre- determined baseline level.
Failure to deliver the South Oxhey Initiative to desired outcomes and objectives	This is a key project. This appears as item no.7 in the Council's strategic risk register.
Failure of ICT systems	The Council's integrated Financial Management System (FMS) is held on an ICT platform. If this were to fail then potentially there will be a loss of functionality occurring during any downtime.

5. Strategy and resource allocation

In 2017/18 there were two very significant pressures on the Council's budget. Firstly, support from the government was continuing with Revenue Support grant declining from £3.0m in 2013/14 to £nil in 2019/20. Secondly, direct expenditure on homelessness was expected to continue to increase from £nil in 2013/14 to £0.5m in 2017/18 and on to £0.8m in 2019/20.

The Council had undertaken the following actions to mitigate the impact of these pressures. Cashable efficiency savings averaging over £0.3m per year, sustained over the last twelve years, with further cashable efficiency gains of £1.25m planned over the course of the medium term financial plan.

The most significant revenue service activity during the year was the renewal of the Leisure Services Management contract, which included a DBMO (Design, Build, Manage, and Operate) contract for the new pool in South Oxhey plus refurbishment work at William Penn and Rickmansworth Golf course.

Additionally income excluding taxation has risen from £6.1m in 2013/14 to £7.8m in 2017/18 and to £8.6m in 2019/20. Much of this will be due to returns on careful investment into property assets, which is usually funded from a combination of internal borrowing or prudential borrowing.

The approved capital plan at the start of 2017/18 was for schemes totalling £25.0m in the period 2017/20. The three most expensive items in this were:

	£m
• South Oxhey Initiative	14.3
• Specialist vehicles replacements	1.8
• Disability Facility Grants	1.5

The Council had a General Fund (Working) balance of £4.417m at the end of the year (2016/17 £4.094m).

6. Performance

The financial performance below is in the same format as that used to report to Members during the financial year. It reflects the amount of spend to be met by district taxpayers and the balance held for working capital. These management account figures differ from the Net Cost of Service in the financial accounts, Comprehensive Income and Expenditure Statement (CIES), because the CIES also includes costs relating to depreciation, revenue spend funded from capital under statute and certain pension adjustments.

NARRATIVE STATEMENT

Revenue Activity

For 2017/18 it was estimated that there would be a deficit for the year of £0.746m. The actual outturn showed a surplus of (£0.249m), a favourable variance in the year of (£0.995m).

The major variances were as follows:-

- Additional planning income (£0.075m)
- Increase in trade waste income (£0.074m)
- Lower spend on Telecommunications (£0.041m)
- Delay in District Plan (£0.067m), and
- Decrease in Homelessness £(0.500m)

	2017/18	
Income & Expenditure Account	**Net Latest Approved Budget £000**	**Net Outturn £000**
Service Committee		
Leisure Wellbeing & Health	2,134	2,150
Sustainable Development, Planning & Transportation	2,128	1,018
General Public Services & Community Safety	1,777	1,607
Policy & Resources	4,912	5,029
Net Cost of District Services	**10,951**	**9,804**
Parish Precepts	1,824	1,824
Net Interest Income to General Fund	(139)	(88)
Other Income	0	0
Net District Operating Expenditure	**12,636**	**11,540**
Contributions to/(from) Earmarked Reserves	(60)	68
Surplus/(Deficit) for year	(746)	249
Amount To Be Met From Government Grant And Local Tax Payers	**11,830**	**11,857**
Demanded From Collection Fund	(8,022)	(8,022)
Collection Fund Transfer of (Surplus)/Deficit	(50)	(50)
Revenue Support Grant	(336)	(336)
Redistributed NNDR	(1,862)	(1,862)
Non - Specific Grants	(859)	(887)
Business Rate Growth	(650)	(650)
Other Income	(50)	(50)
Total	**(11,829)**	**(11,857)**
Working Balance at 1 April	4,094	4,094
Surplus/(Deficit) For Year	(746)	249
Working Balance at 31 March	**3,348**	**4,343**

Capital Activities

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2017/18 is shown in the table below:

	Latest Budget £000	Actual Outturn £000	Variance (Under) / Over Spend £000
Leisure Facilities	1,371	897	(474)
Asset Management	1,132	2,159	1,027
South Oxhey Redevelopment	11,708	11,052	(656)
Waste Collection & Recycling	945	616	(329)
Footpaths, Cycle Paths, Roads and Car Parks	532	254	(278)
Private Sector Housing	663	454	(209)
Provision of Temporary Accommodation	1,207	307	(900)
Information & Communication Technology	1,015	773	(242)
Other	12	12	0
Total	**18,585**	**16,524**	**(2,061)**

The Council planned to complete capital schemes valued at £18.585m in 2017/18. The Council completed and funded £16.524m worth of capital work, £3.279m of which was funded from capital receipts. The remainder was funded from government grants, contributions from third parties, internal borrowing and reserves.

The variance mainly relates to schemes that have been rephased to future years including

- South Oxhey Initiative
- Temporary Accommodation
- Replacement of Environmental Vehicles
- Temporary Accommodation
- Car Parking

In addition there was a spend in advance of a future year's budget relating to a loan to Three Rivers Homes Ltd for the redevelopment work at a former pub site, 'The Grapevine' in South Oxhey, which will be for the provision of social housing.

Borrowing Facilities and Capital Borrowing

The Council did not borrow externally in 2017/18 as the programme was funded from its existing resources. There may be a requirement to borrow in the medium term (2018-2021) for the development of the South Oxhey leisure centre. All historic capital expenditure has been fully funded and therefore there is no capital financing requirement.

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 2018 of £21.724m. This has decreased from £23.829m at 31 March 2017 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 in 2017/18 of £1.777m of which £233k was to reduce the deficit on the Pensions Fund.

Performance Monitoring

The Council supports its financial monitoring with a substantial regime for operational / service performance management. There are 47 key performance indicators (kpi's) for the Strategic Plan 2017-2020, which are all linked to the Council's priorities within Better Neighbourhoods and Healthier Communities. Complementary to these are another 71 performance indicators for operational performance monitoring.

The Strategic Plan 2018-21 which can be accessed from the Council website includes an an indicative set of key performance indicators.

7. Outlook

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 Better Neighbourhoods and Healthier Communities priorities. 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 an increase of 3.15% in the average council tax charge for 2017/18, the Council budgeted for increases of 3.05% in 2018/19 and 2.96% in 2019/20 The levels of council tax and government grant are critical to the Council's future revenue streams.

The MTFS outlook on revenue presented to the Policy and Resources Committee and then the Council in early 2018 identified a need for the Council to realise an additional £1m p.a. from investment in property. Progress has been made but delays in schemes presents a risk to achievement of this targets in future years. Due to the significance of this towards retaining a balanced budget, a very tight control is being kept of progress on investments, and remedial action will be taken promptly in relation to other budgets if needed.

Future Capital Expenditure and its Funding

The Council plans to spend £39.144m on capital schemes in 2018/19. Of this £2.292m is to be funded from capital receipts, £7.501m from government grants, contributions from third parties and £20.751m from internal borrowing and potentially £8.600m from externally sources.

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.

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.

In the meantime, balances remain relatively healthy. The General Fund balance at 31 March 2018 was £4.417m (2016/17 was £4.094m). The Council held £16.434m (2106/17 was £16.428m) at 31 March 2018 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.

8. Basis of preparation and presentation

The external audit assessment of planning materiality is 2% of £50.2m gross revenue spend = £1.005m. The performance materiality is 75% of the planning materiality = £752k, which is the amount used to determine the extent of audit procedures.

In addition external audit report to Committee all audit differences in excess of £50,200.

All joint ventures are fully identified to EY who have assessed the details for materiality and inclusion in the Group Accounts. To date, there is no joint venture that has sufficient materiality to require inclusion in Group Accounts. The extent of additions in future years will fully reflect the financial progress of any partnerships over time.

ANNUAL GOVERNANCE STATEMENT 2017/18

SCOPE OF RESPONSIBILITY

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

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

3 Three Rivers District Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. It is also in accordance with the requirements of the Accounts and Audit (England &Wales) Regulations 2015.

4 This Governance Statement explains how the Council has maintained sound governance during the financial year 2017/18 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5 The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.

6 The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

7 The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.

8 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

THE GOVERNANCE FRAMEWORK

9 The key elements of the systems and processes that comprise the Council's governance arrangements, as per the CIPFA 'Delivering Good Governance in Local Government: Framework – Addendum' include the following:

General

10 Three Rivers District Council operates a Committee model of governance under the Local Government Act 2000 and Localism Act 2011.

11 The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's website and intranet.

12 The Council has an approved Local Code of Governance, which sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website and intranet.

13 The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.

14 The Management Board is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

15 Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as on an annual basis.

Strategic Aims and Objectives

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

The Council publishes its Corporate Plan annually, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the local context. Progress on the Plan is reported to the public.

17 The Council updates its Strategic Plan every February and the Council's key objectives / priorities for 2017-20 are as follows:

VISION:

The district should be a better place for everyone, their neighbourhoods, health, employment and access to services.

Aims and Priorities:

- **Better Neighbourhoods**: We want to:
  1. maintain high qulaity neighbourhoods;
  2. reduce the eco-footprint of the district;
  3. create access to good quality jobs and employment;
  4. support businesses and the local economy.

