

# STATEMENT OF ACCOUNTS 2014/15

Borough of Broxbourne



**BOROUGH OF  
BROXBOURNE**  
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# Foreword to the Statement of Accounts 2014/15

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## Introduction

This foreword provides a brief explanation of the Council's financial activities, draws attention to the main elements of the statement of accounts and highlights some of the issues facing the Council.

## Summary of contents

The accounts for the year ending 31 March 2015 are set out on pages 5 to 55 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 2014/15 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 Movement in Reserves Statement is the first core statement. It 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 2015 were £115.8 million compared with £116.0 million at 31 March 2014. The Movement in Reserves Statement reconciles the £0.2 million deficit 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 deficit for 2014/15 of £0.2 million which represents the amount by which expenditure is more than income. The statement is prepared in accordance with the CIPFA *Service Reporting Code of Practice for Local Authorities (SeRCOP)*, which ensures that all authorities' accounts are prepared on a consistent basis. 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 2015, the Council's net worth was £116 million and at 31 March 2014. 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.

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 Cash Flow Statement summarises, in cash terms, the Council's transactions with its taxpayers, its customers, its suppliers, the Government and other parties.

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

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.

The Annual Governance Statement describes the Council's governance framework, sets out how it has reviewed its governance arrangements and discloses the actions taken, or proposed, to deal with significant governance issues. This is signed by the Leader of the Council and the Chief Executive.

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 my statement that I confirm the validity of the information presented in the accounts. I have considered whether any material events have occurred since 31 March 2015 and have concluded that no events have occurred that require disclosure.

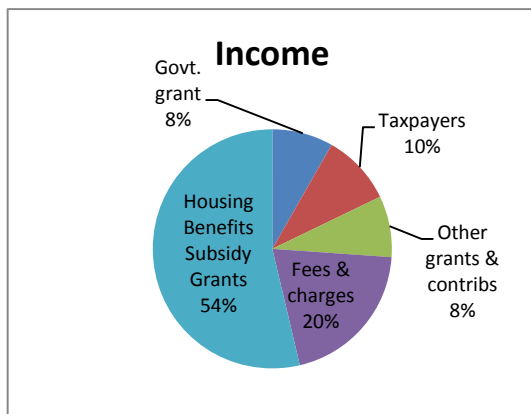
The report of the Auditors provides an opinion as to whether the accounts present a true and fair view of the Council's financial position.

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

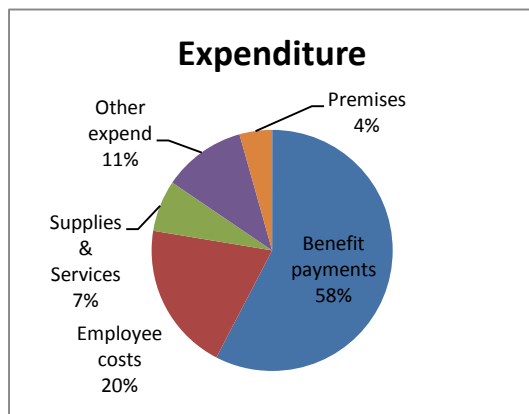
# Foreword to the Statement of Accounts 2014/15

## Income and Expenditure

The Council's gross income for the year, including Government grants, non domestic rates and Council tax was £62 million, this reflects all the income recognised in the *deficit on provision of services* line in the Comprehensive Income and Expenditure Statement. The largest single item of income was housing benefit grant, providing 54% of total income. Income from taxpayers accounted for 10%, government grant 8% and income from fees and charges 20%.



The 2014/15 gross expenditure was £70 million. This reflects all the Council's expenditure recognised in the *deficit on provision of services* line in the Comprehensive Income and Expenditure Statement. The largest single item of expenditure was in respect of housing benefit payments, which accounted for 58% of all expenditure. Employee costs (including national insurance and pension contributions) accounted for 20% of costs, premises costs including rents rates, utility costs and repairs and maintenance cost made up 4%, and supplies and services and purchases of goods made up 7% of the total expenditure.



## Financial Strategy

The Council's medium term financial strategy provides a framework to support the overall aims of the Council and its partners. The Council's overall financial objectives as set out in the current strategy are to:

- Become self-sufficient by 2020. This means not being reliant on Government Revenue Support Grant;
- Identify savings to minimise the impact of funding cuts in order to protect front line services;
- Maintain sound financial controls as set out in the financial regulations and contract standing orders;
- Make decisions which are based on complete, reliable and timely information and include an evaluation of the financial risk implications;
- Optimise income from assets;
- Explore trading opportunities;
- Seek new ways of working with partners in the public, private and voluntary sectors; and
- Apply competitive tendering and adopt best procurement practices.

The means of achieving these aims vary from year to year, but will always be based on sound financial management. At 31 March 2015, revenue reserves and balances amounted to £11.1 million and the Council's investment portfolio totalled £48.3 million, including £2.0 million of long term investments and £14.2 million invested in money market funds, which are classified as cash equivalents on the Balance Sheet.

## Review of the Year

Government support for the Council's spending decreased by 23% in 2014/15, compared with the adjusted 2013/14 settlement. Band D council tax was retained at £113.24 and was the lowest council tax set by any shire district in England (including parish precepts). The balance of the Council's expenditure to be met by local taxpayers and Government grant in the year was £8.5 million, a reduction of just under £0.45 million from the previous year.

The Council's wholly owned subsidiary company, Badger BC Investments Ltd, started trading on 1 April 2014 and acquired two properties during the year with a total value of £494k which generated interest income to the Council of £7k and management and support income of £11k.

# Foreword to the Statement of Accounts 2014/15

At the year end, the surplus on the General Fund of £393,000 was transferred to earmarked reserves; the General Fund balance therefore remained at £6.2 million. Significant variations from budget and the reasons for these are set out below:

	<b>Variance (Fav)/Adv £000</b>	<b>Variance (Fav)/Adv %</b>
<b>Employee Costs</b>	(122)	(1.0%)
Savings resulting from an organisation restructure and salary savings from vacant posts while positions are being recruited to.		
<b>Premises Costs</b>	51	1.7%
Increases in utilities, service charges and insurance provisions offset by reductions in repairs and maintenance expenditure, business rate liabilities and bed and breakfast charges for temporary accommodation requirements.		
<b>Transport and Plant</b>	(34)	(2.8%)
Savings resulting from lower fuel costs have been partially offset by increased freighter hire costs.		
<b>Supplies and Services</b>	(310)	(6.3%)
Improved procurement of purple sacks, materials for highway works, disabled adaptations and stationery. The contingency budget was not fully utilised.		
<b>Elections</b>	6	9.8%
Additional expenditure required during the year to support the new government initiative of Individual Electoral Registration.		
<b>Agency and Contracted Services</b>	(5)	(2.3%)
Reduced contribution required to support the hospital shuttle service provided by Hertfordshire County Council and partly sponsored by Broxbourne Council.		
<b>Allowance for Non Collection of Outstanding Debts</b>	531	287.8%
Increases in provision for unpaid invoices, mainly housing benefit overpayments.		
<b>Benefit Payments</b>	(113)	(0.0%)
A slight reduction in housing benefit claims; this expenditure is offset by benefit subsidy received from Central Government.		
<b>Government Grants</b>	(70)	(0.0%)
Reduction in the need for Government funding for housing benefit claims as the value of claims reduced slightly during the year offset by additional grant received for local support for council tax.		
<b>Other Grants and Contributions</b>	(629)	(32.2%)
Reclaimed overpaid housing benefit was higher than budgeted which has been offset by an increase in bad debt provision. Sponsorship was received for the first Womens Cycle Tour of Great Britain which offset the Council's costs for hosting the event. A VAT refund was received for overpaid tax on trade waste.		
<b>Rents</b>	(60)	(1.6%)
Additional income from newly acquired investment properties has been partly offset by reduced income from Fawkon Walk medical centre.		
<b>Sales</b>	(40)	(7.6%)
Income generated from sales of recycled cardboard and plastic was higher than expected.		
<b>Fees and Charges</b>	112	2.2%
Delays in the construction of the Borough's first community mausoleum at Cheshunt cemetery meant that the expected income from immure fees did not occur. Additional income has been received from trade waste collections and increased volume of planning applications.		
<b>Agency Reimbursements</b>	(11)	(24.5%)
A higher than budgeted contribution was received from Hertfordshire County Council for waste transportation.		

# Foreword to the Statement of Accounts 2014/15

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The Council's Service Organisation; Broxbourne Leisure Management Service Organisation (BLMSO) traded at a surplus in 2014/15. This surplus of £312,546 was transferred to an earmarked reserve to provide for BLMSO's future capital requirements.

During the year, the Council invested £14.1 million in capital projects including affordable housing in conjunction with partners (£2.2 million) and awarded grants to enable the adaption of private sector housing for the needs of disabled residents (£0.3 million). Other significant capital projects included acquisitions of investment properties, completion of the refurbishment of the Laura Trott Leisure Centre, which was opened by Laura Trott on 10 May, a 9 bay driving range at Cheshunt Park Golf Centre, improvements to the Cheshunt Cemetery which will include the Borough's first community mausoleum, the completion of the Cedars Park heritage scheme, improvements to Hoddesdon Town Centre and the Waltham Cross renaissance. Capital expenditure in 2014/15 was financed from capital receipts (£10.8 million), grants and other external contributions (£1.0 million) and revenue contributions (£2.3 million).

## **The Economic Climate**

The Council is currently facing and will continue to face an unprecedented range of financial challenges over the coming months and years. The economic climate has affected the Council in several ways. The Council achieved efficiency savings of £0.9 million in 2014/15 and a medium term savings programme will continue. The Council has healthy levels of reserves and balances including £1.7 million set aside in a service protection and enhancement fund to enable it to meet the financial challenges ahead, without adversely impacting on services to residents.

## **Conclusion**

The Council's Statement of Accounts is prepared based on statute and best practice. Their prime aim is to give local taxpayers and other stakeholders clear information about the Council's activities. They assist electors, taxpayers, members and other interested parties in forming a judgement about the performance of the Council. The statements that make up the Council's accounts for 2014/15 demonstrate that the Council continues to manage its responsibilities well. The Council's healthy financial position means that it is able to meet future financial challenges from a position of strength.



