

STATEMENT OF ACCOUNTS 2016/17

Borough of Broxbourne



**BOROUGH OF
BROXBOURNE**
2017: Year of the Environment

Contents

	Page
Narrative Report to the Statement of Accounts	1
Explanation of the Financial Statements	6
Expenditure and Funding Analysis	7
Movement in Reserves Statement	8
Comprehensive Income and Expenditure Statement	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Core Financial Statements	12
Collection Fund Statement and Notes	54
Group Accounts	57
Group Expenditure and Funding Analysis	58
Group Movement in Reserves Statement	59
Group Comprehensive Income and Expenditure Statement	60
Group Balance Sheet	61
Group Cash Flow Statement	62
Notes to the Group Accounts	63
Statement of Responsibilities for the Statement of Accounts	65
Certificate of Chief Finance Officer	65
Approval of the Statement of Accounts	65
Report of the Auditors	66
Glossary of Financial Terms	68

Narrative Report to the Statement of Accounts



Introduction to the Borough

The Borough of Broxbourne is located in southeast Hertfordshire, adjoining London to the south and Essex to the east. It has an area of around 20 square miles and a population of 95,700 (source: Office for National Statistics mid-2014 population estimate). The largest towns are Cheshunt, Hoddesdon, and Waltham Cross.

73% of residents aged 16-74 are economically active. About half of them commute to work outside the Borough. Local employment is mixed, with a predominance of distribution, hotels and catering, some manufacturing, including chemicals, and business and financial services.

Residents aged 60-74 make up approximately 14.1% of the population. Over the next 10 years, due to ageing population trends and longer life expectancy, the proportion of residents aged over 75 is likely to increase significantly from its current level of 8.3%. This will pose new challenges for health and other services in the Borough.

Certain parts of the Borough; Broxbourne, Goffs Oak, and Hoddesdon, are among the least deprived areas in the country. However, there are also areas with somewhat higher levels of deprivation, particularly in Turnford, Waltham Cross and Wormley (source: Census 2011).

The 2011 Census showed that 84% of Broxbourne households have a car, which is above the national average. The Borough is well served for public transport heading north and south, but services going east or west are limited.

For housing, the level of owner occupation is above the national average. There is a small, but growing, private rented sector, and the number of houses divided into bedsits has been steadily increasing over the past decade.

Broxbourne Borough Council has an approximate headcount of 500 staff with offices in Cheshunt, One Stop Shops in Cheshunt, Hoddesdon and Waltham Cross and Leisure Centres in Cheshunt and Hoddesdon. The Council also provides an 18 hole golf course and a theatre and cinema facility which can accommodate seating for 566 people.

Political Structure

The Borough of Broxbourne is made up of 10 wards and the Council consists of 30 Councillors, following a recent bi-election the political make-up of the Council is :

Conservative Party	27 Councillors
Labour Party	2 Councillors
UK Independence Party	1 Councillor

The Council has adopted the Leader and Cabinet model as its political structure. The Leader of the Council (Councillor Mark Mills-Bishop) has responsibility for the appointment of the members of the Cabinet and the allocation of areas of responsibility for each Cabinet Member. The Cabinet are held accountable by the Scrutiny Committee.

Narrative Report to the Statement of Accounts

Management Structure

The organisational structure of the Council is headed by the Corporate Management Team (CMT), led by the Chief Executive, Jeff Stack.

During the year CMT comprised the Director of Environmental Services and the Director of Finance. The Head of Legal Services attends the CMT meetings in her role as the Council's Monitoring Officer. This ensures that CMT is represented by the key statutory officers. CMT is responsible for the delivery of the Council's services with the support of a workforce of approximately 500 staff who deliver the corporate objectives of;

- Ambition Broxbourne: a thriving economy
- Beautiful Broxbourne: enhancing the quality of life
- Innovative Broxbourne: an effective, enabling Council

Medium Term Financial Strategy and 2016/17 Budget Setting

The Council's Medium Term Financial Strategy (MTFS) covers the upcoming four year period and anticipates the funding reductions and spending pressures the Council is facing and the level of savings that will be needed to enable the Council to set a balanced budget. This strategy assists the Council in meeting the challenges of the future by ensuring that its limited financial resources are targeted to the Council's corporate objectives.

Prior to the setting of the 2016/17 budget, the MTFS was updated and a savings requirement of £2.6m was identified for the period up to 2019/20 of which £1.04m was required for 2016/17. However, in order to smooth the delivery of savings over the period, savings and additional income to a value of £1.3m were identified and delivered in 2016/17.

In October 2016 the Council submitted an efficiency plan to the Department for Communities and Local Government (DCLG) outlining how the funding shortfall over the period to 2019/20 would be met. This plan was accepted by DCLG and the Council therefore was able to take advantage of the four year settlement offer providing certainty over the funding the Council will receive over the coming years.

The MTFS has been updated again in light of the four year settlement and the 2017/18 budgets, which were approved in February 2017. A funding gap of £442k has been calculated for the next three years. However, with the framework of savings outlined in the efficiency plan and other initiatives which are being planned, the Council is in a very strong position to meet this challenge.

Capital Programme

As at 1 April 2016 the Council held capital reserves of £22.7m. These reserves are used to partly fund the annual capital programme. The 2016/17 capital programme included £6.4m allocated to investment property acquisitions to generate additional income to the Council. This includes an allocation to the Council's wholly owned subsidiary, Badger BC Investments Ltd, to acquire and develop residential property to let to tenants in the private sector. Just over £0.7m was allocated for improvements to the town centres in Hoddesdon and Waltham Cross.

During the year, the Ambition Broxbourne Business Centre was completed and the first businesses took up occupation in December 2016. The centre was the result of a £4.6m investment which was part funded by the Hertfordshire Local Enterprise Partnership (LEP) and, when fully occupied, it will support 120 companies and create 300 jobs.

Also during the year, new community facilities were built at Pound Close in the north of the Borough, £1.6m has been committed for affordable housing schemes and following the popularity of the first community mausoleum, a second mausoleum has been built in Cheshunt cemetery. The income received from the sale of the chambers at the mausoleum has been re-invested in capital expenditure.

Financial Performance for 2016/17

The 2016/17 statement of accounts has been prepared in accordance with the requirements of the CIPFA Local Authority Code of Practice (The Code). The financial position of the Council continues to be robust. The budget was set on 1 March 2016 at £7.7m. In overall terms the Council achieved a surplus of £278k.

Narrative Report to the Statement of Accounts

At the year end, the surplus on the General Fund was transferred to earmarked reserves: the General Fund balance therefore remained at £6.2m. Significant variations from the budget and the reasons for these are set out below:

	Variance (Fav)/Adv £000	Variance (Fav)/Adv %
Employee Costs	(192)	(1.9%)
Savings resulting from transferring staff to Hertfordshire Building Control Ltd and salary savings from vacant posts while positions are being recruited to.		
Premises Costs	678	19.2%
Increases in bed and breakfast charges for temporary accommodation and subcontractors used for repairs and maintenance partly offset by reductions in business rate liabilities.		
Transport and Plant	(17)	(1.3%)
Savings resulting from lower vehicle running costs.		
Supplies and Services	(548)	(11.1%)
Amendments to the Local Plan timetable have meant that anticipated expenditure on inquiries, legal fees and consultants has been deferred to future years. Savings were also made in communication campaigns relating to the waste and recycling service changes and in the use of consultants for Economic Development initiatives.		
Agency and Contracted Services	228	16.7%
Additional expenditure with contractors, namely revenues, benefits, IT and Hertfordshire Building Control. These costs were partly offset by salary savings.		
Allowance for Non Collection of Outstanding Debts	(73)	(26.3%)
Reduction in provision for unpaid invoices, mainly relating to housing benefit overpayments.		
Benefit Payments	961	2.7%
Higher housing benefit claims and reduction in benefit admin grant, this is partly offset by benefit subsidy received from central government.		
Government Grants	(827)	(2.3%)
Additional government funding received for rent rebates and allowances offset by higher benefit payments.		
Other Grants and Contributions	(289)	(10.7%)
A contribution was received from the Local Enterprise Partnership (LEP) to reimburse the cost of works undertaken on their behalf. Income was also received to offset the costs of the European and Police Commissioner elections.		
Rents	(417)	(8.9%)
Additional income received as a result of the near full occupation of the Council's commercial property portfolio.		
Sales	(28)	(7.6%)
Income received for sales of recycled textiles was higher than expected.		
Fees and Charges	(1,574)	(33.6%)
Income from the immurement fees from the second community mausoleum were received during this financial year. Additional income has also been received from service charges at commercial properties and increased volumes of planning applications.		
Agency Reimbursements	7	(13.5%)
A lower than budgeted contribution was received from Hertfordshire County Council for waste transportation.		

Narrative Report to the Statement of Accounts

Non-Financial Performance of the Council 2016/17

During 2016/17 the Council's innovative and commercial approach to meeting its financial challenges were recognised as it won two national awards.

At a ceremony on Wednesday 8 March, the Council won a prestigious Local Government Chronicle (LGC) award for 'Entrepreneurial Council of the Year'. In order to win the award, the Council had to demonstrate:

- Innovation and ambition
- A successful commercial mind set
- Quality and customer satisfaction
- Staff enthusiasm for entrepreneurialism

The award recognised the Council's resilience to Government budget cuts and increasing costs, and acknowledged that this can largely be attributed to the forward thinking and entrepreneurial culture embedded in Broxbourne. The Council set up a successful housing company (Badger BC Investments Ltd) and has been investing in commercial property, increasing sales at leisure sites and achieving income through joint ventures like the new crematorium at Hoddesdon (Woollensbrook).

The Council has a strong history of entrepreneurialism, which can be seen through the opportunities pursued and the swiftness with which they are taken.

The second award received was the Bronze winner of the 2017 'Remodelling Local Services' Award by iESE (Improvement and Efficiency Social Enterprise) at a ceremony which took place in London on 4 April.

To win the award the Council had to demonstrate how it created the greatest impact in reducing the overall cost of public service. The chosen case study presented by Council representatives focused on the Cemeteries Service, which aims to provide a service that fully meets the needs of residents and provides sensitive customer care at a difficult time.

Other key achievements for the year were:

- Completion of 76 new affordable homes
- Users of the Council's outdoor facilities and visitor numbers at Cedars Park continued to increase
- Dry recycling rates increased from 18.4% to 20.2%
- All telephone calls to the contact centre were answered in under 10 seconds and 98.5% of all customer complaints were responded to within 10 working days
- Virtually full occupation of the commercial property portfolio

Narrative Report to the Statement of Accounts

Corporate Risks

Risk Description	Mitigation
Reduction in financial resources and increased demand for services leading to inappropriate budgetary cuts which impacts upon the delivery of public services and achieving strategic goals.	The Medium Term Financial Strategy details the financial pressures facing the Council. Members have been presented with a list of potential savings and income generating ideas, which will mitigate the impact of reduced financial resources.
Local economic development including training for employment, town centres and strengthening the quality of the local commercial base, is not sustained.	The Ambition Broxbourne strategy outlines the initiatives the Council is pursuing to ensure that inward investment is achieved within the Borough.
The Local Plan is not published within Government deadlines.	A process for the adoption of the plan is in place. The plan will be prepared to ensure it complies with government policy.
Increased levels of homelessness cannot be accommodated within the Council's existing hostel provision, meaning that a more costly solution has to be procured.	The Homelessness Strategy provides a framework for minimising homelessness and ensuring optimum use of the available resources. Additional temporary accommodation has been procured and approval granted for additional acquisitions should the need arise.
New mechanisms for the delivery of services such as joint working, partnering or outsourcing: <ul style="list-style-type: none"> ● are not cost effective ● lead to a reduction in service quality ● create a critical over-reliance on those service providers. 	The Council's key partnerships have been identified and assessed. Governance structures are in place and senior officers within the Council have been identified to manage contracts. In relation to the Sopra Steria contract, which is the most significant with regard to the number of services involved, regular board meetings are held between the client and service provider in addition to the contract management role Welwyn Hatfield Borough Council play.
Non delivery of key services and the protection of resources in the event of a significant disruptive incident.	Borough Emergency and Business Continuity Plans are in place and have been tested.

Both the Council's financial and non-financial performance continues to be good and the Council is well placed to adapt to the future challenges it faces and continues to take advantages of opportunities.



