Agenda Item No 4,
Appendix A

Hertfordshire County Council

Statement of Accounts 2015/16

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Introduction

Welcome to Hertfordshire County Council's Statement of Accounts. This Narrative Report provides an overview of the Council's finances, together with information about Hertfordshire – the services provided to its residents and businesses, and the key issues affecting the Council. It replaces the Explanatory Foreword in previous years' accounts.

During 2015/16 Hertfordshire County Council has continued to deliver to its communities and residents despite ongoing financial challenges from reductions in funding and growing demand for services. The Council maintains robust forward planning and monitoring processes, and prudent financial management. Reports from external auditors have emphasised the good practice and sound financial controls in place within the authority.

The Council is working closely with public sector partners to provide joined up, efficient services. The Council has one of the most ambitious health and social care integration programmes in England and is leading an innovative approach to the way social care is provided to Hertfordshire's most vulnerable families, intervening early to support families by preventing problems before they arise and so cutting the need for services rather than the services themselves.

Since 2010 the Council has saved £211m (equivalent to 20% of the total budget), achieved with relatively little impact on the wide range of services provided – £181m of the savings came from efficiencies in the way services are delivered, including £47m achieved through streamlining back office functions and looking for smarter ways of working. During 2015/16, services have managed budgets and taken action to contain any potential overspends. As a result of this action there was a total net underspend for the year of £7.7m (0.95% of budget).

This report gives an overview of how the council has performed against its service objectives and non–financial targets during 2015/16, covered in more detail in the Annual Report. It explains where taxpayers' money has been spent to provide services, both for day to day running costs (Revenue spending) and to invest in infrastructure (Capital). It also outlines the medium term financial outlook, how the Council is planning to meet future challenges and risks, and summarises its key financial liabilities and reserves to meet these. The Council's staff are also a key resource, and this report includes details of the current workforce and priorities for workforce planning.

The Statement of Accounts gives a detailed analysis of the Council's finances in 2015/16. These are prepared in accordance with accounting and reporting standards and other statutory requirements – a brief guide to the core statements is included at the end of this report.

The Council's Performance

Hertfordshire County Council (HCC)'s corporate plan sets out the Council's key priorities for the county and how it intends to deliver its vision for Hertfordshire as a County of Opportunity

Hertfordshire - County of Opportunity

Where residents have the opportunity to:

Thrive
We want every Hertfordshire resident to have the opportunity to maximise their potential and live full lives as confident citizens.

Prosper
We want Hertfordshire's economy to be strong, with resilient and successful businesses that offer employment opportunities to residents, helping them to maintain a high standard of living.

Be healthy and safe
We want Hertfordshire residents to have the opportunity to live as healthy lives as possible and to live safely in their communities.

Take part
We want to enable all Hertfordshire residents to make a more active contribution to their local areas, working with elected representatives and other community activists to tackle local issues and ensure that council services are more responsive to their priorities and ambitions.

Narrative Report

During 2015/16, HCC has delivered significant achievements within these priorities, which are set out in the Annual Report at http://www.hertfordshire.gov.uk/your-council/cpdrp/annreport1516/. The Council monitors a range of performance indicators during the year, with the results reported quarterly and published on the Performance Dashboard at http://www.hertsdirect.org/your-council/work/opendata/serv/quartperffinmons/.

Headline performance indicators include:

- 88% of Hertfordshire schools were rated by Ofsted as Good or Outstanding (83% in 2014/15 and above the average for comparable councils);

- Hertfordshire was judged Good in an Ofsted Inspection of ‘services for children in need of help and protection; children looked after and care leavers’ (placing the Council in the top 25% of authorities nationally);

- Referrals of children into social care reduced compared with previous years (average 555 per month compared with 597 in 2014/15) as continued focus remains on supporting families through early help;

- 87% of clients receiving intensive “reablement” support on discharge from hospital were still able to stay in their homes after 91 days (84% at end 2014/15);

- In line with the library strategy, online visits increased by 45% from the end of 2014/15 to the end of 2015/16;

- Costs of staff travel reduced, with a 2.7% reduction in car mileage costs from 2014/15 to 2015/16; and

- 74% of residents asked in regular surveys say they are satisfied or very satisfied with the way the County Council operates.

Spending plans are aligned with these corporate priorities. The council has invested in buildings and other assets to support these objectives, including:

- School places – increasing primary school Reception places by 520 in 2015 and expanding secondary school places with over three forms of entry (90 year 7 places) provided. New secondary schools are planned for Harpenden, Croxley Green and Bishops Stortford;

- Fibre broadband – extending coverage to almost 8,000 business and residential premises in Hertfordshire, including wide-scale coverage upgrades in the Maylands, Centennial and Gunnelswood Road business parks. Work is commencing to extend fibre coverage to 95% by December 2017 and 98% by April 2019;

- The Croxley Rail Link project – now successfully transferred to Transport for London to lead, with the Council working closely with Watford Borough Council and developers to ensure that the optimum regeneration is enabled by the project and to ensure that Watford remains accessible and ‘open for business’ whilst the intensive construction works from all the developments take place; and

- The completion of the first phase of conversion to LED lighting with remote automated monitoring and control to modernise street lighting stock and reduce energy costs on A-roads. The next phase is underway to convert all of those lights that are in all night lighting.

The Council has also invested through day to day spending in schemes that will generate benefits in future years: both spend that will help us to operate more efficiently, such as technology to support our staff adopt more mobile and flexible working patterns and reduce the time and money spent travelling; and intervening early to prevent complex needs developing. For example:

- The Family Safeguarding programme uses a multi-disciplinary approach to focus on helping families to change the behaviours that place children at risk, so fewer children are taken into care and can live safely in their families. The Council is leading the way nationally in terms of how the child protection system is transformed, and is looking to work with four other authorities to help them implement family safeguarding in their areas.

- An ambitious programme of work integrating services with health partners continues. As part of the Better Care Fund programme, the Council and its partners have pooled £330m of existing money, to help plan the care system in Hertfordshire as a whole, rather than as separate 'health' or 'social care' organisations. Initiatives during 2015/16 include the Enablement Homecare Programme, which offers short term intensive support with the aim of reducing long term need.

Financial performance

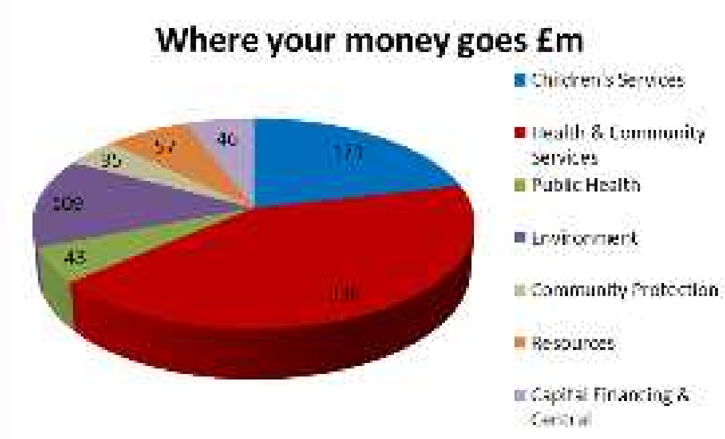
Spend and Funding against Revenue Budget

Revenue and capital budget monitoring information is reported to senior officers and councillors each month and to Cabinet each quarter. The revenue budget monitor for 2015/16 showed an underspend of £7.5m (0.9% of budget) for the year, of which £3.2m related to ringfenced funds and specific project budgets that are planned to be carried forward for spending in 2016/17. Minor technical adjustments in the annual accounts mean the final underspend position is £7.7m, of which £7.5m has been transferred to specific reserves. Spending against budget for each service, and details of how this is funded, are shown in the table and pie chart below.

2014/15		2015/16	
Actual Spending £m		Budget Spending £m	Actual Spending £m
170.48	Children's Services	172.05	170.70
344.92	Health & Community Services	334.42	335.60
35.58	Public Health	42.74	42.74
111.23	Environment	109.31	109.34
35.67	Community Protection	35.24	34.86
51.54	Resources Portfolio (Support for Frontline Services)	59.28	56.54
33.63	Capital Financing	42.32	42.50
(1.04)	Other Central Items	2.27	2.21
	Contingency	4.41	1.00
782.01	**Total Spend**	**802.04**	**795.48**
	Funded By:		
232.82	Government Grants	193.36	194.29
107.32	Business Rates	112.46	112.66
469.57	Council Tax	492.42	492.42
(27.70)	Movement (to)/ from Reserves	3.80	(3.86)
782.01	**Total Funding**	**802.04**	**795.48**

The underspend is significantly lower than in recent years (2014/15 total underspend £27.7m, of which £8.6m carried forward) and reflects the increasing pressure on budgets and limited capacity to absorb additional demand for services or unexpected pressures.

Narrative Report



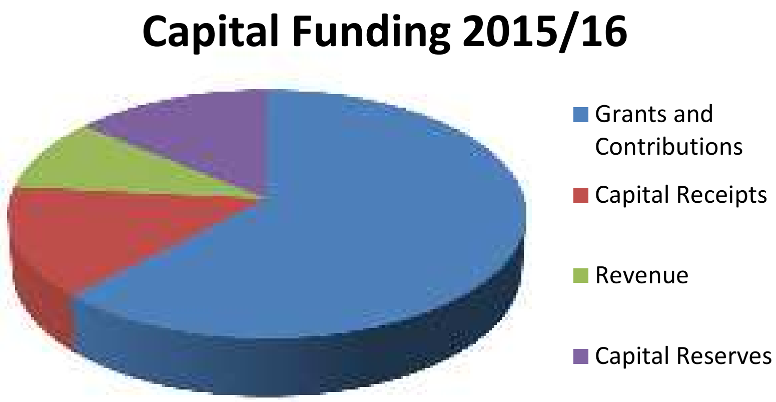
Capital Spending

The Council continues to invest in the infrastructure needed to deliver services and meet the needs of residents and local businesses, as shown in the table below. The Capital Programme sets out the medium term spending plan and all schemes must be supported by a robust business case which is reviewed annually. The 2015/16 – 2017/18 Programme provided for total investment of £572m, and includes schemes to provide additional school places needed at primary and secondary level; maintenance of the road network and major improvement schemes for the A602 and A120; and the Council's contribution to the Croxley Rail Link.

Capital Investment	2014/15 £m	2015/16 £m
Adult Social Care	6.3	12.4
Central Services	5.1	10.8
Children's & Education Services	102.3	60.7
Cultural & Related Services	0.7	1.2
Fire & Rescue	2.8	1.7
Planning Services	6.7	3.1
Highways & Transport	84.8	64.4
Total	**207.6**	**154.5**
Funded By :		
Grants and Contributions	(151.9)	(96.1)
Capital Receipts	(36.0)	(22.3)
Revenue Expenditure from Capital	(14.1)	(14.6)
Capital Reserves	(5.6)	(21.5)
Total	**(207.6)**	**(154.5)**

Prudent financial planning in previous years has created a dedicated reserve, the Invest to Transform Fund, which is being used to provide upfront investment to help the Council deliver the future revenue savings required, such as the rollout of energy efficient LED streetlighting and the Inspiring Libraries strategy, which includes the colocation of some library services in retained fire stations.

As shown below, a substantial proportion of the Council's Capital Programme is funded from government grant, including much of the schools expansion and maintenance programmes, and roads maintenance and improvement. The programme is partly funded from capital receipts from disposal of surplus assets; and one-off revenue balances and reserves are also used in order to minimise borrowing with its associated costs. The 2015/16 – 2017/18 Programme assumed borrowing of £103m, although with the re-profiling of some schemes, no borrowing has been required in 2015/16. Where possible, borrowing is met from internal reserves in the first instance: there has been no new external borrowing since 2011, and the Council's total borrowing is £264m.



During 2015/16, the Council established an Invest to Achieve Capital Receipts reserve, to facilitate the disposal of surplus land and property to generate capital receipts for future funding. It is also exploring other ways of using assets to generate resources to support Council services.

The financial context – Medium term financial strategy

The Council prepares an Integrated Plan for the medium term, which links the authority's resources to its corporate and service plans. Details can be found on our website at http://www.hertsdirect.org/your-council/cpdrp/budbook/ip16171920/.

The Integrated Plan is structured around Service Direction summaries, which set out the future direction of services within the Council's Corporate objectives, and in the context of needing to achieve substantial further savings. Comparative benchmarking, both through published data and informal networks with other comparable authorities, is used to identify areas of potential efficiency gains.

The Council continues to experience increasing demand for services from a growing population – especially as numbers of children and elderly citizens are increasing more sharply than other age bands. While the county shares in the benefits of the relatively buoyant economy of the South East, this also creates demand through increased use of the road network and inflationary pressures on construction costs, especially given the number of major infrastructure projects in the region.

At the same time, the Council faces continued reductions in central government funding: core grant fell by £25.6m to £80m in 2015/16 and will be phased out completely by 2020, when the Government is proposing a move to 100% retention of Business Rates.

To help bridge the gap created by growing financial and operational pressures and funding reductions, Council Tax was raised by 1.99% in 2015/16 – the first increase for 6 years – and has increased by the same amount for 2016/17. From 2016/17 the Council, in common with most other authorities, has also implemented the new 2% Social Care Precept, specifically to help meet the growing cost of care for older and vulnerable adults.

The Council's 2016/17 budget includes £33m of savings in addition to those already achieved, rising to £50m over the next four years. However, it is forecast that an additional £75m savings will be needed by 2019/20, over and above these. Given the scale of the forecast deficit, services will continue to identify and deliver key transformation projects, focused on finding efficiencies and making changes in the way we deliver services to ensure we prepare the organisation to respond to these challenges, and to be fit for purpose and delivering the right services in the right way in the coming years.

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Resources and Liabilities at year end

The Council holds reserves to meet likely future costs and to provide resilience to meet unexpected events. It is legally obliged to review these reserves when setting its budget, to ensure they are sufficient. In this yearly review the Council also considers whether reserves are still required for their original purpose, and any that are no longer needed are released for general use.

At the end of 2015/16, the Council held £1634m earmarked reserves to meet specific future requirements, such as the Self Insurance Reserve and the Invest to Transform Fund which provides investment to help achieve future savings. This total includes £86m of reserves held by Hertfordshire schools, and £7.8m held on behalf of Hertfordshire's Local Enterprise Partnership (LEP). The council also held £32.1m in its General Fund (4% of its budget), to provide financial cover for unforeseen circumstances, demand pressures and economic and other risks.

The Council also holds capital resources to meet its planned infrastructure needs. At March 2016 it held unapplied capital receipts of £3.6m (from the sale of property), which will be used to finance capital spending budgeted for 2016/17. It also holds capital grants and contributions totalling £107.9m, which includes funding for the schools expansion programme and other planned capital spend. This total includes £52.4m of "S106" contributions received from developers towards the costs of local infrastructure required to support new building in the county.

In addition, provision is made for costs where there is a known liability from a past event that can be reliably estimated. During the year, a £1.04m provision for potential liabilities regarding holiday pay has been released, following agreement with trade unions and latest legal advice. Provision is also made for the Council's share of potential liabilities from backdated Business Rates appeals: this has increased by £1.3m to £7.7m as at year end.

The Council's provision for the non-payment of debt owed to HCC is reviewed annually and at end 2015/16 was £4.7m, plus £17.4m for its share of the potential non-payment of council tax and business rates.

The Pensions Liability recognised on the Balance Sheet at year end has a significant impact on the net worth of the Council. Whilst pension benefits do not become payable until employees retire, the Council is required to account for these as employees earn these benefits, even though the cash payments may be many years in the future. During 2015/16, the liabilities decreased by £230m to £895m. This was largely a result of an increase in the net discount rate (based on bond yields) over this period, the positive impact of which has outweighed the likely lower than expected asset returns, as compared with forecasts at March 2015.

Principal Risks and Uncertainties

Hertfordshire County Council maintains a Corporate Risk Register, reported regularly to the Resources and Performance Cabinet Panel as part of the Quarterly Performance monitor. Mitigating actions are in place for all identified risks. The Register can be found at http://www.hertsdirect.org/your-council/work/opendata/corpriskreg/.

In addition, the Audit Committee is responsible for ensuring the effectiveness of risk management arrangements, receiving regular reports concerning the operation and effectiveness of the Corporate Risk Process and updates on other risk management activity, along with focussed review of specific areas of risk from the Risk Register.

The Annual Governance Statement included within these accounts sets out the approaches for managing risk as part of the Council's overall governance arrangements. Key risks and mitigating actions include:

- Ongoing financial pressures from both the significant changes to grant funding and continuing demographic change and other pressures. These are addressed through the Integrated Plan process and through analysis and responses to funding announcements and consultations, ensuring that the authority understands the impact of any changes and can respond to them;

- Potential changes to education funding and legislation that mean that the Council's future role in education is uncertain, causing increasing complexities such as how best to ensure the provision of adequate school places in forthcoming years. The Council is also working to mitigate the risks associated with managing schools' budgets where deficits are in prospect.

- Complexities of delivering services in partnership with other organisations, in particular the arrangements with the NHS, where the integration agenda, demand-related cost pressures, and administration of the

Better Care Fund provide financial uncertainty. The Council will continue its work to address this through the development of a joint medium term forward plan designed to help all parties understand and plan for the cost pressures across the whole of the local health economy.

- Recruitment of staff in key operational areas, especially with continued growth in the wider economy. The Council is addressing this in a number of ways, as outlined below.