- **Healthier Communities**: We want to
  1. develop and improve access to good quality housing;
  2. create prosperity for all and access to opportunities;
  3. support the most vulnerable people in the district;
  4. provide a safe and healthy environment;
  5. reduce health inequalities, promote healthy lifestyles, support learning and community organisations.

18 Underpinning these over arching priorities are a series of measurable (SMART) objectives so that every member of staff and our community can feel fully engaged in the process. The Council also plays a major role in the Local Strategic Partnership, which is made up of key stakeholders from Herts Valleys NHS Clinical Commissioning Group, Hertfordshire Police Constabulary, Police and Crime Commissioner, Hertfordshire County Council, Parish Councils, Thrive Homes, Watford Community Housing Trust, Voluntary and Business Sector.

Decision Making Structures

19 At an officer level, the senior management comprises the Chief Executive, shared Director of Finance, Director of Community and Environmental Services and Heads of Service. Financial control will primarily be the responsibility of a shared Director of Finance with neighbouring Watford Borough Council. This combined management comprises the Management Board who meet fortnightly to review and progress the key objectives of the council.

20 Overall financial control is monitored on a monthly basis by the Management Board and the Budget Panel. Budget preparation is influenced by the Council's Medium Term Financial Plan (MTFP) which forecasts budget pressures and available resources over a four year period. This MTFP is reported to members and the Budget Panel where variations to the plan are approved. The Council has the ultimate responsibility for approving the annual budget. The final accounts at the end of a financial year are subject to formal approval by the Audit Committee.

Constitution

21 The Council has a written constitution which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct. This sets out how the Council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens.

22 Copies of the Council's Constitution are available to all on the Council's website.

23 There are regular meetings of the full Council, Policy and Resources Committee and the other Service and Regulatory Committees. Meetings are open to the public and written reports are available to the public through the Council's website. Information is only treated as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions of the Local Government Act 1972.

24 Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.

25 The scrutiny function within a local authority provides a necessary check upon the role of Cabinet and is a key component of corporate governance. At Three Rivers it is co-ordinated through the Policy and Resources Committee.

26 The Council’s protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.

27 Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council’s website.

28 The Solicitor to the Council is the Council’s Monitoring Officer and duties include: maintaining the council’s Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Leader and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

29 The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account, and giving advice to the Council on financial planning.

Data Quality and Risk Management

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

31 The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council’s approach to risk management is governed by its Risk Management Strategy which is updated annually. All of the Council's key objectives, including those in the Strategic Plan have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through service plans. Risks have been identified and assessed for their impact and likelihood. Where they require managing, a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.

32 Business continuity and emergency planning are other key aspects within the corporate governance framework and again falls within the remit of the Risk Management corporate group.

Shared Services with Watford Borough Council

33 Three Rivers District Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with Watford Borough Council. Both Councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance.

34 From April 2014, the Governance arrangements for shared services changed to a lead authority model. Three Rivers District Council are responsible for providing financial services and revenues and benefits, whilst Watford Borough Council are responsible for the provision of ICT and human resources. An executive board of senior management from both councils is responsible for these services. The role of the Board covers:-

- Monitoring performance and dealing with complaints from either authority
- Resolving conflicts between competing interests amongst the authorities
- Reviewing the governance arrangements
- Dealing with matters referred up to it by the Operations Board
- Having overall supervision of the Shared Service
- Receiving annual reports on each service within the shared service.

Community Engagement

35 The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the Council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information.

REVIEW OF EFFECTIVENESS

36 The Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of councillors, the officers who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Assurance for the Shared Internal Audit Service and also by comments made by the external auditors and other review agencies and inspectorates. Members receive half-yearly reports and corrective action has been detailed and monitored where necessary. The monthly budget monitoring system incorporated an update on financial and budgetary risks, a quantitative evaluation of fee income and the position on reserves and balances.

The Council

37 All Councillors meet together as the Council. At these meetings, Councillors decide the Council's overall policies and set the budget each year. The Council also hold debates on issues which affect the district generally. The Leader of the Council can make an oral report on relevant district matters. Members of the public may, on notice, put written questions to the Council.

38 The full Council comprises 39 Members and met four times during 2017/18. In addition there was a meeting of Annual Council and one Extraordinary meeting of full Council in the year.

The Policy and Resources Committee

39 The Policy and Resources Committee sets and co-ordinates all policy for itself and the service and other committees which have been delegated by Council. It reviews and scrutinises the policies made or proposed to be made by the Council and recommends appropriately to the Council:
- whether any new policies are required;
- whether any existing policies are no longer required;
- whether any changes are required to any existing policies;
- whether any action is required to make the policies more effective.

40 Policy and Resources Committee met nine times during 2017/18.

The Service Committees

41 The Council has three Service Committees:
- Leisure, Wellbeing and Health
- Sustainable Development, Planning and Transport
- General Public Services and Community Safety

42 The functions of the Service Committees are:
- To make all decisions in respect of their areas of responsibility provided these are within their allocated budgets and agreed policies;
- To consider any matter referred to them by the Council or the Policy and Resources Committee and recommend or report to the Council or the Policy and Resources Committee accordingly;
- To review performance against the previous year's plans of the services within their remit;
- To determine an annual Work Plan;
- To liaise and seek views of the local community and other interested parties in relation to the above matters; and
- To consider any submitted Community or Councillor Calls for Action.

Regulatory Committees

43 The Council has three regulatory committees: Planning, Licensing and Regulatory Services.

Member Allowances

44 Members Allowances were reviewed in 2016 by an Independent Remuneration Panel. The report and recommendations of the Independent Remuneration Panel for 2017/18 was approved by the full Council in December 2016. The Panel did recommend increases in the allowances.

45 The Independent Remuneration Panel sits on an annual basis.

Senior Management

46 There are three Council officers who have statutory appointments - the Chief Executive's role as the Head of Paid Service, the Director of Finance's role as the Section 151 Officer and the Solicitor for the Council as the Monitoring Officer.

47 Management Board comprises the Chief Executive, the Director of Community and Environmental Services, the Director of Finance and selected Heads of Service.

48 The Council keeps residents and stakeholders informed of its progress through 'Three Rivers Times' published three times a year.

Procurement

49 The Council aims to use its resources efficiently, effectively and economically.

50 The Council's Procurement Strategy and associated polices and procedures provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes Contract Procedure Rules and a Contract Management Toolkit. These documents are regularly reviewed to reflect changes in local requirements and EU policy and legislation.

The Audit Committee

51 The Audit Committee comprised seven members and met four times during 2017/18.

52 The role of Audit Committee is to:

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

Internal Audit

53 Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment - this comprises the systems of governance, internal control and risk management - by evaluating its effectiveness in achieving the organisation's objectives.

54 The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceding year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee and to the Management Board.

55 In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the Audit Committee (at its meeting in July 2017), which:
- included an opinion on the overall adequacy and effectiveness of the Council's internal control environment
- disclosed any qualifications to that opinion, together with any reasons for the qualification
- drew attention to any issues which are judged particularly relevant to the preparation of the annual Governance Statement.

56 The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2017/18 this Report includes the following statements:
- In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2017/18.
- A substantial assurance opinion is given on the adequacy and effectiveness of financial systems and a moderate assurance opinion on the adequacy and effectiveness of non financial systems in the internal control environment. There are no qualifications to this assurance.

The Council's External Auditors

57 External auditors, Ernst & Young LLP, provide an external review function through the audit of the annual accounts, assessment of value for money, certification of grant claims and the periodic inspection of services such as revenues and benefits. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.

58 The Annual Audit Letter 2016/17 was presented to the Audit Committee in March 2018 and the main conclusions for the year were:
- The 2016/17 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council; and
- The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

59 The Local Government contract for the Council was awarded to EY (Ernst and Young LLP) following re-tendering by the Audit Commission ahead of its abolition in March 2015. In December 2017 EY were appointed by PSAA as auditor for Three Rivers for 2018/19 onwards.

SIGNIFICANT GOVERNANCE ISSUES

60 The ‘normal’ running of Council business has and can be controlled through the governance framework detailed in this report. No outstanding matters were brought forward from 2016/17.

Certification Statement from the Leader of the Council and the Chief Executive

61 We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.

Signed ………..………………………….. **Date:**
Sara Bedford
Leader of the Council

Signed ………..………………………….. **Date:**
Dr Steven Halls
Chief Executive

EXPLANATION OF CORE FINANCIAL STATEMENTS

Movement in Reserves Statement (MIRS) (Page 26)

The MIRS 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 'unusable reserves.' The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practicies, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net (Increase)/Decrease line shows the statutory General Fund balance movements in the year following those adjustments.

Comprehensive Income and Expenditure Statement (CIES) (Page 27)

The CIES 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, and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MIRS).

Balance Sheet (Page 28)

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 is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. The second category of reserves is those that the Council is not able to use to provide services (unusable 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 29)

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.