Sandra Beck FCCA
Director of Finance

Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. The accounts for the year ending 31 March 2017 are set out on pages 7 to 65 of this document and consist of a number of statements. Much of the information in the document is of a technical nature and has been completed to be compliant with the 2016/17 CIPFA Local Authority Accounting Code of Practice (The Code) and Service Reporting Code of Practice (SeRCOP). The statement of accounting policies explains the policies adopted by the Council to complete these accounts.

The **Expenditure and Funding Analysis** shows how the Council's annual expenditure is allocated for decision making purposes between the Council's departments and how this expenditure is split between that which is funded from General Fund resources (eg: council tax, business rates, rents and fees and charges) and that which is as a result of accounting practices. The analysis ties back the £458k reduction in reserves shown in the Movement in Reserves Statement and the £7.4m surplus on the provision of services shown in the Comprehensive Income and Expenditure Statement.

Core Financial Statements

The **Movement in Reserves Statement** shows the movement in the reserves held by the Council analysed into 'usable reserves' (i.e. those that can be used to fund expenditure) and other 'unusable' reserves. Total reserves at 31 March 2017 were £130.7 million compared with £123.9 million at 31 March 2016. The Movement in Reserves Statement reconciles the £7.4 million surplus on the Comprehensive Income and Expenditure Statement to the movement in the General Fund balance and its accompanying note (note 6) provides a breakdown of the adjustments between the accounting basis and funding basis under regulations. These include reversals of depreciation and the adjustments made to comply with International Accounting Standard 19 (employee benefits), entries relating to the financing of capital expenditure from revenue and vice versa, gains on the revaluations of non current assets and actuarial gains and losses on the pension fund.

The **Comprehensive Income and Expenditure Statement** is the primary statement illustrating performance. It summarises the income receivable and expenditure incurred in operating the Council for the year. The statement shows a surplus for 2016/17 of £7.4 million which represents the amount by which income exceeds expenditure. The statement is prepared in accordance generally accepted accounting practices, rather than the amount to be funded from taxation. Income and expenditure is analysed in note 27 based on the reporting structures that the Council uses for decision making.

The **Balance Sheet** summarises the Council's assets, liabilities and reserves. At 31 March 2017, the Council's net worth was £131 million. Other notes provide analysis of various categories of income and expenditure and the additional information that the Council is required to disclose, such as details of capital expenditure and sources of finance, officers' remuneration and information on pensions.

The **Cash Flow Statement** summarises, in cash terms, the Council's transactions with its taxpayers, its customers, its suppliers, the Government and other parties. There are no significant provisions or contingencies included in the Statement of Accounts as at 31 March and there were no material write offs during the year.

The **notes to the accounts** provide support to the core statements to aid understanding.

Supplementary Statements

As well as collecting its own tax, the Council collects Business Rates on behalf of the Government and Hertfordshire County Council and council tax on behalf of Hertfordshire County Council and the Police Authority (as precepts on the council tax). All of this activity is summarised in the Collection Fund Account.

Statements to the Accounts

The Statement of Responsibilities for the Statement of Accounts identifies the officer who is responsible for the proper administration of the Council's financial affairs. The Certificate of the Chief Finance Officer is the Director of Finance's statement that confirms the validity of the information presented in the accounts.

The report of the auditors provides an opinion as to whether the accounts present a true and fair view of the Council's financial position.

The Statement of Accounts concludes with a glossary of financial terms, designed to assist the reader in understanding the information presented.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be used to fund expenditure) and other reserves.

	Total Revenue Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2015	(15,705)	(570)	(22,988)	(39,263)	(76,583)	(115,846)
Movement in Reserves during 2015/16						
Surplus on provision of services	(3,457)	-	-	(3,457)	-	(3,457)
Other comprehensive income	-	-	-	-	(4,620)	(4,620)
Total Comprehensive Income and Expenditure	(3,457)	-	-	(3,457)	(4,620)	(8,077)
Adjustments between accounting basis and funding basis under regulations	2,915	29	5,719	8,663	(8,663)	-
(Increase)/decrease in year	(542)	29	5,719	5,206	(13,283)	(8,077)
Balance at 31 March 2016 carried forward	(16,247)	(541)	(17,269)	(34,057)	(89,866)	(123,923)
Movement in Reserves during 2016/17						
Surplus on provision of services	(6,568)	-	-	(6,568)	-	(6,568)
Other comprehensive income	-	-	-	-	619	619
Total Comprehensive Income and Expenditure	(6,568)	-	-	(6,568)	619	(5,949)
Adjustments between accounting basis and funding basis under regulations	7,026	(223)	1,431	8,235	(8,235)	-
Decrease/(increase) in year	458	(223)	1,431	1,667	(7,616)	(5,949)
Balance at 31 March 2017 carried forward	(15,789)	(764)	(15,838)	(32,391)	(97,480)	(129,871)

Comprehensive Income and Expenditure Statement

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

	2016/17		2015/16 Restated	
	Gross Expenditure £000	Gross Income £000	Gross Expenditure £000	Gross Income £000
		Net Expenditure £000		Net Expenditure £000
Chief Executive	4,896	(1,650)	3,991	(1,208)
Environmental Services	10,152	(4,606)	9,673	(4,231)
Finance	45,368	(41,422)	45,126	(40,521)
Legal Services	110	(103)	34	(17)
Broxbourne Sport and Broxbourne Leisure and Culture	5,646	(5,522)	5,514	(5,551)
Cost of Services	66,172	(53,303)	64,336	(51,527)
Other Operating Income	8	1	3	(17)
Financing and Investment Income and Expenditure	9	1,610	1,915	(4,985)
Taxation and Non Specific Grant Income	10	-	-	(13,182)
(Surplus)/Deficit on Provision of Services	27	(6,568)	(3,457)	80
(Surplus)/deficit on revaluation of non current assets		(2,700)		
Actuarial losses/(gains) on pension assets/liabilities	36a	3,319		(4,700)
Other Comprehensive Income and Expenditure		619		(4,620)
Total Comprehensive Income and Expenditure		(5,949)		(8,077)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date (31 March 2017) of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council.

		31 March 2017	31 March 2016
		£000	£000
	Note		
Property, Plant and Equipment	11	58,010	52,289
Heritage Assets	12	409	404
Investment Property	13	51,808	48,427
Intangible Assets	14	573	327
Long Term Investments	15(a)	2,036	2,036
Long Term Debtors	15(a),18	9,116	6,354
Non Current Assets		121,952	109,837
Short Term Investments	15(a)	30,257	27,546
Asset Held for Sale	20	373	120
Inventories	17	95	138
Short Term Debtors	18	10,905	11,579
Cash and Cash Equivalents	15(b), 19	9,239	13,256
Current Assets		50,869	52,639
Short Term Creditors	21	21,812	20,156
Current Liabilities		21,812	20,156
Long Term Creditors and Provisions	22	21,138	18,397
Non Current Liabilities		21,138	18,397
Net Assets		129,871	123,923
Unusable Reserves	23	97,480	89,866
Usable Reserves	Page 8	32,391	34,057
Total Reserves		129,871	123,923

These financial statements have been authorised for issue on 21 July 2017 by the Director of Finance (Chief Finance Officer)



Sandra Beck FCCA
Director of Finance

Cash Flow Statement

This consolidated statement summarises the Council's inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

Transfers between internal funds and accruals of expenditure and income are therefore excluded.

		2016/17	2015/16
	Note	£000	£000
Net (Surplus) on the Provision of Services		(6,568)	(3,457)
Adjustments to net surplus on the provision of services for non cash movements	24	(822)	(3,552)
Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	24	<u>4,102</u>	<u>4,033</u>
Net cash flows from operating activities		(3,288)	(2,976)
Investing activities	25	7,168	5,508
Financing activities	26	<u>137</u>	<u>(54)</u>
Net Decrease in Cash and Cash Equivalents		<u>4,017</u>	<u>2,478</u>
Cash and Cash Equivalents at 1 April	19	<u>13,256</u>	<u>15,734</u>
Cash and Cash Equivalents at 31 March	19	<u>9,239</u>	<u>13,256</u>

Notes to the Core Financial Statements

Note 1 - Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position as at the year end 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code)*, and the *Service Reporting Code of Practice 2016/17 (SeRCOP)*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

2 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:

- Income 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.
- Income 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.
- Expenditure 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 of the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income 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 may not be collected.

3 Cash and Cash Equivalents

Cash is represented by cash in hand and 'callable' deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature on demand and are therefore readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

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

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for 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 effects 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 otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Any material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5 Charges to Revenue for Non Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non current 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

Notes to the Core Financial Statements

Note 1 - Accounting Policies (continued)

no accumulated gains in the Revaluation Reserve against which the losses can be written off.

- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, amortisation, revaluation or impairment losses. These charges are therefore removed from the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement.

6 Council Tax and Non-Domestic Rates

The Council, as a billing authority, acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of Hertfordshire County Council (and the government for NDR) and, as a principal, collecting council tax and NDR for itself. The Council is required, by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, the Council, Hertfordshire County Council and the government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

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

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

7 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, paid sick leave, bonuses and non-monetary

benefits for current employees. These benefits are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits: 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 the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits: Employees of the Council are members of the Local Government Pension Scheme administered by Hertfordshire County Council. This scheme provides defined benefits to members, earned during employment for the Council. This is accounted for as a defined benefits scheme:

- The liabilities of the pension scheme 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 future earnings for current

Notes to the Core Financial Statements

Note 1 - Accounting Policies (continued)

- employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (2015/16 3.4%) (based on the indicative rate of return on the single average gilt yield plus the mean credit spread on AA corporate bonds).
- The assets of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Income and Expenditure.
- Contributions paid to the Hertfordshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income line of the Comprehensive Income Statement and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset)

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund 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 flow rather than as benefits are 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.

8 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

Notes to the Core Financial Statements

Note 1 - Accounting Policies (continued)

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.

9 Financial Instruments

Financial Instruments comprise Financial Liabilities and Financial Assets. As a debt free authority, the Council only deals with financial assets.

Financial assets are classified into two types:

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

The Council only holds loans and receivables.

Loans and Receivables:

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means the amount presented on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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 attached to the payments, and
- The grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

11 Heritage Assets

The Council's Heritage Assets are not only held at the Council's Lowewood Museum but can also be found across the Borough as sites of cultural interest. The museum's collections of Heritage Assets are held in support of the primary objective of the Council's museum, i.e. increasing the knowledge, understanding and appreciation of the history of the Council and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed for Heritage Assets as detailed below. The Council's collections of Heritage Assets are accounted for as follows:

Notes to the Core Financial Statements

Note 1 - Accounting Policies (continued)

Ceramics, Porcelain Work and Figurines:

The collection of ceramics, porcelain work and figurines includes carved figurines held at the museum. These items are held on the Balance Sheet at insurance valuation, which is based on market values. These assets are deemed to have an indefinite life; hence the Council does not consider it appropriate to charge depreciation. The collection is relatively static and acquisitions and donations are rare. When they do occur, acquisitions are recognised at cost and donations recognised at a valuation ascertained by the museum's curator in accordance with the Council's policy on ceramics, porcelain works and figurines.

Art Collection: The art collection includes oil paintings and portraits, held on the Balance Sheet at insurance valuation, which is based on market values. The assets are deemed to have an indefinite life; hence the Council does not considerate it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are recognised at cost and donations are recognised at a valuation ascertained by an external valuer with reference to appropriate commercial markets using up to date information from sales at auction.

General: The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubt arises to its authenticity. Any impairment is recognised and measured in accordance with the Council's policies on impairment.

12 Intangible Assets

Expenditure on non cash assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised when they will bring benefits to the Council for more than one financial year. Intangible assets are carried at amortised cost. The assets are amortised over their useful life with the charge going to the relevant service line in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal of an intangible asset is recorded as Other Operating Expenditure 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.

13 Interests in Companies and Other Entities

The Council has a wholly owned subsidiary, Badger BC Investments Ltd, which has the principal activity of acquiring, developing and refurbishing homes. The Company's accounts have been consolidated into the Council's accounts for 2016/17 and the consolidated accounts are shown on pages 57-64. In addition, the Council also has an interest in Hertfordshire Building Control Limited, this company is owned equally by seven Hertfordshire authorities.

14 Inventories

Inventories are included on the Balance Sheet at the lower of cost and net realisable value.

15 Investment Property

Investment properties are those that are used solely to earn rentals or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participants perspective. 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 are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, 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.

Fair value: 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

Notes to the Core Financial Statements

Note 1 - Accounting Policies (continued)

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 using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

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.