Staffing

At March 2016, Hertfordshire County Council employed 8,129 staff (6,272 whole time equivalent (WTE), compared with 6,437 at end 2014/15), with a further 23,946 staff in schools (12,726 WTE). Average voluntary turnover (voluntary redundancy, early retirement and resignations) during 2015/16 was 12.7% (2014/15: 11.4%), reflecting the growth of employment opportunity in the wider economy. The council has refreshed its people strategy to ensure it can continue to attract retain and develop talented individuals to help us deliver services to our citizens now and in the future.

The Council continues to offer employment opportunities for young people, and was named among the top 100 employers in the country for taking on apprentices by the National Apprenticeship Service. Since 2012, 196 young people aged between 17-25 years of age started an apprenticeship with the council in business administration, IT, finance, building maintenance and social care.

The Council is committed to achieving diversity and equality of opportunity both as a large employer and as a provider of services. It demonstrates its commitment to tackling inequality and promoting diversity in all its activities and in line with the Public Sector Equality Duty publishes evidence of the impact of policies and practices on people with protected characteristics, as well as the objectives that the Council has set to support this work.

Guide to the Statement of Accounts

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2016. The format and content of the financial statements is prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which in turn is underpinned by International Financial Reporting Standards. Accounting policies are applied in accordance with these standards; during 2015/16, there have been changes as a result of the adoption of IFRS13 Fair Value Measurement. These have resulted in some additional disclosures in the notes.

The Core Statements are:

The **Comprehensive Income and Expenditure Statement** records all of the Council's income and expenditure for the year, including that for Hertfordshire's maintained schools. The top half of the statement provides an analysis by service area – this is a standard analysis provided by CIPFA so that local authority accounts and spending can be compared. The bottom half of the statement deals with county wide transactions and funding; the section 'Other Comprehensive Income and Expenditure' records accounting gains and losses that have yet to be realised (for example, the change in value of an asset which is only realised when the asset is sold).

The statement shows the true cost of providing services in accordance with required accounting practices (including depreciation costs, the impact of changes in asset values, and the value of future years' pension benefits earned during the year). As such, the net cost of services shown in the accounts can vary significantly from the actual costs shown in the revenue monitor, chargeable to taxpayers.

The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which are cash backed can be invested in capital projects or service improvements; and "unusable" , the majority of which are not cash backed (for example, valuation reserves that represent the change in book value of assets and liabilities) and which are set aside for specific purposes.

The **Balance Sheet** is a "snapshot" of the Council's financial position at the year end. The top half of the balance sheet sets out the council's assets and liabilities, including provision for known liabilities from past events that can be reliably estimated. The lower half of the balance sheet shows the Council's reserves: Usable reserves (£261m) are those available to fund future spend; unusable reserves (£1,692m) result from accounting adjustments required by statute or accounting standards and cannot be spent.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment (including capital spend and disposals), or financing activities (such as repayment of borrowing and other long term liabilities).

These Core Statements are supplemented by disclosure notes that give further explanation of the figures in the Core Statements.

The Statement of Accounts also includes:

- Statements setting out the respective responsibilities of the Council and its Chief Financial Officer, and of the Audit Committee;
- the Annual Governance Statement, which sets out the governance structures of the Council and its key internal controls;
- the Group Accounts of the Council, which show the consolidated position of the Council with its 100% subsidiary, Hertfordshire Catering Ltd, and its 20% owned associate company, Herts for Learning;
- the Local Government Pension Fund Accounts for Hertfordshire, and the Firefighters' Pension Fund accounts.

A Glossary of key terms can be found at the end of this publication.

Statement of Responsibilities

Statement of Responsibilities

This statement sets out the respective responsibilities of the Council and the Chief Finance Officer for the accounts.

The County Council's responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Resources;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts before 30 September 2016.

I confirm that the final accounts were approved by the Audit Committee.

Signed on behalf of Hertfordshire County Council

Councillor Andrew Williams

Chairman
Audit Committee
Date: 23 September 2016

Statement of Responsibilities

The Chief Finance Officer’s responsibilities

The Chief Finance Officer is responsible for the preparation of the Council’s Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

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; and
- complied with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The Chief Finance Officer has also:

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

Chief Finance Officer's Certificate

I certify that the Statement of Accounts give a true and fair view of the financial position of the Council, the Hertfordshire County Council Pension Fund and the Firefighters’ Pension Fund as at 31 March 2016 and the income and expenditure for the year then ended.

Owen Mapley
Director of Resources
Date: 23 September 2016

Annual Governance Statement

Annual Governance Statement

1. Scope of responsibility

Hertfordshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and is 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, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Hertfordshire County Council's Code of Corporate Governance sets out its commitment to good governance and describes the Council's governance framework and processes. The governance principles that the Council adopts are consistent with those set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives document: *Delivering Good Governance in Local Government:*

- *Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;*
- *Members and officers working together to achieve a common purpose with clearly defined functions and roles;*
- *Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;*
- *Taking informed transparent decisions which are subject to effective scrutiny and managing risk;*
- *Developing the capacity and capability of members and officers to be effective; and*
- *Engaging with local people and other stakeholders to ensure robust public accountability.*

Hertfordshire County Council's Code of Corporate Governance is available on the Council's internet site.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, 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 however it cannot eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Hertfordshire County Council for the year ended 31 March 2016 and up to the date of approval of this Annual Governance Statement and the statement of accounts.

3. The governance framework

The systems and processes that comprise Hertfordshire County Council's governance arrangements are set out in its Code of Corporate Governance. Key elements of the governance framework are described overleaf.

Annual Governance Statement

The Council adopted its latest **Corporate Plan** in February 2013 which extends to 2017. The plan sets out a vision for Hertfordshire to remain a county where people have the opportunity to live healthy, fulfilling lives in thriving, prosperous communities. The plan outlines four cross-cutting themes that include key priorities for the County. The four themes are:

- Opportunity to Thrive
- Opportunity to Prosper
- Opportunity to be Healthy and Safe
- Opportunity to Take Part

The Council's constitution sets out the rules under which the organisation conducts its business. The constitution aims to enable the Council to provide clear leadership to the community, in partnership with the public, businesses and other organisations; support the active involvement of members of the public in decision-making; help Councillors represent their constituents; enable decisions to be taken efficiently and effectively; enable decision-makers to be held to account; and ensure that decision-makers are identifiable and that reasons are given for decisions. All the annexes to the constitution were reviewed and where necessary updated during the year.

The Council publishes an **Annual Report** which summarises significant developments and achievements for the period. The report sets out how the Council's finances have been applied to meet its priorities and also outlines some of the potential challenges and opportunities it will face in the coming year. The document also reinforces HCC's commitment to working with communities and providing services through methods of delivery that demonstrate its values and behaviours.

The Council utilises a **system of all-party Cabinet Panels** to consider policy development for each service area. The Council has well-established scrutiny arrangements, which act to hold the executive to account by scrutinising decisions made by, or on behalf of the Council or Cabinet and any operational or policy aspect of the Council's business. Additionally, the **Council's Health Scrutiny Committee** considers strategic countywide health matters. Councillors are also able to scrutinise any issue which affects the County and its residents which may be outside the Council's control. Full details of the topics under scrutiny can be accessed on the Council's website. Progress on implementation of agreed scrutiny recommendations is monitored regularly.

The Integrated Plan for 2015/16 – 2017/18 sets out the Council's vision for Hertfordshire, and key outcomes toward which the Council is working. The Integrated Plan provides the associated financial and human resource plans together with information on how the Council achieves value for money in the provision of services, and the treasury management strategy. The Integrated Plan was developed through a robust review and challenge process involving both Cabinet Panel and Scrutiny.

Hertfordshire County Council works with partners through **Hertfordshire Forward**, the countywide strategic partnership. The Hertfordshire Forward Strategy Group draws the County's key partners and partnerships together to ensure that everyone is moving collectively in the same direction in the best interests of Hertfordshire. Membership of the Group comprises: the Leader of Hertfordshire County Council; the Hertfordshire Police and Crime Commissioner; the Chairs of the county's Health and Wellbeing Board and Local Enterprise Partnership; and the Chairman of the Hertfordshire Leaders Group (the grouping of all local authority leaders in the county).

An 'Ambition for Hertfordshire' has been developed by the Hertfordshire Forward Strategy Group and a **Hertfordshire Assembly** has been established, which draws together a wider range of partners to debate, shape and develop county-wide plans and strategies to consider what Hertfordshire will look like in 2050 and how they may wish to work together to respond to the changes that are likely to occur. This work is now underpinned by regular meetings of all key public sector chief executives who are overseeing the development and delivery of a cross-public sector action plan.

The Council has a well-developed **risk management strategy** and embedded risk monitoring processes, which operate at the highest levels of the organisation, and are overseen by the Council's Audit Committee. The risks associated with meeting budget targets are also considered as part of the integrated planning process, and then monitored in quarterly reports to Cabinet.
The Council has **integrated strategic and service level performance management processes**, which facilitate continuous improvement and identify and support early identification and rectification of any service delivery issues.

These arrangements are supported by the council's '**Performance Management and Development**' scheme through which objectives for individual employees are set and monitored, and plans for individual development are agreed. This is underpinned by the 'Staff Development Charter', which provides a framework for assessing and meeting the learning and development needs of officers. The council has adopted a set of values and behaviours to reinforce what is expected of employees and managers.

There is an on-going **Councillor development programme** to support them in all their roles, with dedicated learning and development support and a system of deputy Cabinet members that facilitates succession planning. Work to support Councillors in their local work is part of the council's approach to localism; this has included development of an IT portal to provide Councillors with ready access to a wide range of information about their local communities and Hertfordshire more widely.

The Council has continued to maintain equality and diversity at the forefront of its service delivery and employment practices. The Council annually publishes evidence of its progress against the objectives contained in its **Equality Strategy** to demonstrate to the public of Hertfordshire how it intends to continue to meet the needs of all of Hertfordshire's communities. **Equality impact assessments** assess the impact of policies and proposals upon council employees and service users, and a cumulative impact assessment is carried out as part of the integrated planning process.

The Council has a **whistleblowing policy** which clearly sets out arrangements in place for reporting and investigating any concern relating to a deficiency or breach in the provision of services; the guidance reassures that this may be done without fear of recrimination.

The Council's internet website includes, as part of its homepage, a 'Tell Us' section that allows members of the public to:

- Submit complaints to the various directorates.
- Notify the Shared Anti-Fraud Service about suspected fraud and corruption (anonymously if required)
- Access information on current consultations, petitions etc.

The Council has designated the Assistant Director - Improvement and Technology as **Senior Information Risk Owner** and senior managers confirm annually their responsibilities in respect of the use of information in their services. The Information Governance Unit and the IT Security Team provide advice and guidance on this area.

The Council has an **anti-fraud and corruption strategy** setting out its commitment to prevent and detect fraud and corruption.

4. Review of effectiveness

Hertfordshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control; in practice the Council operates a continuous process of review and improvement.

The Executive, on behalf of the Council, charges the Audit Committee with keeping the effectiveness of the Council's systems for internal control under review. At its quarterly meetings the Audit Committee receives and considers reports on the Council's overall risk management arrangements and also receives reports on specific risk issues that are considered worthy of individual reporting by Internal Audit or the officers of the Council. The Audit Committee approves the internal audit plan of work and receives regular updates on progress against the plan with summaries of both assurance opinions and key matters raised in individual reviews. The Audit Committee considers the overall annual opinion on internal control provided by the Shared Internal Audit Service along with the opinions on the Council's accounts provided by external auditors.

The Council ensures corporate ownership of the Annual Governance Statement through requiring all senior managers to give an assurance on controls in place in their own service areas. A group of senior managers then meets to consider the findings of the review of governance. The draft Statement is considered at Strategic Management Board prior to signing by the Chief Executive and Leader of the Council. The Audit Committee scrutinises the Statement at its June meeting.

Annual Governance Statement

A review of the internal control environment in accordance with CIPFA guidance is carried out by internal audit annually and informs the Annual Governance Statement. Within this, consideration has been given to ensuring the Council's financial management arrangements conform to the governance requirements in the CIPFA statement on the *Role of the Chief Financial Officer in Local Government.*

The Head of Assurance's Annual Report and opinion on the internal control environment, prepared in accordance with the Public Sector Internal Audit Standards, provides an independent opinion on the adequacy and effectiveness of the Council's system of internal control to inform the Annual Governance Statement. The opinion of the Head of Assurance in respect of 2015/16 is one of substantial assurance in respect of both financial and non-financial systems, giving significant confidence in the effectiveness of internal control arrangements of the Council. This report also consolidates assurance opinions and actions taken by management to address issues raised during internal audit reviews undertaken throughout 2015/16, and is informed by the comments of external auditors and inspectors.

In 2015/16 the Shared Internal Audit Service was subject to independent peer review which assessed the Service's compliance with the Public Sector Internal Audit Standards and achieved the highest of the three possible conformance ratings.

Each member of the Council's leadership team has provided assurance that they have reviewed arrangements for meeting their responsibilities in relation to:

- service plan preparation and agreement
- performance monitoring and reporting
- staff resources and responsibilities
- value for money
- partnership arrangements
- risk management
- the management of new developments
- consideration of safety and environmental impacts
- financial probity, ethical conduct and reporting concerns
- actions taken in response to external inspectorate reviews
- actions taken in response to exceptions reported in 2014/15
- information and communication systems.

A review of actions undertaken in response to the significant issues reported in the 2014/15 Annual Governance Statement confirmed improvements as follows:

- The Council has worked successfully with the LEP to deliver an Assurance Framework that meets the needs of all stakeholders. The financial risks associated with the Croxley Rail Link scheme were transferred to London Underground Limited who will be responsible for delivery of the scheme. The Health and Safety Executive have confirmed that the Council has successfully complied with improvement notices relating to Hand Arm Vibration (HAVS).

- Changes in the methods for delivery of the Council's HR services have included the refresh of the People's Strategy which will be launched and implemented during 2016/17.

- In respect of Section106 monies the Council has improved the mechanisms for accessing relevant information including a web based solution which provides detail on the locations and activities for which monies are held. The new facility was introduced via a seminar for Members which also provides an update on the Community Infrastructure Levy (CIL). Work continues on a replacement tracking system for S106/CIL monies.

- The Council is moving forward with its Domestic Abuse Improvement Plan which spans multiple projects. A new domestic abuse strategy is being developed and improved governance arrangements including an Executive Board have been implemented. Further developments include an improved approach to commissioning and increased funding for the Independent Domestic Violence Advisor Service.

- The Shared Anti-Fraud Service is now operational and its work has been well received by Members and Officers.

5. Specific areas for improvement and development

The review of effectiveness has identified a number of governance and internal control improvement and development activities planned for the year ahead. These are in addition to the on-going commitment that the Council makes to ensuring actions agreed in response to recommendations made by external and internal assurance providers are implemented. Actions will be progressed by managers as necessary. The more significant of the proposed activities are:

- Continued work with HCC's service delivery partner to ensure that the Council is appropriately protected from threats of on-line fraudulent activity
- Work to ensure the correct application of self-employed status checks in relation to consultants to mitigate any potential taxation liabilities for the Council
- A review of the current policies, procedures and resources used to monitor and enforce major minerals and waste planning permissions to increase local community and Member confidence in this area.

6. Significant governance issues

The Council faces ongoing financial pressures from both the significant changes to grant funding and continuing demographic change and other pressures. The Council's Integrated Plan reflects a gap between resources and pressures which is estimated to be £75m by 2019/20. The Council has not yet identified the way in which this gap will be bridged although it has work in place to develop proposals to address this, as well as monitoring the delivery of the current savings proposals. Given the scale of the financial challenge, the Council will continue its work with partners to improve outcomes and lever out further efficiencies. It will continue to identify risks in this area to ensure that they are fully understood and managed or accepted as necessary.

Potential changes in education funding and legislative and regulatory reform means that the Council will face increasing complexities in ensuring the provision of adequate school places in forthcoming years, together with some other existing statutory responsibilities; it will also need to continue the work it has begun to mitigate the risks associated with managing schools budgets where deficits are in prospect.

There has been considerable progress made in resolving the issues associated with creating a sustainable Highways Service Term Contract. This remains an area of focus for the Council in 2016/17. A joint implementation plan aimed at driving out efficiency and productivity improvements is being finalised which will be overseen by Senior Officers and relevant Executive Members.

There are continuing risks associated with the complexities and challenges of working effectively with partners across the County. In particular the arrangements with the NHS where the integration agenda, demand-related cost pressures and administration of the Better Care Fund provide financial uncertainty. The Council will continue its work to address this through the development of a joint medium term forward plan designed to help all parties understand the cost pressures across the whole of the local health economy.

Recruitment of staff in key operational areas remains a concern and is an issue which particularly affects Social Care and Legal Services Staff, as well as Retained Firefighters. The Council will continue to look at ways to address this problem which represents a risk to some aspects of effective service delivery in those areas affected. Increasing market pressure in construction is giving rise to financial and workforce pressures also.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by senior management and the audit committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Robert Gordon	John Wood
Leader of the Council 21 June 2016	Chief Executive & Director of Environment 21 June 2016

On behalf of Hertfordshire County Council

Independent Auditor's Report

Independent Auditor's Report to the Members of HCC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERTFORDSHIRE COUNTY COUNCIL

Opinion on the Authority and firefighters' pension fund financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of Hertfordshire County Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Authority and Group Statements of Accounting Policies, the related notes 1 to 48 of the Authority financial statements and the related notes 1 to 4 of the Group financial statements
- and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 12, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority and Group financial statements and the firefighters pension fund 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's and the firefighters pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance 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 2015/16 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 Hertfordshire County Council and Group as at 31 March 2016 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 2015/16.