**Sandra Beck FCCA**

Group Manager (Corporate Services)

## 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.

	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2013</b>	(6,181)	(8,742)	(552)	(34,220)	(49,695)	(54,895)	(104,590)
<b>Movement in Reserves during 2013/14</b>							
Surplus on provision of services	(2,432)	-	-	-	(2,432)	-	(2,432)
Other comprehensive income	-	-	-	-	-	(9,050)	(9,050)
<b>Total Comprehensive Income and Expenditure restated</b>	<b>(2,432)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,432)</b>	<b>(9,050)</b>	<b>(11,482)</b>
Adjustments between accounting basis and funding basis under regulations	2,230	-	(19)	2,085	4,296	(4,296)	-
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(202)</b>	<b>-</b>	<b>(19)</b>	<b>2,085</b>	<b>1,864</b>	<b>(13,346)</b>	<b>(11,482)</b>
Transfers to Earmarked Reserves	202	(202)	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>(202)</b>	<b>(19)</b>	<b>2,085</b>	<b>1,864</b>	<b>(13,346)</b>	<b>(11,482)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(6,181)</b>	<b>(8,944)</b>	<b>(571)</b>	<b>(32,135)</b>	<b>(47,832)</b>	<b>(68,241)</b>	<b>(116,073)</b>
<b>Movement in Reserves during 2014/15</b>							
Deficit on provision of services	8,312	-	-	-	8,312	-	8,312
Other comprehensive income	-	-	-	-	-	(8,084)	(8,084)
<b>Total Comprehensive Income and Expenditure</b>	<b>8,312</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,312</b>	<b>(8,084)</b>	<b>228</b>
Adjustments between accounting basis and funding basis under regulations	(8,892)	-	1	9,147	256	(256)	-
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(580)</b>	<b>-</b>	<b>1</b>	<b>9,147</b>	<b>8,568</b>	<b>(8,340)</b>	<b>228</b>
Transfers to Earmarked Reserves	580	(580)	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>(580)</b>	<b>1</b>	<b>9,147</b>	<b>8,568</b>	<b>(8,716)</b>	<b>228</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(6,181)</b>	<b>(9,524)</b>	<b>(570)</b>	<b>(22,988)</b>	<b>(39,263)</b>	<b>(76,583)</b>	<b>(115,846)</b>



## 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.

	2014/15		2013/14 restated	
	Gross Expenditure £000	Gross Income £000	Gross Expenditure £000	Gross Income £000
Note				
Central services to the public	4,005	1,060	2,736	1,295
Cultural and related services	11,651	5,919	8,816	5,622
Environmental and regulatory services	5,233	2,493	5,017	2,291
Planning services	2,087	982	2,159	817
Highways, roads and transport services	3,633	1,682	3,430	1,734
Housing services	40,170	37,538	38,644	37,766
Adult social care	823	254	913	456
Corporate and democratic core	1,418	175	1,629	108
Non distributed costs	1	-	557	-
<b>36(f)</b>	<b>1</b>	<b>-</b>	<b>557</b>	<b>-</b>
<b>Cost of Services</b>	<b>69,021</b>	<b>50,103</b>	<b>63,901</b>	<b>50,089</b>
Other Operating Expenditure	8	378		1,526
Financing and Investment Income and Expenditure	9	1,213		(3,816)
Taxation and Non Specific Grant Income	10	(12,197)		(13,954)
<b>Deficit/(Surplus) on Provision of Services</b>		<b>8,312</b>		<b>(2,432)</b>
Surplus on revaluation of non current assets		(9,185)		(2,044)
Actuarial losses/(gains) on pension assets/ liabilities	36a	1,101		(7,006)
<b>Other Comprehensive Income and Expenditure</b>		<b>(8,084)</b>		<b>(9,050)</b>
<b>Total Comprehensive Income and Expenditure</b>		<b>228</b>		<b>(11,482)</b>

The 2013/14 Comprehensive Income and Expenditure Statement has been restated to reflect the adoption of an asset by Hertfordshire County Council which took place in November 2013 but was not reflected in the accounts until 2014/15.

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date (31 March 2015) of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

		31 March 2015 £000	31 March 2014 restated £000	31 March 2013 £000
	<b>Note</b>			
Property, Plant and Equipment	11	50,114	41,521	36,868
Heritage Assets	12	399	384	219
Investment Property	13	43,168	41,761	39,426
Intangible Assets	14	425	393	313
Long Term Investments	15(a)	2,036	2,002	4,033
Long Term Debtors	15(a),18	2,740	735	742
<b>Non Current Assets</b>		<b>98,882</b>	<b>86,796</b>	<b>81,601</b>
Short Term Investments	15(a)	30,553	35,570	37,550
Asset Held for Sale	20	120	1,050	1,050
Inventories	17	197	225	221
Short Term Debtors	18	9,582	8,311	5,158
Cash and Cash Equivalents	15(a), 19	15,734	14,451	14,653
<b>Current Assets</b>		<b>56,186</b>	<b>59,607</b>	<b>58,632</b>
Short Term Creditors	21	17,428	12,075	12,139
<b>Current Liabilities</b>		<b>17,428</b>	<b>12,075</b>	<b>12,139</b>
Long Term Creditors and Provisions	22	21,794	18,255	23,504
<b>Non Current Liabilities</b>		<b>21,794</b>	<b>18,255</b>	<b>23,504</b>
<b>Net Assets</b>		<b>115,846</b>	<b>116,073</b>	<b>104,590</b>
Unusable Reserves	23	76,583	68,241	54,895
Usable Reserves	Page 5	39,263	47,832	49,695
<b>Total Reserves</b>		<b>115,846</b>	<b>116,073</b>	<b>104,590</b>

These financial statements replace the unaudited statements certified by the Group Manager (Corporate Services) on 5 June 2015.



**Sandra Beck FCCA**  
Group Manager (Corporate Services)

The Balance Sheet as at 31 March 2014 has been restated to reflect the adoption of an asset by Hertfordshire County Council which took place in November 2013 but was not reflected in the accounts until 2014/15.

# Cash Flow Statement

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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.

		2014/15	2013/14
	Note	£000	restated £000
<b>Net Deficit/(Surplus) on the Provision of Services</b>		<b>8,312</b>	<b>(2,432)</b>
Adjustments to net deficit/(surplus) on the provision of services for non cash movements	24	(13,229)	(1,923)
Adjustments for items included in the net deficit/(surplus) on the provision of services that are investing and financing activities	24	<u>2,667</u>	<u>3,848</u>
Net cash flows from operating activities		(2,250)	(507)
Investing activities	25	3,576	(1,492)
Financing activities	26	<u>(2,609)</u>	<u>2,201</u>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b><u>1,283</u></b>	<b><u>202</u></b>
<b>Cash and Cash Equivalents at 1 April</b>	19	<b><u>14,451</u></b>	<b><u>14,653</u></b>
<b>Cash and Cash Equivalents at 31 March</b>	19	<b><u>15,734</u></b>	<b><u>14,451</u></b>

# Notes to the Core Financial Statements

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## Note 1 - Accounting Policies

### 1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position as at the year end 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2014/15 (The Code)*, and the *Service Reporting Code of Practice 2014/15 (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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that 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.

Deposits placed with a maturity date at some point in the future are not highly liquid. These deposits may attract a penalty if repayment was requested and the institution is not contractually bound to repay the deposit to the Council. It is considered highly unlikely that the Council would need to call on such a deposit that had been placed and therefore only cash, bank and the Money Market Funds are classified as cash and cash equivalents.

### 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.

# Notes to the Core Financial Statements

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## Note 1 - Accounting Policies (continued)

### 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 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. Depreciation, amortisation, revaluation and impairment losses 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 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 employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.1% (2013/14 4.1%) (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
  - Unlisted securities – current bid price
  - Property – market value

# Notes to the Core Financial Statements

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## Note 1 - Accounting Policies (continued)

- The change in the net pensions liability is analysed into the following components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - 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 of interest expense for the authority - 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 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.
  - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - 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.

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.

### 7 Events after the Balance Sheet Date

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

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

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

# Notes to the Core Financial Statements

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## Note 1 - Accounting Policies (continued)

### 8 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.

#### Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determined payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

The Council invests in Money Market Funds (pooled funds of money market instruments). These investments are held on the Balance Sheet at fair value. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets.

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

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

#### 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 in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

### 9 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.

# Notes to the Core Financial Statements

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## Note 1 - Accounting Policies (continued)

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

### 10 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:

#### 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 consider 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.

### 11 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 with the amortisation being charged to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

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.

### 12 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 not been consolidated into the Council's accounts for 2014/15 as the value of the Company's assets were not considered to be material in the context of the overall balance sheet.

### 13 Inventories

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



# Notes to the Core Financial Statements

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## Note 1 - Accounting Policies (continued)

### 14 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 amount at which the asset could be exchanged at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received 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.

### 15 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

##### 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.

### 16 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 2014/15 (SeRCOP)*.

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

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

These two categories are defined in *SeRCOP* and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

### 17 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

# Notes to the Core Financial Statements

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## Note 1 - Accounting Policies (continued)

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 – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Assets included in 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.

**Impairment:** The values of each category of Property, Plant and Equipment and of material individual assets that are not being depreciated 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 3-12 years, as advised by a suitably qualified officer.
- Infrastructure (e.g. roads, footpaths, 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.

# Notes to the Core Financial Statements

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## Note 1 - Accounting Policies (continued)

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.

## **18 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.

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 in 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.

# Notes to the Core Financial Statements

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## Note 1 - Accounting Policies (continued)

### 19 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 in the Movement in Reserves Statement. 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 appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves 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.

### 20 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.

### 21 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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has adopted several accounting standards which will apply from 1 April 2015.

### ● IFRS 13 Fair Value Measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by these standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non current assets held for sale) to be revalued to market value rather than value in existing use, as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, as the Council does not currently recognise any surplus assets.

### ● IFRIC 21 Levies

This standard provides guidance on the treatment of government imposed levies in the financial statements of the entity paying the levy. The obligating event is specified as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

### ● Annual Improvements to (2011 - 2013 Cycle)

These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

# Notes to the Core Financial Statements

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## **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 are:

- There is a 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 close facilities and reduce levels of service provision.

## **Note 4 – Events After the Balance Sheet Date**

These accounts have been authorised for issue on 22 July 2015 by the Group Manager (Corporate Services) (Chief Finance Officer). Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **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 £9.387 million. However, the assumptions interact in complex ways. During 2014/15, the Council's actuaries advised that the net pension liability had increased by £2.2 million as a result of changes in estimates and the updating of assumptions.

# Notes to the Core Financial Statements

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

### **Provisions**

The Council has made a provision of £0.110 million for the levy from the scheme administrator of Municipal Mutual Insurance Limited (in administration). 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 provided their best estimate of £0.110 million as being the value of the levy the Council is likely to incur.

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. The maximum amount this could increase to is £0.245 million.

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, however, a higher number of appeals than usual were received in 2014/15 due to changes in legislation regarding the backdating of appeals. The estimated success rate, that has been used in preparing the 2014/15 accounts, is that on average 26% 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%. We have recognised that there is one hereditament that has a significantly different set of attributes and has the singular most significant rateable value. We have applied a different success rate for this hereditament.

The carrying amount of the provision is £5.04m, of which the Council's share of £2.016m is reflected in the accounts. An increase in the overall success rate by 5% would change the required provision by £0.3m. A 1% change in the success rate for the single hereditament (as described above) would change the required provision by £0.1m, both affecting the surplus/deficit on the Collection Fund, to be distributed to Hertfordshire County Council and Central Government.

### **Arrears**

At 31 March 2015, the Council had a balance of sundry debtors of £8.197 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 2014/15 from sales, fees and charges and rents was £14.6 million therefore the impact of a 2% decrease in collection rates would be a loss of income of £0.3 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 in 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 £0.01 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.

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.