16 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

Operating Leases: Rentals paid to operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the 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, matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivables 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 is 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 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

Notes to the Core Financial Statements

Note 1 - Accounting Policies (continued)

Capital Receipts Reserve. The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate adjustments for the 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 on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Services Reporting Code of Practice 2016/17 (SeRCOP)*.

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

18 Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis 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 associated with the item will flow to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. The Council has selected a *de minimis* level of £3,000 below which expenditure is not capitalised.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure and assets under construction – depreciated historical cost.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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.

Assets included on the Balance Sheet at fair value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss due to market price fluctuations previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for in the following way:

- 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 on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains only revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Notes to the Core Financial Statements

Note 1 - Accounting Policies (continued)

Impairment: Assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for in the following ways:

- 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 subsequently reversed, the reversal is credited to the relevant service lines 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 with a determinable finite life (except for non-depreciable land), by allocating the value of the asset on the Balance Sheet over the periods expected to benefit from its use.

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight line over 3-10 years, as advised by a suitably qualified officer.
- Infrastructure (e.g. footpaths and street furniture) – straight line allocation, up to 5 years.

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

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

When an asset is disposed of or decommissioned, the value of the asset on 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 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.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

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

19 Provisions, Contingent Liabilities and Contingent Assets

Provisions:

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits 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.

Notes to the Core Financial Statements

Note 1 - Accounting Policies (continued)

Provisions are charged as an expense to the appropriate service line 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 of the likely settlement. When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not 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 met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

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 on the Balance Sheet but disclosed in a note to the accounts.

20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to be reflected in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, employee benefits and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant accounting policies and notes to the accounts.

21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset 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, 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 there is no impact on the level of council tax.

22 VAT

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.

23 Group Accounts

The boundary for Group Accounts is determined by the extent of the Council's control or influence over an entity, and the materiality of the relationship to users of the Council's accounts. Group Accounts are prepared in accordance with IFRS3, IFRS10 and with IAS27 and the Code, where required and material.

A subsidiary is an entity which the Council controls through the power to govern its financial and operational activities; where it has exposure or rights to variable returns from its involvement in the entity, and where it has the ability to use its power to influence the level of those returns. Control will normally, but not necessarily, be presumed to exist where the Council is the majority shareholder.

A subsidiary is consolidated into Group Accounts by adding like items of income, expense, assets and liabilities, and eliminating transactions and balances between the entities. The extent of these investments is shown in Note 37 Investment in Companies.

Notes to the Core Financial Statements

Note 2 – Accounting Standards that have been Issued, but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. There are no new or amended standards within the 2017/18 code which will have a material impact on the Council's Statement of Accounts.

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts concerns the high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reduce levels of service provision.

Note 4 - Events After the Balance Sheet Date

These accounts have been authorised for issue on 17 July 2017 by the Director of Finance (Chief Finance Officer). Events taking place after this date are not reflected in the financial statements or notes.

Note 5 - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a increase in the pension liability of £9.828 million. However, the assumptions interact in complex ways. During 2016/17, the Council's actuaries advised that the net pension liability had increased by £4.3 million to £20.03 million as a result of changes in estimates and the updating of assumptions.

Provisions

The Council has made a provision of £0.054 million for the levy from the scheme administrator of Municipal Mutual Insurance Limited (in Scheme of Arrangement) (MMI). One of the terms of the original scheme was that if the company failed to secure solvent run off then a contribution would be taken from the scheme creditors of which the Council is one. The scheme administrator has made two demands on creditors totalling 25% of claim settlements meaning that the Council has remitted £0.053 million.

This provision is taken from an actuarial assessment based on pessimistic assumptions of the funding required by MMI to meet its financial obligations. The Council could be required to make further levy contributions depending on future claims development and MMI's investment return.

Notes to the Core Financial Statements

Note 5 - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty (continued)

Provisions (continued)

On 1 April 2013, Local Authorities assumed the liability for refunding ratepayers who have successfully appealed against the business rates, rateable value of their properties. This will include amounts that were paid over to Central Government in previous years. It is unknown how many of the outstanding appeals will be successful, though estimation techniques have been applied to the outstanding appeals using historic success rate data. Approximately 200 appeals are lodged each year. The estimated success rate, that has been used in preparing the 2016/17 accounts, is that on average 27% of all appeals lodged are accepted by the Valuation Office Agency and that for every successful appeal the rateable value of the property is reduced by, on average, 9%.

The carrying amount of the provision is £2.58m, of which the Council's share of £1.004m is reflected in the accounts. An increase in the overall success rate by 5% would change the required provision by £0.125m.

Arrears

At 31 March 2017, the Council had a balance of sundry debtors of £10.895 million. An allowance for the non collection of debt is made at each year end, based on a combination of how long the debt has been outstanding and previous experience of recovery rates. However, the current economic climate means that there is added uncertainty about both the amount of income that the Council is likely to raise and the likely recovery rates. The wide variety of income sources and the different factors affecting each make it difficult to assess the potential impact of future changes. The total income raised by the Council in 2016/17 from sales, fees and charges and rents was £17.6 million therefore the impact of a 2% decrease in collection rates would be a loss of income of £0.4 million.

Property, Plant and Equipment

Assets are included on the basis of valuations and assessed useful lives determined by the Council's valuer, on the basis of standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS). The assumptions underlying such valuations and the assessment of useful lives are subject to revision and therefore the valuations would also change.

Any change in valuation or useful life of an asset would affect the carrying value of the asset on the Balance Sheet and the charge for depreciation or impairment in the Comprehensive Income and Expenditure Statement. It is estimated that the annual depreciation charge for buildings would increase by £0.62 million for every year that useful lives had to be reduced. These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non cash items from council tax.

Notes to the Core Financial Statements

Note 6 – Adjustments Between Accounting Basis and Funding Basis Under Regulations

The purpose of this note is to explain the adjustments that are made to the total Comprehensive Income and Expenditure Statement and the funding sources that are allowed by statute as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves against which the adjustments are made.

General Fund Balance

The General Fund records all the receipts of the Council out of which the Council's liabilities are paid, except to the extent that statutory rules might provide otherwise. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the year.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds unused grants and contributions which are intended to be spent on future capital projects, where the Council has met the conditions of the grant or contribution that would otherwise require it to be repaid. The terms of the grants restrict the projects these funds can be used on and or the financial year in which the funds can be spent.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, these are restricted by statute from being used for any purpose other than to fund new capital expenditure. The balance on the reserve shows the amount that has yet to be applied for these purposes at the year end.

	Usable Reserves			Unusable Reserves £000
	General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserves £000	
2016/17				
Adjustments primarily involving the Capital Adjustment Account:				
<i><u>Reversal of items included in the Comprehensive Income and Expenditure Statement:</u></i>				
Charges for depreciation and impairment of non current assets	(1,943)			1,943
Movements in the market value of investment properties	3,625			(3,625)
Amortisation of intangible assets	(117)			117
Capital grants and contributions applied	1,990			(1,990)
Revenue expenditure funded from capital under statute	(1,222)			1,222
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(850)			850
<i><u>Insertion of items not included in the Comprehensive Income and Expenditure Statement:</u></i>				
Capital expenditure charged against the General Fund balance	4,940			(4,940)
Adjustments primarily involving the Capital Grants Unapplied Accounts:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	238	(238)		-
Application of grants to capital financing transferred to the Capital Adjustment Account		15		(15)

Notes to the Core Financial Statements

Note 6 – Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

	Usable Reserves			Unusable Reserves £000
	General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserves £000	
2016/17				
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	749		(749)	-
Use of the Capital Receipts Reserve to finance new capital expenditure			3,150	(3,150)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)		1	-
Other capital related income credited to the Comprehensive Income and Expenditure Statement	970		(970)	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	393			(393)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 36)	(2,554)			2,554
Employer's pension contributions	1,558			(1,558)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(73)			73
Amount by which non domestic rate (NDR) income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements	(677)			677
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)			1
Total Adjustments	7,026	(223)	1,431	(8,235)

Notes to the Core Financial Statements

Note 6 – Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	
2015/16	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items included in the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	(1,960)			1,960
Movements in the market value of investment properties	599			(599)
Amortisation of intangible assets	(134)			134
Capital grants and contributions applied	1,403			(1,403)
Revenue expenditure funded from capital under statute	(2,053)			2,053
<i>Insertion of items not included in the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the General Fund balance	4,552			(4,552)
Adjustments primarily involving the Capital Grants Unapplied Accounts:				
Application of grants to capital financing transferred to the Capital Adjustment Account		29		(29)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	17		(17)	-
Use of the Capital Receipts Reserve to finance new capital expenditure			8,349	(8,349)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(3)		3	-
Other capital related income credited to the Comprehensive Income and Expenditure Statement	2,615		(2,615)	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 36)	(2,470)			2,470
Employer's pension contributions	1,670			(1,670)

Notes to the Core Financial Statements

Note 6 – Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	
2015/16	£000	£000	£000	£000
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(40)			40
Amount by which non domestic rate (NDR) income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements	(1,280)			1,280
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)			1
Total Adjustments	2,915	29	5,719	(8,664)

Notes to the Core Financial Statements

Note 7 – Transfers to/(from) Earmarked Reserves

This note sets out the amounts which have been set aside to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to fund expenditure in 2016/17.

Movements on Earmarked Reserves in 2016/17 were as follows:

	Balance at 1 April 2016 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2017 £000
<i>Capital Works Reserves - General Fund</i>				
Capital and Building Works Reserve	3,200	-	-	3,200
<i>Service Organisation Reserves</i>				
Broxbourne Services SO Reserve	750	-	-	750
Leisure Management SO Reserve	894	(378)	-	516
	1,644	(378)	-	1,266
TOTAL CAPITAL WORKS AND SO RESERVES	4,844	(378)	-	4,466
<i>Revenue Reserves</i>				
Economic Development Reserve	1,100	(769)	-	331
Personnel Reserve	250	-	-	250
Grave Maintenance Reserve	17	-	-	17
Service Specific Grants Reserve	662	(65)	201	798
Service Protection and Enhancement Fund	2,019	-	539	2,558
Housing and Planning Delivery Grant Reserve	278	-	-	278
Performance Reward Grant Reserve	45	-	-	45
Repairs and Renewals Fund	851	(17)	30	864
TOTAL REVENUE RESERVES	5,222	(851)	770	5,141
Total Earmarked Reserves	10,066	(1,229)	770	9,607
Total Movement in Earmarked Reserves in 2016/17				(458)

The comparative movements on Earmarked Reserves in 2015/16 were as follows:

	Balance at 1 April 2015 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2016 £000
<i>Capital Reserves - General Fund</i>				
Capital and Building Works Reserve	3,200	-	-	3,200
<i>Service Organisation Reserves</i>				
Broxbourne Services SO Reserve	750	-	-	750
Leisure Management SO Reserve	685	(68)	277	894
	1,435	(68)	277	1,644
TOTAL CAPITAL RESERVES	4,635	(68)	277	4,844
<i>Revenue Reserves</i>				
Economic Development Reserve	1,184	(84)	-	1,100
Personnel Reserve	250	-	-	250
Grave Maintenance Reserve	17	-	-	17
Service Specific Grants Reserve	614	(74)	122	662
Service Protection and Enhancement Fund	1,667	-	352	2,019
Housing and Planning Delivery Grant Reserve	278	-	-	278
Performance Reward Grant Reserve	45	-	-	45
Repairs and Renewals Fund	834	(388)	405	851
TOTAL REVENUE RESERVES	4,889	(546)	879	5,222
Total Earmarked Reserves	9,524	(614)	1,156	10,066
Total Movement in Earmarked Reserves in 2015/16				542

Notes to the Core Financial Statements

Note 7 – Transfers to/(from) Earmarked Reserves (continued)

These reserves are an important way of projecting the Council's current resources into the future and preparing to meet future needs. Their purposes are as follows:

- Capital and Building Works Reserve - used to finance capital works including works to the Council's buildings, as well as purchases of vehicles, plant and equipment.
- Service Organisation Reserves - used to finance purchases of vehicles and equipment for Environmental Services, Broxbourne Sport and Broxbourne Leisure and Culture.
- Economic Development Reserve - used to invest in the economic well being of the Borough.
- Personnel Reserve - to provide for potential personnel costs.
- Grave Maintenance Reserve - money received to maintain graves in perpetuity.
- Service Specific Grants Reserve - grants received in advance of expenditure being incurred but which need to be recognised as income in the year they are received.
- Service Protection and Enhancement Fund - to protect and enhance services in future years.
- Housing and Planning Delivery Grant Reserve - to fund future expenditure associated with the Local Plan.
- Performance Reward Grant Reserve - to hold performance reward grant funding for future allocation by the Local Strategic Partnership.
- Repairs and Renewals Fund - to enable accelerated maintenance of revenue generating fixed assets.