MOVEMENT IN RESERVES STATEMENT (MIRS)

	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 2017	**(4,094)**	**(15,732)**	**(2,658)**	**(2,019)**	**(24,503)**	**(47,125)**	**(71,628)**
Movement in Reserves during 2017/18							
Total Comprehensive Expenditure and (Income) (CIES)	**2,040**				**2,040**	**(4,423)**	**(2,383)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	451		(2,594)	(149)	(2,292)	2,292	0
Transfers to/(from) Earmarked Rerserves (Note 33c)	(2,738)	2,738			0	0	0
(Increase)/ Decrease in 2017-18	(247)	2,738	(2,594)	(149)	(252)	(2,131)	(2,383)
Balance as at 31 March 2018	**(4,342)**	**(12,994)**	**(5,252)**	**(2,168)**	**(24,755)**	**(49,256)**	**(74,011)**

Restated 2016/17	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 2016	**(4,396)**	**(10,415)**	**(7,918)**	**(1,991)**	**(24,720)**	**(49,018)**	**(73,738)**
Movement in Reserves during 2016/17							
Total Comprehensive Expenditure and (Income) (CIES)	**(1,000)**				**(1,000)**	**3,110**	**2,110**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(4,015)		5,260	(28)	1,217	(1,217)	0
Transfers to/(from) Earmarked Rerserves (Note 34c)	5,317	(5,317)			**0**	0	**0**
(Increase)/ Decrease in 2016-17	**302**	**(5,317)**	**5,260**	**(28)**	**217**	**1,893**	**2,110**
Balance as at 31 March 2017	**(4,094)**	**(15,732)**	**(2,658)**	**(2,019)**	**(24,503)**	**(47,125)**	**(71,628)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

2016/17 GROSS EXPENDITURE	2016/17 GROSS INCOME	2016/17 NET EXPENDITURE		Note	2017/18 GROSS EXPENDITURE	2017/18 GROSS INCOME	2017/18 NET EXPENDITURE
£000	£000	£000			£000	£000	£000
			Services				
4,911	(1,190)	3,721	Leisure Wellbeing & Health		5,315	(1,432)	3,883
4,537	(1,911)	2,626	Sustainable Development, Planning & Transportation		3,380	(1,922)	1,458
4,969	(2,293)	2,676	General Public Services & Community Safety		5,387	(2,774)	2,613
33,127	(26,874)	6,253	Policy & Resources		36,522	(29,144)	7,378
47,544	**(32,268)**	**15,276**	**Cost of Services**	EFA	**50,604**	**(35,272)**	**15,332**
			Other Operating (Income)/Expenditure				
		1,670	Parish Council Precepts				1,824
		0	(Gain)/Loss on Disposal of Non-current Assets				1,697
		(194)	Other (Income)/Expenditure				(3,706)
		0	(Surplus)/Deficit on Revaluation of PPE assets	18a			3,917
		(2,654)	Unattached Capital Receipts	33b			(4,341)
			Financing & Investment (Income)/Expenditure				
		577	Net Interest on the Net Defined Benefit Liability/(Asset)				617
		(186)	Interest Receivable and Similar Income				(88)
		192	Income and Expenditure in Relation to Investment Properties				541
		(175)	Investment Properties- Changes in their Fair Value	20a			(1,356)
			Taxation and Non-Specific Grant (Income)				
		(7,719)	Council Tax Income	8			(8,088)
		(3,719)	Non-domestic Rates Income and Expenditure				(1,487)
		(3,244)	Non-ringfenced Government Grants	9			(1,455)
		(824)	Capital Grants & Contributions	9			(1,367)
		(1,000)	**(Surplus) or Deficit on Provision of Services**	8			**2,040**
		(2,893)	(Surplus)/Deficit on Revaluation of PPE assets				0
		6,003	Remeasurement of the Net Defined Pension Liability/(Asset)	34g			(4,423)
		3,110	**Other Comprehensive (Income) & Expenditure**				**(4,423)**
		2,110	**Total Comprehensive (Income) & Expenditure**				**(2,383)**

BALANCE SHEET

31 March 2017 £000	31 March 2017 £000		Note	31 March 2018 £000	31 March 2018 £000
		Property, Plant and Equipment:			
51,651		Land and Buildings	18	52,519	
5,754		Vehicles, Plant and Equipment	18	5,321	
707		Infrastructure Assets	18	502	
195		Community Assets	18	201	
5,764		Assets under Construction	18	0	
206		Heritage Assets	19	206	
8,805		Investment Properties	20	3,369	
1,595		Long Term Debtors	22	20,681	
	74,677	**Long Term Assets**			**82,799**
103		Assets Held For Sale	23	103	
27		Inventories	24	18,124	
8,681		Short Term Debtors	25	5,317	
20,037		Short Term Investments	36	8,009	
1,648		Cash and Cash Equivalents	26	13,588	
	30,496	**Current Assets**			**45,141**
(7,598)		Short Term Creditors	28	(11,368)	
	(7,598)	**Current Liabilities**			**(11,368)**
(1,141)		Long-term Creditors	29	(1,055)	
0		Deferred Receipt	30	(18,089)	
(977)		Provisions	31	(1,691)	
(23,829)		Liability related to Defined Benefit Pension Scheme	32	(21,724)	
	(25,947)	**Long Term Liabilities**			**(42,559)**
	71,628	**Net Assets**			**74,013**
(4,094)		General Fund Balance	34d	(4,342)	
(2,658)		Capital Receipts Reserve	34b	(5,252)	
(2,019)		Capital Grants Unapplied	33e	(2,168)	
(15,732)		Earmarked Reserves	34c	(12,994)	
	(24,503)	**Usable Reserves**			**(24,756)**
(37,983)		Capital Adjustment Account	35b	(37,471)	
(1,466)		Deferred Capital Receipts	35c	(1,464)	
3,726		Collection Fund Adjustment Account	35d	(1,046)	
(35,331)		Revaluation Reserve	35e	(31,062)	
100		Accumulated Absences Reserve	35f	62	
23,829		Pensions Reserve	34g	21,724	
	(47,125)	**Unusable Reserves**			**(49,257)**
	(71,628)	**Total Reserves**			**(74,013)**

Signed ……………………………………………

Joanne Wagstaffe CPFA
Director of Finance

Date:

Signed ……………………………………………

Councillor Keith Martin
Chairman of Audit Committee

Date:

CASH FLOW STATEMENT

2016/17 £000	2016/17 £000		Note	2017/18 £000	2017/18 £000
1,000		Net surplus or (deficit) on the provision of services	CIES	(2,040)	
5,430		Adjustments to net surplus or deficit on the provision of services for non cash movements	27a	(5,740)	
(2,721)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	27a	(5,053)	
	3,709	**Net cash flows from Operating Activities**			**(12,833)**
207		Investing Activities	27b	13,473	
(4,102)		Financing Activities	27c	11,300	
	(186)	**Net increase/(decrease) in cash and cash equivalents**			**11,940**
	1,834	**Cash and Cash equivalents at the beginning of the reporting period**			**1,648**
	1,648	**Cash and Cash equivalents at the end of the reporting period**	26		**13,588**

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link between the figures reported in the Narrative Statement and the Comprehensive Income & Expenditure Statement (CIES) notes.

Expenditure and Funding Analysis

2016-17				2017-18		
Net Expenditure chargeable to General Fund Balances £'000	Adjustments between funding and accounting basis Note7 £'000	Net Expenditure In the CIES £'000		Net Expenditure chargeable to General Fund Balances £'000	Adjustments between funding and accounting basis Note7 £'000	Net Expenditure In the CIES £'000
2,292	1,429	3,721	Leisure Wellbeing & Health	2,150	1,733	3,883
1,692	934	2,626	Sustainable Development, Planning & Transportation	1,018	440	1,458
1,943	733	2,676	General Public Services & Community Safety	1,607	1,006	2,613
5,590	663	6,253	Policy & Resources	5,029	2,349	7,378
11,517	**3,759**	**15,276**	**Net Cost of Services**	**9,804**	**5,528**	**15,332**
(16,532)	256	(16,276)	Other Income and Expenditure	(7,314)	(5,978)	(13,292)
			(Surplus) or Deficit on Provision of Services	2,490	(450)	2,040
5,317			Transfer (From) \ To Reserves	(2,738)		
302	**4,015**	**(1,000)**	**(Surplus) or Deficit as per Outturn**	**(249)**		

(4,396)			Opening General Fund Balance	(4,094)
302			(Surplus) or Deficit as per Outturn	(249)
(4,094)			**Closing General Fund Balance**	**(4,342)**

Note to Expenditure and Funding Analysis

2016-17					2017-18			
Adjustments for Capital Purposes £'000	Net Change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000		Adjustments for Capital Purposes £'000	Net Change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
1,201	122	106	1,429	Leisure Wellbeing & Health	1,374	322	37	1,733
810	105	19	934	Sustainable Development, Planning & Transportatio	213	225	2	440
582	146	5	733	General Public Services & Community Safety	587	416	3	1,006
788	341	(466)	663	Policy & Resources	1,269	1,003	77	2,349
3,381	**714**	**(336)**	**3,759**	**Net Cost of Services**	**3,443**	**1,966**	**119**	**5,528**
			256	Other Income and Expenditure from the funding analysis				**(5,978)**
			4,015	Difference between General Fund (surplus)\deficit and Comprehensive Income and Expenditure Statement (surplus) \ deficit				**(450)**

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies

1.01 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council must prepare an Annual Statement of Accounts per The Accounts and Audit (England) Regulations 2015. These require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 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; and
- 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, in principle 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. However, the Council has no overdraft facility.