# Notes to the Core Financial Statements

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

### 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
	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	
2014/15	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items included in the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	(1,425)			1,425
Revaluation losses on property, plant and equipment	(4,451)			4,451
Movements in the market value of investment properties	(2,772)			2,772
Amortisation of intangible assets	(137)			137
Capital grants and contributions applied	850			(850)
Revenue expenditure funded from capital under statute	(2,935)			2,935
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	(358)			358
Amounts of non current assets written off on derecognition	(139)			139
<i>Insertion of items not included in the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the General Fund balance	2,327			(2,327)
<b>Adjustments primarily involving the Capital Grants Unapplied Accounts:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	69	(69)		-

# 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 £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	
<b>2014/15</b>				<b>£000</b>
Application of grants to capital financing transferred to the Capital Adjustment Account		71		(71)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	122		(122)	-
Use of the Capital Receipts Reserve to finance new capital expenditure			10,859	(10,859)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)		2	-
Other capital related income credited to the Comprehensive Income and Expenditure Statement	1,592		(1,592)	-
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 36)	(2,823)			2,823
Employer's pension contributions	1,727			(1,727)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	115			(115)
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	(649)			649
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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	(3)			3
<b>Total Adjustments</b>	<b>(8,892)</b>	<b>1</b>	<b>9,147</b>	<b>(256)</b>



# 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	
2013/14 restated	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items included in the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	(1,704)			1,704
Revaluation losses on property, plant and equipment	(59)			59
Movements in the market value of investment properties	2,240			(2,240)
Amortisation of intangible assets	(123)			123
Capital grants and contributions applied	1,770			(1,770)
Revenue expenditure funded from capital under statute	(1,565)			1,565
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	(1,526)			1,526
<i>Insertion of items not included in the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the General Fund balance	2,015			(2,015)
<b>Adjustments primarily involving the Capital Grants Unapplied Accounts:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	26	(26)		
Application of grants to capital financing transferred to the Capital Adjustment Account		7		(7)

# 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	
2013/14 restated	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	3		(4)	1
Use of the Capital Receipts Reserve to finance new capital expenditure			4,133	(4,133)
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	2,049		(2,049)	-
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 36)	(3,109)			3,109
Employer's pension contributions	2,098			(2,098)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	48			(48)
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	57			(57)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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	14			(14)
<b>Total Adjustments</b>	<b>2,230</b>	<b>(19)</b>	<b>2,085</b>	<b>(4,296)</b>

# 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 2014/15.

Movements on Earmarked Reserves in 2014/15 were as follows:

	Balance at 1 April 2014 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2015 £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	552	(179)	312	685
	1,302	(179)	312	1,435
<b>TOTAL CAPITAL RESERVES</b>	<b>4,502</b>	<b>(179)</b>	<b>312</b>	<b>4,635</b>
<i>Revenue Reserves</i>				
Economic Development Reserve	1,106	-	78	1,184
Personnel Reserve	250	-	-	250
Grave Maintenance Reserve	17	-	-	17
Service Specific Grants Reserve	432	(121)	303	614
Service Protection and Enhancement Fund	1,480	-	187	1,667
Housing and Planning Delivery Grant Reserve	278	-	-	278
Performance Reward Grant Reserve	45	-	-	45
Repairs and Renewals Fund	834	-	-	834
<b>TOTAL REVENUE RESERVES</b>	<b>4,442</b>	<b>(121)</b>	<b>568</b>	<b>4,889</b>
<b>Total Earmarked Reserves</b>	<b>8,944</b>	<b>(300)</b>	<b>880</b>	<b>9,524</b>
<b>Total Movement in Earmarked Reserves in 2014/15</b>				<b>580</b>

The comparative movements on Earmarked Reserves in 2013/14 were as follows:

	Balance at 1 April 2013 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2014 £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	513	(113)	152	552
	1,263	(113)	152	1,302
<b>TOTAL CAPITAL RESERVES</b>	<b>4,463</b>	<b>(113)</b>	<b>152</b>	<b>4,502</b>
<i>Revenue Reserves</i>				
Economic Development Reserve	1,100	-	6	1,106
Personnel Reserve	250	(109)	109	250
Grave Maintenance Reserve	17	-	-	17
Service Specific Grants Reserve	222	(20)	230	432
Service Protection and Enhancement Fund	1,480	-	-	1,480
Housing and Planning Delivery Grant Reserve	331	(53)	-	278
Performance Reward Grant Reserve	45	-	-	45
Repairs and Renewals Fund	834	-	-	834
<b>TOTAL REVENUE RESERVES</b>	<b>4,279</b>	<b>(182)</b>	<b>345</b>	<b>4,442</b>
<b>Total Earmarked Reserves</b>	<b>8,742</b>	<b>(295)</b>	<b>497</b>	<b>8,944</b>
<b>Total Movement in Earmarked Reserves in 2013/14</b>				<b>202</b>

# Notes to the Core Financial Statements

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

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 the service organisation and Broxbourne Services.
- 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

	2014/15	2013/14
	£000	restated £000
Payments to the Government capital receipts pool	2	3
Losses on the disposal of non current assets	376	1,523
<b>Total</b>	<b>378</b>	<b>1,526</b>

## Note 9 – Financing and Investment Income and Expenditure

	2014/15	2013/14
	£000	restated £000
Pensions interest cost and expected return on pension assets	722	1,052
Interest receivable and similar income	(362)	(344)
Changes in fair value in relation to investment properties	2,772	(2,240)
Net income from trading operations not in service expenditure analysis	(1,919)	(2,284)
<b>Total</b>	<b>1,213</b>	<b>(3,816)</b>

## Note 10 – Taxation and Non Specific Grant Income

	2014/15	2013/14
	£000	£000
Council tax income	(3,885)	(3,803)
Non domestic rates	(2,144)	(2,006)
Non ringfenced Government grants	(3,657)	(4,300)
Other income	(1,587)	(2,611)
Capital grants and contributions	(924)	(1,234)
<b>Total</b>	<b>(12,197)</b>	<b>(13,954)</b>

# Notes to the Core Financial Statements

## Note 11 – Property, Plant and Equipment

<b>2014/15</b>	Land & Buildings £000	Vehicles Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	<b>Total £000</b>
<b>Cost or Valuation</b>					
At 1 April 2014	37,320	12,707	1,074	-	<b>51,101</b>
Additions	2,846	1,358	154	-	<b>4,358</b>
Revaluation increases recognised in the Revaluation Reserve	6,078	301	-	2,128	<b>8,507</b>
Revaluation decreases recognised in the deficit on the Provision of Services	(4,451)	-	-	-	<b>(4,451)</b>
Derecognition – disposals	(369)	(115)	-	-	<b>(483)</b>
Derecognition - other	(120)	(60)	-	-	<b>(179)</b>
Other reclassifications	(1,860)	2,360	-	-	<b>500</b>
<b>At 31 March 2015</b>	<b>39,444</b>	<b>16,552</b>	<b>1,228</b>	<b>2,128</b>	<b>59,353</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2014	(1,350)	(7,445)	(786)	-	<b>(9,581)</b>
Depreciation charge	(531)	(773)	(122)	-	<b>(1,425)</b>
Depreciation written out on Revaluation	1,607	-	-	-	<b>1,607</b>
Derecognition – disposals	5	115	-	-	<b>120</b>
Derecognition - other	8	32	-	-	<b>40</b>
<b>At 31 March 2015</b>	<b>(260)</b>	<b>(8,071)</b>	<b>(908)</b>	<b>-</b>	<b>(9,239)</b>
<b>Balance Sheet amount at 31 March 2015</b>	<b>39,184</b>	<b>8,481</b>	<b>321</b>	<b>2,128</b>	<b>50,114</b>
<b>Balance Sheet amount at 31 March 2014</b>	<b>35,970</b>	<b>5,262</b>	<b>289</b>	<b>-</b>	<b>41,521</b>

During 2014/15 nine assets included in the above table were componentised

# Notes to the Core Financial Statements

## Note 11 – Property, Plant and Equipment (continued)

	Land & Buildings £000	Vehicles Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	Total £000
<b>2013/14 restated</b>					
<b>Cost or Valuation</b>					
At 1 April 2013	35,136	9,173	2,894	-	<b>47,203</b>
Additions	5,231	758	74	-	<b>6,063</b>
Revaluation decreases recognised in the Revaluation Reserve	(186)	-	-	-	<b>(186)</b>
Derecognition – disposals	-	(85)	-	-	<b>(85)</b>
Derecognition – other	-	-	(1,894)	-	<b>(1,894)</b>
Other reclassifications	(2,861)	2,861	-	-	<b>-</b>
<b>At 31 March 2014</b>	<b>37,320</b>	<b>12,707</b>	<b>1,074</b>	<b>-</b>	<b>51,101</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2013	(2,775)	(6,617)	(943)	-	<b>(10,335)</b>
Depreciation charge	(583)	(901)	(220)	-	<b>(1,704)</b>
Depreciation written out to the Revaluation Reserve	2,008	-	-	-	<b>2,008</b>
Derecognition – disposals	-	73	-	-	<b>73</b>
Derecognition – other	-	-	378	-	<b>378</b>
<b>At 31 March 2014</b>	<b>(1,350)</b>	<b>(7,445)</b>	<b>(785)</b>	<b>-</b>	<b>(9,580)</b>
<b>Balance Sheet amount at 31 March 2014</b>	<b>35,970</b>	<b>5,262</b>	<b>289</b>	<b>-</b>	<b>41,521</b>
<b>Balance Sheet amount at 31 March 2013</b>	<b>32,361</b>	<b>2,556</b>	<b>1,951</b>	<b>-</b>	<b>36,868</b>

### Capital Commitments

The Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years. The total outstanding commitment on such schemes at 31 March 2015 were £0.8 million. The breakdown of this amount by asset category is shown below. Similar commitments at 31 March 2014 were £0.6 million.

	<b>£000</b>
Operational buildings	196
Vehicles, plant and equipment	425
Infrastructure assets	202
	<b>823</b>

# 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 2015 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.

All properties were valued at 31 March 2015, by a combination of an external valuer and the Council's internal valuer. 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	-	8,180	320	-	<b>8,500</b>
Valued at depreciated replacement cost in 2014/15	18,048	-	-	-	<b>18,048</b>
Valued at current value in 2014/15	21,136	301	-	2,128	<b>23,565</b>
<b>Total Net Book Value</b>	<b>39,184</b>	<b>8,481</b>	<b>320</b>	<b>2,128</b>	<b>50,114</b>

## 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
<b>2014/15</b>				
<b>Cost or Valuation</b>				
At 1 April 2014	184	195	5	<b>384</b>
Additions	-	9	-	<b>9</b>
Newly recognised heritage assets	6	-	-	<b>6</b>
<b>At 31 March 2015</b>	<b>190</b>	<b>204</b>	<b>5</b>	<b>399</b>
<b>2013/14</b>				
At 1 April 2013	29	185	5	<b>219</b>
Newly recognised heritage assets	152	-	-	<b>152</b>
Revaluations	3	10	-	<b>13</b>
<b>At 31 March 2014</b>	<b>184</b>	<b>195</b>	<b>5</b>	<b>384</b>

# 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 17<sup>th</sup> 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.

## 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:

	2014/15	2013/14
	£000	£000
Rental income from investment property*	3,443	3,613
Direct operating expenses arising from investment property*	(1,524)	(1,329)
<b>Net Gain for the Year</b>	<b>1,919</b>	<b>2,284</b>

\* 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 had contractual obligations to develop or enhance investment property to the value of £0.02 million at the 31 March 2015 (31 March 2014 £0.06 million).