Independent Auditor's Report to the Members of HCC

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2015, as to whether Hertfordshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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 Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2015, we are satisfied that, in all significant respects, Hertfordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

OR

Delay in certification of completion of the audit

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

[Signature]
Neil Harris (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton

[Date]

Presentation of Financial Statements – Hertfordshire County Council (Single Entity)

Presentation of Financial Statements

1. Comprehensive Income & Expenditure Statement

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

2014/15					2015/16		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000s	£000s	£000s		Note	£000s	£000s	£000s
405,393	(86,028)	319,365	Adult Social Care		407,557	(72,652)	334,905
6,430	(3,124)	3,306	Central Services to the Public		7,595	(3,298)	4,296
892,552	(709,016)	183,536	Children's & Education Services		885,838	(714,650)	171,189
5,838	(8)	5,830	Corporate and Democratic core		5,200	(5)	5,195
19,217	(1,308)	17,909	Cultural & Related Services		20,776	(1,266)	19,511
52,314	(4,171)	48,143	Environmental & Regulatory Services		51,161	(4,854)	46,307
46,492	(1,211)	45,281	Fire and Rescue Services		45,593	(1,315)	44,278
116,406	(13,114)	103,292	Highways and Transport Services		112,934	(20,358)	92,576
11,250	(3,007)	8,243	Housing Services		11,890	(3,128)	8,762
25,731	(4,143)	21,588	Non distributed costs		14,379	(4,095)	10,284
9,444	(5,745)	3,699	Planning Services		16,546	(8,806)	7,740
36,101	(37,747)	(1,646)	Public Health		45,371	(43,935)	1,435
1,627,168	**(868,622)**	**758,546**	**Cost of Services - Total Continuing Operations**	**5**	**1,624,840**	**(878,363)**	**746,476**
		73,130	Other Operating expenditure	9			27,287
		52,196	Financing and Investment Income & Expenditure	10			50,150
		(889,424)	Taxation and Non-Specific Grant Income	11			(854,670)
		(5,552)	**(Surplus) or Deficit on Provision of Services (A)**				**(30,757)**
		(78,171)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment	24			(169,504)
		179,660	Remeasurements on the Net Defined Pensions Liability	24			(276,559)
		(23)	(Surplus) or Deficit on revaluation of available for sale financial assets*	24			408
		101,466	**Other Comprehensive Income & Expenditure (B)**				**(445,655)**
		95,914	**Total Comprehensive Income & Expenditure (A+B)**				**(476,412)**

* May affect the Surplus or Deficit on Provision of Services in future years (Single Entity)

Presentation of Financial Statements

2. Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories; usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; and unusable reserves resulting from accounting adjustments and which the Council is not able to use to provide services.

31 March 2015				31 March 2016	
£000s	£000s		Note	£000s	£000s
2,820,649		Property, Plant & Equipment	12	3,066,800	
27,488		Heritage Assets	13	27,488	
4,611		Intangible Assets	14	3,930	
-		Assets Held for Sale		-	
15,981		Long Term Investments	43	30,909	
34,529		Long Term Debtors	18	35,633	
	2,903,258	**Long Term Assets**			**3,164,760**
46,527		Short Term Investments	43	33,012	
5,886		Assets Held for Sale	20	1,939	
4,411		Inventories		3,509	
136,280		Short Term Debtors	18	109,132	
-		Financial Instruments Available for Sale		-	
77,342		Cash and Cash Equivalents	19	96,006	
	270,446	**Current Assets**			**243,598**
(2,848)		Short Term Borrowing	43	(2,878)	
(1,523)		Short Term Liabilities	43	(1,670)	
(156,075)		Short Term Creditors	21	(146,237)	
(14,855)		Provisions for Accumulated Absences	24	(16,224)	
(15,000)		Short Term Provisions	22	(16,069)	
	(190,302)	**Current Liabilities**			**(183,077)**
(1,351)		Long Term Creditors	21	(1,262)	
(4,635)		Long Term Provisions	22	(4,573)	
(260,758)		Long Term Borrowing	43	(260,779)	
(1,125,120)		Liability relating to the defined benefit pension scheme	24	(895,868)	
(57,822)		Other Long Term Liabilities	43	(56,099)	
(48,891)		Capital Grants Receipts in Advance	38	(45,462)	
	(1,498,577)	**Long Term Liabilities**			**(1,264,042)**
	1,484,826	**Net Assets**			**1,961,239**
276,945		Usable Reserves	23	260,634	
1,207,881		Unusable Reserves	24	1,700,605	
	1,484,826	**Total Reserves**			**1,961,239**

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on **10 June 2016.**

Owen Mapley
Director of Resources
Date: 23 September 2016

Presentation of Financial Statements

3. Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balances before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Note	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Council Reserves £000s
Balance at 31 March 2014 carried forward		**25,180**	**155,616**	**38,479**	**74,670**	**293,945**	**1,286,793**	**1,580,738**
Movement in reserves during 2014/15								
Surplus or (deficit) on the provision of services		5,552	-	-	-	5,552	-	**5,552**
Other Comprehensive Income and Expenditure		-	-	-	-	**-**	(101,466)	**(101,466)**
Total Comprehensive Income and Expenditure		**5,552**	**-**	**-**	**-**	**5,552**	**(101,466)**	**(95,914)**
Adjustments between accounting basis & funding basis under regulations	7	16,883	-	(38,479)	(957)	**(22,554)**	22,554	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves		**22,435**	**-**	**(38,479)**	**(957)**	**(17,001)**	**(78,912)**	**(95,914)**
Transfer to / from Earmarked Reserves	8	(17,040)	17,040	-	-	**-**	-	**-**
Increase / (Decrease) in 2014/15		**5,394**	**17,040**	**(38,479)**	**(957)**	**(17,001)**	**(78,912)**	**(95,914)**
Balance at 31 March 2015 carried forward		**30,575**	**172,656**	**-**	**73,713**	**276,944**	**1,207,881**	**1,484,824**
Movement in reserves during 2015/16								
Surplus or (deficit) on the provision of services		30,757	-	-	-	30,757	-	**30,757**
Other Comprehensive Income and Expenditure		-	-	-	-	**-**	445,655	**445,655**
Total Comprehensive Income and Expenditure		**30,757**	**-**	**-**	**-**	**30,757**	**445,655**	**476,412**
Adjustments between accounting basis & funding basis under regulations	7	(39,359)	-	3,641	(11,350)	**(47,069)**	47,069	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves		**(8,602)**	**-**	**3,641**	**(11,350)**	**(16,311)**	**492,724**	**476,413**
Transfer to / from Earmarked Reserves	8	10,139	(10,139)	**-**	**-**	**-**	-	**-**
Increase / (Decrease) in 2015/16		**1,537**	**(10,139)**	**3,641**	**(11,350)**	**(16,311)**	**492,724**	**476,413**
Balance at 31 March 2016 carried forward		**32,112**	**162,517**	**3,641**	**62,364**	**260,634**	**1,700,604**	**1,961,239**

Presentation of Financial Statements

4. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses the cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2014/15 £000s		Note	2015/16 £000s
5,552	**Net surplus or (deficit) on the provision of services**		**30,757**
142,096	Adjustment to surplus or deficit on the provision of services for noncash movements	25	108,369
(99,942)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(122,773)
47,706	**Net Cash flows from operating activities**		**16,353**
(48,460)	Net Cash flow s from Investing Activities	26	3,591
(814)	Net Cash flow s from Financing Activities	27	(1,281)
(1,568)	**Net increase or decrease in cash and cash equivalents**		**18,663**
78,910	Cash and cash equivalents at the beginning of the reporting period		77,342
77,342	**Cash and cash equivalents at the end of the reporting period**		**96,005**

Statement of Accounting Policies

Statement of Accounting Policies

This section explains the accounting policies that the Council has applied in preparing these accounts. The Statement of Accounts summarises the Council's transactions for the financial year 2015/16 and its position at the year-end 31st March 2016. The statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 'Code') and the Service Reporting Code of Practice (SERCOP). The Council has adopted the historical cost accounting convention modified by the revaluation of certain types of Property, Plant and Equipment.

Accruals of Income and Expenditure

An activity is accounted for in the year that it takes place and not simply when cash payments are made or received.

In particular:

- The accounts are maintained on an accruals basis in accordance with the Code. The accounts are prepared on the basis of income being due and expenditure becoming payable in the financial year. This means that sums due to or from the Council during the year are included in the accounts whether or not the cash has actually been received or paid in that year. Any differences between the actual and accrued amounts will be reflected in the accounts of the following year.
- Income and expenditure are credited and debited respectively to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Income is recognised when and to the extent that performance occurs, and is measured at the fair value of the consideration received or receivable
- A debtor or creditor for the relevant amount is recorded in the Balance Sheet where income and expenditure have been recognised but cash has not been received or paid at the balance sheet date.
- Where it is doubtful that debts will be settled, provisions are made for bad and doubtful debts.
- Supplies and services 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.
- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.
- Interest receivable on cash deposits and interest payable on borrowings are accounted for on the basis of the effective rate of interest for the relevant financial instrument rather than the cash flow fixed or determined by the contract. The amounts due or receivable at the year-end are included in the balance sheet in current assets and liabilities respectively.

Acquired and Discontinued Operations

Acquired and Discontinued Operations are accounted for in accordance with the Code and separately disclosed where material. Where functions have transferred as a result of the reorganisation of public sector services, the acquisition is accounted for as a combination of business under common control, with any assets or liabilities transferring at their carrying amounts.

Capital Accounting Accounts

These comprise:-

- The Revaluation Reserve, which represents the balance of any net surplus arising on the periodic revaluation of fixed assets analysed on an individual asset basis.

- The Capital Adjustment Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets, provision for the repayment of external loans and the reversal of amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the movement on the General Fund Balance for the year.

The above accounts are not available to fund future expenditure.

Capital Receipts

When an asset is disposed of the value of the asset in the balance sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve applicable to the asset disposed of are transferred to the Capital Adjustment Account. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement. The gain or loss on the disposal of an asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the asset.

Capital receipts are required to be credited to the Usable Capital Receipts reserve and can then only be used to finance capital expenditure or to repay debt. Receipts are appropriated to the reserve from the Movement on Reserves Statement.

The written-off value of assets disposed of is not a charge to the General Fund Balance as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement on Reserves Statement.

Such income that is not reserved for the repayment of external loans and has not been applied in financing capital expenditure is held on the balance sheet as usable capital receipts.

Carbon Reduction Commitment Scheme (CRC)

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is now in phase 2 of its operation, which runs until 31 March 2019. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. The cost of the scheme is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is accrued in the costs of the Council’s services and is apportioned to services on the basis of energy consumption.

Cash and Cash Equivalents

Cash is defined as cash in hand and deposits with any financial institution, repayable without penalty and on notice of not more than 24 hours. They include deposits in constant Net Asset Value money market funds that are available for withdrawal within 24 hours’ notice. Cash equivalents comprise investments that are held to meet short term cash flow requirements rather than for investment or other purposes. Bank overdrafts, repayable on demand and which form an integral part of the Council’s treasury management, are also included as a component of cash and cash equivalents.

Charges to Revenue for Non-current Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding property, plant & equipment during the year:

- Depreciation attributable to property, plant & equipment used in service delivery
- Amortisation of intangible assets used in service delivery
- Impairment losses due to consumption of economic benefits on intangible assets and property, plant & equipment used in service delivery and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

Depreciation provided on surplus assets is charged to Non Distributed Costs.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, calculated in accordance with statutory guidance. Depreciation, impairment losses and amortisation charges are therefore reversed and replaced by a revenue provision (the Minimum Revenue Provision) for debt repayment in the Movement on Reserves Statement. These adjusting entries are reflected in the Capital Adjustment Account.

Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not provided for within the statement of accounts whilst uncertainty remains over the final outcome or if it is not practicable to estimate the amounts involved. These items are disclosed by way of notes to the accounts.

Council Tax and National Non Domestic Rates

Council Tax and a share of National Non Domestic Rates (NNDR, or business rates) are collected by billing authorities acting as agent on behalf of precepting authorities. They are included in the Comprehensive Income and Expenditure Statement as the accrued income for the year, together with the Council's share of any surplus or deficit at year end on each billing authority's Council Tax and NNDR Collection Funds, plus the Council's share of any surplus/deficit from the preceding year that has not been distributed or recovered.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund in the year is taken to the Collection Fund Adjustment Account.

The Council recognises debtors in the Balance Sheet for its share of net cash collected by billing authorities but not paid over to it at the Balance Sheet date, as well as its share of amounts owed by Council Tax and NNDR payers to the billing authority (net of an allowance for doubtful debts).

The Council recognises creditors for cash received from billing authorities in advance of the billing authority receiving the cash from payees along with its share of any prepayments or overpayments made. It also includes its share of any provision for the impact of Non- Domestic Rating Appeals.

Employee Benefits

Benefits payable during employment

Short term Employee Benefits are those that fall due within 12 months of the reporting year end, and include wages, salaries and social security contributions, compensated absences and non-monetary benefits, such as flexi-time.

Compensated absences are periods of paid leave, and may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. They include annual leave, flexi-time and time in lieu. They may be vesting or non-vesting: where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement; where non-vesting, benefits lapse if an employee leaved before the vesting date.

The Government has issued regulations that mean the Council is only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. The value of these benefits, for example the value of leave that an employee carries forward at year end, is accrued and transferred to the Accumulated Absences Account until used. The accrual is based on the salary applicable in the following accounting year, being the period in which the employee takes the benefit. The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

Non-accumulating absences are those that cannot be carried forward for use in future periods if the current period entitlement is not used in full. Sick leave, maternity leave, paternity leave and jury service will usually be non-accumulating. The cost of non-accumulating compensated absences is recognised when the absences occur.

Termination benefits

Termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. Termination benefits are payable as a result of either:

a) an employer's decision to terminate an employee's employment before the normal retirement date, or
b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

Termination benefits are often lump-sum payments, but also include:

a) enhancement of retirement benefits, and
b) salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

Voluntary early retirement benefits under scheme rules are not termination benefits since such benefits are a right of all scheme members. They are accounted for as post-employment benefits rather than termination benefits.

As termination benefits do not provide the Council with any future economic benefits or service potential they are always immediately posted as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when they are recognised ie when the Council has made a firm commitment to the offer.

Where the termination benefits are granted under the provisions of a pension scheme, they will be covered by the adjustment rules applicable to post-employment benefits. Adjustments will then be permissible in the Movement in Reserves Statement to ensure the impact on the bottom line of the General Fund is limited to the amounts actually payable in the financial year.

Estimation Techniques

The accounting policy specifies the basis on which an item is measured. However where there is uncertainty over the monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves, the amount is arrived at using an estimation technique that most closely reflects the economic reality of the transaction. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Events after the Balance Sheet Date

Where material, events that occur after the balance sheet date that provide additional evidence relating to conditions existing at that date are reflected within the accounting statements. Post balance sheet events that relate to conditions that did not exist at the balance sheet date are disclosed by way of a note to the accounts, if the impact on the accounts would be material.

Exceptional Items, Extraordinary Items and Prior Period Adjustments

Exceptional items are included in the cost of the service to which they relate when to do so would not distort the service expenditure. Otherwise they are to be disclosed separately in the Comprehensive Income and Expenditure Statement (CIES). The Code prohibits the treatment of any items of income or expense as 'extraordinary', therefore the Council accommodates all items within one of the specified lines of the Surplus or Deficit on the Provision of Services or the Other Comprehensive Income and Expenditure.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Prior period adjustments, if material, would be accounted for by restating comparative figures for the preceding accounting period.

Statement of Accounting Policies

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The measurement assumes that the transaction takes place in an orderly fashion between willing participants in the instrument's main market, who act in their own financial best interests, under the market conditions prevailing on the measurement date.

The fair value of a financial liability is the price that would be paid to transfer it to another participant of equal credit standing, not the price that would be paid to cancel it with the lender. If there is no quoted price in an active market, and the liability is a financial asset of the counterparty, then it should be measured from the counterparty's perspective – i.e. the price they would receive to sell it to another lender.

IFRS 13 introduces a three level hierarchy for the inputs into a fair value calculation:

- Level 1 – quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – unobservable inputs for the asset or liability, e.g. non-market data such as cash flow forecasts

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

Financial Instruments – Assets

Loans and Receivables

Loans and receivables have fixed or determinable payments and are not quoted in an active market. The Comprehensive Income and Expenditure Statement includes annual credits for interest receivable, based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The value of loans and receivables shown in the Balance Sheet equals outstanding principal plus any outstanding interest receivable at year end.

No loans and receivable assets are long-term investments and therefore the fair value is assumed to equate to carrying value, or the billed amount.

Available for Sale Financial Instruments

Available for Sale Financial Instruments are quoted in an active market. Income in the form of dividends or interest due for the year is credited to the CIES.

Available for Sale Financial Instruments are carried in the balance sheet at Fair Value in line with the requirements of IFRS 13. Fair Value is calculated as the market 'bid' price per unit multiplied by the number of units held, plus any outstanding interest owed at year end.

The increase or decrease in market value is presented in the balance sheet in Available for Sale reserve, which is an Unusable Reserve given that any change in market value will only be realised when sold.

Unquoted Equities

The Council holds a small number of unquoted equities which are held in the balance sheet at cost. Any dividends are included in the CIES as Financing and Investment Income.

As these investments are in both subsidiaries and joint ventures which are not classified as ‘held for sale’, they have been accounted for at cost, as it is not practical to derive a fair market value for these assets.

Impairment

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 is made to the CIES.

Soft Loans

The Council has made a number of loans to third parties at less than market rates (soft loans). Where a soft loan is made, a cost is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in the balance showing a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the third party, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year, with the difference absorbed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The fair value of these assets is assumed to be the carrying value as it is not possible to derive a fair market value for these types of instruments.