1.04 Exceptional Items

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

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

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

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

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

1.06 Charges to Revenue for Long Term Assets

Services, support services and trading accounts are charged 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;
- and 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 (MIRS).

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 (e.g. 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 value 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 carry forward into the next financial year. The actual cost remains with the original year through accounting adjustments. so the accrual clarifies both the value of untaken leave and its potential operational impact for the Council (Note 34g).

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to Non-Distributed Costs in the CIES at the point when the Council can not withdraw the termination of the employment offer.

Where termination benefits involve the enhancement or early payment 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 MIRS, appropriations are required to and from the Pensions Reserve to remove the notional charges and credits for pension early retirement or enhancement termination benefits and replace them with actual payments made to both the pension fund and pensioners, plus any adjustments for 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 arrangments are summarised as follows:-

The Local Government Pension Scheme

- the LGPS 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 CIES 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 — charged to the Net Cost of Service in the CIES 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 — charged to the Financing and Investment Income and Expenditure line in the CIES;
- 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 CIES;
- 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 — charged or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
- actuarial gains and losses — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the MIRS Pensions Reserve;
- contributions paid to the Herts County Council pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the CIES.

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 MIRS, this means there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners, plus any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

Discretionary Benefits

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

1.08 Events After the Balance Sheet Date

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

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

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

1.09 Financial Instruments

Financial Liabilities

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

Financial Assets - Loans and Receivables

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

They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at Fair Value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES 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 CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (charged 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 CIES 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 charged and credited to the CIES 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 MIRS.

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 CIES. 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 charged to the Financing and Investment Income and Expenditure line in the CIES.

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 CIES 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 CIES.

Where capital grants are credited to the CIES, 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

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 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 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 service segments in accordance with the Council's arrangements for accountability and financial performance. Thus, income and expenditure allocated to services reflects their consumption of overheads and support costs as determined in the Council's apportionment policy.

1.16 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:-

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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 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).

Deprecation 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 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 disposal 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 simplfied 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 less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

The level of provisions are reviewed annually by the Council.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.19 Reserves

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

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

1.20 Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.21 Value Added Tax

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

1.22 Jointly Controlled Operations and Jointly Controlled Assets

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

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

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 arrangment 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 arrangment.

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,
* 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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

For 2017-18 the following are accounting standards that have been issued but have not yet been adopted:

- IFRS 9 Financial Instruments introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets.
There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.

- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model.
The Council does not have any material revenue streams within the scope of the new standard.

- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 33) in future years.
If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value.
Neither of the Council's subsidiary companies in the Group Accounts has such debt instruments.

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

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. This 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 these continuing arrangements.

4 Prior Period Adjustments

There were no prior period adjustments in 2017/18.

5 Events After the Balance Sheet Date

There were no events which had a material impact between the year end and the drafting of the accounts in May 2018.

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

The Statement 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 2018 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of these individual assumptions can have a major impact on the pension liability calculation. During 2017/18, The Council's actuaries advised that the net pensions liability had decreased by £3,012k as a result of estimates and assumptions being updated.
Arrears	At 31 March 2018, the Council had gross short term debtors totalling £7,932k A review of significant balances suggested a provision of (£2,621k) 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 2018 and 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 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.	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.

7 Adjustments between Accounting Basis & Funding Basis under Regulations

2017/18	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment					
Charges for depreciation and impairment of non-current assets	18a	(2,854)	0	0	2,854
Revaluation Losses on Property, Plant and Equipment	35b	(2,561)	0	0	2,561
Amortisation of intangible assets	17	(708)	0	0	708
Amounts of non current assets w/o on disposal/sale		(1,697)			1,697
Capital grants & contributions applied	34e	0	0	1,866	(1,866)
Revenue expenditure funded from capital under statute	21	(578)	0	0	578
Adjustments primarily involving the Capital Grants					
Capital grants & contributions unapplied credited to the CIES	34e	2,015	0	(2,015)	0
Adjustments primarily involving the Capital Receipts					
Use of Capital Receipts Reserve to finance new capital	34b	0	1,748	0	(1,748)
Unapplied capital receipts	34b	4,342	(4,342)	0	0
Adjustments primarily involving the Deferred Capital					
Adjustments primarily involving the Collection Fund					
Amounts by which CTax and NNDR income credited to the CIES	35d	4,772	0	0	(4,772)
Adjustments primarily involving the Accumulated Absences					
Amount by which officers remuneration charged to the CIES on	35f	38	0	0	(38)
Adjustments primarily involving the Pensions Reserve:					
Employer's pension contributions and direct payments to	35g	1,777	0	0	(1,777)
Reversal of items relating to retirement benefits debited or	35g	(4,095)	0	0	4,095
Total Adjustments		**451**	**(2,594)**	**(149)**	**2,292**

2016/17	Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
		£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:					
Charges for depreciation and impairment of non-current assets	18a	(2,430)	0	0	2,430
Revaluation Losses on Property, Plant and Equipment	34b	175	0	0	(175)
Amortisation of intangible assets	17	(61)	0	0	61
Capital grants & contributions applied		0	0	469	(469)
Revenue expenditure funded from capital under statute	21	(891)	0	0	891
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants & contributions unapplied credited to the CIES		(32)	0	32	0
Adjustments primarily involving the Capital Receipts Reserve:					
Use of Capital Receipts Reserve to finance new capital expenditure	33b	0	7,453	0	(7,453)
Proceeds from sale of long-term assets			(360)		
Unapplied capital receipts		2,721	(1,832)	(529)	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	(2,365)	0	0	2,365
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	(35)	0	0	35
Adjustments primarily involving the Pensions Reserve:					
Employer's pension contributions and direct payments to pensioners payable in year	34g	1,474	0	0	(1,474)
Reversal of items relating to retirement benefits debited or credited to the CI&E	34g	(2,571)	0	0	2,571
Other adjustments to General Fund Balances					
Total Adjustments		**(4,015)**	**5,261**	**(28)**	**(1,218)**

8 Expenditure and Income Analysed by Nature

The council's expenditure and income by nature is analysed as follows:

2016/17 Total £000		2017/18 Total £000
(9,983)	Fees and Charges	(10,636)
(361)	Interest and Investment Income	(192)
(7,719)	Income From Council Tax	(8,087)
(33,283)	Government Grants & Contributions (Including RSG and NNDR)	(32,440)
(2,655)	Gains / Losses on Long Term Assets	(4,341)
(328)	Support Services Recharge	(321)
(54,329)	**Total Income**	**(56,016)**
13,950	Employee Expenses	15,141
33,750	Other Service Expenditure	31,296
3,382	Depreciation, Amortisation and Impairment	7,480
1,670	Precepts and Levies	1,824
0	Gains / Losses on Fixed Assets	1,697
577	Pension Adjustments	617
53,329	**Total Expenditure**	**58,056**
(1,000)	**(Surplus)/Deficit on Provision of Services (I&E)**	**2,040**

9 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

2016/17 £000		2017/18 £000
	Credited to Taxation and Non Specific Grant Income	
(7)	Community Housing Fund	0
(6)	Council Tax New Burdens Grant	0
(1,968)	New Homes Bonus	(1,663)
(131)	Other	(140)
(874)	Revenue Support Grant	(336)
(859)	S106 contributions / Community Infrastucture Levy	(1,367)
35	Grant to parish Council	0
(258)	Section 31 grant	(684)
(4,068)		(4,190)
	Credited to Services	
0	Homelessness General Fund	(30)
(3)	Community Sports Network	1
(334)	Housing & Council Tax Benefit Administration Grant	(309)
(24,499)	Housing Benefits - DWP	(23,416)
(68)	Individual Electoral Registration	0
(16)	New Burdens	(0)
(95)	NNDR - Cost of Collection Grant	(105)
(82)	Other.	(103)
(13)	Parish & County Elections	(105)
(91)	Police & Crime Commissioner	5
(89)	Safer & Stronger Communities	(161)
(3)	Public Health	(75)
0	Parliamentary Elections	(146)
(53)	Referendums	0
(25,346)		(24,444)
(29,414)	**Total**	**(28,636)**

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:-

2016/17 £000		2017/18 £000
	Current liabilities-	
0	Grant Receipts in Advance (Capital Grants)	(716)
	Long term liabilities-	
(1,141)	Grant Receipts in Advance (Capital Grants) Section 106	(1,055)
(1,141)	**Total**	**(1,771)**

10 Joint Operations

The Council is party to the West Herts Crematorium Joint Committee under the Local Government Act 2000, as disclosed at note 15.

11 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 by Ernst & Young 2016/17 and 2017/18.

2016/17 £000		2017/18 £000
63	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	58
12	Fees payable for other services provided by external auditors during the year.	1
75	**Total**	**59**

12 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 and expenses paid in the year was £251,405 (£256,019 in 2016/17).