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

	2014/15	2013/14
	£000	£000
Balance at 1 April	41,761	39,426
Purchases	4,679	95
Net (losses)/gains from fair value adjustments	(2,772)	2,240
Transfer to Property, Plant and Equipment	(500)	-
<b>Balance at 31 March</b>	<b>43,168</b>	<b>41,761</b>



# Notes to the Core Financial Statements

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## 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 £136,599 charged to revenue in 2014/15 (2013/14 £123,139) 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:

	2014/15	2013/14
	£000	£000
Gross carrying amounts	2,442	2,239
Accumulated depreciation	(2,049)	(1,926)
Net carrying amount at 1 April	<u>393</u>	<u>313</u>
Purchases	169	203
Depreciation for the period	(137)	(123)
<b>Net carrying amount at 31 March</b>	<u><b>425</b></u>	<u><b>393</b></u>
<b>Comprising:</b>		
Gross carrying amounts	2,610	2,442
Accumulated depreciation	(2,186)	(2,049)
	<u><b>424</b></u>	<u><b>393</b></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 2014/15 and future years. The outstanding commitments on such schemes at 31 March 2015 were £0.01 million. Similar commitments at 31 March 2014 were £0.08 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 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
<b>Investments</b>				
Loans and receivables	2,036	2,002	30,553	35,570
<b>Total Investments</b>	<b>2,036</b>	<b>2,002</b>	<b>30,553</b>	<b>35,570</b>
<b>Debtors</b>				
Loans and receivables	2,740	735	4,972	6,436
<b>Total Debtors</b>	<b>2,740</b>	<b>735</b>	<b>4,972</b>	<b>6,436</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	4,293	10,047
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>4,293</b>	<b>10,047</b>

In addition, the Council held four money market funds and a bank deposit account at 31 March 2015. 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.

	31 March 2015 £000	31 March 2014 £000
Cash Equivalents	15,781	14,210
Cash and Bank Balances	(47)	241
	<b>15,734</b>	<b>14,451</b>

### (b) Income, Expense, Gains and Losses

	2014/15 £000	2013/14 £000
Interest income	362	344
<b>Total Income in Deficit/(Surplus) on the Provision of Services</b>	<b>362</b>	<b>344</b>
<b>Net Gain for the Year</b>	<b>362</b>	<b>344</b>

# 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 values calculated are as follows:

	31 March 2015		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	4,293	4,293	10,047	10,047

	31 March 2015		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long term investments	2,036	2,100	2,002	2,019
Short term investments	30,553	30,553	35,570	35,570
Long term debtors	2,740	2,740	735	735
Short term debtors	4,972	4,972	6,436	6,436

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 Investment 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. Deposits are only made with building societies having minimum assets of £300 million and with banks and other financial institutions with the following minimum ratings:

Long Term Rating	Fitch	Moody's	Standard & Poors
	A	A2	A

During 2014/15, the Council has set the following limits for deposits with any one counterparty:

	£ million
UK Central Government	Unlimited
Building societies with assets of £1 billion and over	4
Building societies with assets of between £300 million and £1 billion	2
Overseas banks	3
Money market funds (per fund)	5
Local authorities	5
Supranational counterparties	5

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £48.3 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 2015 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 2015 £000	Historical experience of default %	Estimated maximum exposure to default and uncollectability £000
Deposits with banks and financial institutions	48,250	0.10	48
Customers	1,841	2.41	44

Amounts due by customers at 31 March 2014 written off during 2014/15 has been used as the basis for the historical experience default percentage.

# Notes to the Core Financial Statements

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## 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 2015, of the total debtor balances for invoiced debt of £1.841 million, the past due amount was £0.47 million, which can be analysed by age as follows:

	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
<b>Customer Debts</b>		
Less than three months	221	81
Three months to one year	88	78
More than one year	162	167
Total	<u>471</u>	<u>326</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 and has no intention to borrow in the medium term. 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 2015, £14.231 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 +/- £142,310 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 generally invest in equity shares.

#### ● 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

	2014/15	2013/14
	£000	£000
Balance outstanding at 1 April	225	221
Purchases and issues	(28)	4
<b>Balance outstanding at 31 March</b>	<b>197</b>	<b>225</b>

## Note 18 – Debtors

### Short Term Debtors

	31 March 2015	31 March 2014
	£000	£000
Government departments	4,487	1,140
Other local authorities	-	21
Other entities and individuals	8,197	9,608
	<b>12,684</b>	<b>10,770</b>
Less: Provision for bad and doubtful debts	(3,102)	(2,459)
<b>Total</b>	<b>9,582</b>	<b>8,311</b>

### Long Term Debtors

	31 March 2015	31 March 2014
	£000	£000
Mortgages	28	29
Car loans	24	44
Loans to Badger BC Investments Ltd (subsidiary company)	1,957	-
Other	731	662
<b>Total</b>	<b>2,740</b>	<b>735</b>

## Note 19 – Cash and Cash Equivalents

	31 March 2015	31 March 2014
	£000	£000
Cash	11	11
Bank current accounts	(58)	230
Money market funds	15,781	14,210
<b>Total Cash and Cash Equivalents</b>	<b>15,734</b>	<b>14,451</b>

## Note 20 – Assets Held for Sale

	31 March 2015	31 March 2014
	£000	£000
<b>Balance as 1 April</b>	1,050	1,050
Revaluation losses	(930)	-
<b>Balance at 31 March</b>	<b>120</b>	<b>1,050</b>

## Note 21 – Short Term Creditors

	31 March 2015	31 March 2014
	£000	£000
Government departments	1,007	135
Other local authorities	5,978	1,743
Other entities and individuals	10,442	10,197
<b>Total</b>	<b>17,428</b>	<b>12,075</b>

# Notes to the Core Financial Statements

## Note 22 – Long Term Creditors and Provisions

	Insurance Claims £000	MMI £000	NDR £000	Total £000
<b>Provisions</b>				
Balance at 1 April 2014	34	34	746	814
Provision made during the year	-	76	1,537	1,613
Amount used during the year	(4)	-	(267)	(271)
<b>Balance at 31 March 2015</b>	<b>30</b>	<b>110</b>	<b>2,016</b>	<b>2,156</b>

	2014/15 £000	2013/14 £000
<b>Deferred Capital Receipts</b>		
Balance at 1 April	25	29
Receipts	(2)	(4)
<b>Balance at 31 March</b>	<b>23</b>	<b>25</b>

<b>Pensions Liability</b>		
Balance at 1 April	17,416	23,411
Actuarial losses/(gains)	1,101	(7,006)
Service cost	1,096	1,011
<b>Balance at 31 March</b>	<b>19,613</b>	<b>17,416</b>
<b>Total</b>	<b>21,794</b>	<b>18,255</b>

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 2015

## Note 23 – Unusable Reserves

	31 March 2015 £000	31 March 2014 restated £000
Revaluation Reserve	(21,939)	(12,895)
Accumulated Absences Account	82	79
Capital Adjustment Account	(74,716)	(72,685)
Pensions Reserve	19,613	17,416
Collection Fund Adjustment Account	377	(156)
<b>Total Unusable Reserves</b>	<b>(76,583)</b>	<b>(68,241)</b>

### (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.

	2014/15 £000	2013/14 £000
Balance at 1 April	(12,895)	(10,987)
Upward revaluation of assets	(12,845)	(4,180)
Difference between fair value depreciation and historical cost depreciation	141	136
Downward revaluation not charged to the Comprehensive Income and Expenditure Statement	3,655	2,136
Accumulated gains on assets sold	5	-
<b>Balance at 31 March</b>	<b>(21,939)</b>	<b>(12,895)</b>

# 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.

	2014/15 £000	2013/14 £000
Balance at 1 April	79	93
Settlement or cancellation of accrual made at the end of the preceding year	(79)	(93)
Amounts accrued at the end of the current year	<u>82</u>	<u>79</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>3</u>	<u>(14)</u>
<b>Balance at 31 March</b>	<b><u>82</u></b>	<b><u>79</u></b>

### (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.

	2014/15 £000	2013/14 £000
Balance at 1 April	(72,685)	(67,361)
<b>Reversal of items relating to capital expenditure charged to or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non current assets	1,425	1,704
Revaluation losses on property, plant and equipment	4,451	59
Amortisation of intangible assets	137	123
Revenue expenditure funded from capital under statute	2,935	1,565
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	358	1,526
Amounts of derecognised assets written off	<u>139</u>	<u>-</u>
	9,445	4,977
Adjusting amounts written out of the Revaluation Reserve	<u>(141)</u>	<u>(136)</u>
	<u>(141)</u>	<u>(136)</u>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(10,859)	(4,133)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(850)	(1,770)
Application of grants to capital financing from the Capital Grants Unapplied Account	(71)	(7)
Capital expenditure charged against the General Fund balance	<u>(2,327)</u>	<u>(2,015)</u>
	<u>(14,107)</u>	<u>(7,925)</u>
Movements in the market value of investment property charged to or credited to the Comprehensive Income and Expenditure Statement	2,772	(2,240)
<b>Balance at 31 March</b>	<b><u>(74,716)</u></b>	<b><u>(72,685)</u></b>



# Notes to the Core Financial Statements

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## 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).

	2014/15	2013/14
	£000	£000
Balance at 1 April	17,416	23,411
Actuarial losses/(gains) on pensions assets and liabilities	1,101	(7,006)
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	1,096	1,011
<b>Balance at 31 March</b>	<b>19,613</b>	<b>17,416</b>

### (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.

	2014/15	2013/14
	£000	£000
Balance at 1 April	(156)	(51)
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	(115)	(48)
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	648	(57)
<b>Balance at 31 March</b>	<b>377</b>	<b>(156)</b>

# Notes to the Core Financial Statements

## Note 24 - Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2014/15	2013/14
	£000	£000
Interest received	341	355
	<b>341</b>	<b>355</b>

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

	2014/15	2013/14
	£000	restated £000
Depreciation, revaluations and impairments	(6,013)	(1,885)
Increase in creditors	(47)	(1,469)
Decrease/(increase) in debtors	(1,432)	1,725
Decrease/(increase) in inventories	(28)	4
Movement in pension liability	(1,096)	(1,011)
Carrying amount of non current assets sold	(497)	(1,527)
Other non cash items charged to the net deficit/surplus	(4,116)	2,240
	<b>(13,229)</b>	<b>(1,923)</b>

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

	2014/15	2013/14
	£000	£000
Capital grants credited to the net surplus or deficit on the provision of services	956	1,799
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,711	2,049
	<b>2,667</b>	<b>3,848</b>

## Note 25 – Cash Flow Statement - Investing Activities

	2014/15	2013/14
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	9,205	6,361
Purchase of short term and long term investments	10,318	62,130
Other payments for investing activities	2,021	-
Proceeds from the sale of non current assets	(1,714)	(4)
Proceeds from short term and long term investments	(15,335)	(66,010)
Other receipts from investing activities	(919)	(3,969)
<b>Net cash flows from investing activities</b>	<b>3,576</b>	<b>(1,492)</b>

## Note 26 – Cash Flow Statement - Financing Activities

	2014/15	2013/14
	£000	£000
Billing authorities - Council Tax and NDR adjustments	(2,609)	2,201
	<b>(2,609)</b>	<b>2,201</b>

# Notes to the Core Financial Statements

## Note 27 – Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's members on the basis of budget reports analysed across groups 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 Chief Executive's group of services.
- Bishops' College Old Building commercial letting is reported within the Chief Executive's group of services.
- The activities of the Broxbourne Leisure Management Service Organisation are treated as a trading operation for management reporting purposes.