Financial Instruments – Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. As required by IFRS13, the fair value of liabilities is disclosed in note 43. This is calculated as the value of future cash flows related to the liability, discounted at current market rates.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal and interest repayable, and interest on borrowing charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council, through the Local Authority Mortgage Scheme (LAMS), acts as a guarantor for mortgage loans made by third party banks or building societies. These guarantees are recognised at fair value. This recognition at fair value is initially charged against the Council’s general fund balances, but the impact is offset by a transfer from a specific reserve set up to fund the costs of this service. The Council has placed deposits with the lending institutions which, following legal opinion on the nature of these advances, have been capitalised.

The Fair Value of the guarantee is measured by the amount of mortgages issued and payable under the guarantee, and the estimated likelihood of default, in line with IFRS13.

Statement of Accounting Policies

Foreign Currency transactions

The Council had no investment holdings in foreign currencies during the year. Where transactions have taken place in a foreign currency, these are recorded in the accounts at the exchange rate applicable at the time of the transaction.

Grants and Contributions

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition (as distinct from a restriction) that the Council has not satisfied.

Conditions are stipulations that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified. The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation).

In the cases where the conditions of a grant has not been satisfied and there is an explicit requirement to repay the grant if the conditions are not met, any balances unspent are treated as creditors (for revenue grants) or Capital Grants Received in Advance (capital).

When the conditions of a grant have been met and it has been reflected as income in the Consolidated Income & Expenditure Statement, the Council still has discretion to carry the grant income forward through an earmarked reserve if it deems this appropriate. This could arise in cases where there is no condition on the timescale in which a grant can be spent, but it has not been spent at the year-end.

In relation to capital grants or contributions which have been used to fund capital expenditure, when these are recognised as income in the Consolidated Income & Expenditure Statement then the effect of this is reversed through the Movement in Reserves Statement and added to the Capital Adjustment Account.

In relation to capital grants or contributions recognised as income in the Comprehensive Income and Expenditure Statement, where the expenditure has not yet been incurred at the Balance Sheet date, the recognised income is transferred to Usable Reserves (Capital Grants Unapplied Account), representing capital resources not yet utilised.

The transfer from the General Fund for both these adjustments is recorded in the Movement in Reserves Statement. When expenditure is subsequently incurred, the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account. This transaction represents the application of capital resources to finance the expenditure incurred and is reported in the Movement in Reserves Statement for these Reserves or in the notes to the accounts.

Group Accounts

The boundary for Group Accounts is determined by the extent of the Council's control or influence over an entity, and the materiality of the relationship to users of the Council's accounts. Group Accounts are prepared in accordance with IFRS3, IFRS10, IFRS11 and IFRS12, and with IAS27, IAS28 and the Code, where required and material.

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

An Associate is an entity where the Council has significant influence to participate in the financial and operational decision making of the entity, but stopping short of control. It is normally, but not necessarily, presumed that significant influence exists where the Council owns 20% or more of the entity.

A Joint Venture exists where the Council is party to the contractually and binding agreed shared control of an organisation, where strategic financial and operating decisions that significantly affect returns require the unanimous consent of the parties sharing control; and where the Council has rights to the net assets of the arrangement, but not the rights or obligations to particular assets or liabilities.

Joint Operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. To meet the definition of Joint Operation, the parties must have rights to particular assets or obligations for particular liabilities; and there must be joint control, that is decisions on relevant activities require the unanimous agreement of all parties. Joint Operations are accounted for in the Council's single entity accounts rather than group accounts, and the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs; and includes in the Comprehensive Income and Expenditure Statement the expenditure it incurs and the share of income it earns from the operations.

A Subsidiary is consolidated into Group Accounts by adding like items of income, expense, assets and liabilities, and eliminating transactions and balances between the entities.

Associates and Joint Ventures are consolidated into Group Accounts by the equity method, adjusting the original investment for any post acquisition change in the Council's share of the assets of the entity; and including in the Group Comprehensive Income and Expenditure Statement the Council's share of the entity's profit or loss for the year.

Group accounts have been prepared for Hertfordshire Catering Ltd (100% owned subsidiary) and for Herts for Learning (20% owned associate), to consolidate with the Council's single entity accounts. The Group Accounts are shown in a separate section following the notes to the single entity accounts. Interests in other companies are accounted for primarily as expenditure or income through the Consolidated Income and Expenditure account (for example as grant awards, contract payments in return for services or income collected on behalf of the Council).

Investments in Herts for Learning, Hertfordshire Catering Limited and Surecare Supplies Ltd are recognised on the Council's Balance Sheet as unquoted equity investments at cost. Investments in the PFI companies are not recognised as they are not material.

The extent of these investments is shown in Note 48 Investment in Companies.

Heritage Assets

A Heritage Asset is an asset that is intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets can have historical, artistic, scientific, geophysical or environmental qualities; and may be tangible or intangible. Currently the Council holds no intangible heritage assets. The Council classifies its heritage assets under the following headings:

- Paintings
- Artefacts
- Sculptures

Heritage assets are normally measured at fair value. Valuations may be made by any method that is appropriate and relevant. The Council uses insurance valuations as an appropriate and relevant valuation and these valuations are carried out and verified by external valuers Townley Valuation Services (TVS). In exceptional circumstances where a cost or valuation of a heritage asset cannot be determined and is not reported in the balance sheet, the Council will disclose any information available which is helpful in assessing the value of those assets, including why it has not been possible to obtain a value along with the significance and nature of those assets.

The Council has not been able to determine a cost or valuation for its Record Office documents known as Hertfordshire Archives and Local Studies (HALS). HALS is treated as part of the Council's library assets. Whilst these may be of interest to a historian, it has not been possible to obtain an insurance valuation and there are no recorded costs for the collection of documents, accordingly HALS is not reported in the balance sheet.

The Council's heritage asset collection is relatively static and acquisitions and donations are rare. If they do occur acquisitions will be capitalised and initially recognised at cost and donations or bequeaths at nil consideration are recognised at valuation as provided by our external valuers.

It is considered that the Council's heritage assets have an indefinite life and are not depreciated but tested for impairment annually. Impairment to a heritage asset will be considered in circumstances of any physical deterioration, breakage or where doubts have been identified regarding its authenticity.

Disposals of heritage assets are not anticipated but would require member approval. On disposal the carrying amount of the heritage asset is derecognised. The gain or loss arising from de-recognition is the difference between the net disposal proceeds (if any) and the heritage asset's carrying amount and is included in the Surplus or Deficit on the Provision of Services.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the Council as a result of past events and future economic or service benefits are expected to flow from the intangible asset to the Council. The Council distinguishes between two classes of intangible assets: software & licences and portal & web design.

An intangible asset is measured initially at cost. After initial recognition, an intangible asset may be carried at a revalued amount where its fair value can be determined by reference to an active market. Otherwise, an intangible asset will be carried at cost less any accumulated amortisation and any accumulated impairment loss.
The depreciable amount of an intangible asset with a finite useful life is amortised on a systematic basis over its useful life, beginning when the intangible asset is available for use and reflecting the expected pattern of use of the economic or service benefits. If the pattern cannot be determined reliably, the straight-line method is used. The amortisation period and method is reviewed annually.

An intangible asset with an indefinite life is not amortised, but is tested annually at year end for impairment and to confirm the indefinite life.

Investment Property

An investment property is one that is used solely to earn rentals or for capital appreciation or for both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property and is accounted for as property, plant and equipment.

An investment property is measured initially at cost. After initial recognition, an investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property is recognised in the Surplus or Deficit on the Provision of Services for the period in which it arises. The fair value of investment property reflects market conditions at the balance sheet date. This means that a periodic revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. An investment property held at fair value is not depreciated.

The Council currently has no Investment Properties, however an annual assessment is undertaken to ensure that no such properties need recognition at each balance sheet date.

Inventories

Inventories comprise such items as vehicle spares, uniforms, stationery, equipment and other materials. All consumable and non-durable items are charged to the Comprehensive Income and Expenditure Statement in the year of purchase. Inventories are measured at the lower of cost and net realisable value.

Statement of Accounting Policies

Leases

Leases are classified as either finance leases or operating leases based on the extent to which the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

The Council as *lessee*

Finance leases

The Council, as lessee, initially recognises finance leases as assets and liabilities at amounts equal to the fair value of the asset or, if lower, the present value of the minimum lease payments. Future valuations are in line with the Council's general PPE revaluation policy. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciation policy for assets held under finance leases is consistent with the depreciation policy for owned assets.

Operating leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

The Council as *lessor*

Finance leases

The Council, as lessor, recognises assets held under finance leases as a receivable at an amount equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal and finance income, with the interest element shown in Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement and the principal element reducing a long term debtor on the Balance Sheet. The finance income is calculated so as to produce a constant periodic rate of return on the net investment. The asset itself is derecognised from Property, Plant and Equipment.

The depreciation policy for depreciable leased assets is consistent with the depreciation policy for other similar assets.

Operating leases

Items of property, plant and equipment let out under operating leases are presented according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term.

Arrangements that may contain a lease

An arrangement (other than PFI arrangements), comprising a transaction that does not take the legal form of a lease but nevertheless conveys a right to use an item of property, plant and equipment, in return for a payment or series of payments, may be accounted for as though the arrangement is, or contains, a lease.

If an arrangement is, or contains, a lease, the lease is classified either as a finance lease or an operating lease as appropriate.

Long Term Contracts

Long term contracts are accounted for on the basis of the Comprehensive Income and Expenditure Statement being charged in the year during which the cost of goods or services were received or provided.

Non-Current Assets Held for Sale

A non-current asset is classified as held for sale if the asset's carrying amount will be recovered principally through a sale transaction rather than through continued use and it meets the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- Management must be committed to a plan to sell the asset, and it must be actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A non-current asset classified as held for sale is measured at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting period.

No depreciation is charged on tangible assets and no amortisation is made in relation to intangible assets whilst they are classified as Assets Held for Sale.

The Code requires that an asset held for sale should be declassified as such, as soon as any of the qualifying criteria detailed above are no longer met. However an asset that is taking more than a year to sell will not automatically mean that it fails to meet the ‘available for immediate sale’ criterion if the delay is caused by events or circumstances beyond the Council’s control and there is sufficient evidence that the Council remains committed to its plan to sell the asset; however, it will be presented as a non-current asset. Where an asset is declassified as held for sale, the asset is valued at the lower of its carrying amount before the asset was classified as held for sale, adjusted for depreciation, amortisations or revaluations that would have taken place if the asset had not been put into Assets Held for Sale, or its recoverable amount at the date of the decision not to sell.

For assets previously held at historical cost, any adjustments in the carrying amount of the asset on declassification is posted to the Surplus or Deficit on the Provision of Services as gains and losses in Other Operating Expenditure. The impact on the General Fund Balance is offset by a compensating transfer to the Capital Adjustment Account in the Movement in Reserves Statement. For assets previously carried at a valuation, any adjustments in the carrying amount is treated as revaluation gains or losses and posted to the Revaluation Reserve. If there are insufficient revaluation gains in the reserve to absorb a loss, the excess is debited to the Surplus or Deficit on the Provision of Services as Other Operating Expenditure, and the impact on the General Fund Balance is offset by a compensating transfer to the Capital Adjustment Account.

Overheads

The full costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the costing principles in the Service Reporting Code of Practice (SerCOP); with the exception of costs relating to the Corporate and Democratic Core and Non Distributed Costs, which have been identified in accordance with SerCOP and are shown as separate headings in the Comprehensive Income and Expenditure Statement.

Private Finance Initiative schemes (PFI)

The Code of Practice

The Code of Practice requires that PFI schemes should be accounted for on the basis of IFRIC 12 “Service Concessions”. To be within the scope of IFRIC 12, the PFI scheme must contractually oblige the private sector operator to deliver, on behalf of the Council, public services related to infrastructure. In addition, IFRIC 12 requires the Council to:

- Control or regulate what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and to
- Control any significant residual interest, through beneficial entitlement or otherwise, in the infrastructure at the end of the term of the scheme.

Statement of Accounting Policies

Services received

The fair value of services received in the year is recorded under the relevant expenditure within the Comprehensive Income and Expenditure Statement.

PFI asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IFRIC 12. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Council's approach for each relevant class of asset.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets (less any capital contributions) and is subsequently measured as a finance lease liability.

An annual finance cost is calculated by applying the impact interest rate in the lease to the opening lease liability for the period, and is charged to 'Interest Payable' in the Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. This amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expressed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent 'Interest Payable' in the Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

Lifecycle replacement

Components of the asset replaced by the operator during the contract (lifecycle replacement) are capitalised where they meet the Council's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or pre-payment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Council to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Council's Balance Sheet.

Property, Plant and Equipment

Property, plant and equipment are tangible assets with physical substance that are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Statement of Accounting Policies

Recognition

The cost of an item of property, plant and equipment is recognised when it is probable that future economic benefits or service potential associated with the asset will flow to the Council and that the cost can be measured reliably.

Subsequent costs arising from day-to-day servicing of an asset (that is, labour costs and consumables), commonly referred to as ‘repairs and maintenance’, are not recognised as property, plant and equipment because the expenditure does not add to the future economic benefits or service potential of the asset. Rather, the expenditure maintains the asset’s potential to deliver future economic benefits or service potential that it was expected to provide when originally acquired.

Where a component of an item of property, plant and equipment is replaced or restored, the carrying amount of the old component is derecognised and the cost of the new component reflected in the carrying amount, subject to the above recognition principle being met.

The Council applies the following de-minimis levels for the recognition of expenditure on the acquisition, creation or enhancement of property, plant and equipment:

Category of Expenditure	De-Minimis Level
Property (Non-Schools)	**£10,000**
Property (Schools)	**£2,000**
Infrastructure	**£10,000**
Vehicles, Plant and Equipment (Non-School)	**£5,000**
Vehicles, Plant and Equipment (School)	**£2,000**

Measurement

An item of property, plant and equipment is initially measured at cost, comprising the purchase price and all expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use.

Subsequently, an item of property, plant and equipment is carried in the balance sheet using the following measurement bases:

Type of Asset	Basis of Valuation
Infrastructure Community Assets Assets Under Construction	**Depreciated historical cost**
Other Land & Buildings	**Current value based on existing use value (EUV). Depreciated replacement cost (DRC) if EUV cannot be determined**
Vehicles, Plant, Equipment and Furniture	**Depreciated historical cost as a proxy for fair value, where assets have short useful lives**
Surplus Assets	**Fair value based on highest and best use value**
Investment Property Assets Held For Sale	**Market value**

Land and buildings are revalued by professionally qualified valuers at intervals of no more than five years. The revaluation process includes a rolling programme, with assets within a class completed within a short period of time; a material change review at year end, with revaluation if required; and revaluations when there has been a significant change to the asset (e.g. major building works).

Where the carrying amount of an item of property, plant and equipment is increased as a result of a revaluation, the increase is recognised in the Comprehensive Income and Expenditure Statement and reversed into the

Revaluation Reserve through the Movement In Reserves Statement, unless the increase is reversing a previous impairment loss charged to Cost of Services on the same asset or reversing a previous revaluation decrease charged to Cost of Services on the same asset.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation (that is, a significant decline in an asset's carrying amount during the period that is not specific to the asset) as opposed to an impairment, the decrease is recognised in the Comprehensive Income and Expenditure Statement and reversed into the Revaluation Reserve through the Movement in Reserves Statement up to the credit balance existing in respect of the asset and thereafter in Cost of Services.

Impairment

At the end of each reporting period, an assessment is made of whether there is any indication that an item of property, plant and equipment may be impaired. If there is indication of impairment, the recoverable amount of the asset is estimated to determine any impairment loss.

Where impairment losses are identified, the asset is written down to its recoverable amount and:

- Where there is no balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement
- Where there is a balance 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). Any excess is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. Any excess is credited to the Revaluation Reserve.

Depreciation

Depreciation applies to all items of property, plant and equipment whether held at historical cost or revalued amount, with the exception of land where it can be demonstrated that the asset has an unlimited useful life.

The depreciation charge is based on the asset's value, allocated over its useful life. The following methods are used, reflecting the pattern in which the future economic benefits or service potential of different assets are expected to be consumed:

- **Buildings:** Straight-line allocation over the life of the property, generally between 10 and 100 years;
- **Vehicles, plant and equipment:** Straight line allocation over the life of the asset generally between 3 and 10 years;
- **Infrastructure:** Straight-line allocation over the life of the asset generally between 8 and 60 years.

Items of property, plant and equipment are not depreciated until they become available for use (that is, when the asset is in the location and condition necessary for its intended use). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

The residual value of an item of property, plant and equipment, its useful life and depreciation method are reviewed at least at each financial year end and, if expectations differ from previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate. Vehicles, plant and equipment with a gross book value of less than £0.1m are written out of the accounts when they are fully depreciated.

De-recognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition is the difference between the net disposal proceeds (if any) and the asset's carrying amount and is included in the Surplus or Deficit on the Provision of Services.

Statement of Accounting Policies

Componentisation:

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts are to be grouped in determining the depreciation charge.

The Council has determined that only individual buildings over £2m are subject to componentisation and these are assessed against 3 components determined by the valuers, namely:

Component	Useful Life
Flat Roof	**20 years**
Services (heat source, electrical installations, lifts, alarms, etc.)	**20 years**
Window Walling/Concrete Cladding	**50 years**

In addition, a component is only separately identified if it represents 20% or greater of the total asset value. The balance of the cost of the total asset not assigned to components is held against the Main Structure and subject to depreciation over 20 to 100 years.