2016/17 £000		2017/18 £000
253	Allowances	249
3	Expenses (travel & subsistence)	2
256	**Total**	**251**

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

13 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:-

2016/17 No. of Employees	Remuneration Band			2017/18 No. of Employees
9	£50,000	-	£54,999	12
5	£55,000	-	£59,999	5
2	£60,000	-	£64,999	2
3	£65,000	-	£69,999	2
1	£70,000	-	£74,999	1
1	£75,000	-	£79,999	0
0	£80,000	-	£84,999	0
1	£85,000	-	£89,999	0
1	£90,000	-	£94,999	2
0	£95,000	-	£99,999	1
0	£100,000	-	£104,999	0
0	£105,000	-	£109,999	0
0	£110,000	-	£114,999	0
0	£115,000	-	£119,999	0
1	£120,000	-	£124,999	1
0	£125,000	-	£129,999	0
0	£130,000	-	£134,999	0
0	£135,000	-	£139,999	0
24				**26**

The Director of Finance is a shared post with Watford Borough Council. Three Rivers District Council as the lead authority, picks up the costs of this post which are 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.

2017/18 **Post**	Salary including fees & allowances £	Expenses Allowances £	Compen-sation for loss of office £	Pension Contribution £	Total Remuner-ation £
Chief Executive	123,334	0	0	22,221	145,555
Director of Finance (Shared post with WBC)	91,572	0	0	16,666	108,238
Director of Community & Environmental Services	92,837	0	0	16,671	109,508
Solicitor to the Council (Monitoring Officer)	52,890	0	0	9,626	62,516
	360,633	**0**	**0**	**65,184**	**425,817**

2016/17 **Post**	Salary including fees & allowances **£**	Expenses Allowances **£**	Compen-sation for loss of office **£**	Pension Contribution **£**	Total Remuner-ation **£**
Chief Executive	122,126	0	0	19,463	**141,588**
Director of Finance (Shared post with WBC)	90,665	0	0	14,597	**105,262**
Director of Community & Environmental Services	88,946	0	0	14,121	**103,067**
Solicitor to the Council (Monitoring Officer)	52,367	0	0	8,431	**60,798**
	354,104	**0**	**0**	**56,612**	**410,715**

There were no bonuses given during either period.

14 Termination Benefits

The Council terminated the contracts of 11 employees in 2017/18, incurring liabilities of £212,015 (£73,752 2016/17). Of this total, £212,015 (£73,752 2016/17) was payable in the form of compensation for loss of office and no payments (£nil 2016/17) 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:-

2016/17						2017/18		
Total number of comp redundancies	Total number of other departures	Total cost £ of exit packages	Cost Band			Total number of comp redundancies	Total number of other departures	Total cost £ of exit packages
1	1	4,433	£0	-	£20,000	5	2	51,074
0	3	69,139	£20,001	-	£40,000	2	1	74,434
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	1	0	86,507
0	0	0	£100,001	-	£150,000	0	0	0
1	**4**	**73,572**	**Total**			**8**	**3**	**212,015**

The total cost of £212,015 in the table above is for exit packages that have been charged to the Council's CIES in the current year.

15 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	Councillor	Represen-tative	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.
Jo Wagstaffe	Director of Finance	Treasurer		
		Designate-d Member	Three Rivers Housing Developments LLP	A limited liability partnership between Three Rivers Commercial Services Limited and Clarendon Living Limited
		Director	Three Rivers Commercial Services	Wholly owned subsidary of the Council
Andrew Scarth	Councillor	Chairman	Three Rivers District Council	Occasional transactions in the normal course of business
Bob Watson then Martin Henwood from 17 March 2018	Head of Finance	Board Member	Three Rivers Homes Limited	The Council has a 50% Stake
		Director	Watford Commercial Services Limited	Wholly owned subsidary of the Council
		Board Member	Hart Homes LLP	A Limited Liability partnership with Watford BC
Rupert Barnes	Councillor	Bookings Manager	St Oswalds Church	Occasional transactions in the normal course of business
Sarah Bedford	Councillor	Member	Abbots Langley Parish Council	Occasional transactions in the normal course of business
Steven Halls	Chief Executive	Board Chairman	Broste Rivers Ltd	Company wholly owned by seven Herts local authorities

Hertfordshire Pension Fund

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

16 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 of which Three Rivers District Council's share was £2.586m in 2017/18 (£2.675m 2016/17).

2016/17		2017/18		
Net Cost £000	Services	Provided by TRDC £000	Provided by WBC £000	Total Net Cost £000
1,522	Local Tax Collection	1,508	0	1,508
1,805	Housing Benefits	1,663	0	1,663
1,292	Finance	1,212	0	1,212
668	HR	0	801	801
1,434	ICT	0	1,355	1,355
6,721	**Net Cost of Services / Operating Expenditure**	**4,383**	**2,156**	**6,539**
(2,674)	Paid by Three Rivers District Council	(1,788)	(798)	(2,586)
(4,047)	Paid by Watford Borough Council	(2,595)	(1,358)	(3,953)
0	**(Surplus) / Deficit for the year**	**0**	**0**	**0**

17 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.

31 Mar 17 £000		31 Mar 18 £000
61	Expenditure on Software Licences	708
(61)	Written out in year of Acquisition	(708)
0	**Total**	**0**

During 2017/18, all capital expenditure recorded in this category (£52k) was written off in year (£61k 2016/17).

18 Property, Plant and Equipment

a) Movement of Property, Plant and Equipment

2017/18	Assets under Construction £000	Community Assets £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Total £000
Cost or valuation						
Gross at 1 April 2017	5,764	195	53,420	12,576	1,763	73,718
Additions	11,052	6	1,164	1,202	40	13,464
Revaluation increases recognised in the Revaluation Reserve	0	0	840	0	0	840
Revaluation (decreases) charged to the provision of services	(4,598)	0	(292)	0	0	(4,890)
Assets reclassified	(12,221)	0	0	0	0	(12,221)
Other movements in cost or valuation	3	0	0	(2)	(1)	0
Gross at 31 March 2018	**0**	**201**	**55,132**	**13,776**	**1,802**	**70,911**
Accumulated Depn. & Impairment						
Total at 1 April 2017	0	0	(1,769)	(6,822)	(1,056)	(9,647)
Depreciation Charge	0	0	(977)	(1,633)	(244)	(2,854)
Depreciation written out to the Revaluation Reserve	0	0	133	0	0	133
Total at 31 March 2018	**0**	**0**	**(2,613)**	**(8,455)**	**(1,300)**	**(12,368)**
Balance Sheet at 31 March 2018	**0**	**201**	**52,519**	**5,321**	**502**	**58,543**
Balance Sheet at 1 April 2017	**5,764**	**195**	**51,651**	**5,754**	**707**	**64,071**

2016/17	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2016	1,516	47	49,680	11,194	1,653	64,090
Additions	4,248	45	1,182	1,382	110	6,967
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	2,850	0	0	2,850
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	0	(189)	0	0	(189)
Assets reclassified	0	103	(103)	0	0	0
At 31 March 2017	**5,764**	**195**	**53,420**	**12,576**	**1,763**	**73,718**
Accumulated Depreciation & Impairment						
At 1 April 2016	0	0	(1,173)	(5,465)	(808)	(7,446)
Depreciation Charge	0	0	(825)	(1,357)	(248)	(2,430)
Depreciation written out to the Revaluation Reserve	0	0	229	0	0	229
At 31 March 2017	**0**	**0**	**(1,769)**	**(6,822)**	**(1,056)**	**(9,647)**
Balance Sheet Value at 31 March 2017	**5,764**	**195**	**51,651**	**5,754**	**707**	**64,071**
Balance Sheet Value at 1 April 2016	**1,516**	**47**	**48,507**	**5,729**	**845**	**56,644**

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 2017/18 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.

31 Mar 17 Total £000		Comm-unity ty Assets £000	Land & Buildings £000	Vehicles, Plant & Equip-ment £000	Infra-structure £000	31 Mar 18 Total £000
14,534	Carried at historical cost	201	0	13,776	1,802	15,779
	Valued at current value as at:					
0	31 March 2018	0	8,281	0	0	8,281
6,587	31 March 2017	0	6,587	0	0	6,587
10,184	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	14,757	0	0	14,757
1,557	31 March 2013	0	1,557	0	0	1,557
67,954	**Total Cost or Valuation**	**201**	**56,689**	**13,776**	**1,802**	**72,468**

19 Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated as part of the rolling 5 year programme. The Council has a rolling programme of repair and restoration of it 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.

2017/18	Musical Instrument £000	Works of Art £000	Civic Regalia £000	Total £000
Cost or valuation				
At 1 April 2017	150	41	15	206
At 31 March 2018	**150**	**41**	**15**	**206**

2016/17	Musical Instrument £000	Works of Art £000	Civic Regalia £000	Total £000
Cost or valuation				
At 1 April 2016	150	41	15	206
At 31 March 2017	**150**	**41**	**15**	**206**

20 Investment Properties and Surplus Assets

Information on Assets Held

a) Movement of Investment Properties and Surplus Assets

2017/18	Investm't Properties £000	Surplus Assets £000	Total £000
At 1 April 2017	8,805	0	8,805
Additions	773	0	773
Revaluation increases recognised in the (Surplus) / Deficit on the provisions of services	1,356	0	1,356
Derecognition - Disposals	(1,697)	0	(1,697)
Derecognition - Other	0	0	0
Assets reclassified (Inventory)	(5,868)	0	(5,868)
Assets reclassified (Land&Buildings)	0	0	0
At 31 March 2018	**3,369**	**0**	**3,369**
Balance Sheet Value at 31 March 2018	**3,369**	**0**	**3,369**
Balance Sheet Value at 1 April 2017	**8,805**	**0**	**8,805**

2016/17	Investm't Properties £000	Surplus Assets £000	Total £000
At 1 April 2016	8,630	0	8,630
Revaluation increases recognised in the (Surplus) / Deficit on the provisions of services	175	0	175
At 31 March 2017	**8,805**	**0**	**8,805**
Balance Sheet Value at 31 March 2017	**8,805**	**0**	**8,805**
Balance Sheet Value at 1 April 2016	**8,630**	**0**	**8,630**

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 propertes, the highest and best use of the properties is deemed to be their current use.