The income and expenditure of the Council's groups recorded in the budget reports for the year is as follows:

**2014/15**

Group	Chief Executive £000	Corporate Services £000	Economic Development £000	Environmental Services £000	Total £000
Government grants	(28)	(36,314)	-	-	(36,342)
Fees, charges and other service income	(4,388)	(7,307)	(3,686)	(4,585)	(19,966)
Contributions from reserves	(2)	(16)	-	(37)	(55)
<b>Total Income</b>	<b>(4,418)</b>	<b>(43,637)</b>	<b>(3,686)</b>	<b>(4,622)</b>	<b>(56,363)</b>
Employee costs	2,601	5,138	625	3,481	11,845
Other operating expenses	3,690	46,810	1,465	5,371	57,335
<b>Total Operating Expenses</b>	<b>6,291</b>	<b>51,948</b>	<b>2,090</b>	<b>8,852</b>	<b>69,180</b>
<b>Cost of Services</b>	<b>1,873</b>	<b>8,311</b>	<b>(1,596)</b>	<b>4,230</b>	<b>12,818</b>

### Reconciliation of Group Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of group income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>£000</b>
Cost of Services in service analysis	12,818
Contributions from reserves	55
Include services shown as Trading Operations	(312)
Remove services shown as Trading Operations	1,855
Other income recognised in Cost of Services	4,502
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>18,918</b>

# Notes to the Core Financial Statements

## Note 27 – Amounts Reported for Resource Allocation Decisions (continued)

### Reconciliation of Subjective Analysis

This reconciliation shows how the figures in the analysis of group income and expenditure relate to a subjective analysis of the Cost of Services included in the Comprehensive Income and Expenditure Statement.

	Service Analysis £000	Services included in Analysis but not Cost of Services £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total Comprehensive Income and Expenditure £000
<b>Reconciliation to Subjective Analysis</b>						
Government grants	(36,342)	(161)	-	(36,503)	(3,657)	(40,160)
Fees, charges and other service income	(19,966)	(2,343)	-	(22,309)	(3,444)	(25,753)
Contributions from reserves	(55)	55	8,709	8,709	-	8,709
Interest and investment income	-	-	-	-	(362)	(362)
Income from council tax	-	-	-	-	(3,885)	(3,885)
Income from non domestic rates	-	-	-	-	(2,144)	(2,144)
Other grants and contributions	-	-	-	-	(2,511)	(2,511)
<b>Total Income</b>	<b>(56,363)</b>	<b>(2,449)</b>	<b>8,709</b>	<b>(50,103)</b>	<b>(16,003)</b>	<b>(66,106)</b>
Employee expenses	11,846	2,987	-	14,833	270	15,103
Other operating expenses	52,838	1,192	-	54,030	1,174	55,204
Depreciation, amortisation and impairment	4,497	4,370	-	8,867	81	8,948
Support service recharges	-	-	(8,709)	(8,709)	-	(8,709)
Pension interest costs and expected return on pension assets	-	-	-	-	722	722
Actuarial loss on pension assets/liabilities	-	-	-	-	1,101	1,101
Payments to housing capital receipts pool	-	-	-	-	2	2
Surplus on revaluation of non current assets	-	-	-	-	(6,413)	(6,413)
Loss on disposal of non current assets	-	-	-	-	376	376
<b>Total Operating Expenses</b>	<b>69,181</b>	<b>8,549</b>	<b>(8,709)</b>	<b>69,021</b>	<b>(2,687)</b>	<b>66,334</b>
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>12,818</b>	<b>6,100</b>	<b>-</b>	<b>18,918</b>	<b>(18,690)</b>	<b>228</b>

# Notes to the Core Financial Statements

## Note 27 – Amounts Reported for Resource Allocation Decisions (continued)

2013/14 restated

Group	Chief Executive £000	Corporate Services £000	Economic Development £000	Environmental Services £000	Total £000
Government grants	(6)	(37,114)	-	-	(37,120)
Fees, charges and other service income	(4,522)	(7,522)	(4,025)	(4,551)	(20,620)
Contributions from reserves	(64)	(118)	-	-	(182)
<b>Total Income</b>	<b>(4,592)</b>	<b>(44,754)</b>	<b>(4,025)</b>	<b>(4,551)</b>	<b>(57,922)</b>
Employee costs	2,669	5,891	632	3,379	12,571
Other operating expenses	4,364	45,507	1,414	5,946	57,231
<b>Total Operating Expenses</b>	<b>7,033</b>	<b>51,398</b>	<b>2,046</b>	<b>9,325</b>	<b>69,802</b>
<b>Cost of Services</b>	<b>2,441</b>	<b>6,644</b>	<b>(1,979)</b>	<b>4,774</b>	<b>11,880</b>

### Reconciliation of Group Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	<b>£000</b>
Cost of Services in service analysis	11,880
Contributions from reserves	182
Include services shown as Trading Operations	(153)
Remove services shown as Trading Operations	2,284
Other reserve movements	(109)
Service specific grant income recognised in Cost of Services	(272)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>13,812</b>

# Notes to the Core Financial Statements

## Note 27 – Amounts Reported for Resource Allocation Decisions (continued)

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of group income and expenditure relate to a subjective analysis of the Cost of Services included in the Comprehensive Income and Expenditure Statement.

### 2013/14 restated

	Service Analysis £000	Services included in Analysis but not Cost of Service £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total Comprehensive Income and Expenditure £000
<b>Reconciliation to Subjective Analysis</b>						
Government grants	(37,120)	(113)	-	(37,233)	(4,300)	(41,533)
Fees, charges and other service income	(20,620)	(2,028)	9,796	(12,852)	(3,612)	(16,464)
Contributions from reserves	(182)	178	-	(4)	-	(4)
Interest and investment income	-	-	-	-	(344)	(344)
Income from council tax	-	-	-	-	(3,803)	(3,803)
Income from non domestic rates	-	-	-	-	(2,006)	(2,006)
Other grants and contributions	-	-	-	-	(3,845)	(3,845)
Actuarial gain on pension assets/liabilities	-	-	-	-	(7,006)	(7,006)
<b>Total Income</b>	<b>(57,922)</b>	<b>(1,963)</b>	<b>9,796</b>	<b>(50,089)</b>	<b>(24,916)</b>	<b>(75,005)</b>
Employee expenses	12,571	2,587	-	15,158	236	15,394
Other operating expenses	53,839	1,373	-	55,212	970	56,182
Depreciation, amortisation and impairment	3,392	(65)	-	3,327	122	3,449
Support service recharges	-	-	(9,796)	(9,796)	-	(9,796)
Pension interest costs and expected return on pension assets	-	-	-	-	1,052	1,052
Payments to housing capital receipts pool	-	-	-	-	3	3
Surplus on revaluation of non current assets	-	-	-	-	(4,284)	(4,284)
Loss on disposal of non current assets	-	-	-	-	1,523	1,523
<b>Total Operating Expenses</b>	<b>69,802</b>	<b>3,895</b>	<b>(9,796)</b>	<b>63,901</b>	<b>(378)</b>	<b>63,523</b>
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>11,880</b>	<b>1,932</b>	<b>-</b>	<b>13,812</b>	<b>(25,294)</b>	<b>(11,482)</b>

# Notes to the Core Financial Statements

## Note 28 – Trading Operations

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

	2014/15			2013/14		
	Turnover	Expend- iture	Surplus	Turnover	Expend- iture	Surplus
	£000	£000	£000	£000	£000	£000
<b>Trading Operations Included in Cost of Services</b>						
Leisure Management	(5,344)	5,032	(312)	(5,063)	4,910	(153)
	<u>(5,344)</u>	<u>5,032</u>	<u>(312)</u>	<u>(5,063)</u>	<u>4,910</u>	<u>(153)</u>
<b>Trading Operations Included in Financing and Investment Income and Expenditure</b>						
Commercial Properties	(3,443)	1,524	(1,919)	(3,613)	1,329	(2,284)
	<u>(3,443)</u>	<u>1,524</u>	<u>(1,919)</u>	<u>(3,613)</u>	<u>1,329</u>	<u>(2,284)</u>
<b>Total Trading Operations</b>	<b><u>(8,788)</u></b>	<b><u>6,556</u></b>	<b><u>(2,232)</u></b>	<b><u>(8,676)</u></b>	<b><u>6,239</u></b>	<b><u>(2,437)</u></b>

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).

Broxbourne Leisure Management Service Organisation 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 Broxbourne Civic Hall.

## Note 29 – Members' Allowances

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

	2014/15	2013/14
	£000	£000
Allowances (including national insurance and employer's pension contributions)	245	221
Expenses	2	2
<b>Total</b>	<b><u>247</u></b>	<b><u>223</u></b>

# 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 a group of services, report directly to the Chief Executive and form the Corporate Management Team.

	Year	Salary, Fees and Allowances	Bonuses	Pension Contribution	Total
Chief Executive*	2014/15	98,017		18,129	<b>116,146</b>
	2013/14	25,796		4,354	<b>30,150</b>
Group Manager (Environmental Services)**	2014/15	65,539		12,305	<b>77,844</b>
	2013/14	51,089	19,414	13,254	<b>83,757</b>
Group Manager (Corporate Services)**	2014/15	63,100		11,649	<b>74,749</b>
	2013/14	55,584		10,443	<b>66,027</b>
Group Manager (Economic Development)***	2014/15	57,007		10,464	<b>67,471</b>
	2013/14	37,833		7,113	<b>44,946</b>
Head of Legal Services	2014/15	68,129		12,692	<b>80,821</b>
	2013/14	67,426		12,572	<b>79,998</b>

\* New post from December 2013 - FTE salary for 2013/14 was £92,632

\*\* New post from June 2014

\*\*\* Commenced July 2013 - the FTE salary for 2013/14 was £50,000

The Council terminated the contracts of 28 employees in 2014/15, incurring liabilities of £211,902 (2013/14 26 employees and £63,924). Of these 28 employees 19 were compulsory redundancies and 9 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	2014/15	2013/14 restated
£50,000 - £54,999	9	9
£55,000 - £59,999	2	2
<b>Total</b>	<b>11</b>	<b>11</b>

The 2013/14 figures have been restated to reflect the current organisational structure.