The Council has decided to apply the componentisation policy to an asset from 1st April 2010 when triggered by the following events: -

- When acquired as a new asset;
- where an asset is enhanced, with components being recognised for existing components as well as to the enhancement work; and
- where an asset is revalued

As at 31st March 2016 all assets have been assessed for componentisation purposes.

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, but where a reasonable estimate of the amount can be made but where the timing of the transfer is uncertain or there is uncertainty of the amount.

Provisions are charged to the appropriate service revenue account in the year that they are recognised and are detailed in the notes to the accounts. Expenditure incurred on items for which the provision was originally set up is charged directly to the provision. The level of each provision is reviewed at the balance sheet date. Provisions that are no longer required will be credited back to the original service revenue account from where the provision was created.

Post-Employment Benefits

The Council participates in four different pension schemes that meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

- **Teachers** - this is an unfunded scheme administered by the Teachers' Pension Agency (TPA). The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme, that is, no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with the employer's contributions payable to the TPA for the year.

- **NHS Pension Scheme** - for Public Health employees transferred from the National Health Service. It is accounted for as a defined contribution scheme, as it is a multi-employer scheme where it would be extremely difficult to identify the underlying scheme assets and liabilities to the Council. Employer contributions paid into the scheme are charged to the Public Health service revenue account in year.
- **Uniformed Firefighters** - this scheme is unfunded. With effect from 1 April 2006 the Council pay an employer's pension contribution based on a percentage of pay into the Firefighter's Pension Fund. The Pension Fund will be balanced to nil at the end of the year through a cash settlement with central government.
- **Other employees**, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The Council pay an employer contribution rate of a percentage of pensionable pay.

The Uniformed Firefighters and Local Government Pension Schemes are both accounted for, under IAS 19 Employee Benefits, as defined benefit schemes.

- The liabilities of these pension schemes attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method, that is, 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 based on the yield of a basket of AA-rated bonds (Iboxx Sterling Corporate Bond Index, AA over 15 Years).

The assets of the Local Government Pension Fund attributable to the Council are included in the balance sheet at their fair value:

- **Quoted securities** – current bid price
- **Unquoted securities** – professional estimate
- **Unitised securities** – current bid price
- **Property** – market value

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 revenue accounts of services for which the employees worked
- **Employer Contributions** paid to the pension funds
- **Past Service Cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **Settlements and Curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **Net Interest on the Net Defined Liability** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time. The net interest on the net defined liability (asset) comprises the interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling – debited to Financing and Investment income in the Comprehensive Income & Expenditure Statement.
- **Re-measurements of the net defined benefit liability** – comprising Actuarial Gains and Losses, i.e. changes in the present value of the defined benefit obligation resulting from a) experience adjustments and b) the effects of changes in actuarial assumptions. These are debited to Other Comprehensive Income & Expenditure. Re-measurements also include Return on Plan Assets, excluding the amount included in the net interest on the net defined liability, which is credited to Other Comprehensive Income & Expenditure.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year. 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 any amounts payable to the fund but unpaid at the year-end.

Revenue Expenditure Funded from Capital under Statute

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

Schools Accounting Treatment

The Council as Local Education Authority has responsibility for the provision of education within Hertfordshire, and allocates funding to Hertfordshire maintained schools, which may be Community, Voluntary Aided, Voluntary Controlled or Foundation Schools. Where schools are deemed under IFRS 10 to be entities under the Council's control, and hence fall within the group boundary, the Code provides a specific adaptation of IFRS10 and consequently IAS27 Separate Financial Statements, such that they are consolidated and reported within the Council's single entity financial statements.

Whilst this applies to the income and expenditure, and liabilities, current assets and reserves of all maintained schools, the determination of control of assets in line with the relevant standards means that treatment varies by type of school as below. Control is assessed by consideration of who determines access to the school via admissions policy, and who makes decisions on the use of the asset and is responsible for its maintenance and development. While aspects of control over assets are held by the schools' governing bodies, they act independently of the Council and so are deemed to be outside the group boundary in this context.

Community Schools

As the Council is normally the freeholder of Community School premises, controls admissions, is responsible for maintenance and development and has a significant role in the running of the school, the school premises are recognised under Property, Plant and Equipment in line with the accounting policy stated above.

Voluntary Controlled Schools

Schools are usually owned by a charity but the Council is responsible for the running of the school, employing the staff and determining and administrating the admissions policy. Although the Council does not have any clear legal entitlement to the asset, using the principal of faithful representation, , the Council has determined that it will receive future service potential from these assets, and that it holds significant control over them through the admissions policy which determines access to the asset, and its responsibility for the maintenance and development of the assets. The land, buildings and equipment of these schools will therefore be recognised by the Council under Property, Plant and Equipment on the balance sheet of the Council.

Voluntary Aided Schools

Schools are owned and managed by a charity or trust but the Council partially funds and also provides support services to the school. Although the Council will occasionally own the freehold of the land and buildings, the schools buildings are maintained and controlled by the respective charities/trusts and the Council's only statutory duty is for the playing fields. The admissions policy is set by the governing body, so the Council does not control access to the asset or the services provided, and hence IFRIC 12 does not apply. It has therefore been determined in conjunction with the Council's valuers that the playing field element of the schools premises will be recognised by the Council under Property, Plant and Equipment but that the building element fails the test of the Council holding significant control to allow them to be retained on the Council's balance sheet. IFRIC 4 has been deemed not to apply as the Council does not rely on the use of a specific school to ensure sufficient pupil places are available, and so the arrangement does not rely on specific assets.

Statement of Accounting Policies

Foundation Schools

Schools are funded by the council but owned and managed by the governing body or other entity, including the provision of any support services, and decisions on the maintenance and development of land and buildings. The governing body acts independently of the Council in making these decisions. IFRIC 12 has been deemed not to apply as the Council does not control to whom the services are provided, as the governing body is the admissions authority and the Government controls the service and sets the curriculum. IFRIC 4 has been deemed not to apply as the Council does not rely on the use of a specific school to ensure sufficient pupil places are available and hence the arrangement does not rely on specific assets.

Academies

Schools are managed completely independently of the Council with funding provided directly by central government. The Council grants long leases as part of the Academies transfer which are covered under IAS 17 definition of leases and treated accordingly. The Council will retain the title. However as responsibility for the land and buildings is with the school, which will hold these on their balance sheet, the Council has derecognised the buildings element from Property, Plant and Equipment within its balance sheet. De-recognition takes place at the time that the long lease is granted. IFRIC 12 has been deemed not to apply as the Council does not control to whom the services are provided as Governors are the admissions authority and the Government controls the service and sets the curriculum. IFRIC 4 has been deemed not to apply as the Council has leased the land to the Academy and therefore covered by lease arrangement under IAS 17 and treated in accordance with the leases policy above.

Free Schools

Schools are established, owned and managed completely independently of the Council with funding provided directly by central government. There are currently four Free Schools in Hertfordshire in which the Council has a property interest: these assets have been the subject of major construction or refurbishment and will be transferred by way of long lease once the defects period on these works is expired.

Specific Reserves

Specific Reserves are sums of money earmarked to provide, in the main, flexibility in funding between years. A detailed make up of specific reserves is given in note 8 to the accounts. Transfers to create or replenish reserves are made via the Movement in Reserves Statement. Expenditure incurred on items for which the reserve was originally established is shown as service expenditure offset by a contribution from the reserve to the Movement in Reserves Statement.

Value Added Tax

Income and expenditure are shown net of Value Added Tax (VAT). VAT is included in the Comprehensive Income and Expenditure Statement to the extent that it is irrecoverable.

Notes to the Accounts

Notes to the Accounts

Note 1: Restatement and change in accounting policies

Local Authorities are permitted to change an accounting policy only if the change:

- is required by a standard or interpretation; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

Changes to accounting policies may result in retrospective application where adjustments will be required to restate opening balances on a like-for-like basis, i.e. a Prior Period Adjustment (PPA), or prospective application only in the year the change is being introduced and beyond. PPA may also be required to correct for material errors or omissions which resulted in a misstatement in the accounts.

For 2015/16:

1) No PPA's were required to correct for material errors or omissions in the accounts
2) There were no changes to accounting policies which required retrospective application
3) There was one change to accounting policies which applies from 2015/16, as detailed below

IFRS 13 – Fair Value Measurement

The adoption of accounting standard IFRS 13 has introduced some changes to the valuation of surplus assets, investment properties and assets held for sale; and financial instruments. Local authorities are required to apply the fair value measurement and disclosure requirements of Section 2.10 of the Code prospectively from 1 April 2015.

Restatement of prior year transactions is not required.

Additional disclosures are now also required and have been included in this Statement of Accounts to enable the reader to evaluate the valuation techniques and inputs used to arrive at the fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

No other changes are required for 2015/16. Annual Improvements to IFRSs (2011-2013) cycle have not required any changes to the Council's accounting policies.

Notes to the Accounts

Note 2: Accounting standards that have been issued but have not yet been adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following accounting standards have been issued but have not been adopted under the Code until 1 April 2016:

IAS 1 Presentation of Financial Statements. CIPFA's 'Telling the Story' review of the presentation of the Local Authority financial statements combined with changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative in December 2014 will result in changes to the format of the accounts in 2016/17. This includes a revised format for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement along with the introduction of a new Expenditure and Funding Analysis. There is unlikely to be a change to the overall information presented and 2015/16 comparators will be restated in the new format.

The **CIPFA Code of Practice on Highways Network Assets** (the HNA Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the HNA Code would require retrospective adjustment to the accounts, however, exceptionally, the 2016/17 Code will include an adaptation to IAS 1 for the transition for the move to measuring the HNA at Depreciated Replacement Cost so that there is no requirement to retrospectively adjust the accounts. The change will therefore be accounted for as an adjustment to opening balances as at the 1st April 2016. Under the HNA Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period.

Other changes due to **Annual Improvement to IFRSs cycles, IAS 16** Property, Plant and Equipment / **IAS 38** Intangible Assets**, IAS 19** Employee Benefits and **IFRS11** Joint arrangements are not significant and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

Note 3: Critical Judgements in applying Accounting Policies

In applying the accounting policies set out above, 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 2015/16 are:

Schools Fixed Assets

While the Code requires the transactions of the Council's maintained schools to be consolidated in its single entity accounts, the inclusion of school fixed assets is determined by the assessment of the Council's control of those assets, and its rights to receive service potential or economic benefits. Judgement has been made that control depends on who controls access to the asset and hence its service potential, through control of pupil admissions; and who has responsibility for the maintenance and development of the asset. These powers may outweigh the control conferred by ownership of the asset. Aspects of control may be exercised by the governing body, who are judged to be independent of the control of the local authority.

On this basis, Community schools are included on the balance sheet, as pupil admissions are determined by the Council and all decisions on maintenance and development of the asset are taken by the Council. Voluntary Controlled (VC) schools are similarly included as the Council controls their admissions and is responsible for maintenance and development of the asset (and has been since these schools took VC status under the 1944 Education Act). Although ownership in general rests with the relevant Diocese, it is judged extremely unlikely that they would exercise their right to take back the asset; and under the 1998 Schools Standards and Framework Act, any such decision requires the consent of the Secretary of State.

The assets of Voluntary Aided (VA) schools have been judged not to be controlled by the Council, as it is the governing body who sets the admissions policy, and has responsibility for the maintenance and development of the assets. Capital Maintenance grant is paid to the Diocese rather than being administered by the council, and they contribute to the cost of major capital works. However, the playing fields of VA schools are included in the balance sheet because the Council has a statutory duty to maintain these.

Foundation Schools are similarly excluded as the governing body sets the admissions policy, and is responsible for decisions on the assets' maintenance and development.

Local Authority Mortgage Scheme

During 2012/13 the Council made advances under the Local Authority Mortgage Scheme totalling £10m. Under the scheme, local authorities guarantee a bank or building society's first losses on a number of mortgages made within the local authority area. At the same time, the Council makes a 5 year deposit with the lending institution, either directly or via a District Council. Although the advances were not initially judged to be capital expenditure, as they are not themselves lent on for mortgages, legal opinion given during 2013/14 states that these deposits constitute assistance to a third party for spend that, if incurred by the Council, would be capital. They were therefore added to capital expenditure in the 2013/14 accounts, and financed from a reserve created in 2011/12 to support this scheme. The advances are made to achieve a service purpose i.e. to facilitate mortgage lending, so have been treated as a long term debtor, at fair value, rather than an investment. The guarantees are recognised in the accounts at the point that mortgage advances are made to home buyers, as there cannot be any call on the guarantee until the money has been lent. A liability is created that reflects the estimated fair value of the guarantees, taking account of possible default.

Complex Leases

The Council owns the freehold to two buildings in Stevenage (known as Farnham House and Robertson House). These buildings are leased to a third party, and then sub-leased back to the Council. The Council use these assets as office accommodation. The arrangement has arisen from historical ownership and lease arrangements, and generates net income to the Council of £1.1m. This income is included within the 'non-distributed costs' within 'costs of services'. The lease and sub-lease arrangements will end on the same day (28/09/2018). The lease and sub-lease arrangements contain normal commercial terms and only restrict how the Council, as the current occupier of the buildings, can use the buildings in normal landlord and tenant terms. The leases do not pass any risks of ownership to the third party.

As detailed in the 2011/12 financial statements, the decision was taken to classify leases of care homes from the Council to Quantum Care as operating leases. This is viewed as a critical judgement, given the classification as a finance lease would have resulted in the de-recognition of a large number of assets. This means that assets are retained on the Council's Balance Sheet even though they are leased to Quantum Care on a long-term basis. This is because the lease of the properties is tied up with the provision of services by Quantum and so is not intended to transfer benefits of ownership, only to secure best value from service contracts.

Herts for Learning

The Council owns a 20% share in the equity of the schools company Herts for Learning, established in 2013/14, and can appoint two out of eight executive directors. It is judged that the Council exercises a significant influence over the company, and so it is included in the Council's Group Accounts as an associate.

The remaining equity is held by Hertfordshire schools: at present the Council's maintained schools own 66% of shares, with academies owning the remaining 14%.The finances of maintained schools form part of the Council's single entity accounts. However, as each school has independent voting rights, exercised by either the Head or the Chair of Governors, it is judged that the Council does not exercise influence through the shares held by these schools. Furthermore, the equity value held by maintained schools is not consolidated, as each school individually owns a 1% share, insufficient to influence the financial and operational decisions of the company.

Notes to the Accounts

Heritage Assets

As detailed in the 2011/12 accounts, judgement was made that the Council would use insurance valuations as an appropriate and relevant valuation for heritage assets. These valuations were carried out and verified by external valuers Townley Valuation Services (TVS), except for its Record Office documents, known as Hertfordshire Archives and Local Studies (HALS), where a cost or valuation could not be determined.

Icelandic Bank Deposits

The Council held deposits totalling £28m with Icelandic banks that defaulted on their obligations in October 2008. Since then the value of these deposits has been adjusted in the accounts, to reflect such repayments as have been received, and with the impairment value calculated in accordance with accounting practice. Calculations for 2015/16 are based on the latest administrator reports received. In October 2011 the Icelandic Supreme Court upheld the priority status of deposits held by UK local authorities and other UK wholesale depositors, and distributions have been received from Glitnir and Landsbanki HF. In February 2014 the Council sold its claim against the insolvent estate of Landsbanki through an auction process. The sale of this claim means that the Council has recovered 92% of the amounts originally deposited with Landsbanki in 2008.

In February 2012 the Glitnir claim was paid out in full in various currencies, however part was in Icelandic Kroner subject to currency controls. In 2014/15 HCC sold its Icelandic Krona via a currency auction held by the Central Bank of Iceland. This has resulted in a final return of 101% of the original balances deposited.

The administrators for Heritable Ltd have made distributions for 98% of the original claim to date, based on the latest administrator's report the Council has included an impairment in the accounts to reflect the possibility that there will be no further recovery following settlement of the administrator's fees.

The administrators for Kaupthing Singer & Friedlander Ltd continue to make distributions in the form of dividends and impairment has been recognised based on forecasts in the administrator's reports.

Better Care Fund

The Better Care Fund (BCF) is a programme spanning both the NHS and local government. It has been created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with ‘wraparound’ fully integrated health and social care, resulting in an improved experience and better quality of life.

Pooled budgets result from proposals to develop partnership arrangements, and there are different types of budget sharing mechanisms. The key principle in each of the mechanisms is the concept of joint control in how any funding is used. Critical judgements have been applied in deciding which of the arrangements under the BCF programme have sufficient joint control to meet the definition of pooled budgets,

Within Hertfordshire, the pooled budget arrangements are governed by the Section 75 agreed between HCC and East & North Herts, Herts Valleys and Cambridgeshire & Peterborough Clinical Commissioning Groups (CCGs) through the Health and Wellbeing Board. Following the Department of Health Group Manual for Accounts 2015-16 Chapter 3 Annex 1 – Accounting for the Better Care Fund, it is important that the accounting reflect in substance the differing patterns of control in place for different elements of the BCF.

Where funding and control is shared the elements have been treated as joint operations and shown in Note 32 (as is the case for CCG monies comprising the core BCF allocation determined by social care relative needs formula, Protection of Social Care, Carers and Herts Healthy Home, together with joint schemes with East and North Hertfordshire CCG for Westgate and Intermediate Care). Where sole control is exercised by either HCC or the CCGs (as is the case for residual base budgets) the elements are reported within the relevant entity accounts.