Valuers

The investment property portfolio has been valued at 31 March 2018 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.

2016/17 £000		2017/18 £000
(243)	Rental income from Investment Property	(38)
438	Direct operating expenses arising from Investment property	6
195	**Net (gain) / loss**	**(32)**

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.

21 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 17 £000		31 Mar 18 £000
0	**Opening Capital Financing Requirement**	0
	Capital Investment	
6,967	Property, Plant and Equipment	2,412
61	Intangible Assets	708
0	Investment Property	773
894	Revenue Expenditure Funded from Capital Under Statute	578
7,922		4,471
	Sources of Finance	
(7,453)	Capital Receipts	(1,748)
(469)	Government Grants and Other Contributions	(1,866)
(7,922)		(3,614)
0	**Closing Capital Financing Requirement**	**857**

At 31 March 2018 the Council had entered into contractual commitments valued at £2.961m (31 March 2017: £498k) in respect of its capital schemes.

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 17 £000		Net Movement in year £000	31 Mar 18 £000
2	Mortgages	(1)	1
1,554	Rent to Mortgage	(1)	1,553
23	Finance Leases as Lessor	0	23
16	Charges Registered to Properties	0	16
0	South Oxhey	18,088	18,088
0	Loan made by TRDC	1,000	1,000
1,595	**Total**	**19,086**	**20,681**

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 17 £000		31 Mar 18 £000
	Cost or valuation	
100	Balance at 1 April	103
3	Revaluation gains	0
103	**Balance at 31 March**	**103**

24 Inventories

The following inventories were held as at 31 March 2018:

31 Mar 17 £000		31 Mar 18 £000
2	Watersmeet Bar Stock	3
25	Fuel Stock	32
0	South Oxhey Initiatives Land	18,089
27	**Total**	**18,124**

25 Debtors - Short Term

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

31 Mar 17 £000		31 Mar 18 £000
3,714	Central Government Bodies	836
0	Local Authorities	1,268
6,678	Other Entities and Individuals	5,666
56	Payments in Advance	168
10,448		7,938
(1,767)	Less: Provision for Bad Debts / Impairment	(2,621)
8,681	**Total**	**5,317**

26 Cash and Cash Equivalents

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

31 Mar 17 £000		31 Mar 18 £000
	Current Assets	
2	Cash held by the Authority	3
1,646	Bank Current Accounts	13,585
1,648		13,588
	Current Liabilities	
0		0
1,648	**Total**	**13,588**

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:

2016/17 £000	2016/17 £000		2017/18 £000	2017/18 £000
		Note 27a- Operation Activities		
36		Interest received	117	
	36			**117**
2,430		Depreciation	2,854	
189		Impairment and downward valuations	0	
61		Amortisation	708	
1,245		Increase/(decrease) in creditors	(3,446)	
1,831		(Increase)/decrease in debtors	(684)	
(2)		(Increase)/decrease in inventories	(18,089)	
743		Movement in pensions liability	2,318	
0		Carrying Amount of non-current assets and non-current assets held for sale, sold or derecognised	3,675	
(1,067)		Other non-cash items charged to the net surplus/deficit on the provision of services	6,924	
	5,430			**(5,740)**
(2,192)		Proceeds from sale of property, plant, equipment, investment properety and intangible assets	(2,940)	
(529)		Any other items for which the cash effects are investing or financing cash flows	(2,113)	
	(2,721)			**(5,053)**
	2,745			**(10,676)**
		Note 27b- Investing Activities		
(6,970)		Purchase of property, plant, equipment, investment property and intangible assets	(3,895)	
(45,500)		Purchase of ST and LT investments	(44,000)	
0		Other payments for investing activities	(1,000)	
0		Proceeds from the sale of property, plant, equipment, investment property and intangible assets	4,341	
50,000		Proceeds from ST and LT investments	56,000	
2,677		Other receipts from investing activities	2,027	
	207			**13,473**
		Note 27c- Financing Activities		
(4,102)		Other payments for financing activities	11,300	
	(4,102)			**11,300**

28 Creditors - Short Term

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

31 Mar 17 £000		31 Mar 18 £000
(299)	Central Government Bodies	(4,579)
(1,503)	Other Local Authorities	(3,421)
(4,230)	Other Entities and Individuals	(1,597)
(1,566)	Receipts in Advance	(1,771)
(7,598)	**Total**	**(11,368)**

29 Creditors - Long Term

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

31 Mar 17 £000		31 Mar 18 £000
(1,141)	Section 106 Contributions receipts in advance	(1,055)
(1,141)	**Total**	**(1,055)**

30 Deferred Revenue Receipt

Deferred Receipt of £18.033m is related to South Oxhey Initiative project. This development project is between Countryside Properties (UK) Limited and the Council.

31 Mar 17 £000		31 Mar 18 £000
0	South Oxhey Receipt in Advance	(18,089)
0	**Total**	**(18,089)**

31 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 17 £000		Change £000	Used £000	Unused Reversal £000	Unwinding Discounting £000	31 Mar 18 £000
(87)	Land Charges	0	0	0	0	(87)
(890)	NDR Appeals Provision	(1,203)	489	0	0	(1,604)
(977)	**Total**	**(1,203)**	**489**	**0**	**0**	**(1,691)**

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.

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.The Council believes the provision of £87k is prudent.

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.

32 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. The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of HCC. Policy is determined in accordance with the Local Government Pension Scheme Regulations 2013. The investment managers of the fund are appointed by the Investment sub-committee of HCC and consist of the fifteen Investment Fund Managers.

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:-

2016/17 £000		2017/18 £000
	Comprehensive Income and Expenditure Statement (CIES)	
	Costs of Service	
	Service cost comprising:	
1,994	current service cost	3,478
	Financing and Investment Income and Expenditure	
577	Net Interest Expense	617
2,571	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**4,095**
	Other Post Employment Benefit Charged to the CIES	
	Remeasurement of the net defined benefit liability comprising:	
(1,086)	Changes in demographic assumptions.	(1,945)
(10,445)	Return on plan assets	(2,478)
16,471	Actuarial gains and losses arising on changes in financial assumptions	0
1,063	Other	0
6,003	**Total remeasurement recognised in Other CIES**	**(4,423)**
8,574	**Total Post Employment Benefit Charged to the CIES**	**(328)**
	Movement in Reserves Statement	
(8,574)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(328)
1,474	Employers' contributions payable to the scheme	1,777
1,474	**Actual amount charged against the General Fund Bal for pensions in the year**	**1,777**

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:

2016/17 £000		Net Movement in year £000	2017/18 £000
(105,606)	Present value of the defined benefit obligation	(1,537)	(107,143)
81,777	Fair value of plan assets	3,642	85,419
(23,829)	**Net liability arising from defined benefit obligation**	**2,105**	**(21,724)**

Defined Benefit Pension Scheme Cont.

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

2016/17 £000		2017/18 £000
70,398	Opening fair value of scheme assets at 1 April	81,777
2,368	Interest income	2,032
	Remeasurement gain/(loss):	
10,445	Return on plan assets	2,478
1,474	Contributions from employer	1,777
537	Contributions from employees into the scheme	571
(3,445)	Benefits paid	(3,216)
81,777	**Closing fair value of scheme assets at 31 March**	**85,419**

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

2016/17 £000		2017/18 £000
(87,127)	Opening Balance at 1 April	(105,606)
(1,994)	Current service costs	(3,478)
(2,945)	Interest cost	(2,649)
(537)	Contributions by scheme participants	(571)
	Remeasurement (gains) and losses:	
1,086	Actuarial gains and losses arising from changes in demographic assumptions	0
(16,471)	Actuarial gains and losses arising from changes in financial assumptions	1,945
(1,063)	Other	
3,445	Benefits paid	3,216
(105,606)	**Closing Balance at 31 March**	**(107,143)**

Defined Benefit Pension Scheme Cont.