Note 8 – Other Operating Expenditure

	2016/17	2015/16
	£000	£000
Payments to the Government capital receipts pool	1	3
Gains on the disposal of current and non current assets	(293)	(17)
Total	(292)	(14)

Note 9 – Financing and Investment Income and Expenditure

	2016/17	2015/16
	£000	£000
Pensions interest cost and expected return on pension assets	541	615
Interest receivable and similar income	(574)	(495)
Changes in fair value in relation to investment properties	(3,625)	(599)
Net income from trading operations not in service expenditure analysis	(3,423)	(2,591)
Total	(7,081)	(3,070)

Note 10 – Taxation and Non Specific Grant Income

	2016/17	2015/16
	£000	£000
Council tax income	(4,081)	(3,912)
Non domestic rates	(2,045)	(2,150)
Non ringfenced Government grants	(2,739)	(3,101)
Other income	(824)	(2,495)
Capital grants and contributions	(2,375)	(1,524)
Total	(12,064)	(13,182)

Notes to the Core Financial Statements

Note 11 – Property, Plant and Equipment

2016/17	Land & Buildings £000	Vehicles Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	Total £000
Cost or Valuation					
At 1 April 2016	42,273	17,694	1,253	2,124	63,344
Additions	4,240	640	153	5	5,038
Revaluation increases recognised in the Revaluation Reserve	2,688	-	-	-	2,688
Derecognition – disposals	-	(66)	-	-	(66)
Assets reclassified to Held for Sale	(373)	-	-	-	(373)
Other reclassifications	305	-	-	-	305
At 31 March 2017	49,133	18,268	1,406	2,129	70,936
Accumulated Depreciation and Impairment					
At 1 April 2016	(722)	(9,309)	(1,024)	-	(11,055)
Depreciation charge	(471)	(1,413)	(60)	-	(1,944)
Depreciation written out on revaluation	7	-	-	-	7
Derecognition – disposals	-	66	-	-	66
At 31 March 2017	(1,186)	(10,656)	(1,084)	-	(12,926)
Balance Sheet amount at 31 March 2017	47,947	7,612	322	2,129	58,010
Balance Sheet amount at 31 March 2016	41,551	8,385	229	2,124	52,289

Notes to the Core Financial Statements

Note 11 – Property, Plant and Equipment (continued)

2015/16	Land & Buildings £000	Vehicles Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	Total £000
Cost or Valuation					
At 1 April 2015	39,543	16,453	1,228	2,128	59,352
Additions	2,141	1,385	25	-	3,551
Revaluation increases recognised in the Revaluation Reserve	22	-	-	-	22
Revaluation decreases recognised in the surplus on the Provision of Services	(103)	-	-	(4)	(107)
Derecognition – disposals	-	(144)	-	-	(144)
Other reclassifications	670	-	-	-	670
At 31 March 2016	42,273	17,694	1,253	2,124	63,344
Accumulated Depreciation and Impairment					
At 1 April 2015	(260)	(8,071)	(908)	-	(9,239)
Depreciation charge	(462)	(1,382)	(116)	-	(1,960)
Derecognition – disposals	-	144	-	-	144
At 31 March 2016	(722)	(9,309)	(1,024)	-	(11,055)
Balance Sheet amount at 31 March 2016	41,551	8,385	229	2,124	52,289
Balance Sheet amount at 31 March 2015	39,283	8,382	321	2,128	50,114

Capital Commitments

The Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years. The total outstanding commitment on such schemes at 31 March 2017 was £1.0 million. The breakdown of this amount by asset category is shown below. Similar commitments at 31 March 2016 were £4.2 million.

	£000
Operational buildings	197
Infrastructure assets	797
	994

Notes to the Core Financial Statements

Note 11 – Property, Plant and Equipment (continued)

Revaluations

Valuations of the properties which comprise the Council's property portfolio have been updated to 31 March 2017 in accordance with Module 4 of the Code of Practice on Local Authority Accounting in the United Kingdom. The valuations are in accordance with The Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

The majority of properties were valued at 31 March 2015, by an external valuer (Lambert Smith Hampton). The valuations were done on the basis of open market value for the existing use or, where this could not be assessed because there was no market value for the subject asset, the depreciated replacement cost.

Valuations of vehicles, plant and equipment are based on depreciated historical cost.

	Land & Buildings £000	Vehicles Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Total £000
Value at depreciated historical cost	-	7,614	322	-	7,935
Valued at depreciated replacement cost in 2014/15	18,049	-	-	-	18,047
Valued at current value 2014/15	19,486	-	-	1,936	21,422
Valued at current value in 2015/16	2,370	-	-	40	2,410
Valued at current value in 2016/17	8,042	-	-	153	8,195
Total Net Book Value	47,945	7,614	322	2,129	58,010

Note 12 – Heritage Assets

Heritage Assets are those assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historic associations. As such these assets are assumed to have an indefinite life and are therefore not depreciated.

	Art Collection £000	Statues & Monuments £000	Civic Regalia £000	Total £000
2016/17				
Cost or Valuation				
At 1 April 2016	195	204	5	404
Newly recognised heritage assets	5	-	-	5
At 31 March 2017	200	204	5	409
2015/16				
At 1 April 2015	190	204	5	399
Newly recognised heritage assets	5	-	-	5
At 31 March 2016	195	204	5	404

Notes to the Core Financial Statements

Note 12 – Heritage Assets (continued)

In addition to the statues and monuments included in Heritage Assets, the Council also considers Goffs Oak war memorial, the remains of Cheshunt Great House and moat at Peace Close and the Theobalds Palace ruins at Cedars Park to be Heritage Assets.

Goffs Oak village centre is marked by a War Memorial which was unveiled on 20 December 1920. It is inscribed with the names of 32 men from the village who were killed in the First World War. A further three names were added following the Second World War.

Cheshunt Great House originally consisted of a large late medieval courtyard building with a vaulted undercroft. It is thought that the site was last occupied in 1450 when it was in the possession of Mari de Santo Paulo, Countess of Pembroke. By the end of the 17th century the area had become known as the Manor of La Monte and Andrews. The house was destroyed by fire in 1965 and the site now consists of the remains of a moated enclosure and associated overflow ditch with the remains of brick arches abutting the ditch on the eastern side indicating where the bridge once stood.

Theobalds Palace was built in 1563 by Lord Burleigh, Secretary of State, Lord High Treasurer and Master of Requests to Queen Elizabeth I. In 1582, the Palace was extended and the extension enclosed part of Cheshunt common fields invoking a riot by the people of Cheshunt and Northaw parishes which had to be quelled by the Earl of Warwick and a troop of soldiers. In 1607 King James I exchanged Theobalds Palace for Hatfield House. James I died at Theobalds in 1625 and was succeeded by Charles I who spent much of his childhood at Theobalds. After the execution of Charles I, Parliament decided that any possessions of the late King be surveyed, valued and sold. The palace was subsequently surveyed and much of it was taken down and the materials sold and the palace now stands in ruins.

These are not recognised on the Balance Sheet as cost information is not readily available and due to the unique nature of these assets it is not possible to provide a reliable estimate of their value.

The majority of the Council's other heritage assets are reported on the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed annually.

Notes to the Core Financial Statements

Note 13 – Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2016/17	2015/16
	£000	£000
Rental income from investment property*	4,693	4,090
Direct operating expenses arising from investment property*	(1,270)	(1,499)
Net Gain for the Year	3,423	2,591

* Included in 'Trading Operations' in Note 9. See also full analysis of trading operations in Note 28.

Capital Commitments

There are no restrictions on the Council's ability to realise the value of its investment property or on the Council's right to receive income from any proceeds of sale. The Council has no contractual obligations to develop or enhance investment property as at the 31 March 2017 (31 March 2016 £0.08 million).

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

	2016/17	2015/16
	£000	£000
Balance at 1 April	48,427	43,168
Purchases	791	5,330
Disposals	(730)	-
Net gains from fair value adjustments	3,625	599
Transfer to Property, Plant and Equipment	(305)	(670)
Balance at 31 March	51,808	48,427

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Valuation Techniques Used to Determine Level 2 Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants and data and market knowledge gained in managing the Council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2017 by the Council's internal valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Notes to the Core Financial Statements

Note 14 – Intangible Assets

The Council accounts for its software as Intangible Assets, if that software is not an integral part of a particular IT system and as such accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets include both purchased licences and internally developed software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are between 3 and 5 years.

The carrying amount of Intangible Assets is depreciated on a straight line basis. The depreciation of £117,331 charged to revenue in 2016/17 (2015/16 £134,103) was mainly charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the depreciation is attributable to each service heading. The movement on intangible asset balances during the year is as follows:

	2016/17	2015/16
	£000	£000
Gross carrying amounts	2,647	2,611
Accumulated depreciation	(2,320)	(2,186)
Net carrying amount at 1 April	<u>327</u>	<u>425</u>
Purchases	363	36
Depreciation for the period	(117)	(134)
Net carrying amount at 31 March	<u>573</u>	<u>327</u>
Comprising:		
Gross carrying amounts	3,010	2,647
Accumulated depreciation	(2,437)	(2,320)
	<u>573</u>	<u>327</u>

Capital Commitments

The Council has entered into a number of contracts for the replacement, or upgrade, of a number of its software programmes in 2016/17 and future years. The outstanding commitments on such schemes at 31 March 2017 were £0.02 million. Commitments at 31 March 2016 were £0.01 million.

Notes to the Core Financial Statements

Note 15 – Financial Instruments

(a) Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000	£000	£000	£000
Investments				
Loans and receivables	2,036	2,036	30,257	27,546
Total Investments	2,036	2,036	30,257	27,546
Debtors				
Loans and receivables	9,126	6,354	7,365	6,555
Total Debtors	9,126	6,354	7,365	6,555
Creditors				
Financial liabilities at amortised cost	-	-	16,214	13,506
Total Creditors	-	-	16,214	13,506

In addition, the Council held four money market funds and a bank deposit account at 31 March 2017. These are defined as short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are therefore treated as 'cash equivalents'. For completeness, these are shown, together with the amounts of cash and bank balances, below.

(b) Income, Expense, Gains and Losses

	31 March 2017	31 March 2016
	£000	£000
Cash Equivalents	8,704	12,707
Cash and Bank Balances	535	549
	9,239	13,256
	2016/17	2015/16
	£000	£000
Interest income	574	495
Total Income in (Surplus)Deficit on the Provision of Services	574	495
Net Gain for the Year	574	495

Notes to the Core Financial Statements

Note 15 – Financial Instruments (continued)

(c) Fair Values of Assets and Liabilities

Financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value is assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value.
- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount less appropriate provision made against the risk of less than full payment.
- The fair value of long term investments have been discounted at the market rate for similar instruments with similar remaining terms to maturity on 31 March.

The fair values calculated are as follows:

	31 March 2017		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	16,214	16,214	13,506	13,506

	31 March 2017		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long term investments	2,036	2,110	2,036	2,109
Short term investments	30,257	30,257	27,546	27,546
Long term debtors	10,233	10,233	6,354	6,354
Short term debtors	7,365	7,365	6,555	6,555

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 16 – Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due the Council.
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in interest rates.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is undertaken by the Finance Department under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management and written policies covering specific areas such as interest rate risk, credit risk and investment of surplus cash are set out in the Treasury Management Policy Statement and Treasury Management Practices.

Notes to the Core Financial Statements

Note 16 – Nature and Extent of Risks Arising from Financial Instruments

(continued)

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include rated commercial entities, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice.

Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap entites and equity prices when selecting commercial entities for investment.

A limit of £5 million is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Council also sets limits on investments in certain sectors. No more than £18 million in total can be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £41 million 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. 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 31 March 2017 that this was likely to occur.

In relation to the sums owed by customers, the Council makes prudent financial provision for bad and doubtful debts based on an assessment of the risks for each type of debt and the age of these debts.

The methodology adopted to determine the level of provision to be made is established having regard to the nature of the receivable including specific provision against individual items where appropriate and provision against a number of individual items on a percentage basis. The judgement exercised has regard to the age of the receivable, historical experience of delayed collection and economic circumstances affecting debtors, including arrangement for extended payment where appropriate.