# 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:

	2014/15 £000	2013/14 £000
External audit services	63	62
Certification of grant claims and returns	22	21
<b>Total</b>	<b>85</b>	<b>83</b>

## Note 32 – Grants

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

	2014/15 £000	2013/14 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<i>Revenue Grants</i>		
Revenue Support Grant	2,388	3,091
New Homes Bonus	1,227	896
Council Tax Freeze Grant	42	42
Business Rate s31 Grant	474	255
Capital Provision Redistribution	-	16
<b>Total</b>	<b>4,131</b>	<b>4,300</b>

### *Capital Grants and Contributions (used to fund capital expenditure)*

Disabled Facilities Grants	318	281
Heritage Lottery Funding	514	911
Other Grants	14	20
Planning Benefit Agreements (s106 monies)	4	563
<b>Total</b>	<b>850</b>	<b>1,775</b>

### *Capital Grants and Contributions (not yet applied to capital expenditure)*

Access for Disabled Children	-	23
Heritage Lottery Funding	69	-
<b>Total</b>	<b>69</b>	<b>23</b>

### **Credited to Services**

Housing Benefit Grant	35,616	36,249
Benefit Administration Grant	476	688
Council Tax Support Grant	203	119
Other Grants	574	316
<b>Total</b>	<b>36,869</b>	<b>37,372</b>

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:

<b>Capital Grant Receipts in Advance</b>	2014/15 £000	2013/14 £000
Planning Benefit Agreements (s106 monies)	6,088	5,576
<b>Total</b>	<b>6,088</b>	<b>5,576</b>

# Notes to the Core Financial Statements

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## 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 Credited to Services in Note 32 on Grants.

Members of the Council have direct control over the Council's financial and operating policies. During 2014/15 the Grants Panel approved grants totalling £248,595 of which £166,016 (£166,395 in 2013/14) was paid to voluntary organisations in which eight 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 2014/15, in addition to the annual net revenue expenditure on services, the Council spent £14.1 million on various capital schemes (£7.9 million in 2013/14).

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Opening Capital Financing Requirement	(503)	(503)
<b>Capital Investment</b>		
Property, plant and equipment	4,358	6,063
Investment property	4,667	95
Intangible assets	168	203
Heritage assets	9	-
Revenue expenditure funded from capital under statute	2,935	1,565
Loan to Badger BC Investments Ltd	1,957	-
	<u>14,106</u>	<u>7,926</u>
<b>Sources of Finance</b>		
Capital receipts	(10,859)	(4,133)
Government grants and other contributions	(920)	(1,778)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	<u>(2,327)</u>	<u>(2,015)</u>
	<u>(14,106)</u>	<u>(7,926)</u>
<b>Closing Capital Financing Requirement</b>	<u>(503)</u>	<u>(503)</u>

# Notes to the Core Financial Statements

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## 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:

	2014/15		2013/14	
	£000		£000	
	Buildings	Equip- ment	Buildings	Equip- ment
Not later than one year	192	335	223	8
Later than one year and not later than five years	363	822	704	11
Later than five years	12	-	16	-
<b>Total</b>	<b>567</b>	<b>1,157</b>	<b>943</b>	<b>19</b>

The amount charged to the Comprehensive Income and Expenditure Statement during 2014/15, in respect of such leases, was £646,463 (£591,498 in 2013/14).

### 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:

	2014/15	2013/14
	£000	£000
Not later than one year	3,625	2,987
Later than one year and not later than five years	11,332	9,163
Later than five years	38,996	34,287
<b>Total</b>	<b>53,953</b>	<b>46,437</b>

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 2014/15 no material contingent rents were receivable by the Council.

# Notes to the Core Financial Statements

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## 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:

	2014/15	2013/14
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services</i>		
Current service cost	2,101	2,057
<i>Financing and Investment Income and Expenditure</i>		
Net Interest expense	722	1,052
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,823</b>	<b>3,109</b>
<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)	(6,937)	(3,822)
Actuarial gains arising on changes in demographic assumptions	-	(2,781)
Actuarial losses arising on changes in financial assumptions	8,768	88
Other	(730)	(491)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,924</b>	<b>(3,897)</b>

### Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code	(2,823)	(3,109)
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### Actual Amount Charged Against the General Fund Balance for Pensions in the Year:

Employer's contributions payable to scheme	1,727	2,098
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# Notes to the Core Financial Statements

## Note 36 – Defined Benefit Pension Scheme (continued)

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

	2014/15 £000	2013/14 £000
Present value of the defined benefit obligation	(98,311)	(87,288)
Fair value of plan assets	78,698	69,872
<b>Net Liability Arising from Defined Benefit Obligation</b>	<b>(19,613)</b>	<b>(17,416)</b>
	<b>2014/15 £000</b>	<b>2013/14 £000</b>
Opening fair value of scheme assets	69,872	64,108
Interest income	2,843	2,862
<i>Remeasurement gain/(loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	6,937	3,822
Contributions from employer	1,727	2,098
Contributions from employees into scheme	588	536
Benefits paid	(3,269)	(3,554)
<b>Balance at 31 March</b>	<b>78,698</b>	<b>69,872</b>

### Reconciliation of Present Value of the Scheme Liabilities

	2014/15 £000	2013/14 £000
Balance at 1 April	87,288	87,519
Current service cost	2,101	2,057
Interest cost	3,565	3,914
Contributions by scheme participants	588	536
<i>Remeasurement gain/(loss):</i>		
Actuarial losses arising from changes in demographic assumptions	-	(2,781)
Actuarial gains arising from changes in financial assumptions	8,768	88
Other	(730)	(491)
Benefits paid	(3,269)	(3,554)
<b>Balance at 31 March</b>	<b>98,311</b>	<b>87,288</b>

# Notes to the Core Financial Statements

## Note 36 – Defined Benefit Pension Scheme (continued)

### (c) Local Government Pension Scheme Assets Comprised:

	2014/15 £000	2013/14 £000
Equity securities:		
Consumer	6,949	7,036
Manufacturing	8,232	8,050
Energy and utilities	2,272	3,104
Financial institutions	7,073	7,588
Health and care	1,167	1,073
Information technology	4,888	4,914
Other	580	797
Debt securities		
Corporate bonds	-	5,792
UK Government	-	4,304
Other	-	1,479
Private equity	3,260	2,832
Real estate		
UK property	-	2,705
Overseas property	-	1,535
Investment funds and unit trusts		
Equities	11,308	10,632
Bonds	20,992	1,704
Commodities	341	297
Infrastructure	70	-
Other	9,662	3,696
Foreign exchange derivatives	(171)	61
Cash and cash equivalents	2,075	2,273
<b>Total assets</b>	<b>78,698</b>	<b>69,872</b>

### (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 2013.

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

	2014/15	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.3 years	22.3 years
Women	24.5 years	24.5 years
Longevity at 65 for future pensioners:		
Men	24.3 years	24.3 years
Women	26.7 years	26.7 years
Rate of inflation	3.2%	3.7%
Rate of increase in salaries	3.5%	3.9%
Rate of increase in pensions	2.1%	2.6%
Rate for discounting scheme liabilities	3.1%	4.1%

# Notes to the Core Financial Statements

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## Note 36 – Defined Benefit Pension Scheme (continued)

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table on page 51. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes 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%)	-	9,387
Member life expectancy (increase by 1 year)	2,949	-
Rate of increase in salaries (increase by 0.5%)	2,494	-
Rate of increase in pensions (increase by 0.5%)	6,753	-
	<hr/> 12,196	<hr/> 9,387

### (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. The next triennial valuation is due to be complete on 31 March 2016.

The Council anticipates it will pay contributions of £1,640,000 to the scheme in 2015/16.

## Note 37 – Contingent Liability

A group of property search companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £73,337 including interest but excluding costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

# Collection Fund Statement

## Collection Fund Income and Expenditure Account

	Note	2014/15		2013/14	
		Council Tax £000	Business Rates £000	Council Tax £000	Business Rates £000
<b>Income</b>					
Income from council tax	2	47,295	-	46,642	-
Income collectable from business ratepayers	3	-	41,279	-	39,890
Transitional payment protection receivable		-	529	-	955
		<b>47,295</b>	<b>41,808</b>	<b>46,642</b>	<b>40,845</b>
<b>Expenditure</b>					
Precepts and demands					
Hertfordshire County Council		36,921	3,952	36,844	3,844
Hertfordshire Police Authority (Council Tax only)		4,878	-	4,868	-
Central Government (Non Domestic Rates only)		-	19,758	-	19,220
Borough of Broxbourne	2	3,737	15,806	3,729	15,376
		<b>45,536</b>	<b>39,516</b>	<b>45,441</b>	<b>38,440</b>
Charges to the Collection Fund					
Costs of collection		-	116	-	117
Write offs of uncollectable amounts		-	300	-	88
Increase in bad debt provision		(65)	296	306	193
Increase in provision for appeals		-	3,180	-	1,862
		<b>(65)</b>	<b>3,892</b>	<b>306</b>	<b>2,260</b>
Distribution of previous year's estimated Collection Fund surplus		406	24	315	-
		<b>45,877</b>	<b>43,432</b>	<b>46,062</b>	<b>40,700</b>
<b>Movement on Fund Balance</b>					
(Surplus)/deficit for year		(1,418)	1,627	(580)	(145)
Balance at 1 April		(1,204)	(145)	(624)	-
<b>Balance at 31 March</b>	<b>4</b>	<b>(2,622)</b>	<b>1,479</b>	<b>(1,204)</b>	<b>(145)</b>



# Notes to the Collection Fund

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## 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 2014/15 the numbers were:

<b>Band</b>	<b>Value</b>	<b>Number of chargeable dwellings</b>	<b>Equivalent number of dwellings at Band D (after adjustments)</b>
	<b>£</b>		
A	up to 40,000	484	258
B	40,001-52,000	3,537	2,231
C	52,001-68,000	9,068	6,993
D	68,001-88,000	13,901	12,827
E	88,001-120,000	7,291	8,379
F	120,001-160,000	2,749	3,788
G	160,001-320,000	2,058	3,285
H	over 320,000	154	302
<b>Total</b>		<b>39,242</b>	<b>38,063</b>
	Adjustment for local Council Tax Support Scheme		(4,650)
	Adjustment for local Council Tax technical reforms		260
			<b>33,673</b>
	Tax base (assuming 98% collection rate)		33,000

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

	<b>£</b>
Net budget for year	8,455,006
less:	
Revenue Support Grant	(2,387,563)
Retained Business Rates	(2,272,956)
Contribution from estimated 2013/14 Collection Fund deficit	(57,567)
<b>Demand from Collection Fund</b>	<b>3,736,920</b>

The figure of £3,736,920 is divided by the tax base to give a band D tax rate of £113.24 (£113.24 for 2013/14). The average overall band D council tax rate for the Borough, which includes the County Council and police charge was £1,379.89 (£1,379.89 for 2013/14).

# Notes to the Collection Fund

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## 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 2014/15 was 48.2p (47.1p for 2013/14).

At the year end the total non domestic rateable value was £96 million for 2,288 properties (2,243 at 31 March 2014).

## Note 4 – Precepts and Demands on the Collection Fund

	2014/15 precept/ demand £000	Share of 31.03.14 surplus £000	2014/15 total £000	2013/14 Total £000
<b>Council Tax</b>				
Borough of Broxbourne	3,737	33	3,770	3,755
Hertfordshire County Council	36,921	330	37,251	37,099
Hertfordshire Police	4,878	43	4,921	4,902
	<b>45,536</b>	<b>406</b>	<b>45,942</b>	<b>45,756</b>
<b>Business Rates</b>				
Borough of Broxbourne	15,806	10	15,816	15,376
Hertfordshire County Council	3,952	2	3,954	3,844
Central Government	19,758	12	19,770	19,220
	<b>39,516</b>	<b>24</b>	<b>39,540</b>	<b>38,440</b>

# Annual Governance Statement

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## **1 Scope of Responsibility**

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

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

The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Council's code is available on its website. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

## **2 The Purpose of the Governance Framework**

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

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

The Council's financial management arrangements conform to the governance requirements of

the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The governance framework has been in place at Broxbourne for the year ended 31 March 2015 and up to the date that the statement of accounts were approved.