Local Government Pension Scheme assets comprised

2016/17 Quoted active market £000	2016/17 Quoted non-active market £000	2016/17 Total £000		2017/18 Quoted active market £000	2017/18 Quoted non-active market £000	2017/18 Total £000
2,699	0	2,699	Cash and cash equivalents	2,851.0	0.0	2,851.0
			Equity instruments: by industry type			
6,376	0	6,376	Consumer	3,902.9	0.0	3,902.9
6,119	0	6,119	Manufacturing	3,357.2	0.0	3,357.2
1,474	0	1,474	Energy and Utilities	895.6	0.0	895.6
5,476	0	5,476	Financial Institutions	3,810.2	0.0	3,810.2
1,107	0	1,107	Health and Care	540.7	0.0	540.7
4,459	0	4,459	Information Technology	2,662.9	0.0	2,662.9
275	0	275	Other	203.1	0.0	203.1
27,986	0	27,986	Sub-total equity	15,372.6	0.0	15,372.6
			Bonds: by sector			
0	0	0	Corporate Bonds (inv. grade)	0.0	0.0	0.0
0	0	0	UK Government	0.0	0.0	0.0
0	0	0	Other	0.0	34.8	34.8
0	0	0	Sub-total bonds	0.0	34.8	34.8
			Property: by type			
0	2,646	2,646	UK Property	0.0	2,829.7	2,829.7
0	3,065	3,065	Overseas Property	0.0	2,788.7	2,788.7
0	5,711	5,711	Sub-total property	0.0	5,618.4	5,618.4
			Private Equity: by type			
0	3,776	3,776	All	0.0	3,240.9	3,240.9
0	3,776	3,776	Sub-total private equity	0.0	3,240.9	3,240.9
			Other Investment Funds:			
17,135	0	17,135	Equities	22,451.2	0.0	22,451.2
22,527	0	22,527	Bonds	30,720.6	0.0	30,720.6
0	186	186	Infrastructure	0.0	203.7	203.7
316	4,305	4,621	Other	636.2	4,357.9	4,994.1
39,977	4,491	44,468	Sub-total other investment funds	53,808.0	4,561.6	58,369.6
			Derivatives:			
0	(163)	(163)	Foreign exchange	0.0	(68.3)	(68.3)
0	(163)	(163)	Sub-total derivatives	0.0	(68.3)	(68.3)
67,963	**13,814**	**81,777**	**Total Assets**	**72,032**	**13,387**	**85,419**

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 2018.

The significant assumptions used by the actuary have been:

31 Mar 17		31 Mar 18
18.1%	**Total Returns from 1 April 2017 to 31 March 2018**	5.50%
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
22.5	• Men	22.5
24.9	• Women	24.9
	Longevity at 65 for future pensioners	
24.1	• Men	24.1
26.7	• Women	26.7
	Rate of inflation	
2.5%	Rate of increase in salaries	2.5%
2.4%	Rate of increase in pensions	2.4%
2.5%	Rate for discounting scheme liabilities	2.6%

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

	2017/18 £000
Rate of increase in salaries (increase by 0.5%)	1,382
Rate of increase in pensions (increase by 0.5%)	8,604
Rate for discounting scheme liabilities (decrease by 0.5%)	10,115
	20,101

Information about the Defined benefit obligation

	Liability Split	Weighted Average Duration
Active members	42.8%	22.6
Deferred members	19.8%	21.2
Pensioner members	37.4%	11.0
Total	**100.0%**	**16.7**

Funding levels are monitored on an annual basis, and the next triennial review is due to be based on 31 March 2018 data. The fund liability may go up or down based on this review, and a sensitivity analysis is set out within this note under “impact on the defined benefit obligation in the scheme”. The total value of contributions expected to be made by the Council in 2018/19 is £1.775m.

33 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.

Contingent Liability -
The Council is dealing with a claim for damages in the region of £125k, as a result of refusing permission to fell a TPO tree – under the Town and County Planning Act 1990 and the 2102 regulations.

The Council might have to pay around £115k for the removal of Asbestors for the housing stock transferred to Thrives Homes Limited.

34 Usable Reserves

a) Movement in Reserves

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

Balance at 31 Mar 16 £000	Net Movement in Year £000	Balance at 31 Mar 17 £000	Reserve	Net Movement in Year £000	Balance at 31 Mar 18 £000	Further Detail Note
(4,396)	302	(4,094)	General Fund Balance	(249)	(4,343)	34d
(7,918)	5,260	(2,658)	Capital Receipts Reserve	(2,594)	(5,252)	34b
(1,991)	(28)	(2,019)	Capital Grants Unapplied	(149)	(2,168)	33e
(10,415)	(5,317)	(15,732)	Earmarked Reserves	2,738	(12,994)	34c
(24,720)	**217**	**(24,503)**	**Total net worth**	**(254)**	**(24,757)**	

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.

2016/17 £000		2017/18 £000
(7,918)	**Balance brought forward at 1 April**	**(2,658)**
	Received in year	
(361)	Proceeds from sale of long-term assets	(81)
(1,101)	Shares in preserved Right to Buy (Unattached Capital Receipts)	(1,886)
(251)	VAT Shelter compensation (Unattached Capital Receipts)	(354)
(448)	Other Receipts (Unattached Capital Receipts)	(2,021)
(2,161)		**(4,342)**
	Applied in year	
7,453	Transferred to Capital Adjustment Account to finance new capital expenditure	1,748
(32)	Advances re-paid	0
7,421		**1,748**
(2,658)	**Balance carried forward at 31 March**	**(5,252)**

c) Earmarked Reserves

This note sets out the amounts set aside from the General Funding earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

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.
NNDR Collection Fund	To fund fluctuations due to timing differences in the collection fund

Balance at 01-Apr-16 £000	Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31 Mar 17 £000		Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31 Mar 18 £000
(1,749)	0	0	(1,749)	Section 106 Commuted Sums	(27)	14	(1,762)
(42)	(751)	39	(754)	Community Infrastructure Levy	(1,336)	0	(2,090)
(3,067)	0	0	(3,067)	Future Capital Expenditure	0	0	(3,067)
(2,545)	(997)	0	(3,542)	New Homes Bonus	(864)	0	(4,406)
0	0	0	0	Building Control	(135)	0	(135)
(820)	0	60	(760)	Leavesden Hospital Open Space	0	0	(769)
(92)	0	0	(92)	Environmental Maintenance Plant	0	0	(92)
(2,000)	0	0	(2,000)	Economic Impact	(100)	1,427	(673)
(100)	0	0	(100)	High Street Innovation Fund	0	100	0
0	(3,669)	0	(3,669)	NNDR Collection Fund	0	3,669	0
(10,415)	**(5,417)**	**99**	**(15,733)**	**Total at 31 March**	**(2,462)**	**5,210**	**(12,994)**

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:

2016/17 £000		2017/18 £000
(4,396)	Balance brought forward at 1 April	(4,094)
(5,015)	Net increase/(decrease) before transfers to earmarked reserves	2,491
5,317	Transfer (to)/from earmarked reserves	(2,738)
(4,094)	**Balance carried forward at 31 March**	**(4,342)**

e) Capital Grant Unapplied

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

2016/17 £000		2017/18 £000
(1,991)	**Balance brought forward at 1 April**	**(2,019)**
(53)	Section 106- grants held for future use (new in year)	(554)
(476)	Grants received	(1,461)
(529)	**Total grants received**	**(2,015)**
469	Section 106- grants applied (to CAA)	1,866
32	Section 106- grants applied	0
501	**Total Grants applied**	**1,866**
(2,019)	**Balance carried forward at 31 March**	**(2,168)**

35 Unusable Reserves

a) Movement in Reserves

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

Balance at 31 Mar 16 £000	Net Movement in Year £000	Balance at 31 Mar 17 £000	Reserve	Net Movement in Year £000	Balance at 31 Mar 18 £000	Further Detail Note
(32,930)	(5,053)	(37,983)	Capital Adjustment Account	512	(37,471)	35b
(1,466)	0	(1,466)	Deferred Capital Receipts	2	(1,464)	35c
1,361	2,365	3,726	Collection Fund Adjustment Acct	(4,772)	(1,046)	35d
(32,778)	(2,553)	(35,331)	Revaluation Reserve	4,269	(31,062)	35e
67	33	100	Accumulated Absences Reserve	(38)	62	35f
16,729	7,100	23,829	Pensions Reserve	(2,105)	21,724	34g
(49,017)	**1,892**	**(47,125)**	**TOTAL**	**(2,132)**	**(49,257)**	35g

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.

b) Capital Adjustment Account Cont.

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

2016/17 £000		2017/18 £000
(32,930)	**Balance brought forward at 1 April**	**(37,983)**
	Reversal of items relating to capital expenditure debited/credited to CIES	
2,430	Charges for depreciation and impairment of non-current assets	2,854
61	Amortisation of Intangible Assets	708
189	Revaluation (gains) / losses on PPE	4,890
891	Revenue Expenditure Funded from Capital under Statute	578
0	Amounts of non-current assets w/o on disposal/sale as part of the gain/loss on disposal to the CIES	1,697
(528)	Adjusting amounts w/o of the Revaluation Reserve	(5,244)
3,043	**Net w/o amount of the cost of non-current assets consumed in the year**	**5,483**
	Capital financing applied in the year:	
(7,453)	Use of Capital Receipts Reserve to finance new capital expenditure	(1,748)
(397)	From Capital Grants Unapplied	(1,867)
(72)	From S106 Capital Grants receipts in advance	0
(7,922)		**(3,615)**
	Other Movements:	
(175)	Movement in Market value of Investment Properties credited to the CIES	(1,356)
1	Other Movements	0
(37,983)	**Balance carried forward at 31 March**	**(37,471)**

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 21 and 22 for details.