The Council's assessment of its potential maximum exposure to credit risk is as follows:

	Amount at 31 March 2017 £000	Historical experience of default %	Estimated maximum exposure to default and uncollectability £000
Deposits with banks and financial institutions	40,997	0.07	29
Customers	2,804	4.08	114

Amounts due by customers at 31 March 2016 written off during 2016/17 has been used as the basis for the historical experience default percentage.

Notes to the Core Financial Statements

Note 16 – Nature and Extent of Risks Arising from Financial Instruments (continued)

The Council does not generally extend credit to its customers beyond 14 days. At 31 March 2017, of the total debtor balances for invoiced debt of £2.804 million, the past due amount was £0.525 million, which can be analysed by age as follows:

	31 March 2017 £000	31 March 2016 £000
Customer Debts		
Less than three months	178	81
Three months to one year	108	84
More than one year	239	217
Total	<u>525</u>	<u>382</u>

Market risk

● Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council is currently debt free however, should the Council choose to borrow, however, it would have ready access to borrowings from the Public Works Loan Board and the money markets. Immediately accessible funds are also maintained in call accounts and money market funds within investments. The level of funds to be committed for periods in excess of one year is limited to 50% of the total investment portfolio. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

● Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments.

A rise in interest rates would have the following effects:

- Investments in variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will increase.
- Investments at fixed rates - the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be debited or credited to the Comprehensive Income and Expenditure Statement and impact on the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement.

As at 31 March 2017, £12.15 million of the Council's investments had a potential exposure to risk from changes in interest rates.

A +/-1% change in interest rates equates to approximately +/- £121,500 per annum.

As the Council generally has a policy of making a revenue contribution to capital equal to the interest it achieved on its investments, variations in interest rates do not impact on its annual revenue budget.

● Price risk

The Council does not invest in equity shares, other than the wholly owned subsidiary Badger BC Investments Ltd.

● 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.

Notes to the Core Financial Statements

Note 17 – Inventories

	2016/17	2015/16
	£000	£000
Balance outstanding at 1 April	138	198
Purchases and issues	(43)	(60)
Balance outstanding at 31 March	95	138

Note 18 – Debtors

Short Term Debtors	31 March 2017	31 March 2016
	£000	£000
Government departments	-	1,577
Other local authorities	3,806	3,185
Other entities and individuals	10,331	9,771
	14,127	14,533
Less: Provision for bad and doubtful debts	(3,232)	(2,954)
Total	10,905	11,579

Long Term Debtors	31 March 2017	31 March 2016
	£000	£000
Mortgages	25	26
Car loans	18	17
Loans to Badger BC Investments Ltd (subsidiary company)	7,972	5,309
Other	1,101	1,002
Total	9,116	6,354

Note 19 – Cash and Cash Equivalents

	31 March 2017	31 March 2016
	£000	£000
Cash	10	10
Bank current accounts	525	539
Money market funds	8,704	12,707
Total Cash and Cash Equivalents	9,239	13,256

Note 20 – Assets Held for Sale

	31 March 2017	31 March 2016
	£000	£000
Balance as 1 April	120	120
Disposals	(120)	-
Assets newly classified as held for sale	373	-
Balance at 31 March	373	120

Note 21 – Short Term Creditors

	31 March 2017	31 March 2016
	£000	£000
Government departments	1,953	863
Other local authorities	4,587	5,383
Other entities and individuals	15,272	13,910
Total	21,812	20,156

Notes to the Core Financial Statements

Note 22 – Long Term Creditors and Provisions

	Insurance Claims £000	MMI £000	NDR £000	Total £000
Provisions				
Balance at 1 April 2016	21	110	2,533	2,664
Provision made during the year	14	-	3,115	3,129
Amount used during the year	-	(21)	(4,644)	(4,665)
Unused amounts reversed in the year	-	(35)	-	(35)
Balance at 31 March 2017	35	54	1,004	1,093

	2016/17 £000	2015/16 £000
Deferred Capital Receipts		
Balance at 1 April	20	23
Receipts	(2)	(3)
Balance at 31 March	18	20

Pensions Liability		
Balance at 1 April	15,713	19,613
Actuarial losses/(gains)	3,319	(4,700)
Service cost	996	800
Balance at 31 March	20,028	15,713
Total	21,138	18,397

Business rate payers are entitled to appeal against the rateable value allocated to their property by the Valuation Office Agency (VOA). In the event that an appeal is successful the Council is responsible for repaying its share of the business rate income to the ratepayer. A provision has been included in the Balance Sheet based on the expected outcome of the appeals outstanding with the VOA as at 31 March 2017.

Note 23 – Unusable Reserves

	31 March 2017 £000	31 March 2016 £000
Revaluation Reserve	(23,926)	(21,594)
Accumulated Absences Account	84	83
Capital Adjustment Account	(95,721)	(85,766)
Pensions Reserve	20,028	15,713
Collection Fund Adjustment Account	2,448	1,698
Deferred Capital Receipts Reserve	(393)	-
Total Unusable Reserves	(97,480)	(89,866)

(a) Revaluation Reserve

The Revaluation Reserve records, from April 2007, the accumulated gains on the non current assets held by the Council arising from increases in value, as a result of inflation or other factors. The overall balance on the reserve represents the amount by which the current value of non current assets carried in the Balance Sheet is greater because they are carried at their revalued amount rather than their value at 1 April 2007 or subsequent depreciated historical cost. The reserve is not available to finance either revenue or capital expenditure.

	2016/17 £000	2015/16 £000
Balance at 1 April	(21,594)	(21,939)
Upward revaluation of assets	(2,867)	(32)
Difference between fair value depreciation and historical cost depreciation	249	265
Downward revaluation not charged to the Comprehensive Income and Expenditure Statement	21	102
Accumulated gains on assets sold	264	10
Balance at 31 March	(23,926)	(21,594)

Notes to the Core Financial Statements

Note 23 – Unusable Reserves (continued)

(b) Accumulated Absences Account

The Accumulated Absences Account shows the difference that would otherwise arise on the General Fund Balance from accruing for untaken leave entitlement at the end of the year. Statutory arrangements require that the impact on the General Fund Balance is removed by transfers to or from this account.

	2016/17 £000	2015/16 £000
Balance at 1 April	83	82
Settlement or cancellation of accrual made at the end of the preceding year	(83)	(82)
Amounts accrued at the end of the current year	<u>84</u>	<u>83</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<u>1</u>	<u>1</u>
Balance at 31 March	<u>84</u>	<u>83</u>

(c) Capital Adjustment Account

The Capital Adjustment Account accumulates the write down of the historical cost of non current assets as they are consumed by depreciation and impairments or written off on disposal, together with the resources that have been set aside to finance capital expenditure.

	2016/17 £000	2015/16 £000
Balance at 1 April	(85,766)	(74,716)
Reversal of items relating to capital expenditure charged to or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	1,943	1,960
Amortisation of intangible assets	117	134
Revenue expenditure funded from capital under statute	1,222	2,053
Amounts of non current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	850	-
	<u>4,132</u>	<u>4,147</u>
Adjusting amounts written out of the Revaluation Reserve	(367)	(265)
	<u>(367)</u>	<u>(265)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,150)	(8,349)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,990)	(1,403)
Application of grants to capital financing from the Capital Grants Unapplied Account	(15)	(29)
Capital expenditure charged against the General Fund balance	<u>(4,940)</u>	<u>(4,552)</u>
	<u>(10,095)</u>	<u>(14,333)</u>
Movements in the market value of investment property charged to or credited to the Comprehensive Income and Expenditure Statement	(3,625)	(599)
Balance at 31 March	<u>(95,721)</u>	<u>(85,766)</u>

Notes to the Core Financial Statements

Note 23 – Unusable Reserves (continued)

(d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for retirement benefits. The Council accounts for future retirement benefits in the Comprehensive Income and Expenditure Statement as they are earned by employees accruing years of service. Liabilities are also updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the future pension payments. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits accrued by past and current employees and the resources the Council has set aside to meet future payments. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid (see also note 36).

	2016/17	2015/16
	£000	£000
Balance at 1 April	15,713	19,613
Actuarial losses/(gains) on pensions assets and liabilities	3,319	(4,700)
Reversal of items relating to retirement benefits charged to or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	996	800
Balance at 31 March	20,028	15,713

(e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account records the difference between the demand on the Collection Fund in the Comprehensive Income and Expenditure Statement and the amount required by regulations to be credited to the General Fund.

	2016/17	2015/16
	£000	£000
Balance at 1 April	1,698	377
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	73	40
Amount by which non domestic rate income income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rate income calculated for the year in accordance with statutory requirements	677	1,281
Balance at 31 March	2,448	1,698

(f) Deferred Capital Receipts Reserve

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

	2016/17	2015/16
	£000	£000
Balance at 1 April	-	-
Transfer of deferred sales proceeds as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(393)	-
Balance at 31 March	(393)	-

Notes to the Core Financial Statements

Note 24 - Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2016/17	2015/16
	£000	£000
Interest received	555	495
	555	495

Adjustments to the net surplus or deficit on the provision of services for non cash movements:

	2016/17	2015/16
	£000	£000
Depreciation, revaluations and impairments	(2,060)	(2,094)
Increase in creditors	(1,831)	(3,621)
(Increase)/decrease in debtors	(632)	2,928
Decrease in inventories	(43)	(59)
Movement in pension liability	(996)	(800)
Carrying amount of non current assets sold	(850)	-
Other non cash items charged to the net surplus/deficit	5,590	94
	822	(3,552)

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

	2016/17	2015/16
	£000	£000
Capital grants credited to the net surplus or deficit on the provision of services	1,990	1,404
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,112	2,629
	4,102	4,033

Note 25 – Cash Flow Statement - Investing Activities

	2016/17	2015/16
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	6,192	8,918
Purchase of short term and long term investments	28,654	41,236
Other payments for investing activities	2,375	3,616
Proceeds from the sale of non current assets	(2,113)	(2,633)
Proceeds from short term and long term investments	(25,950)	(44,225)
Other receipts from investing activities	(1,990)	(1,404)
Net cash flows from investing activities	7,168	5,508

Note 26 – Cash Flow Statement - Financing Activities

	2016/17	2015/16
	£000	£000
Billing authorities - Council Tax and NDR adjustments	137	(54)
	137	(54)

Notes to the Core Financial Statements

Note 27 – Expenditure and Income Analysed by Nature

The analysis of income and expenditure by department on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's members on the basis of budget reports analysed across departments of service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- Commercial property trading activities are reported within the Finance department.
- Bishops' College Old Building commercial letting is reported within the Finance department.
- The activities of the Broxbourne Sport and Broxbourne Leisure and Culture are treated as a trading operation for management reporting purposes.

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

	2016/17	2015/16
	£000	Restated £000
Expenditure		
Employee expenses	13,407	13,985
Other operating expenses	50,552	47,501
Depreciation, amortisation and revenue expenditure funded from capital under statute	3,282	4,150
Pension interest costs and expected return on pension assets	541	615
Payments to housing capital receipts pool	1	3
Total Expenses	67,783	66,254
Income		
Government grants	(39,788)	(39,860)
Fees, charges and other service income	(20,746)	(18,660)
Changes in fair value of investment properties	(3,625)	(599)
Gain on disposal current and non current assets	(293)	(17)
Interest and investment income	(574)	(495)
Income from council tax	(4,081)	(3,912)
Income from business rates	(2,045)	(2,150)
Capital grants and contributions	(2,375)	(1,524)
Other grants and contributions	(824)	(2,495)
Total Income	(74,351)	(69,711)
(Surplus)/deficit on the provision of services	(6,568)	(3,457)

Notes to the Core Financial Statements

Note 28 – Trading Operations

The Council maintains the following trading units, which operate in a competitive environment.

	2016/17			2015/16		
	Turnover £000	Expend- iture £000	(Surplus)/ Deficit £000	Turnover £000	Expend- iture £000	(Surplus)/ deficit £000
Trading Operations Included in Cost of Services						
Leisure Management	(5,522)	5,646	124	(5,551)	5,394	(157)
	(5,522)	5,646	124	(5,551)	5,394	(157)
Trading Operations Included in Financing and Investment Income and Expenditure						
Commercial Properties	(4,693)	1,270	(3,423)	(4,090)	1,499	(2,591)
	(4,693)	1,270	(3,423)	(4,090)	1,499	(2,591)
Total Trading Operations	(10,215)	6,916	(3,299)	(9,641)	6,893	(2,748)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. They are an integral part of the Council's services to the public (e.g. leisure management). The income and expenditure of the leisure management operations is included in the cultural and related services line in the Cost of Services. Only the net surplus achieved by commercial properties is included as Financing and Investment Income and Expenditure (see note 9).