Notes to the Accounts

Note 4: Assumptions made about the future and other major sources on 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 adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Item	Uncertainties	Effect if actual results differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, which could impact on the useful lives of assets. The Council has Property, Plant and Equipment with a Net Book Value of £3.066million on the Balance Sheet as at 31st March 2016, with £67.719million charged as depreciation during the year.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.814 million for every year that useful lives had to be reduced.
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 liability estimated as at 31st March 2016 was £895.9million.	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 an increase in the pension liability of £246.96 million. Full sensitivity analysis is disclosed in Note 37 Defined Benefit Pension Schemes
Provision for NNDR Appeals	The value of National Non Domestic Rates (NNDR) income included in the accounts is reduced by a provision for the estimated value of appeals against valuation decisions, including backdating to the valuation date or 1st April 2015 if the appeal was received after this date. These estimates have been calculated by billing authorities, using information from the Valuation Office on outstanding appeals and experience of successful appeal rates. The Council's provision is based on its 10% share of the income lost on successful appeals.	Each 1% increase in the value of appeals that is provided for would give an additional cost of £0.077m.
Provision for Doubtful Debts	The value of outstanding debtors in the accounts is reduced by a provision for estimated doubtful debts, based on the experience that it is not economic or possible to recover all debt. The Council operates a policy of making provision for specified percentages of debt in age bands above 9 months. The Council does not make provision for debt secured by legal charge against property, where checks have provided a high degree of certainty that the debt is recoverable	Any debt deemed as irrecoverable over and above this provision will be a charge to service expenditure. Each 1% increase in the level of bad debt requiring write off will give an additional cost of £0.047m.

Notes to the Accounts

Note 5: Material Items of Income and Expense

Service Income

No material items of income to disclose.

Service Expenditure

The Council has made significant payments to the following contractors and providers that are not disclosed separately:

- **Arriva The Shires Ltd** for the provision of supported bus services including the concessionary Fares responsibilities; £9.1m;
- **Care by Us** relates to a county-wide block contract as well as additional spot rate provision of homecare and enablement homecare services; £8.6m;
- **Central London Community Healthcare NHS Trust** - for the provision of sexual health services; £6.3m
- **Crime Reductions Initiatives** (known as CRI) for the provision of drug and alcohol support and prevention services; £8.2m;
- **FCC Recycling Ltd** - Contractor for Water dale Transfer Station, Bletchley & Milton Landfill Site, Hitchin Transfer station, Greatmoor EFW and Lakeside Energy From Waste Site and Haulage to all disposal points. Also manages various Household Waste Recycling Centres; £11.7m;
- **Goldsborough** in relation to a county-wide block contract for the provision of homecare and enablement homecare services; £9.9m;
- **Hertfordshire Community NHS Trust** for the provision of sexual health services and school nurses; £12.4m;
- **Hertfordshire School Building** – Partnership contract for the Building Schools for the Future, Public Finance Initiative, Marriott's And Lonsdale Schools, Design Build Finance & Operate comprising of a Unitary Charge for the schools plus, as a pass through, utility costs; £7.2m;
- **Herts for Learning Ltd** - to deliver school Improvement services under the Core contract; £5.5m;
- **Quantum Care** in relation to a contract for the provision of residential care home placements; £18.3m;
- **OPUS International Consultants (UK)** - Highways Consultants, major contractor, providing design & site supervision services; £14.5m;
- **Ringway Infrastructure Services Ltd** for the provision of highway maintenance work £55.8m;
- **Serco Ltd** - The payments to SERCO Plc are for the provision of a range of support services and customer services as per the Core Shared Managed Services contract and for the provision of Social Care Access & Telecare; £27.3m; and
- **Viridor Waste Management Ltd** - contractors managing Lakeside and Ardley EFW; £6.6m**.**

Note 6: Events after the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the Director of Resources on 10th June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events have taken place before this date, provided information about conditions existed at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On the 23rd June a referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. The referendum took place after the 31 March 2016 (the reporting period) and as the result itself does not provide evidence of conditions at the end of the reporting period, this is considered a non-adjusting event.

As with all councils, this decision has the potential to impact the Council's finances and the assumptions and estimates used in these accounts. This includes, but is not limited to, the extent of EU grant funding and impact on other funding streams, the valuations of the Council's investments, the effect on borrowing of a reduction in interest rates, property valuations and valuation of the pension's liability, etc.

It is too early to estimate the actual impact on those areas of the financial statements, and there is likely to be significant ongoing uncertainty for some time. The Council will need to ensure this is considered in future years.

Notes to the Accounts

Note 7: Adjustment between accounting basis and funding basis under regulations

This note details the adjustments that are made between the total comprehensive income and expenditure account, recognised by the Council in the year in accordance with proper accounting practice, and the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2014/15	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Reserve £000s	Movement in Unusable Reserves £000s
Adjustments involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	**-**
Transfer of deferred sale proceeds to the general fund in relation to Finance Leases	89	-	-	**(89)**
Adjustments primarily involving the Financial Instruments Adjustment Account:	-	-	-	**-**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-	-	**-**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance w ith statutory requirements	(112)	-	-	**112**
Adjustment for Equivalent Interest Rate on finance costs , in accordance w ith statutory requirements	40	-	-	**(40)**
Soft Loans	(90)	-	-	**90**
Adjustments involving the Pensions Reserve	-	-	-	**-**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	102,751	-	-	**(102,751)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(65,230)	-	-	**65,230**
Adjustments involving the Collection Fund Adjustment Account	-	-	-	**-**
Amount by w hich Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NNDR income calculated for the year in accordance w ith statutory requirements	(6,068)	-	-	**6,068**
Adjustment involving the Accumulated Absences Account	-	-	-	**-**
Amount by w hich officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance w ith statutory requirements	4,913	-	-	**(4,913)**
Total Adjustments	**16,883**	**(38,479)**	**(957)**	**22,554**

2015/16	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Reserve £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Opening Balance Adjustments for Property, Plant & Equipment	-	-	-	**-**
Charges for depreciation and impairment of non current assets	17,315	-	-	**(17,315)**
Opening Balance Restatement for Revaluation losses on Property, Plant and Equipment	-	-	-	**-**
Movement in the fair value of Investment Properties	-	-	-	**-**
Amortisation of intangible assets	1,125	-	-	**(1,125)**
Capital grants and contributions	(43,535)	-	-	**43,535**
Movement in the Donated Assets Account	-	-	-	**-**
Revenue expenditure funded from capital under statute	32,503	-	-	**(32,503)**
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	38,285	-	-	**(38,285)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(23,189)	-	-	**23,189**
Capital expenditure charged against the General Fund balance	(16,434)	-	-	**16,434**
Use of Capital Reserves (Earmarked Reserves) to finance expenditure	(20,095)	-	-	**20,095**
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(66,149)	-	66,149	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(77,455)	**77,455**
Repayment of Grant	43	-	(43)	**-**
Interest Allocation	-	-	-	**-**
Adjustment involving the Capital Receipts Reserve				
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(9,102)	9,102	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(5,461)	-	**5,461**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	**-**
Capital receipts accrued in year	-	-	-	**-**

(table continued on next page)

2015/16	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Reserve £000s	Movement in Unusable Reserves £000s
Adjustments involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	**-**
Transfer of deferred sale proceeds to the general fund in relation to Finance Leases	94	-	-	**(94)**
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-	-	**-**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance w ith statutory requirements	(112)	-	-	**112**
Adjustment for Equivalent Interest Rate on finance costs , in accordance w ith statutory requirements	20	-	-	**(20)**
Soft Loans	(35)	-	-	**35**
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	117,101	-	-	**(117,101)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(69,794)	-	-	**69,794**
Adjustments involving the Collection Fund Adjustment Account				
Amount by w hich Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NNDR income calculated for the year in accordance w ith statutory requirements	1,230	-	-	**(1,230)**
Adjustment involving the Accumulated Absences Account				
Amount by w hich officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance w ith statutory requirements	1,368	-	-	**(1,368)**
Total Adjustments	**(39,360)**	**3,641**	**(11,350)**	**47,069**

Notes to the Accounts

Note 8: Transfers to / from earmarked reserves

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

The following gives a short description of each reserve, with a summary table provided at the end of this note:

School Balances

- **School Balances –** underspends carried forward from schools delegated budgets.

- **Strategic Area Partnership** - to finance the provision of new learning opportunities to deliver the learner entitlement for 14 to 19 year olds (now included in schools budget shares).

- **Community Focused Extended School Activities** - balances carried forward by schools relating to community focused activities.

- **Schools Budget Central Expenditure** - previous underspend against the central expenditure budgets within the Schools Budget. This will be used to finance the Council's Schools Budget in future years, in line with the requirements of the Dedicated Schools Grant.

- **ESC Balances** – underspends carried forward from Education Support Centres delegated budgets.

Other Reserves

- **Academy Conversion Reserve** - to finance the planning and legal costs associated with Academy conversions as the number of schools converting escalates.

- **BSF PFI Reserve** – the excess of PFI credits over current expenditure levels carried forward to fund future obligations in respect of the Building Schools for the Future project.

- **Capital Financing Reserve** – created from revenue underspends, to be applied as Revenue Contributions to Capital Outlay to support future years' capital programmes.

- **Capital Grants Unapplied Interest Reserve** – to be used for the financing of the Capital Programme.

- **Capital Receipts Spend to Release Reserve** – to be applied as Revenue Contributions to Capital Outlay to support capital spend enabling achievement of capital receipts.

- **Commuted Maintenance** – sums secured through the development of legal agreements to fund maintenance of specialist assets such as bridges and soakaways.

- **Corporate Carry Forwards** – This relates to the carry forward of sums committed by members from their locality allocation up to 31st March 2016.

- **County Council Elections** – to meet the cost of elections to be held in May 2017.

- **DCLG Planning Delivery Grant** – support for the preparation of the waste core strategy and waste procurement programme.

- **Education & Early Intervention Reserve** - to be used for education, support & intervention in Schools, Learning Centres and alternative education settings. Includes Substance Misuse grant funding that supports a multi-year programme.

- **Flood and Water Management** – Funds set aside to support the new sustainable urban drainage responsibility.

Notes to the Accounts

- **Flood Damage Revenue Grant** – This money was received as Section 31 grant carried forward into 2015/16. The carry forward was fully spent during 2015/16.

- **Hadham Towers Restoration** – to provide for essential restoration work to return the former Hadham Towers Waste Disposal site to its original use as agricultural land.

- **Harperbury Legal Costs** – to meet the expected legal costs that the County Council has been ordered to pay.

- **Health & Community Services Carryforwards** – carry forward reserve to be used for Local Welfare Provision and Health Funding.

- **Hertfordshire Safeguarding Adults Board** – partner contributions held to fund additional expenditure/meet any future shortfalls.

- **Highways Flood Repairs** – This was a release of £1m from the 2014/15 underspend, to deal with the estimated impact of the extreme weather conditions and flooding on Hertfordshire's highways which were experienced during January and February.

- **Herts Music Service - Music Donations** – a reserve created to ring-fence donations made by parents and members of the public for the provision of music items.

- **Innovation Fund (Children's Services)** – This reserve will be used in 2016/17 to fund the second year of the Family Safeguarding (Innovation Fund) Project.

- **Invest to Transform** – reserve set aside to support innovative projects across the Council that will underpin service transformation and deliver future efficiencies.

- **LAMS Reserve** - The Local Authority Mortgage Scheme (LAMS) reserve holds funds set aside to support the Council's participation in the LAMS scheme which facilitates mortgage lending to eligible Hertfordshire residents.

- **Local Enterprise Partnership (LEP) Capital Reserves** – These funds are set aside to support the Local Enterprise Partnership infrastructure initiative, providing funding for schemes to develop Hertfordshire's economy and infrastructure. The purpose of the reserve is to act as loan fund against infrastructure.

- **Local Enterprise Partnership (LEP) Revenue Reserves** – These funds have been set aside to generate economic activity by local enterprise partnerships. They also support the operating costs of the LEP.

- **Local Sustainable Transport** – carry forward reserve for the Local Sustainable Transport Grant.

- **Members Highway Locality Reserve** - funding for Member prioritised highway spending.

- **MMI Reserve** - a specific reserve set up in recognition of the increased risk relating to the Municipal Mutual Insurance contingent liability.

- **Nobel Lifecycle fund** – reserve set up to be used over the next 10 years to fund future obligations for lifecycle works as they become required.

- **Performance Reward Grant – Revenue** – Balance of grant carried forward to finance specific project expenditure which continues over a number of financial years.

- **Private Finance Initiative (PFI) Equalisation Reserve** – the reserve represents the excess of PFI credits over current expenditure levels carried forward to fund future obligations in respect of young persons' homes and family centres.

- **Proceeds of Crimes Act (POCA) Receipts** - Proceeds of Crimes Act held by the Council in respect of ongoing trading standards and Serious and Organised Crime Agency (SOCA) court cases, to be spent on Community Protection activities.

- **Public Health** – Carry forward reserve to support Public Health priorities and development.

- **Revenue Budget Support 2016/17** – To support the 2016/17 revenue budget.

- **RSS Implementation & Investment Study LPSA** - to provide the technical support to develop the community infrastructure levy in Hertfordshire; and to contribute to the development of a strategic spatial framework for the county, as agreed by Herts Infrastructure Planning Partnership (HIPP).

- **Safeguarding & Specialist Services** - to be used to finance safeguarding vulnerable children.

- **Salix** - to meet capital costs of energy conservation works; replenished by repayment of a proportion of ongoing savings.

- **Self-Insurance Reserve** - a reserve to cover for uninsured liabilities in respect of employer's liability, third party insurance and potential costs incurred as a result of storm damage.

- **SEND Reform Grant** – A reserve created from grant funding received to support the transition from statements of SEN to combined Education, Health & Care (EHC) Plans.

- **Shared Anti-Fraud Service (SAFS) Surplus** – surplus achieved in 2015/16, to be used to fund additional expenditure/meet any shortfall in future years.

- **Shared Internal Audit Service (SIAS) Surplus** – surplus achieved in 2015/16, to be used to fund additional expenditure/meet any shortfall in future years.

- **Statutory Planning Authority Inquiries** – reserve held to enable the Council to participate in major planning inquiries and also to fund our own Examinations e.g. Minerals Local Plan.

- **Technology Reserve** – carry forward reserve to fund Windows 7 roll-out in 2014/15, which has been fully utilised during 2015/16.

- **Thriving Families Reserve** – relates to grant monies for Thriving Families, a multi-year programme which has recently been extended by central government.

- **Waste PFI Reserve** – set up to deal with a range of risks which could result from this complex PFI project.

- **Week 53 Reserve** - to provide payment to contractor as per an agreed schedule. The annual schedule is payment for exactly 52 weeks over any given year. Every six or seventh year the schedule has to increase to 53 weeks.

Notes to the Accounts

Balance at 1 April 2014 £000s	*Transfers out 2014/15* £000s	*Transfers in 204/15* £000s	Net Transfers during 2014/15 £000s	Balance at 31 March 2015 £000s		Capital (C) or Revenue (R)	Balance at 1 April 2015 £000s	*Transfers out 2015/16* £000s	*Transfers in 2015/16* £000s	Net Transfers during 2015/16 £000s	Balance at 31 March 2016 £000s
48,677	(1,782)	6,561	**4,779**	**53,456**	Schools Balances	R	**53,456**	*(54,812)*	*62,319*	**7,507**	**60,963**
367	-	4	**4**	**371**	Strategic Area Partnership	R	**371**	*(74)*	*-*	**(74)**	**298**
892	(119)	-	**(119)**	**774**	Community Focused Extended School Activities	R	**773**	*-*	*284*	**284**	**1,058**
26,701	(10,664)	11,020	**356**	**27,057**	Schools Budget Central Expenditure	R	**27,057**	*(10,292)*	*5,248*	**(5,044)**	**22,013**
1,850	(316)	-	**(316)**	**1,534**	ESC Balances	R	**1,534**	*(1,534)*	*1,909*	**376**	**1,910**
78,487	**(12,881)**	**17,585**	**4,704**	**83,192**	**Balances held by schools under a scheme of delegation**	-	**83,192**	**(66,712)**	**69,761**	**3,049**	**86,241**
908	(908)	-	**(908)**	**-**	Academy Conversion Reserve	R	**-**	*-*	*1,000*	**1,000**	**1,000**
1,349	-	912	**912**	**2,261**	BSF PFI Reserve	R	**2,261**	*-*	*913*	**913**	**3,174**
-	-	9,633	**9,633**	**9,633**	Capital Receipts Spend to Release Reserve	C	**9,633**	*(6,709)*	*-*	**(6,709)**	**2,923**
791	-	2,726	**2,726**	**3,517**	Capital Grants Unapplied Interest Reserve	R	**3,517**	*(3,517)*	*-*	**(3,517)**	**-**
9,633	(12,785)	3,152	**(9,633)**	**-**	Capital Financing Reserve	C	**-**	*-*	*3,174*	**3,174**	**3,174**
2,228	(539)	278	**(261)**	**1,967**	Commuted Maintenance	R	**1,967**	*(400)*	*97*	**(303)**	**1,664**
91	(91)	222	**131**	**222**	Corporate Carry Forwards	R	**222**	*(46)*	*294*	**248**	**470**
14	-	431	**431**	**445**	County Council Elections	R	**445**	*-*	*279*	**279**	**724**
109	-	-	**-**	**109**	DCLG Planning delivery Grant	R	**109**	*-*	*-*	**-**	**109**
771	(571)	42	**(529)**	**242**	Education & Early Intervention Reserve	R	**242**	*(42)*	*-*	**(42)**	**200**
138	(138)	210	**72**	**210**	Flood and Water Mgmt	R	**210**	*(210)*	*160*	**(50)**	**160**
1,032	(1,032)	-	**(1,032)**	**-**	Flood Damage Revenue Grant	R		*-*	*-*	**-**	**-**
190	(34)	-	**(34)**	**156**	Hadham Towers Restoration	R	**156**	*(30)*	*-*	**(30)**	**126**
150	-	-	**-**	**150**	Harperbury Legal Costs	R	**150**	*(150)*	*-*	**(150)**	**-**
2,044	(1,144)	3,580	**2,436**	**4,480**	HCS Carryforwards	R	**4,480**	*(4,480)*	*1,993*	**(2,487)**	**1,993**
-	-	28	**28**	**28**	HCS Grant Carryforwards	R	**28**	*(28)*	*-*	**(28)**	**-**
-	-	-	**-**	**-**	Hertfordshire Safeguarding Adults Board	R	**-**	*-*	*117*	**117**	**117**
1,000	(1,000)	-	**(1,000)**	**-**	Highways Flood Repairs	R	**-**	*-*	*-*	**-**	**-**
264	-	-	**-**	**264**	Herts Music Service - Music Donations	R	**264**	*-*	*-*	**-**	**264**
16,951	(6,521)	14,927	**8,406**	**25,357**	Invest to Transform	R	**25,357**	(8,346)	5,083	**(3,263)**	**22,094**
-	-	1,601	**1,601**	**1,601**	Innovation Fund (Children's Services)	R	**1,601**	*-*	*1,600*	**1,600**	**3,201**