2016/17 £000		2017/18 £000
(1,466)	Balance brought forward at 1 April	(1,466)
0	Finance Lease Mitigation	2
(1,466)	**Balance carried forward at 31 March**	**(1,464)**

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.

2016/17 £000		2017/18 £000
1,361	Balance brought forward at 1 April	3,726
2,365	Amount by which council tax and non-domestic rates income credited to CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(4,772)
3,726	**Balance carried forward at 31 March**	**(1,046)**

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.

2016/17 £000		2017/18 £000
(32,779)	Balance brought forward at 1 April	(35,331)
(3,914)	Upward Revaluation of assets	(2,010)
835	Downward Revaluation of assets and impairment losses not charged to Deficit on the Provision of service	1,037
(3,079)	Net (Surplus) on revaluation of non-current assets not posted to the (Surplus) on the Provision of Services	(973)
527	Difference between fair value depreciation and historical cost depreciation	584
0	Other movements	4,658
527	Amount written off to the Capital Adjustment Account	5,242
(35,331)	**Balance carried forward at 31 March**	**(31,062)**

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.

2016/17 £000		2017/18 £000
67	Balance brought forward at 1 April	100
(67)	Settlement of accrual made at the end of preceding year	(100)
100	Amounts accrued at the end of the current year	62
100	**Balance carried forward at 31 March**	**62**

g) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employments benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES 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.

2016/17 £000		2017/18 £000
16,729	Balance brought forward at 1 April	23,829
6,003	Remeasurements of the net defined benefit liability/(asset)	(4,423)
2,571	Reversal of items relating to retirement benefits debited/(credited) to the Surplus/Deficit on the Provision of Services in the CIES	4,095
(1,474)	Employer's pension contributions and direct payments to pensioners payable in year	(1,777)
23,829	**Balance carried forward at 31 March**	**21,724**

36 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Financial Instruments - Balances

The Balance Sheet includes the following financial instruments:-

Non-current 31 Mar 17 £000	Current 31 Mar 17 £000		Non-current 31 Mar 18 £000	Current 31 Mar 18 £000
		Investments		
	20,037	Financial assets at fair value through profit and loss		8,009
		Debtors		
1,595		Loans and receivables	20,681	
	8,681	Financial assets carried at contract amount		5,149
	1,648	Cash and Cash Equivalents		13,588
		Borrowing		
0		Financial liabilites at amortised cost	0	
	0	Financial liabilites at fair value through profit and loss		0
		Other long-term Liabilities		
0		PFI and Finance Leases	0	
		Creditors		
(1,141)		Financial liabilities at amortised cost	(1,055)	
	(7,598)	Financial liabilities carried at contract amount		(9,597)
454	**22,768**	**Total**	**19,626**	**17,149**
23,222			**36,775**	

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:

- 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 1 February 2017 and is available on the Council website. The key issues within the strategy were:-

- the Authorised Limit for 2017/18 was set at £12m (£12m 2016/17). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary 2017/18 was expected to be £10m (£10m 2016/17). 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 2017/18, which was approved by the Council on 21 February 2017, 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 2018 that this was likely to crystallise.

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

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

Liquidity risk

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

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

The Council does not generally allow credit for its trade debtors, such that £0.738 million of the £5.666 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 17 £000		31 Mar 18 £000
347	Less than 3 months	662
33	More than 3 months, less than 6 months	10
17	More than 6 months, less than 1 year	19
39	More than 1 year	47
436	**Total**	**738**

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 2018 is as follows:-

31 Mar 17 £000		31 Mar 18 £000
20,037	Less than 1 year	8,009
20,037	**Total**	**8,009**

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 CIES

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

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

2016/17 £000		2017/18 £000
223	Increase in interest receivable on investments with consequential change in Income and Expenditure Account	140

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).

2016/17				2017/18		
£000	£000			£000	£000	£000
			Note	NNDR	Council Tax	Total
		Income				
(58,420)		Council Tax Payers			(61,505)	
(27,866)		Business Rate Payers		(26,946)		
		Contribution towards previous year's deficit		(12,976)		
	(86,286)	**Total Income**		**(39,922)**	**(61,505)**	**(101,427)**
		Expenditure				
		Council Tax				
57,381		Precepts and Demands	*CF3*		60,876	
		Bad and Doubtful Debts				
(268)		Net Increase/(Decrease) in Provision			98	
		Business Rates				
14,616		Shares to Preceptors and the Council	*CF4*	12,883		
14,616		Central Government Share	*CF4*	12,883		
68		Transitional Protection Payment		211		
		Bad and Doubtful Debts and Appeals				
(2,670)		Net Increase/(Decrease) in Provision		1,961		
95		Cost of Collection		93		
		Contributions towards previous year's surplus				
452		Council Tax	*CF5*		379	
7,330		Business Rates		0		
	91,620	**Total Expenditure**		**28,031**	**61,353**	**89,384**
	5,334	**(Increase) / Decrease in Collection Fund**		**(11,891)**	**(152)**	**(12,043)**
	2,854	Fund Balance - (Surplus) / Deficit at 1 April		9,863	(1,675)	8,188
	8,188	**Fund Balance - (Surplus) / Deficit at 31 March**		**(2,028)**	**(1,827)**	**(3,855)**

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 2017/18.

2016/17		2017/18				
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
1	A (Disabled Relief)	0	0	0	5/9	0
325	A	842	(327)	515	6/9	343
761	B	2,042	(1,019)	1,023	7/9	796
4,059	C	6,359	(1,744)	4,615	8/9	4,103
7,984	D	9,879	(1,796)	8,084	9/9	8,084
8,102	E	7,417	(737)	6,680	11/9	8,164
5,651	F	4,270	(316)	3,954	13/9	5,712
7,856	G	5,072	(295)	4,778	15/9	7,963
2,861	H	1,516	(73)	1,443	18/9	2,885
37,600		**37,397**	**(6,306)**	**31,091**		**38,049**
(376)	Less: Allowance for losses on collection					(381)
143	Add: Contributions in lieu of tax					144
37,367	Tax Base for Calculation of Council Tax					**37,812**
636	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and empty properties					390
38,004	**Council Tax Base for the Year**					**38,202**

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 £1,609.98 (£1,537.21 for 2016/17).

All numbers have been calculated to two decimal places and then rounded. Consequently some rows and columns may appear to not add up.

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:

2016/17		2017/18
£67,430,357	Total Non-domestic Rateable Value at 31 March	£69,630,175
49.7	National Non-domestic Rate Multiplier - Standard	47.90
48.4	National Non-domestic Rate Multiplier - Small Business	46.60

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 vale of less than £18,000.

CF3 Precepts And Demands - Council Tax

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

2016/17 £000	Council Tax	2017/18 £000
	Precepts:	
44,341	Hertfordshire County Council	47,107
5,493	Hertfordshire Police and Crime Commissioner (PCC)	5,747
	Demand:	
7,548	Three Rivers District Council	8,022
57,382	**Total**	**60,876**

CF4 Shares - Business Rates

2016/17 £000	Business Rates	2017/18 £000
2,923	Hertfordshire County Council	2,577
11,693	Three Rivers District Council	10,306
14,616	Central Government	12,883
29,232	**Total**	**25,766**

NOTES TO THE COLLECTION FUND

CF5 Collection Fund Surpluses and Deficits

The Council Tax surplus that was generated up to 31 March 2017 was distributed to Herfordshire County Council, Hertfordshire Police and Crime Commisioner and Three Rivers District Council during 2017/18. 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

2016/17 Total £000	Council Tax	Herts County Council £000	Herts PCC £000	Three Rivers DC £000	2017/18 Total £000
(452)	Surplus Distribution	(291)	(38)	(50)	**(379)**

The Council Tax surplus of £1,827k at 31 March 2018 will be distributed in subsequent financial years.

The Business Rates surplus at 31 March 2018 will be distributed 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.

This indicates share due to Three Rivers DC from the 2017/18 surplus is:

	£000
Council Tax:	235
NNDR:	811
	1046

CF6 Distribution of Balances

Balances relating to the Collection Fund have been apportioned between the local authorities, preceptor and central government, and are reflected on their balance sheets as follows:-

2016/17 Total £000	Council Tax	Herts County Council £000	Three Rivers DC £000	Herts PCC £000	2017/18 Total £000
(1,675)	**Collection Fund Balance**	**(1,416)**	**(235)**	**(176)**	**(1,827)**

2016/17 Total £000	Business Rates	Herts County Council £000	Three Rivers DC £000	Central Government £000	2017/18 Total £000
9,863	**Collection Fund Balance**	**(203)**	**(811)**	**(1,014)**	**(2,028)**

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/billing 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/asset 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.

GLOSSARY OF TERMS AND ABBREVIATIONS

Earmarked Reserves
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.

GLOSSARY OF TERMS AND ABBREVIATIONS

National Non-Domestic Rates (NNDR)
Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collected Non-Domestic Rates for its area based on local rateable values (set by DCLG), multiplied by nationally set rates. The total amount, less certain reliefs and deductions, was paid to a central pool managed by the Government, which in turn, paid back to Authorities their share of the pool based on a standard amount per head of the local adult population.
New arrangements for the distribution of NNDR came into force on 1 April 2013.

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

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

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

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

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

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

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

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

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