The Leisure Management trading operation runs the Council's two sports centres - Laura Trott and John Warner - as well as other leisure facilities within the Borough such as Cheshunt Park Golf Centre and The Spotlight.

Note 29 – Members' Allowances

The Council paid the following amounts to members of the Council during the year:

	2016/17 £000	2015/16 £000
Allowances (including national insurance and employer's pension contributions)	221	228
Expenses	2	2
Total	223	230

Notes to the Core Financial Statements

Note 30 – Officers' Remuneration

The Council is required to disclose the remuneration of individual senior officers whose salary exceeds £50,000. Senior officers are defined as those who are responsible for departments within the Council, report directly to the Chief Executive and form the Corporate Management Team.

	Year	Salary	Expenses, Fees and Allowances	Pension Contribution	Total
Chief Executive	2016/17	108,346	172	20,704	129,222
	2015/16	101,239	64	19,185	120,488
Director of Finance	2016/17	75,600	201	14,447	90,248
	2015/16	70,862	184	13,428	84,474
Director of Environmental Services	2016/17	75,350	-	14,399	89,749
	2015/16	70,709	-	13,399	84,108
Director of Community and Economic Development	2016/17	8,493	-	1,623	10,116
	2015/16	60,614	-	11,486	72,100
Head of Legal Services ¹	2016/17	16,274	79	3,231	19,584
Head of Legal Services ²	2016/17	42,208	1,717	8,066	51,991
	2015/16	68,359	2,522	12,954	83,835

The Director of Community and Economic Development left the Council 22 May and the post was abolished.

The Head of Legal Services¹ was in post from 14 November 2016 to the period end.

The Head of Legal Services² was in post from 1 April to 13 November 2016 and was a shared post with the Police and Crime Commissioner.

The Council terminated the contracts of 9 employees in 2016/17, incurring liabilities of £11,722 (2015/16 19 employees and £136,655). Of these 9 employees 1 was a compulsory redundancy and 8 were in respect of other departures.

The number of other employees whose remuneration (excluding employer's pension contributions) was £50,000 or more in bands of £5,000 was:

Remuneration Band	2016/17	2015/16
£50,000 - £54,999	7	9
£55,000 - £59,999	6	4
£75,000 - £79,999	-	1
Total	13	14

Notes to the Core Financial Statements

Note 31 – External Audit Costs

The Council has incurred the following fees payable to Ernst & Young LLP relating to external audit services:

	2016/17 £000	2015/16 £000
External audit services	51	47
Certification of grant claims and returns	14	10
Total	65	57

Note 32 – Grants

The Council received the following grants and contributions, which are recorded in the Comprehensive Income and Expenditure Statement:

	2016/17 £000	2015/16 £000
Credited to Taxation and Non Specific Grant Income		
<i>Revenue Grants</i>		
Revenue Support Grant	1,143	1,681
New Homes Bonus	1,596	1,377
Council Tax Freeze Grant	-	43
Business Rate s31 Grant	383	539
Total	3,122	3,640

Capital Grants and Contributions (used to fund capital expenditure)

Disabled Facilities Grants	371	354
Heritage Lottery Funding	-	208
Hertfordshire Local Enterprise Partnership	1,358	442
Hertfordshire Waste Infrastructure	-	231
Other Grants	57	4
Planning Benefit Agreements (s106 monies)	219	119
Total	2,005	1,358

Capital Grants and Contributions (not yet applied capital expenditure)

Disabled Facilities Grants	238	-
Total	238	-

Credited to Services

Housing Benefit Grant	36,286	36,086
Benefit Administration Grant	336	419
Council Tax Support Grant	151	130
Police and Crime Commissioner Grant	38	17
Other Grants	594	413
Total	37,405	37,065

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 provider, if they are not used in accordance with the conditions. The balances at the year end are as follows:

Capital Grant Receipts in Advance	2016/17 £000	2015/16 £000
Planning Benefit Agreements (s106 monies)	8,389	8,592
Total	8,389	8,592

Notes to the Core Financial Statements

Note 33 – Related Parties

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

The UK Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. housing benefits). Government grants received during the year are set out in the subjective analysis in Note 27 and on Expenditure and Income Analysed by Nature and Note 32 on Grants.

The Council has a wholly owned and controlled limited company, Badger BC Investments Ltd. During the year the Company's Board was made up of three Council Officers and two elected Members, this changed March 1 2017 to one elected Member. Information concerning this company is set out in Note 37 on Investments in Companies and Group Relationships. The Council also has a one seventh share in Hertfordshire Building Control Ltd. This company is owned equally by seven Hertfordshire authorities. The Director of Finance sits on the Board of this company.

Members of the Council have direct control over the Council's financial and operating policies. During 2016/17 the Grants Panel approved grants totalling £145,631 of which £80,275 (£287,333 in 2015/16) was paid to voluntary organisations in which ten members had an interest. In each of these cases, the relevant members did not take part in any discussion or decision relating to the grants.

No other material transactions have been identified for disclosure which are not shown elsewhere in the Statement of Accounts.

Note 34 – Capital Expenditure and Capital Financing

During 2016/17, in addition to the annual net revenue expenditure on services, the Council spent £10.1 million on various capital schemes (£14.3 million in 2015/16).

	2016/17	2015/16
	£000	£000
Opening Capital Financing Requirement	(503)	(503)
Capital Investment		
Property, plant and equipment	640	1,385
Investment property	791	5,330
Land and buildings	4,240	2,141
Intangible assets	363	37
Infrastructure Assets	153	25
Community assets	5	-
Revenue expenditure funded from capital under statute	1,222	2,053
Loan to Badger BC Investments Ltd	2,681	3,362
	<u>10,095</u>	<u>14,333</u>
Sources of Finance		
Capital receipts	(3,150)	(8,349)
Government grants and other contributions	(2,005)	(1,432)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(4,940)	(4,552)
	<u>(10,095)</u>	<u>(14,333)</u>
Closing Capital Financing Requirement	<u>(503)</u>	<u>(503)</u>

Notes to the Core Financial Statements

Note 35 – Leases

The Council as Lessee

Operating Leases

The Council uses a number of items of equipment financed under the terms of an operating lease. In addition, the Council rents five properties. The future minimum lease payments due under non-cancellable leases in future years are:

	2016/17 £000		2015/16 £000	
	Buildings	Equip- ment	Buildings	Equip- ment
Not later than one year	266	452	182	412
Later than one year and not later than five years	421	744	194	1,095
Later than five years	49	-	9	-
Total	736	1,196	385	1,507

The amount charged to the Comprehensive Income and Expenditure Statement during 2016/17, in respect of such leases, was £666,107 (£592,333 in 2015/16).

The Council as Lessor

Operating Leases

The Council leases out properties under operating leases for the provision of community services, such as sports facilities, community centres and for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	2016/17 £000	2015/16 £000
Not later than one year	4,226	4,254
Later than one year and not later than five years	12,401	13,415
Later than five years	41,460	40,316
Total	58,087	57,985

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 no material contingent rents were receivable by the Council.

Finance Leases

During 2016/17 the Council has leased out land at Woollensbrook, Hoddesdon, for a crematorium and cemetery, to Westerleigh, on a finance lease with a remaining term of 99 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. There is not expected to be any residual value in the land when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts (as the lease was granted in 16/17 there are no prior year comparative figures):

Notes to the Core Financial Statements

Note 35 – Leases (continued)

	31 March 2017 £000
Finance lease debtor (net present value of minimum lease payments):	
Current	10
Non current	384
Unearned finance income	596
Total	990

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

	Gross Investment in the Lease 31 March 2017 £000	Minimum Lease Payments 2015/16 £000
Not later than one year	10	10
Later than one year and not later than five years	40	32
Later than five years	940	352
Total	990	394

The minimum lease payments do not include lease payments that are contingent on events taking place after the lease was entered into.

Note 36 – Defined Benefit Pension Scheme

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, a funded defined benefit scheme administered by Hertfordshire County Council.

(a) Transactions Relating to Post Employment Benefits

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, as the charge the Council is required to make against council tax is based on the cash payable in the year, the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Movement in Reserves Statement	2016/17 £000	2015/16 £000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code	(2,554)	(2,470)

Actual Amount Charged Against the General Fund Balance for Pensions in the Year:

Employer's contributions payable to scheme	1,558	1,670
--	-------	-------

Notes to the Core Financial Statements

Note 36 – Defined Benefit Pension Scheme (continued)

	2016/17 £000	2015/16 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
Current service cost	2,003	2,300
Past service costs	10	4
Loss from settlements	-	(449)
<i>Financing and Investment Income and Expenditure</i>		
Net Interest expense	541	615
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,554	2,470
<i>Other Post Employment Benefit Credited to the Comprehensive Income and Expenditure Statement Remeasurement of the net defined benefit liability comprising:</i>		
Return on plan assets (excluding the amount included in the net interest expense)	(9,270)	1,275
Actuarial losses arising on changes in demographic assumptions	(1,126)	-
Actuarial gains/(losses) arising on changes in financial assumptions	17,376	(4,834)
Other	(3,661)	(1,141)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	5,873	(2,230)

(b) Pensions Assets and Liabilities Recognised in the Balance Sheet

	2016/17 £000	2015/16 £000
Opening fair value of scheme assets	77,187	78,698
Interest income	2,598	2,412
<i>Remeasurement gain/(loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	9,270	(1,275)
Effect of settlements	-	(1,701)
Contributions from employer	1,558	1,670
Contributions from employees into scheme	518	549
Benefits paid	(3,555)	(3,166)
Balance at 31 March	87,576	77,187

Reconciliation of Present Value of the Scheme Liabilities

Balance at 1 April	92,900	98,311
Current service cost	2,003	2,300
Past service cost (including curtailments)	10	4
Effect of settlements	-	(2,150)
Interest cost	3,139	3,027
Contributions by scheme participants	518	549
<i>Remeasurement (loss)/gain:</i>		
Actuarial losses arising from changes in demographic assumptions	(1,126)	-
Actuarial gains/(losses) arising from changes in financial assumptions	17,376	(4,834)
Other	(3,661)	(1,141)
Benefits paid	(3,555)	(3,166)
Balance at 31 March	107,604	92,900

Notes to the Core Financial Statements

Note 36 – Defined Benefit Pension Scheme (continued)

	2016/17 £000	2015/16 £000
Present value of the defined benefit obligation	(107,604)	(92,900)
Fair value of plan assets	87,576	77,187
Net Liability Arising from Defined Benefit Obligation	(20,028)	(15,713)

(c) Local Government Pension Scheme Assets Comprised:

	2016/17 £000	2015/16 £000
Equity securities:		
Consumer	6,828	6,270
Manufacturing	6,553	5,721
Energy and utilities	1,578	1,341
Financial institutions	5,865	5,866
Health and care	1,186	1,022
Information technology	4,775	3,650
Other	295	178
Private equity	4,043	3,313
Real estate		
UK property	2,834	3,447
Overseas property	3,282	2,015
Investment funds and unit trusts		
Equities	18,350	15,668
Bonds	24,124	21,135
Commodities	-	365
Infrastructure	199	99
Other	4,948	4,926
Foreign exchange derivatives	(174)	(284)
Cash and cash equivalents	2,890	2,454
Total assets	87,576	77,186

(d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method to arrive at an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries with estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used in the actuary's calculations are:

	2016/17	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.5 years	22.3 years
Women	24.9 years	24.5 years
Longevity at 65 for future pensioners:		
Men	24.1 years	24.3 years
Women	26.7 years	26.7 years
Rate of inflation	3.4%	3.2%
Rate of increase in salaries	2.5%	3.6%
Rate of increase in pensions	2.4%	2.1%
Rate for discounting scheme liabilities	2.5%	3.4%

Notes to the Core Financial Statements

Note 36 – Defined Benefit Pension Scheme (continued)

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analysis on page 53 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 while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some 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.