## **3 The Governance Framework**

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

### **Identifying, Communicating and Reviewing the Council's Vision and Outcomes**

The Sustainable Community Strategy (2010-21) for Broxbourne outlines the long term strategic vision and nine priority themes for the area. It was produced in liaison with the Council's strategic partners through the Local Strategic Partnership (LSP). The Plan was developed after a comprehensive review of existing services and facilities in Broxbourne, research into the local community and its needs and by asking local residents for their views on issues facing the Borough.

The Council's corporate priorities and the objectives descending from them are listed in the 2014-17 Corporate Plan, which also shows how they are linked to the Sustainable Community Strategy's themes. The priorities and objectives have been placed at the centre of the Council's policy and financial planning framework to inform service priorities and budget decisions. In 2014/15, the Council approved strategies for each of the Council's three corporate priorities: Ambition Broxbourne, for a strong local economy, the Health and Wellbeing Strategy and the Green, Pleasant and Safe Strategy. These strategies describe in more detail how each corporate priority will be implemented from 2014 to 2017 through the objectives, and list the performance measures that will be used to monitor progress. All of the corporate objectives are incorporated into the relevant service plans. Performance is monitored twice annually through review of progress in implementing the service plans. Details of the performance are reported to Cabinet and published in the Annual Report.

### **Measuring the Quality of Services for Users**

The Council's programme for securing continuous improvement in its services is set out in individual service plans for each service area. Actions for improvement are drawn from a variety of sources including external audit and other external reviews, the Council's own internal audit service and service reviews, issues arising from performance management, consultation exercises

# Annual Governance Statement

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and service improvements identified by the Council's complaints and compliments procedure. The Council has a performance management framework in place. Quality of service is measured through performance indicators which are reported to the Scrutiny Committee, Corporate Management Team (CMT) and the Cabinet. Any areas of concern as informed from corporate community consultation, direct feedback to members, from citizens of the community, performance management and the results of review and inspections are reviewed by the Scrutiny Committee.

Benchmarking takes place to compare costs and quality of services with other authorities, in particular those that are classed as 'nearest neighbours'.

## **Defining and Documenting the Roles and Responsibilities of Members and Officers**

The Council's Constitution was comprehensively revised in May 2011 and is regularly reviewed to ensure it remains fit for purpose. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution describes how decisions are made and sets out a scheme of delegation which defines:

- The items to be dealt with by way of recommendation to the Council
- The items to be dealt with under executive powers
- The powers delegated to officers in consultation with relevant members; and
- The powers delegated to officers.

The Constitution also sets out public access to the decision making process.

## **Developing, Communicating and Embedding Codes of Conduct Defining the Standards of Behaviour for Members and Officers**

The Constitution incorporates a member code of conduct to ensure high standards of member conduct. The code of conduct was revised in July 2012 and approved by the Council to reflect the new provisions of the Localism Act 2011. In November 2014, following approval by Council the terms of reference of the Standards Committee were merged with those of the Audit Committee to ensure standards issues continue to be considered regularly but as part of the wider governance of the Council. An officer code of conduct has been in place since January 2010. All members are required to register financial or other relevant interests, as specified by the code of conduct. Both members and officers must

declare any gifts or hospitality in the appropriate registers.

The Constitution also includes a protocol for member-officer relations which describes and regulates the way in which members and officers should interact to work effectively together.

An anti-fraud and corruption strategy is in place and sets out the responsibilities of the Council, its members and officers in relation to fraud and corruption.

## **Standing Orders, Financial Regulations and Schemes of Delegation**

The Constitution sets out the scheme of delegation, financial regulations and contract procedure rules. A scheduled programme exists for the regular review and update of all key governance documents. All such documents have been reviewed in line with this schedule. Training is given to all new staff and periodically to existing staff on financial regulations and procurement rules and guidelines.

Compliance with financial regulations is checked regularly and at key financial audits. The Financial Regulations and Contract Standing Orders were updated in 2014/15 to reflect changes in the Council's structure following a restructure and introduction of new European Union procurement legislation. Training has been provided to staff on these updates.

## **The Role of the Audit Committee**

The Council maintains a separate Audit and Standards Committee, the membership of which includes an independent member. The core functions of the Audit and Standards Committee comprise:

- Internal audit matters including:
  - approval of the annual internal audit plan;
  - monitoring of the adequacy of management response to internal audit reports and recommendations;
  - the head of internal audit's annual report and opinion;
  - the review of the effectiveness of internal audit;
  - summaries of specific internal audit reports;
- Anti-fraud and corruption issues including the Council's policies on anti-fraud and corruption and whistle-blowing;
- Monitoring development and operation of the Council's risk management arrangements;
- Review and approval of the Annual Governance Statement;
- Approval of the Council's Statement of Accounts;

# Annual Governance Statement

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- Maintaining an overview of the Council's constitution and governance arrangements.

## **Compliance with Relevant Laws and Regulations, Internal Policies and Procedures**

Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures which include:

- Notification of changes in the law, regulations and practice to services;
- Awareness, understanding and training carried out by internal officers and external experts;
- The drawing up and circulation of guidance and advice on key procedures, policies and practices;
- Proactive monitoring of compliance by relevant key officers including the Section 151 Officer and the Monitoring Officer.

The Head of Paid Service function is discharged by the Chief Executive. The role is detailed in the constitution and is central to all that the Council does.

The Council has designated its Head of Legal Services as Monitoring Officer. The function ensures compliance with policies, procedures, laws and regulations. The Monitoring Officer will report to the Council if he considers any proposed action, decision or omission would give rise to unlawfulness or maladministration. All reports for member decision are required to include the legal implications of the decision, which are reviewed by the Head of Legal Services.

The financial management of the Council is the responsibility of the Group Manager (Corporate Services) (Section 151 Officer), and is conducted in accordance with the Constitution and financial regulations, with the assistance of professionally qualified finance staff. The Section 151 Officer has a legal responsibility to issue formal reports if she has particular concerns about the financial arrangements or situation of the Council. The Council's financial management arrangements conform in all key areas with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

## **Risk Management Arrangements**

The Council's adopted risk management policy applies best practice to the identification, evaluation and control of key areas of risk that could impact on the achievement of the Council's objectives and service priorities. It sets out a

framework to ensure that all parties understand their roles and responsibilities and contribute to risk management at the various decision making levels. The focus of the Council's risk management policy is to promote risk awareness as opposed to risk aversion. This is to ensure that opportunities are considered and subjected to methodical assessment so that initiatives can be evaluated within the Council's risk appetite.

A strategic level risk register is established to manage those risks which may threaten the Council's ability to achieve its objectives. This register is owned and maintained by the Corporate Management Team and progress with the management of these corporate risks is regularly reported to the Audit Committee. The strategic risk register was recently refreshed by the Corporate Management Team following a risk workshop facilitated by the Council's insurers. Strategic risk management is supported by operational level risk registers which are owned by each Head of Service and are reviewed on a periodic basis and at least semi-annually. Agreed actions to manage and reduce risk have been incorporated into the relevant service plans.

Each Audit Committee receives a report on risk management which include a rolling programme of review of each groups risk registers.

## **Confidential Reporting and Complaints Procedures**

The Council has in place an anti-fraud and corruption strategy, fraud response plan and confidential reporting policy which are available to all staff via the intranet. These documents were reviewed during 2014/15. A separate public 'fraud hotline' is widely publicised and is available for reporting suspicions of benefit fraud.

The Council has a corporate complaints procedure which can be found on the Council's website. The Council records complaints on its corporate customer relationship management (CRM) system. Information is collated and categorised centrally and reported annually to the Scrutiny Committee, with details of trends and actions taken to address recurring issues.

The Standards Committee considers any complaints made against members of the Council relating to breaches of the code of conduct. Complaints made to the Local Government Ombudsman are monitored by the Chief Executive.

# Annual Governance Statement

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## **Member and Officer Development Needs**

A programme of training and induction for newly elected members is delivered each year. These sessions are open to all existing members.

A programme of regular member training and briefing sessions which includes relevant legislative changes, compliance and financial issues is also undertaken each year. Training sessions are open to all members alongside specific training for members of Audit, Scrutiny, Planning and Regulatory Committees on topics relevant to the core functions of that committee.

The staff appraisal system is a core part of performance management and provides the link between the Council's corporate objectives and service plans to individual objectives to set targets for delivery. Assessment of training and development needs is linked to individual objectives and performance needs.

## **Communication and Consultation with the Public and Other Stakeholders**

The communications strategy sets out how the Council will engage with the community and stakeholders. The corporate communications team leads in meeting the Council's communication needs as well as co-ordinating, supporting and acting as a central consultation point for specialist advice and quality control.

The Council uses a number of channels to both consult and communicate with the community and other stakeholders. Area forums are used to consult on community safety and other local issues. Focus groups are used to consult users of specific services. In addition to statutory residents' surveys, surveys have been commissioned from Ipsos MORI since 1993 and the results used to inform the Council's priorities.

Regular communication channels include the 'Broxbourne News' magazine delivered to all households, a proactive media relations programme, an improved website, notice boards, information stands, Twitter, TV screens and publicity on Council vehicles and correspondence. A regular channel has also been opened with the Chamber of Commerce for economic development aspects of the Council's work.

## **Governance Arrangements for Partnerships**

Partnerships are a key component of service provision. The Council has established its key partnerships and each has terms of reference, governance arrangements, decision making process and dispute resolution procedures (where appropriate) embedded. Work on identifying and reviewing all key partnerships started at the

end of 2014/15. The Local Strategic Partnership has a governance statement including risk and performance management arrangements. There are service level agreements in place for key voluntary sector partners and annual review meetings are carried out to monitor performance against the agreements.

The relationship between the Council and B3Living Limited is governed in practice by regular meetings and numerous shared work areas. There are still aspects of the relationship governed by a legal agreement dated 23 January 2006. Some of the legal requirements ceased five years after the transfer.

Ambition Broxbourne has formed a board to direct the partnership created to achieve the Council's economic development objectives.

## **4 Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Group Managers and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review of effectiveness should consider the role of:

- The Council
- The Cabinet and committees, including the Audit and Standards Committee
- Internal audit
- Other explicit review / assurance mechanisms

In 2015 the Code of Corporate Governance was refreshed and at its March 2015 meeting the Audit and Standards Committee recommended it to the Council for adoption.

For the 2014/15 reporting period, the Local Government Ombudsman (LGO) has upheld 3 complaints against the Council. Previously the LGO either found maladministration or found not maladministration with regard to complaints made. This year the reporting changed to include all complaints which were upheld even where the action of the Council has subsequently put matters right meaning no injustice is caused. In each of the three cases mentioned, the LGO closed the case with no further action required. This is now reported annually to the Scrutiny Committee with details of the issues so that lessons can be learned where appropriate.

# Annual Governance Statement

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## **Ethical Governance**

In July 2014 the Council resolved to merge the Audit Committee and the Standards Committee. The first meeting of the Audit and Standards Committee took place on 18 November 2014 and their first task was to agree their terms of reference including having standards as a standing item on each of its meeting agendas. This committee receives a quarterly report on the review of operation of the ethical framework. Two complaints were received concerning members' conduct in the year and dealt with by the Monitoring Officer.