(table continued on next page)

Notes to the Accounts

Balance at 1 April 2014 £000s	*Transfers out 2014/15* £000s	*Transfers in 204/15* £000s	Net Transfers during 2014/15 £000s	Balance at 31 March 2015 £000s		Capital (C) or Revenue (R)	Balance at 1 April 2015 £000s	*Transfers out 2015/16* £000s	*Transfers in 2015/16* £000s	Net Transfers during 2015/16 £000s	Balance at 31 March 2016 £000s
1,902	(68)	162	**94**	**1,996**	LAMS reserve	R	**1,996**	*(66)*	*185*	**119**	**2,115**
9,071	(1,000)	3	**(997)**	**8,074**	Local Enterprise Partnership (LEP) Capital Reserves	C	**8,074**	*(10,668)*	*8,426*	**(2,242)**	**5,833**
1,573	-	219	**219**	**1,792**	Local Enterprise Partnership (LEP) Revenue Reserves	R	**1,792**	*(1,099)*	*1,225*	**126**	**1,918**
205	(205)	-	**(205)**	**-**	Local Sustainable Transport	R	**-**	*-*	*-*	**-**	**-**
604	(604)	843	**239**	**843**	Members Highw ay Locality	R	**843**	*(843)*	*563*	**(280)**	**563**
1,300	-	-	**-**	**1,300**	MMI Reserve	R	**1,300**	*(484)*	*-*	**(484)**	**816**
185	-	57	**57**	**242**	Nobel Lifecycle Fund	R	**242**	*-*	*58*	**58**	**300**
21	(21)	-	**(21)**	**-**	Performance Rew ard Grant - Revenue	R		*-*	*-*	**-**	**-**
1,634	-	10	**10**	**1,644**	PFI Equalisation Reserve	R	**1,644**	*-*	*102*	**102**	**1,746**
246	(127)	2	**(125)**	**121**	POCA Receipts	R	**121**	*-*	*196*	**196**	**317**
3,282	-	1,713	**1,713**	**4,995**	Public Health	R	**4,995**	*(1,492)*	*197*	**(1,295)**	**3,700**
-	-	-	**-**	**-**	Revenue Budget Support 2016/17	R	**-**	*-*	*385*	**385**	**385**
161	-	-	**-**	**161**	RSS Implementation & Investnt Study LPSA	R	**161**	*(50)*	*-*	**(50)**	**111**
120	(119)	142	**23**	**143**	Safeguarding & Specialist Services	R	**143**	*(82)*	*265*	**183**	**326**
106	(337)	308	**(29)**	**77**	Salix	R	**77**	*(340)*	*303*	**(37)**	**40**
6,830	(612)	-	**(612)**	**6,218**	Self Insurance	R	**6,218**	*(728)*	*-*	**(728)**	**5,489**
-	-	969	**969**	**969**	SEND Reform grant	R	**969**	*(789)*	*659*	**(130)**	**839**
-	-	-	**-**	**-**	Shared Anti Fraud Service (SAFS) Surplus	R	**-**	*-*	*158*	**158**	**158**
-	-	-	**-**	**-**	Shared Internal Audit Service Surplus	R	**-**	*-*	*82*	**82**	**82**
387	-	-	**-**	**387**	Statutory Planning Authority Inquiries	R	**387**	*-*	*-*	**-**	**387**
700	(700)	200	**(500)**	**200**	Technology Reserve	R	**200**	*(200)*	*-*	**(200)**	**-**
2,481	(1,697)	-	**(1,697)**	**784**	Thriving Families	R	**784**	*(117)*	*-*	**(117)**	**667**
8,000	-	-	**-**	**8,000**	Waste PFI reserve	C	**8,000**	*-*	*-*	**-**	**8,000**
482	-	197	**197**	**679**	Waste Week 53	R	**679**	*-*	*193*	**193**	**872**
177	-	22	**94**	**199**	Other Minor Balances	R	**199**	*-*	*22*	**22**	**221**
155,616	(43,134)	60,174	**17,112**	**172,656**	**Total**		**172,656**	**(107,628)**	**97,490**	**(10,138)**	**162,517**

Notes to the Accounts

Note 9: Other Operating Expenditure

2014/15 £000s		2015/16 £000s
2,243	Levies	2,212
75,675	(Gains) / Losses on the disposal of non current assets	29,182
(4,788)	Operating expenditure and income not attributable to services	(4,107)
73,130	**Total**	**27,287**

The loss on the disposal of non-current assets in 2015/16 includes accounting for schools converting to academy status. This has resulted in a transfer of assets by way of 125 year leases of land & property relating to the conversion to academies (£16.072m).

The figure for operating income not attributable to services includes £4.0m of rental income to the Council relating to properties leased out as care homes. The comparative figure for 2014/15 was £3.8m.

Note 10: Financing and Investment Income and Expenditure

2014/15 £000s		2015/16 £000s
17,895	Interest payable and similar charges	18,446
39,071	Pensions interest cost and expected return on pensions assets	36,119
(2,468)	Interest receivable and similar income	(2,948)
-	Income and expenditure in relation to investment properties and changes in their fair value	-
(2,302)	Surplus or Deficit on Trading Operations	(1,468)
52,196	**Total**	**50,150**

Note 11: Taxation and Non Specific Grant Income

2014/15 £000s		2015/16 £000s
(475,651)	Council Tax income	(491,855)
(107,314)	Non domestic rates	(112,212)
(306,459)	Non-ringfenced government grants	(250,603)
(889,424)	**Total**	**(854,670)**

Notes to the Accounts

Note 12: Property, Plant & Equipment and Investment Properties

Property, Plant & Equipment – Movement on Balances

Movements in 2014/15	Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	Total Property, Plant and Equipment £000s	PFI Assets Included in Property, Plant & Equipment £000s
Cost or Valuation								
At 1 April 2014	**2,030,421**	**93,971**	**789,242**	**-**	**56,141**	**6,165**	**2,975,940**	**58,702**
Additions	67,161	10,305	70,312	-	6,135	14,139	168,052	-
Donations	-	-	-	-	-	-	-	-
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve	51,015	-	-	-	7,498	-	58,513	48
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services	9,439	-	-	-	(2,055)	-	7,384	(875)
Derecognition - Disposals	(72,901)	(24,754)	-	-	(22)	-	(97,677)	-
Derecognition – Other	(1,052)	-	-	-	-	-	(1,052)	-
Assets reclassified (to) / from Held for Sale	(1,891)	-	-	-	(2,274)	-	(4,165)	-
Other movements in Cost or Valuation	(27,336)	-	-	-	29,468	(2,118)	14	109
At 31 March 2015	**2,054,857**	**79,522**	**859,554**	**-**	**94,891**	**18,186**	**3,107,010**	**57,984**
Accumulated Depreciation and Impairment								
At 1 April 2014	**(25,210)**	**(43,543)**	**(200,184)**	**-**	**(263)**	**-**	**(269,210)**	**(2,164)**
Depreciation Charge	(30,809)	(14,623)	(24,559)	-	(576)	-	(70,566)	(1,762)
Depreciation w ritten out to the Revaluation Reserve	13,860	-	-	-	806	-	14,666	1,060
Depreciation w ritten out to the Surplus / Deficit on the Provision of Service	18,646	-	-	-	18	-	18,664	312
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	3,107	16,989	-	-	-	-	20,096	-
Derecognition – Other	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairments	601	-	-	-	(619)	-	(18)	(36)
At 31 March 2015	**(19,805)**	**(41,177)**	**(224,743)**	**-**	**(635)**	**-**	**(286,369)**	**(2,590)**
Net Book Value								
At 31 March 2014	**2,005,211**	**50,428**	**589,058**	**-**	**55,878**	**6,165**	**2,706,730**	**56,538**
At 31 March 2015	**2,035,052**	**38,345**	**634,811**	**-**	**94,256**	**18,186**	**2,820,640**	**55,394**

Notes to the Accounts

Movements in 2015/16	Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	Total Property, Plant and Equipment £000s	PFI Assets Included in Property, Plant & Equipment £000s
Cost or Valuation								
At 1 April 2015	**2,054,857**	**79,522**	**859,554**	**-**	**94,891**	**18,186**	**3,107,010**	**57,984**
Additions	59,118	8,592	57,083	-	1,125	2,382	128,300	-
Donations	-	-	-	-	-	-	-	-
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve	113,360	-	-	-	40,820	-	154,179	7,864
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services	24,754	-	-	-	9,243	-	33,998	-
Derecognition - Disposals	(19,871)	(35,224)	-	-	(2,985)	-	(58,081)	-
Derecognition – Other	(743)	-	-	-	-	-	(743)	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	(3,840)	-	(3,840)	-
Other movements in Cost or Valuation	23,067	-	-	-	(3,542)	(16,467)	3,058	-
At 31 March 2016	**2,254,542**	**52,890**	**916,637**	**-**	**135,711**	**4,100**	**3,363,881**	**65,848**
Accumulated Depreciation and Impairment								
At 1 April 2015	**(19,805)**	**(41,177)**	**(224,743)**	**-**	**(635)**	**-**	**(286,369)**	**(2,590)**
Depreciation Charge	(29,301)	(11,426)	(26,256)	-	(736)	-	(67,719)	(1,808)
Depreciation written out to the Revaluation Reserve	14,509	-	-	-	751	-	15,260	4,352
Depreciation written out to the Surplus / Deficit on the Provision of Service	15,979	-	-	-	424	-	16,403	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	289	28,051	-	-	51	-	28,391	-
Derecognition – Other	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairments	(2,949)	-	-	-	(109)	-	(3,058)	-
At 31 March 2016	**(21,278)**	**(24,553)**	**(250,999)**	**-**	**(253)**	**-**	**(297,091)**	**(46)**
Net Book Value								
At 31 March 2015	**2,035,052**	**38,345**	**634,811**	**-**	**94,256**	**18,186**	**2,820,641**	**55,394**
At 31 March 2016	**2,233,264**	**28,337**	**665,638**	**-**	**135,458**	**4,100**	**3,066,798**	**65,802**

Capital Commitments

The value of material contracts to which the Council is committed to as at the 31st March 2016 is estimated at £23,271m (£25.536m in 2014/15). For the purposes of this note a commitment is considered material if it exceeds a value of £500,000.

Description	£000s
Schools - Secondary Development Agreements	12,069
Schools - other improvement w orks	2,145
Fire & Rescue-Aerial Platform Ladder	690
Footw ay w orks	2,795
Other Highw ays Works	1,666
Street Lighting	3,906
Total	**23,271**

During 2015/16, the Council transferred to London Underground Limited (LUL) the County Council's responsibility for the delivery of the Croxley Rail Link. In line with the requirements set out in the Department for Transport Grant funding letter, HCC is acting on behalf of the local consortium funding partners (Herts LEP and Watford Borough Council). For this reason the Funding Agreement is between LUL and the County Council only. The funding agreement requires the consortium to make funding available in future years to LUL of £93.67m. Of this, £26.373m is required to be funded by HCC by using borrowing and S106 contributions received by the council.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The valuations were carried out by an external valuer, Roger Firth, a Fellow of the Royal Institution of Chartered Surveyors (FRICS), in his capacity as an Associate Director of Lambert Smith Hampton, and Philip Brawn (FRICS) also of Lambert Smith Hampton. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Assets are then carried in the balance sheet using the following measurement basis:

Type of Asset	Basis of Valuation
Infrastructure Community Assets Assets Under Construction	**Depreciated historical cost**
Other Land & Buildings	**Current value based on existing use value (EUV). Depreciated replacement cost (DRC) if EUV cannot be determined**
Vehicles, Plant, Equipment and Furniture	**Depreciated historical cost as a proxy for fair value, where assets have short useful lives**
Surplus Assets	**Fair value based on highest and best use value**
Investment Property Assets Held For Sale	**Market value**

Notes to the Accounts

There have been no significant assumptions applied in estimating the fair values, which are:

5 year revaluation table

	Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	Total Property, Plant and Equipment £000s	PFI Assets Included in Property, Plant and Equipment £000s
Valued at Historic Cost								
	-	28,335	665,638	-	-	4,101	**698,074**	2,604
Valued at Current Value in:								
2011/12	2,781	-	-	-	-	-	**2,781**	-
2012/13	29,274	-	-	-	66	-	**29,340**	-
2013/14	340,566	-	-	-	11,935	-	**352,500**	-
2014/15	767,516	-	-	-	24,374	-	**791,890**	14,444
2015/16	1,093,133	-	-	-	99,083	-	**1,192,215**	48,754
Grand Total	**2,233,270**	**28,335**	**665,638**	**-**	**135,458**	**4,101**	**3,066,800**	**65,802**

Disposals

Disposals include assets transferred to schools that have converted to academy status, where a 125 year lease is granted.

Investment Properties

There are currently no assets held as Investment Properties by the Council.

Surplus Assets

The 2015/16 Code has changed the measurement requirements for surplus assets within property, plant and equipment from existing use value to fair value best and highest use. In accordance with IFRS 13, the Council now measures its surplus assets at Fair Value. During 2015/16, HCC revalued £99.083m of surplus assets using fair value. £36.375m of surplus assets have not been revalued during 2015/16, however our valuers have confirmed that the fair value is not materially different from its current valuation.

Information about the fair values of the surplus assets as at 31st March 2016 is as follows:

31 March 2016			
Level 1 Quoted Prices in active market for identical assets £000s	Level 2 Observable inputs for the asset £000s	Level 3 Unobservable inputs for the asset £000s	Fair Value £000s
-	-	135,458	135,458
-	**-**	**135,458**	**135,458**

Notes to the Accounts

Note 13: Heritage Assets

Heritage Assets have been included in the Council's balance sheet since 1 April 2010, when they were valued as detailed below for the separate asset types. It was not practicable at this time to determine the history of purchases, donations, impairments and disposals. There has been no movement in the value of Heritage Assets, nor any additions, donations or disposals, since this date. Asset values are as shown in the summary of transactions below.

	Paintings £'000s	Artefacts £'000s	Sculptures £'000s	Total Assets £'000s
Cost or valuation				
1 April 2014	1,879	87	25,522	27,488
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
31 March 2015	**1,879**	**87**	**25,522**	**27,488**
Cost or valuation				
1 April 2015	1,879	87	25,522	27,488
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
31 March 2016	**1,879**	**87**	**25,522**	**27,488**

Paintings

The Council's external valuer for its art work, Townley Valuation Services (TVS), carried out a full valuation of the collection of paintings as at 31 March 2012, and has confirmed that there has been no material change in market values since. The valuations were based on TVS inspecting all our documented records and our photographic archive, and undertaking desk based research by art experts in TVS that has included visits to museums and inspecting a number of pieces by visiting the location where they are displayed or stored.

During the year none of the paintings was deemed to have suffered major damage requiring write down to be charged to the Comprehensive Income and Expenditure Statement.

Art Collection

The collection consists of nearly 1,700 paintings, posters and sketches which are displayed in County Hall, other Council properties, libraries, schools, development centres, elderly persons homes and on loan to museums. Key paintings within this art collection are: -

- Philip Mercier, Portrait of Frederick Lewis, Prince of Wales valued at £100,000;
- Philip Mercier, Portrait of Princess Caroline valued at £80,000;
- Philip Mercier, Portrait of Princess Amelia, Daughter of King George II and Queen Caroline valued at £80,000;
- Philip Mercier, Portrait of Princess Anne, Daughter of King George II and Queen Caroline valued at £80,000;
- Ceri Richards, Matisse valued at £60,000;
- Anne Redpath, The Blue Plate valued at £50,000;
- Circle of Jean Baptiste van Loo, Portrait of Queen Caroline valued at £40,000;

- Charles Jervas, Portrait of King George II, standing full length valued at £40,000;
- Sir Thomas Lawrence, Portrait of William Plummer valued at £35,000;
- John Tunnard, Brandis valued at £35,000;
- Frances Hodgkins, Still Life with Vase and Eggs valued at £32,000.

Sculptures

The Council's collection of sculptures is reported in the Balance Sheet at insurance valuation which is based on market values. These sculptures will be revalued as part of the authority's five year revaluation programme and be subject to an annual existence check on a sample basis. The Council's external valuer for its art work Townley Valuation Services (TVS) carried out a full valuation of the collection of sculptures as at 31 March 2013, and has confirmed that there has been no material change in market values since. The valuations were based on TVS inspecting all our documented records and our photographic archive, undertaking desk based research by art experts in TVS that has included visits to museums and inspecting a number of pieces by visiting the location where they are displayed or stored.