(e) Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption	Decrease in Assumption
	£000	£000
Rate for discounting scheme liabilities (decrease 0.5%)	-	9,828
Rate of increase in salaries (increase by 0.5%)	1,098	-
Rate of increase in pensions (increase by 0.5%)	8,615	-
	9,713	9,828

(f) Impact on the Council's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. The Council made a lump sum contribution of £530k during 2013/14 to achieve this aim. In addition, Hertfordshire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. Following the March 2016 valuation, contributions will increase by £300k a year.

Note 37 – Investments in Companies and Group Relationships

The Council holds the following investments in companies. These investments have been considered for inclusion within the Council's group boundary, as explained in the accounting policy (13) for Group Accounts. Group accounts have been prepared consolidating Badger BC Investments Limited.

Name	Nature of Business	Owned %	Nominal Value £
Badger BC Investments Limited	A wholly owned and controlled limited company that was set up to acquire, develop and refurbish homes to provide rental properties to tenants wishing to live in the private sector, but with the assurance that the accommodation is managed by a responsible landlord.	100% Consolidated as a subsidiary in the Group Accounts	£1

In addition to the above, the Council also has an interest in Hertfordshire Building Control Limited, this company is owned equally by seven Hertfordshire authorities. The Council holds 14% of the share capital (£7) and is represented on the board. The Company aims to provide a more flexible and efficient response to building control issues across the County. Control is shared equally among the seven partners and the Company will operate out of the Hertsmeare Borough Council Civic Offices.

In 2016/17 the Council's share of losses for the year amounted to £15.7k (2015/16 £10k). In August 2016 the Council made a loan to the Company of £107k, which is held in Long Term Debtors on the Balance Sheet.

Collection Fund Statement

Collection Fund Income and Expenditure Account

	Note	2016/17		2015/16	
		Council Tax £000	Business Rates £000	Council Tax £000	Business Rates £000
Income					
Income from council tax	2	50,861	-	48,569	-
Income collectable from business ratepayers	3	-	38,907	-	39,725
Transitional payment protection receivable		-	(2,806)	-	79
		50,861	36,101	48,569	39,804
Expenditure					
Precepts and demands					
Hertfordshire County Council		40,373	4,245	38,403	4,169
Hertfordshire Police Authority (Council Tax only)		5,001	-	4,975	-
Central Government (Business Rates only)		-	21,224	-	20,846
Borough of Broxbourne	2	4,023	16,979	3,811	16,677
		49,397	42,448	47,189	41,692
Charges to the Collection Fund					
Costs of collection		-	117	-	117
Interest on refunds		-	-	-	18
Write offs of uncollectable amounts		-	-	-	47
Increase/(decrease) in bad debt provision		725	297	157	(190)
(Decrease)/increase in provision for appeals		-	(3,822)	-	1,288
		725	(3,408)	157	1,280
Distribution of previous year's estimated Collection Fund surplus		1,623	(1,247)	1,725	34
		51,745	37,793	49,071	43,006
Movement on Fund Balance					
Deficit for year		884	1,692	502	3,202
Balance at 1 April		(2,120)	4,681	(2,622)	1,479
Balance at 31 March		(1,236)	6,373	(2,120)	4,681

Notes to the Collection Fund

Note 1 – General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Note 2 – Council Tax

This tax is a property based tax and assumes that two adults are resident in the property. Discounts are available where less than two adults reside. Properties are placed into one of eight valuation bands.

The base upon which the council tax is calculated is the total of the number of dwellings in each valuation band (adjusted for dwellings where discounts apply) and converted to an equivalent number of band D dwellings. For 2016/17 the numbers were:

Band	Value	Number of chargeable dwellings	Equivalent number of dwellings at Band D (after adjustments)
	£		
A	up to 40,000	487	270
B	40,001-52,000	3,588	2,347
C	52,001-68,000	9,131	7,247
D	68,001-88,000	13,960	13,085
E	88,001-120,000	7,417	8,651
F	120,001-160,000	2,756	3,848
G	160,001-320,000	2,086	3,388
H	over 320,000	159	311
Total		39,584	39,147
	Adjustment for local Council Tax Support Scheme		<u>(4,430)</u>
			34,717
	Tax base (assuming 98% collection rate)		34,024

The Council's own council tax charge was calculated as follows:

	£
Net budget for year	7,745,001
less:	
Revenue Support Grant	(1,142,703)
Retained Business Rates	(2,449,493)
Contribution from estimated 2014/15 Collection Fund deficit	<u>(129,878)</u>
Demand from Collection Fund	<u>4,022,927</u>

The figure of £4,022,927 is divided by the tax base to give a band D tax rate of £118.24 (£113.24 for 2015/16). The average overall band D council tax rate for the Borough, which includes the County Council and police charge was £1,451.86 (£1,402.00 for 2015/16).

Notes to the Collection Fund

Note 3 – Income from Business Ratepayers

The Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2016/17 was 49.7p (49.3p for 2015/16).

At the year end the total non domestic rateable value was £93.9 million for 2,318 properties (2,277 at 31 March 2015).

Note 4 – Precepts and Demands on the Collection Fund

	2016/17 precept/ demand £000	Share of 31.03.16 surplus £000	2016/17 total £000	2015/16 Total £000
Council Tax				
Borough of Broxbourne	4,023	130	4,153	3,952
Hertfordshire County Council	40,373	1,324	41,697	39,802
Hertfordshire Police	5,001	169	5,170	5,160
	49,397	1,623	51,020	48,914
Business Rates				
Borough of Broxbourne	16,979	(499)	16,480	16,691
Hertfordshire County Council	4,245	(125)	4,120	4,172
Central Government	21,224	(623)	20,601	20,863
	42,448	(1,247)	41,201	41,725

Group Accounts

Introduction

In order to provide a full picture of the economic and financial activities of the Council, and its exposure to risk, the accounting statements of its subsidiary are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting, consolidating any subsidiary over which the Council exercises control or influence. The basis for determining the Group Boundary is as set out in the Council's Accounting policies on page 16.

Badger BC Investments Ltd, is a company formed in November 2013, since then the Council has owned 100% of shares (purchased for a cash consideration of £1) and so it has been consolidated as a subsidiary. There are no minority shareholders and no restrictions on the Council's ability to access or use the assets or settle the liabilities of the group. Badger BC Investments Ltd was created to acquire, develop and refurbish homes to provide rental properties to tenants wishing to live in the private sector, but with the assurance that the accommodation is managed by a responsible landlord.

Accounting Policies

Badger BC Investments Ltd has prepared 2016/17 accounts using accounting policies consistent with those applied by the Council and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.

Group Expenditure and Funding Analysis

	2016/17			2015/16		
	Net Expenditure Chargeable to General Fund Balance	Net Adjustments between Accounting Basis and Authority Accounts	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to General Fund Balance	Net Adjustments between Accounting Basis and Authority Accounts	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
Chief Executive	2,983	263	3,246	2,663	120	2,783
Environmental Services	3,987	1,559	5,546	3,967	1,475	5,442
Finance	2,256	1,690	3,946	2,000	2,605	4,605
Legal Services	-	7	7	2	14	16
Broxbourne Sport and Broxbourne Leisure and Culture	23	101	124	(157)	120	(36)
Net Cost of Services	9,249	3,620	12,869	8,476	4,333	12,809
Other Income and Expenditure	(13,706)	(5,706)	(19,414)	(13,521)	(2,696)	(16,217)
Tax expenses for Badger BC Investments Ltd	130	-	-	-	-	-
Revenue Contribution to Capital	4,940	(4,940)	-	4,552	(4,552)	-
Adjustments between Group Accounts and Authority Accounts	(155)	-	-	(50)	50	-
Deficit/(surplus)	458	(7,026)	(6,543)	(542)	(2,915)	(3,408)
Opening General Fund Balance and Revenue Reserves at 31 March	(16,247)			(15,705)		
Add deficit/(surplus) in Year	458			(542)		
Closing Reserves Balance at 31 March				(16,247)		

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be used to fund expenditure) and other reserves.

	Total Revenue Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000	Badger BC Usable Reserves £000	Total Reserves £000
Balance at 31 March 2015	(15,705)	(570)	(22,988)	(39,264)	(76,583)	(115,846)	35	(115,811)
Movement in Reserves during 2015/16								
Surplus on provision of services	(3,408)	-	-	(3,408)	-	(3,408)	-	(3,408)
Other comprehensive income	-	-	-	-	(4,620)	(4,620)	(55)	(4,675)
Total Comprehensive Income and Expenditure	(3,408)	-	-	(3,408)	(4,620)	(8,029)	(55)	(8,083)
Adjustments between group accounts and authority accounts	(49)	-	-	(49)	-	(49)	49	-
Adjustments between accounting basis and funding basis under regulations	2,915	29	5,719	8,663	(8,663)	-	-	-
(Increase)/decrease in year	(542)	29	5,719	5,206	(13,283)	(8,078)	(6)	(8,083)
Balance at 31 March 2016 carried forward	(16,247)	(541)	(17,269)	(34,058)	(89,866)	(123,924)	29	(123,894)
Movement in Reserves during 2016/17								
Surplus on provision of services	(6,543)	-	-	(6,543)	-	(6,543)	-	(6,543)
Other comprehensive income	-	-	-	-	619	619	(648)	(29)
Tax expenses for Badger BC Investments Ltd	130	-	-	130	-	130	-	130
Total Comprehensive Income and Expenditure	(6,413)	-	-	(6,413)	619	(5,794)	(648)	(6,442)
Adjustments between group accounts and authority accounts	(155)	-	-	(155)	-	(155)	155	-
Adjustments between accounting basis and funding basis under regulations	7,026	(223)	1,431	8,235	(9,340)	-	-	-
Decrease/(increase) in year	458	(223)	1,431	1,667	(8,722)	(5,949)	(493)	(6,442)
Balance at 31 March 2017 carried forward	(15,789)	(764)	(15,838)	(32,391)	(98,587)	(129,871)	(463)	(130,334)

Group Comprehensive Income and Expenditure Statement

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

	2016/17		2015/16 Restated	
	Group Expenditure £000	Group Gross Income £000	Group Expenditure £000	Group Gross Income £000
Chief Executive	4,896	(1,650)	3,991	(1,208)
Environmental Services	10,152	(4,606)	9,673	(4,231)
Finance	45,368	(41,422)	45,126	(40,521)
Legal Service	110	(103)	34	(17)
Broxbourne Sport and Broxbourne Leisure and Culture	5,646	(5,522)	5,514	(5,551)
Cost of Services	66,172	(53,303)	64,336	(51,527)
Other Operating Income	1	(293)	3	(17)
Financing and Investment Income and Expenditure	1,977	(9,033)	2,164	(5,185)
Taxation and Non Specific Grant Income	-	(12,064)	-	(13,182)
(Surplus)/Deficit on Provision of Services		(6,543)		(3,408)
Tax expenses for Badger BC Investments Ltd		130		-
(Surplus)/deficit		(7,519)		(3,408)
(Surplus)/deficit on revaluation of non current assets		(3,348)		25
Actuarial losses/(gains) on pension assets/liabilities		3,319		(4,700)
Other Comprehensive Income and Expenditure		(29)		(4,675)
Total Comprehensive Income and Expenditure		(6,442)		(8,083)

Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date (31 March 2017) of the assets and liabilities recognised by the Council. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

		31 March 2017	31 March 2016
		£000	£000
	Note		
Property, Plant and Equipment		58,010	52,289
Heritage Assets		409	404
Investment Property	1	61,002	53,905
Intangible Assets		580	337
Long Term Investments		2,036	2,036
Long Term Debtors		1,154	1,045
Non Current Assets		123,191	110,016
Short Term Investments		30,257	27,546
Asset Held for Sale		373	120
Inventories		95	138
Short Term Debtors		10,605	11,373
Cash and Cash Equivalents		9,288	13,415
Current Assets		50,618	52,592
Short Term Creditors		22,218	20,317
Current Liabilities		22,218	20,317
Long Term Creditors and Provisions		21,257	18,397
Non Current Liabilities		21,257	18,397
Net Assets		130,334	123,894
Unusable Reserves		97,480	89,866
Usable Reserves		32,854	34,028
Total Reserves		130,334	123,894

These financial statements have been authorised for issue on 21 July 2017 by the Director of Finance (Chief Finance Officer)



Sandra Beck FCCA
Director of Finance

Group Cash Flow Statement

This consolidated statement summarises the Council's inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

Transfers between internal funds and accruals of expenditure and income are therefore excluded.