## **Equalities**

The Scrutiny Committee received a monitor report on progress with achievement of the Council's Equalities objectives. This will be reported annually. Equalities Impact Assessments are carried out when policy proposals are considered which may have an impact on equalities.

## **The Work of the Audit and Standards Committee**

The Audit and Standards Committee considers the work of and recommendations made by internal and external auditors and other review bodies. The committee is also responsible for overseeing the Council's governance arrangements. The committee received quarterly reports on:

- The work of internal audit in reviewing Council systems and processes to ensure that they are adequate;
- Progress made by management in implementing audit recommendations; and
- The management of the Council's strategic risks.

The Audit and Standards Committee performs an annual self assessment review of its own effectiveness, and concluded in March 2015 the Council is compliant with recommended best practice for an effective audit committee. Some minor areas for improvement were identified and an action plan has been put in place to address these. A programme of training of committee members is in place and in 2014/15 this training has been extended to, and taken up by, members of Harlow District Council as both Councils have a shared service arrangement for Internal Audit services. Broxbourne Council members have also attended training provided by Harlow Council.

## **The Work of Internal Audit**

Based upon the results of work undertaken during the year it is the Head of Internal Audit's overall opinion that the Council has an adequate and effective governance, risk management and control framework. Each year the Internal Audit function assesses its compliance with the

Public Sector Internal Audit Standards (PSIAS). Since the 2013/14 assessment there had been a change in Head of Internal Audit and a move towards embedding further the shared service with Harlow District Council. The 2014/15 assessment concluded that the shared Internal Audit Service is compliant with the Standards, which was endorsed by the Audit and Standards Committee who approved the action plan for the small number of areas where there was partial rather than full compliance.

There were no financially material occurrences of suspected fraud or corruption during the year that needed to be brought to the attention of the Audit and Standards Committee and hence no need for an annual report on fraud.

## **Other Review and Assurance Mechanisms**

The external auditors' findings and recommendations are set out in the Annual Audit Letter (published October 2014) and the Audit Results Report (published in July 2014). Overall, the Annual Audit Letter was positive and complimented the Council on the excellent quality of its processes for producing the accounts, including supporting paperwork. An unqualified opinion was received on the 2013/14 financial statements and the auditors were satisfied that the Council has made proper arrangements for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness in its use of resources.

The Council has a service assurance model, whereby Heads of Service are required to complete self assessment questionnaires in respect of the control environment within their particular service area. The combined results provided a positive overall assessment for the Council's internal control environment. The issues emerging from this exercise have been considered and included as appropriate in section 5 on page 61.

During 2014/15, the Council's Risk Management Policy and Strategy was reviewed and updated. The following key changes were made:

- The document was refined to ensure it provides practical and accessible guidance to officers and members to better equip them to fulfil their roles;
- The roles and responsibilities were redefined and updated for officers and members;
- A reclassification of risk scores of probability and impact to allow for greater differentiation between identified risks and to better prioritise the management of truly higher magnitude risks.

# Annual Governance Statement

There are ongoing reviews and updates of the corporate strategic and operational risk registers to reflect the changing nature of the risks facing the Council and the actions required to mitigate these risks. These are reported quarterly to the Audit and Standards Committee.

The Monitoring Officer has ensured throughout the year that all Council activity has been proper and legal within the requirements of his statutory governance and control responsibilities.

The Group Manager (Corporate Services) has certified the Statement of Accounts, providing assurance on the financial aspects of governance and control. The external auditors review the Council's Statement of Accounts and supporting financial systems and provide their annual audit opinion as published in the Statements. All reports containing decisions prepared for committees, Cabinet and Council were subject to review by the Group Manager (Corporate Services) and the Monitoring Officer to ensure that financial, legal and risk implications of decisions were adequately considered and expressed. Monthly budget monitoring took place throughout the year and was regularly reported to all members and to the Scrutiny Committee.

Individual cabinet members receive feedback from senior officers within their portfolios on the delivery of services and the achievement of objectives and targets. Issues of strategic and corporate importance are referred to the Cabinet and Council where appropriate.

The Council has other external assessments and accreditations, such as Investors in People, Lexcel, Quest, Parkmark and Green Flags.

## 5 Significant Governance Issues

This final part of the statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified.

During the year a Governance Group was set up for monitoring and reviewing the corporate governance framework and to consider specific governance issues. This group comprises the Monitoring Officer (Chairman), the Section 151 Officer, the Head of Internal Audit, the Corporate Policy Officer and other officers when they have specific contributions to make. The Governance Group has strengthened parts of the Council's governance processes and has ensured that all issues raised in the previous AGS have been addressed as detailed in table one below:

**Table One: Progress on significant governance issues identified in the 2013/14 AGS**

Significant issues identified in 2013/14 AGS	Action taken in 2014/15 to address the issue
Business continuity arrangements	<ul style="list-style-type: none"> <li>An interdisciplinary group was formed to review business continuity plans. These are currently going through CMT for challenge and approval.</li> </ul>
Performance monitoring and reporting effectiveness	<ul style="list-style-type: none"> <li>A quarterly performance monitoring report has been introduced and reported regularly to CMT, Cabinet and Scrutiny Committee.</li> </ul>
Demonstrating value for money	<ul style="list-style-type: none"> <li>This is covered in the Council's Medium Term Financial Strategy which was updated during 2014/15.</li> </ul>
Business planning - review of new system	<ul style="list-style-type: none"> <li>CMT review all service plans including a mid-term review in Autumn 2014 and a final review at year end in consideration of the new service plans; the template for the service plans was improved for 2015/16 to incorporate risk management actions.</li> </ul>
Risk Management - review of arrangements	<ul style="list-style-type: none"> <li>The revised Risk Management strategy has been reported to Audit and Standards Committee. The corporate risk register was refreshed by CMT following training with a more formal process to review risk registers on a quarterly basis.</li> </ul>
New management structure - training and mentoring	<ul style="list-style-type: none"> <li>LinchPin training was provided to all middle managers. Individual development needs are identified through personal development plans which reflect service plans and Council priorities.</li> </ul>
ICT - data security policies	<ul style="list-style-type: none"> <li>The Governance Group has reviewed new policies on Data Retention, Data Security Breach Management and Data Protection. These will be rolled out to all staff.</li> </ul>



# Annual Governance Statement

Significant issues identified in 2013/14 AGS	Action taken in 2014/15 to address the issue
Whistleblowing Policy review	<ul style="list-style-type: none"> <li>The policy has been reviewed in conjunction with the whistleblowing Commission's recommended code of practice. The revised policy will be publicised following review by the Employment Panel.</li> </ul>
Staff resilience	<ul style="list-style-type: none"> <li>Opportunities to improve resilience are identified through the service planning process which is Group Manager led with oversight provided by CMT. Shared Services are also explored and pursued where appropriate to add to resilience as well as to make savings.</li> </ul>

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements the following areas have been identified for improvement. These are set out in table two below together with steps taken to address them.

**Table Two: Governance improvement areas for 2015/16**

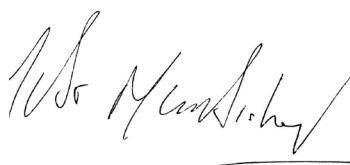
Objective	Action to be taken in 2015/16
There is a funding gap identified in the Medium Term Financial Strategy	<ul style="list-style-type: none"> <li>The Council will Continue to find savings and increase income to meet the funding gap. The Council has already started this process by acquiring investment properties which will generate additional income. This is ongoing and will be continually reviewed.</li> </ul>
Business continuity plan testing	<ul style="list-style-type: none"> <li>Testing verifies the effectiveness of business continuity plans, trains participants on what to do in real scenarios and identifies areas where the plan needs to be strengthened. A testing regime will be adopted as the corporate and key service business continuity plans are put in place.</li> </ul>
Succession planning	<ul style="list-style-type: none"> <li>As the Council's structure embeds following a comprehensive review, succession planning arrangements will be formally considered.</li> </ul>
Contracts - compliance with new procurement rules	<ul style="list-style-type: none"> <li>Staff are currently being trained on the Council's revised procurement procedures following the new EU Procurement Directive. Mechanisms to be developed to ensure compliance with these.</li> </ul>
Project Management training	<ul style="list-style-type: none"> <li>Training requirements for new project managers and those that may potentially become project managers will be identified and delivered. This will be overseen by the Project Management Board.</li> </ul>
Partnerships	<ul style="list-style-type: none"> <li>Further work is required to ensure robust governance arrangements regarding partnerships.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Work will continue to ensure there are robust risk management monitoring and reporting arrangements in place across the Council.</li> </ul>
Data Security	<ul style="list-style-type: none"> <li>Following the rollout of a suite of data security policies training will be provided to staff and mechanisms for obtaining assurance regarding compliance with these will be developed.</li> </ul>

# Annual Governance Statement

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Objective	Action to be taken in 2015/16
Corporate approach to Anti-Fraud	<ul style="list-style-type: none"><li>● Councils across Hertfordshire, including Broxbourne, have joined forces to create a shared Anti-Fraud service. This arrangement will be monitored to ensure the service provides a robust and resilient fraud prevention and investigation service to the Council.</li></ul>
Continue to ensure the Council meets its health and safety requirements to staff and public.	<ul style="list-style-type: none"><li>● Recruit to the corporate health and safety post and ensure the new post holder continues the previous work and updates in accordance with statutory and best practice requirements.</li></ul>

The Council proposes over the coming year to take steps to address the above matters to further enhance its governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and the Council will monitor their implementation and operation will be carried out as part of the next annual review.



**Cllr M Mills-Bishop**  
Leader of the Council  
16 July 2015



**J T Stack**  
Chief Executive  
16 July 2015

# Statement of Responsibilities for the Statement of Accounts

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## 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

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I certify that this Statement of Accounts presents a true and fair view of the financial position of Broxbourne Borough Council at 31 March 2015 and its income and expenditure for the year then ended.

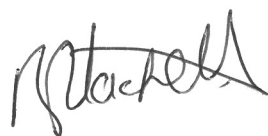


**Sandra Beck FCCA**  
Group Manager (Corporate Services)  
22 July 2015

## Approval of the Statement of Accounts

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I confirm that the Statement of Accounts was approved by the Audit Committee at its meeting held on 22 July 2015



**Patrick Clackett**  
Chairman  
22 July 2015

# Report of the Auditors

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## 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 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the related notes 1 to 37, and 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 2014/15.

This report is made solely to the members of Borough of Broxbourne Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Chief Financial Officer's Responsibilities set out on page 64, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 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 as at 31 March 2015 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 2014/15.

### Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception<sup>1</sup>

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

# Report of the Auditors

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

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

### **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 criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

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

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Borough of Broxbourne put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### **Certificate**

We certify that we have completed the audit of the accounts of Borough of Broxbourne in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*Mark Hodgson*

*Director*

*for and on behalf of Ernst & Young LLP, Statutory Auditor*

*Cambridge*

*24 July 2015*

# Glossary of Financial Terms

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## **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

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## **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

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## **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

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## **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

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## **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

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## **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.

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