	2016/17	2015/16
	£000	£000
Net (Surplus)/Deficit on the Provision of Services	(6,543)	(3,408)
Adjustments to net (surplus)/deficit on the provision of services for non cash movements	(1,143)	(3,855)
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	<u>4,100</u>	<u>4,032</u>
Net cash flows from operating activities	(3,586)	(3,231)
Investing activities	7,576	7,083
Financing activities	<u>137</u>	<u>(54)</u>
Net Decrease in Cash and Cash Equivalents	<u>4,127</u>	<u>3,798</u>
Cash and Cash Equivalents at 1 April	<u>13,415</u>	<u>17,213</u>
Cash and Cash Equivalents at 31 March	<u>9,289</u>	<u>13,415</u>

Notes to the Group Accounts

Notes to the Group Accounts are presented where it is deemed that extra disclosure supporting the Council's notes to the single entity accounts is appropriate. Where notes have not been replicated in the Group Accounts, it is because it is deemed that there is no material change between the Council's single entity notes and Group Accounts.

The single entity accounting policies are also the accounting policies of the Group.

Note 1 - Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2016/17			2015/16
	Broxbourne Borough Council	Badger BC Investments Ltd	Total	Total
	£000	£000	£000	£000
Rental income from investment property	4,693	342	5,035	4,290
Direct operating expenses arising from investment property	(1,270)	(17)	(1,287)	(1,510)
Net gain	3,423	325	3,748	2,780

There are no restrictions on the Group's ability to realise the value of its investment property or on the Group's right to receive income from any proceeds of sale. The Group had contractual obligations to purchase, develop or enhance investment property to the value of £1.41 million (Broxbourne Borough Council had no contractual obligations).

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

	2016/17			2015/16
	Broxbourne Borough Council	Badger BC Investments Ltd	Total	Total
	£000	£000	£000	£000
Balance at 1 April	48,426	5,479	53,905	43,662
Purchases	791	3,068	3,859	10,260
Disposals	(730)	-	(730)	-
Net gains from fair value adjustments	3,325	648	3,973	653
Transfers from Property, Plant and Equipment	(135)	-	(135)	(670)
Balance at 31 March	51,677	9,194	60,872	53,905

Note 2 - Debtors and Creditors

Group Accounts should eliminate the effect of transactions between the Council and Badger BC Investments Ltd as its subsidiary, therefore debtors and creditors between these parties have been excluded.

Notes to the Group Accounts

Note 3 – Summary of Financial Position of Subsidiary

Badger BC Investments Ltd has been consolidated in the group accounts as a 100% owned subsidiary. The summary of financial position of the company is shown below:

Statement of Comprehensive Income	2016/17	2015/16
	£000	£000
Turnover	342	200
Cost of sales	(17)	(11)
Gross Profit	325	189
Administrative expenses	(17)	(27)
Other expenses	(66)	(43)
Amortisation of intangible assets	(2)	(2)
Increase in fair value of investment properties	648	55
Operating Profit/(loss)	887	172
Interest payable	(264)	(166)
Profit/(loss) on ordinary activities before taxation	623	6
Taxation	(130)	-
Profit/(loss) for the financial period after tax	493	6
Summary Balance Sheet	2016/17	2015/16
	£000	£000
Non Current Assets		
Investment properties	9,194	5,478
Intangible assets	7	10
	9,201	5,488
Current Assets		
Trade debtors	28	6
Cash and cash equivalents	49	159
	77	165
Liabilities		
Trade Creditors	(406)	(161)
Amounts owed to group undertakings	(318)	(212)
Long term liabilities	(8,091)	(5,309)
Total Liabilities	(8,815)	(5,682)
Net Liabilities	463	(29)
Capital and Reserves		
Profit and Loss Account	463	(29)
	463	(29)
Total Equity	463	(29)

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

Certificate of Chief Finance Officer

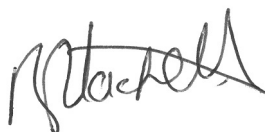
I certify that this Statement of Accounts presents a true and fair view of the financial position of Broxbourne Borough Council at 31 March 2017 and its income and expenditure for the year then ended.



Sandra Beck FCCA
Director of Finance
July 2017

Approval of the Statement of Accounts

I confirm that the Statement of Accounts was approved by the Audit and Standards Committee at its meeting held on 21 July 2017



Patrick Clackett
Chairman
21 July 2017

Report of the Auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOROUGH OF BROXBOURNE

Opinion on the Authority's financial statements

We have audited the financial statements of Borough of Broxbourne Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Related notes 1 to 37, Group 1 to 3, the Expenditure and Funding Analysis and Group Expenditure and Funding Analysis,
- Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Director of Finance Responsibilities set out on page 65, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Borough of Broxbourne Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

Report of the Auditors

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014

We have nothing to report in these respects

Conclusion on Borough of Broxbourne Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Borough of Broxbourne Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Borough of Broxbourne Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Borough of Broxbourne Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

*Andrew Brittain (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor*

Reading

21 July 2017

Glossary of Financial Terms

Accounting Basis

The basis on which the Council's accounts are prepared whereby expenditure and income are reported when they are incurred.

Accounting Period

The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts. The end of the accounting period is the balance sheet date.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) recognising;
- (ii) selecting measurement bases for; and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (ii) the actuarial assumptions have changed.

Accumulated Absences

Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.

Appointed Auditors

These are the external auditors appointed by the Audit Commission. The Council's current approved auditors are Ernst and Young LLP.

Approved Institutions

Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Strategy.

Arrears

Unpaid, overdue debts.

Audit of Accounts

An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.

Balances

The capital or revenue reserves of an authority made up of the accumulated surplus of income over expenditure on the General Fund, etc.

Capital Expenditure

Expenditure on the acquisition of a non current asset or expenditure which adds to and not merely maintains the value of an existing non current asset.

Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves. Broxbourne is debt free and does not borrow to finance capital expenditure.

Capital Receipt

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used for revenue purposes.

Cash Equivalents

Cash investments which are held on deposit and are repayable on demand without financial penalty.

Cash Flow Statement

A statement that summarises the inflows and outflows of cash within the Council's accounts.

CIPFA

Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.

Collection Fund

A separate fund maintained by a billing authority that records the expenditure and income relating to council tax and non domestic rates, including the amounts raised on behalf of and paid over to precepting authorities.

Code of Practice on Local Authority Accounting (The Code)

The Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

Collection Fund Adjustment Account

This account holds the difference between the income (including accruals) held in the Comprehensive Income and Expenditure Statement and the amount required by statutory regulation to be credited to the Collection Fund.

Glossary of Financial Terms

Community Assets

Assets that a local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and allotments.

Comprehensive Income and Expenditure Statement

An account which summarises resources generated and consumed in the provision of services for which the Council is responsible.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non occurrence of one or more uncertain future events.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.

Contingent Liability

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services. Activities include:-

- corporate policy making;
- representing local interests;
- support to elected bodies;
- duties arising from public accountability.

Council Tax

This is a local tax set by local councils to help pay for local services.

Creditors

Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have

not been made by the end of that accounting period.

Current Assets

Assets which can be classified as cash or cash equivalents, assets held primarily for the purposes of trading (e.g. inventories), or any asset which is expected to be realised within the next financial year.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Deficit

An excess of expenditure over income (or liabilities over assets).

Debtors

Amounts due to the Council before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.

Deferred Capital Receipts

Capital receipts to be received by instalments over agreed periods of time.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments in the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the cost or revalued amount of the benefits of the non current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Earmarked Reserves

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

Employee Benefits

Entitlements accrued by employees as part of their employment rights, e.g. annual leave (holiday), sick pay and payments as a result of their employment being terminated before normal retirement age.

Glossary of Financial Terms

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured. Where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in the period;
- different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events After the Balance Sheet Date

Events After the Balance Sheet Date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pension Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items which derive from events or transactions that fall outside the ordinary activities of the authority and which are therefore expected not to recur frequently or regularly.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A lease that transfers substantially all of the risks and rewards of a non current asset to the lessee.

Financial Instruments

Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.

Financial Reporting Standard (FRS)

Financial Reporting Standards cover particular aspects of accounting practice and set out the correct accounting treatment, for example, of depreciation. Compliance with these statements is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.

Funding Basis

The basis according to statute on which the Council determines what resources are available to meet capital and revenue expenditure.

General Fund

The main revenue account of a charging authority. Day to day spending on services is met from the fund.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local authority services.

Gross Carrying Amounts

The amount at which an asset is held in the Council's balance sheet.

Heritage Asset

An asset which is held solely for its cultural, environmental or historic associations. This encompasses such things as civic regalia, historical buildings and monuments, museum collections and works of art. Any asset which is used for operational purposes would not be classified as a Heritage Asset. So, for example, within this Council, the Lowewood Museum building itself would not be considered a Heritage Asset as its primary use is as the premises for the museum and thus it is an operational asset.

Glossary of Financial Terms

Housing Benefits

A system of financial assistance to individuals towards certain housing costs, which is administered by local authorities.

Assistance takes the form of rent rebates and rent allowances toward which central government pays a subsidy.

Impairment

A reduction in the value of a non current asset below its carrying amount on the balance sheet.

Infrastructure Assets

Non current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets

An asset that brings benefit for more than one financial year, that does not have physical substance but is identifiable and controlled by the owner (e.g. software licences).

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standard (IFRS) also International Accounting Standard (IAS)

International Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these statements is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.

Inventories

The amount of unused or unconsumed inventories (stock) held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion
- Long term contract balances; and
- Finished goods.

Investments

The commitment of funds to purchase financial instruments or other assets in order to gain profitable returns in the form of interest, income or appreciation of the value of the instrument.

Investment Property

Property which is held solely to earn rentals and/or for capital appreciation but not used for the purpose of service delivery.

Liabilities

Money owed to somebody else.

Market value/price

The amount at which an asset could be bought or sold on the open market.

Member

An elected Councillor.

Net Book Value

The amount at which non current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non operational assets), less the expenses to be incurred in realising the asset.

Non Current Asset

Any asset which is not regarded as a current asset.

Non Domestic Rates (Business Rates)

These are rates charged on properties other than domestic property. The business rate poundage is set annually by the Government and is a flat rate throughout the country.

Obligating Event

An event which creates a legal or constructive obligation that results in the Council having no realistic alternative to settling that obligation.

Officer

An employee of the Council.

Operating Lease

A lease other than a finance lease.

Glossary of Financial Terms

Operational Assets

Non current assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Precept

The levy made by one authority on another. Hertfordshire County Council and Hertfordshire Police who do not administer the council tax system each levy an amount on the Borough of Broxbourne which collects the required income from local taxpayers on their behalf.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Property Plant and Equipment

Assets that have physical substance and are held for use in the provision of services.

Provisions

Provisions are sums set aside to meet any liabilities or losses which are likely to be incurred in the future but where there is uncertainty as to the amounts or dates on which they will arise.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Code

The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has the ability to exercise significant influence over the financial and operational policies of the other party to an extent that the

other party might be inhibited from pursuing at all times its own separate interests; or

- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- central government;
- local authorities and other bodies precepting or levying demands on the council tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its members;
- its chief officers; and
- its pension fund.

Related Party Transaction

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

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of all benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserves

Amounts set aside to meet general items of future expenditure, without being earmarked for any particular service or project.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve

An account containing any unrecognised gains or losses arising from the revaluation of non current assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Comprehensive Income and Expenditure Statement once all previous entries relating to unrecognised gains or losses have been removed from the accounts.

Revenue Contributions to Capital Outlay

The financing of capital expenditure directly from revenue.

Revenue Expenditure

The day to day running costs an authority incurs in providing services.

Glossary of Financial Terms

Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset.

Revenue Support Grant

A grant paid by the Government to councils, contributing towards the costs of their services.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SeRCOP

Service Reporting Code of Practice (SeRCOP) is CIPFA's accounting recommendations for local authorities that legally constitute proper accounting practice, below the statement of accounts level.

Service Organisation (SO)

A separate trading unit which operates in a competitive environment and which consists of people directly employed by the authority.

Surplus

An excess of income over expenditure (or assets over liabilities).

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service or to the undertaking of the activity.

Trading Operation

Services operating on a "trading" basis which are financed by charges made to recipients of the services.

Useful Life

The period over which the authority will derive benefits from the use of a non current asset.

BROXBOURNE BOROUGH COUNCIL
Borough Offices
Bishops' College
Churchgate
Cheshunt
Herts EN8 9XQ
Tel: 01992 785555
e-mail: finance@broxbourne.gov.uk
www.broxbourne.gov.uk