The Council has four key sculptures:

- Henry Moore, Family Group – valuation £20,000,000;
- The stone figures of Queen Eleanor from Waltham Cross (on loan) - £4,000,000;
- Barbara Hepworth, Eocene: Mother & Child - £1,000,000;
- Barbara Hepworth, Turning Forms - £300,000

Artefacts

This contains the civic regalia including a forty inch sterling silver chain, pendants and badges associated with the position of the Chairman and Vice-Chairman, an old school door and frame and a Flemish Landscape Tapestry, probably Oudenaard, circa 1670-1690.

Hertfordshire Archives and Local Studies (HALS)

The Hertfordshire Archives and Local Studies (HALS) consist of the Council’s Record Office documents and are included as part of the Council’s library assets. Whilst these may be of interest to an historian they hold no determinable value and accordingly are not reported in the balance sheet.

Preservation and Management

The Council has not undertaken any major repairs or restoration of any of its heritage assets in 2015/16. The cost of any such repairs and restoration if incurred would be charged to the Comprehensive Income and Expenditure Statement.

The Council employs a fully qualified archive conservator for any repairs needed at HALS. Schedules of work needed are kept and are undertaken on a rolling programme. Sometimes grant funding can be acquired to help with a major conservation project e.g. from the National Manuscripts Conservation Trust. The Council employs an administrator in the Library service, who manages all issues of repairs and maintenance. These are based on an annual cycle of inspection and feedback from schools and apply to that part of the collection that is loaned to schools. The remaining collection is managed by Property, who administers a limited range of repairs and maintenance, related to investment projects or requests for intervention for support for maintenance from schools.

The County Archivist manages the archive collections held at HALS. There are various policies in existence for the management of certain types of records e.g. the County Council’s archives are governed by the Council’s Records Management Policy (Aug 2009 held on Compass) and the Retention Guidelines (also on Compass).

The schools loan collection is managed by the Library service with active engagements with schools. The remaining elements in the collection are managed by Property.

Acquisitions are rare and primarily made by donation. However, on rare occasions when a particularly important asset is available for purchase, the Council will undertake the purchase provided that it meets the objectives of the Council in terms of its collection of heritage assets. HALS has a formal Acquisitions Policy and additions to the other collections have only been made as part of a re-fit of head office accommodation at Stevenage. The additional pieces were approved at member level and were newly commissioned pieces from a local artist.

Assets are collated, preserved and managed in accordance with the aforementioned guidelines. The register for each collection records the nature, provenance, condition and current location of each asset.

Each individual collection at HALS has a unique Accession number which is recorded in a manual register. During 2013/14 a project was completed to transfer this information to computer using archive software (CALM), and new accessions are routinely added to this database. The other collections' registers have been made available previously and validated as part of the recent revaluation programme.

Disposals of heritage assets are not anticipated but if deemed desirable will require member approval supported by guidance from officers who hold accountability for the collections. In order to dispose of any archive held at HALS permission would have to be sought from the individual owner of the collection. Many collections owned by the Council are inalienable as grant funding was awarded in order to purchase them, making their disposal very unlikely.

Notes to the Accounts

Note 14: Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. 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. Major systems such as SAP and the Integrated Education System are normally assessed at 10 years life while PC- based software is typically assessed at 5 years. These software and web intangible assets are carried at historical cost as a proxy for current replacement costs, and are amortised on a straight-line basis. Centrally charged amortisation is absorbed as overheads across all service headings if deemed material.

The movement of intangible asset balances during the year is as follows:

2014/15 Software & Licences	2014/15 Portal & Web Design	2014/15 Total		2015/16 Software & Licences	2015/16 Portal & Web Design	2015/16 Total
			Balance at start of year			
17,134	1,885	**19,019**	- Gross carrying amount	10,766	63	**10,828**
(11,377)	(1,651)	**(13,028)**	- Accumulated amortisation	(6,191)	(25)	**(6,217)**
5,757	**233**	**5,990**	Net carrying amount at start of year	**4,574**	**37**	**4,611**
			Additions:			
-	-	-	- Internal Development	-	-	-
424	-	**424**	- Purchases	444	-	**444**
-	-	-	- Acquired through business combinations	-	-	-
-	-	-	Assets reclassified as held for sale	-	-	-
-	-	-	Other disposals	-	-	-
-	-	-	Revaluation increases or decreases	-	-	-
-	-	-	Impairment loses recognised or reversed directly through the Revaluation Reserve	-	-	-
-	-	-	Impairment losses recognised in the Surplus / Deficit on the Provision of Services	-	-	-
-	-	-	Reversals of past impairment losses w ritten back to the Surplus / Deficit on the Provision of Services	-	-	-
(1,607)	(195)	(1,802)	Amortisation for the period	(1,113)	(13)	**(1,125)**
-	-	-	Other changes	-	-	-
4,574	**37**	**4,611**	**Net carrying amount at end of year**	**3,905**	**25**	**3,930**
			Comprising:			
10,766	63	10,828	- Gross carrying amount	6,211	63	**6,274**
(6,191)	(25)	(6,216)	- Accumulated amortisation	(2,306)	(38)	**(2,344)**
4,574	**37**	**4,611**	**Net carrying amount at end of year**	**3,905**	**25**	**3,930**

Notes to the Accounts

Note 15: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2014/15			2015/16	
£000s	£000s		£000s	£000s
	565,172	**Opening Capital Financing Requirement**		**541,421**
		Capital investment		
168,049		Property, Plant and Equipment	128,300	
-		Investment Properties	-	
1,000		Loans for another body's capital expenditure	1,500	
-		Investments treated as capital	300	
424		Intangible Assets	444	
38,166		Revenue Expenditure Funded from Capital under Statute	32,503	
	207,639			**163,047**
		Sources of finance		
(52,829)		Capital receipts	(5,461)	
(9,694)		Capital Reserves	(20,095)	
(129,152)		Government grants and other contributions	(120,990)	
		Sums set aside from revenue:		
(23,818)		Minimum Revenue Provisions	(23,189)	
(15,896)		Direct revenue contributions	(16,434)	
	(231,390)			**(186,169)**
	541,421	**Closing Capital Financing Requirement**		**518,299**
		Explanation of movements in year:		
	67	Increase in the underlying need to borrow (supported by government financial assistance)		67
	(23,818)	Decrease in the underlying need to borrow		(23,189)
	-	Assets acquired under finance leases		-
	-	Assets acquired under PFI/PPP contracts		-
	(23,751)	**Increase/(decrease) in Capital Financing Requirement**		**(23,122)**

Notes to the Accounts

Note 16: Leases

Council as Lessee

Finance Leases

The Council has acquired a number of vehicles and non-property assets under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2015 £000s		31 March 2016 £000s
31,657	Other Land and Buildings	31,587
201	Vehicles, Plant, Furniture and Equipment	56
31,858	**Total**	**31,643**

The Council is committed to making the minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2015 £000s		31 March 2016 £000s
	Finance lease liabilities (Net Present Value of minimum lease payments):	
129	– current	31
102	– non-current	68
20	Finance costs payable in future years	11
251	**Minimum Lease Payments**	**109**

The minimum lease payments will be payable over the following periods:

31 March 2015			31 March 2016	
Finance Lease Liabilities £000s	Minimum Lease Payments £000s		Finance Lease Liabilities £000s	Minimum Lease Payments £000s
129	139	Not later than one year	31	36
102	112	Later than one year and not later than five years	68	73
-	-	Later than five years	-	-
231	**251**	**Total**	**99**	**109**

Notes to the Accounts

Operating Leases

The Council has a number of arrangements classified as operating leases, consisting of Land & Buildings and Vehicles. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2015 £000s		31 March 2016 £000s
3,652	Not later than one year	3,536
11,547	Later than one year and not later than five years	11,593
12,591	Later than five years	21,209
27,790	**Minimum lease payments**	**36,338**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2015 £000s		31 March 2016 £000s
3,351	Land & Buildings	3,494
610	Vehicles	565
3,961	**Total**	**4,059**

Council as Lessor

Finance Leases

The Council has leased out a number of Land & Buildings assets under finance leases. These assets are derecognised from the Council's Balance Sheet.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2015 £000s		31 March 2016 £000s
	Finance lease liabilities (Net Present Value of minimum lease payments):	
94	– current	99
3,285	– non-current	3,185
9,830	Unearned finance income	9,229
2,359	Unguaranteed residual interest of property	2,359
15,568	**Gross investment in the lease**	**14,873**

Notes to the Accounts

The minimum lease payments will be payable to the Council over the following periods:

31 March 2015			31 March 2016	
Gross investment in the lease	Minimum Lease Payments		Gross investment in the lease	Minimum Lease Payments
£000s	£000s		£000s	£000s
695	695	Not later than one year	695	695
2,779	2,779	Later than one year and not later than five years	2,779	2,779
12,094	9,735	Later than five years	11,399	9,040
15,568	**13,208**	**Total**	**14,873**	**12,515**

Operating Leases

The Council has a number of arrangements classified as operating leases consisting of Land & Buildings. These are arrangements where Council-owned properties are leased to other organisations for a range of purposes. These include leases of land for electricity substations or communications infrastructure, leases to other public or voluntary sector organisations for use in delivery of their services or leases to private sector individuals or organisations where the land is surplus to the Council's operating requirements. The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2015		31 March 2016
£000s		£000s
5,492	Not later than one year	6,499
19,091	Later than one year and not later than five years	21,184
101,883	Later than five years	101,690
126,466	**Total**	**129,373**

The income credited to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2014/15		2015/16
£000s		£000s
5,644	Land & Buildings	6,472
-	Vehicles	-
5,644	**Total**	**6,472**

Notes to the Accounts

Note 17: Private Finance Initiatives (PFI) and Similar Contracts

The Code of Practice 2015/16 requires that PFI schemes should be accounted for on the basis of IFRIC 12 "Service Concessions". To be within the scope of IFRIC 12, the PFI scheme must contractually oblige the private sector operator to deliver, on behalf of the Council, public services related to infrastructure. In addition, IFRIC 12 requires the Council to:

- Control or regulate what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and to
- Control any significant residual interest, through beneficial entitlement or otherwise, in the infrastructure at the end of the term of the scheme.

Children's Services

The council entered into a PFI scheme in June 2007 for the design, finance and maintenance of seven new children's homes, a family assessment centre, a disability resource centre, a children's centre and the refurbishment of five family support centres, through a private sector operator, with a facility for 25 years. The private sector operator is Young Herts, a subsidiary of UMG, and Unitary Charge payments are made monthly on invoice. The PFI scheme involves rebuilding/refurbishing existing council buildings and the operation of those centres. The units became operational at various times from 2007/08 to 2009/10. The scheme is due to end on 31 March 2033, at which stage all the assets will revert to the council. The net book value of these assets (land & buildings) following revaluation in 2014/15 was £14.743m.

The Council's PFI obligation for the capital (finance lease) element is:

31 March 2015				31 March 2016		
Capital £000s	Interest £000s	Service £000s		Capital £000s	Interest £000s	Service £000s
565	1,110	1,195	Not later than one year	586	1,072	1,236
2,658	4,034	5,170	Later than one year and not later than five years	2,838	3,853	5,243
4,367	3,902	7,562	Later than five years and not later than ten years	4,649	3,606	7,691
5,096	2,299	10,414	Later than ten years and not later than fifteen years	5,248	1,957	10,888
4,064	497	6,755	Later than fifteen years and not later than twenty years	2,864	244	4,363
16,750	**11,842**	**31,097**	**Total**	**16,185**	**10,731**	**29,421**

The PFI assets are recognised as Property Plant and Equipment when they come into use. The assets are measured initially at fair value in accordance with the principles of IFRIC 12. Subsequently, the assets are measured at fair value which is kept up to date in accordance with the Council's approach for each relevant class of asset.

The private sector operator is paid for its services over the period of the scheme by means of an annual unitary charge which is allocated between capital and service elements. The service element includes a full facilities management service, caretaking services, cleaning and utility (gas, electricity and water) costs.

The Council's key risk in connection with this PFI contract is that the SPV (Special Purpose Vehicle) operator, Young Herts, ceases to trade. If this occurs the finance providers, Sumitomo Mitsui Banking Corporation (SMBC) would step in and replace them with a new operator. This would create some short term operational difficulties.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

Notes to the Accounts

The outstanding liabilities to be paid to the contractors for capital expenditure incurred are as follows:

2014/15 £000s		2015/16 £000s
17,292	Balance outstanding at start of year	16,750
(542)	Payments during the year	(565)
-	Capital expenditure incurred during the year	-
-	Other movements	-
16,750	**Balance outstanding at end of year**	**16,185**

Building Schools for the Future

This project reached Financial Close in January 2011 on a limited project which included Marriotts & Lonsdale Schools, with Nobel School being a design & build project financed by the authority. The PFI funded schools became operational on 7 January 2013, and unitary charge were payable to the operator (Balfour Beatty Education) from this date. The scheme is due to end on 31 August 2037 at which stage all assets will revert to the Council. The value of the Marriotts and Lonsdale Schools following revaluation in 2015/16 was £51.109m.

The Council's PFI obligation for the capital (finance lease) element is:

31 March 2015				31 March 2016		
Capital £000s	Interest £000s	Service £000s		Capital £000s	Interest £000s	Service £000s
828	3,912	1,860	Not later than one year	1,053	3,830	1,750
3,983	14,785	8,142	Later than one year and not later than five years	4,151	14,411	8,574
6,152	16,144	12,880	Later than five years and not later than ten years	6,579	15,562	13,379
9,289	12,697	15,012	Later than ten years and not later than fifteen years	9,759	11,822	15,993
12,685	7,835	19,323	Later than fifteen years and not later than tw enty years	13,918	6,626	19,761
9,282	1,343	8,984	Later than tw enty years and not later than tw enty five years	5,930	555	4,883
42,218	**56,717**	**66,200**	**Total**	**41,390**	**52,805**	**64,340**

The schools were initially recognised in the balance sheet at cost, and are subsequently measured at fair value, which will be kept up to date in accordance with the Council's approach for the relevant class of asset.

The outstanding liabilities to be paid to the contractors for capital expenditure incurred are as follows:

2014/15 £000s		2015/16 £000s
42,884	Balance outstanding at start of year	42,218
(666)	Payments during the year	(829)
-	Other movements	-
42,218	**Balance outstanding at end of year**	**41,388**

Waste Service

On 27 July 2011 the Council entered into a PFI contract with Veolia Environmental Services for the design, build and subsequent operation of a residual waste facility on a County Council owned site. At the end of the operating period the facility would become the property of the County Council. This along with the receipt of PFI credits from central government led to the project being included here.

However following the delays around obtaining planning permission on the site and its ultimate refusal the award of PFI credits was reviewed by Central Government and withdrawn in August 2014

The original contract did allow, in the event of planning failure for a Revised Project Plan to be submitted by Veolia and this was done, in line with the contract, with the new solution being a non-reverting asset. This will need to obtain planning permission and an application for that is likely to be submitted by Veolia in late 2016.

Given these changes, this scheme will no longer be included within this disclosure note.

Note 18: Debtors

The following amounts were owed to the Council by third parties at financial year end. Long term debtors include £10m advanced under the Local Authority Mortgage Scheme.

Short-Term:

31 March 2015 £000s		31 March 2016 £000s
52,188	Central government bodies	25,734
51,391	Other local authorities	53,206
1,437	NHS bodies	398
17	Public corporations and trading funds	-
51,376	Other entities and individuals	51,833
(20,129)	Provisions for doubtful debts	(22,040)
136,280	**Total**	**109,132**

Long-Term:

31 March 2015 £000s		31 March 2016 £000s
-	Central government bodies	-
14,000	Other local authorities	15,306
-	NHS bodies	-
-	Public corporations and trading funds	-
20,529	Other entities and individuals	20,327
-	Provisions for doubtful debts	-
34,529	**Total**	**35,633**

Analysis of provisions for doubtful debts:

2014/15 £000s		2015/16 £000s
	Short Term:	
(19,709)	**Balance at start of the year**	**(20,129)**
(420)	Change in general provision	(1,911)
(20,129)	**Balance at end of Year**	**(22,040)**
-	Long Term:	-
-	Balance at start of the year	-
-	Change in general provision	-
-	Balance at end of Year	-
(20,129)	**Total**	**(22,040)**

Note 19: Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2015 £000s		31 March 2016 £000s
61,791	Cash held by the Council with bank	71,706
(7,473)	Bank current account balance / (overdraft)	(6,443)
23,024	Short-term deposits	30,743
77,342	**Total**	**96,005**

The bank position is managed on a daily basis as part of the Treasury Management function, and all account balances are pooled, with any overdrawn accounts offset by cash balances on other accounts within the pooled arrangements. Short-term deposits have been classified as Cash & Cash Equivalents if the deposits have a maturity of less than 24 hours at the date of inception.

Notes to the Accounts

Note 20: Assets held for Sale

2014/15			2015/16	
Non-Current £000s	Current £000s		Non-Current £000s	Current £000s
-	**6,154**	**Balance outstanding at start of year**	**-**	**5,886**
		Assets newly classified as held for sale:		
-	4,165	- Property, Plant and Equipment	-	3,840
-	-	- Intangible Assets	-	-
-	-	- Other assets / liabilities in disposal groups	-	-
-	(652)	Revaluation losses	-	-
-	7,620	Revaluation gains	-	65
-	-	Impairment losses	-	-
-		*Assets declassified as held for sale:*	-	
-	-	- Property, Plant and Equipment	-	-
-	-	- Intangible Assets	-	-
-	-	- Other assets / liabilities in disposal groups	-	-
-	(11,396)	Assets sold	-	(7,852)
-	-	Transfers from non current to current	-	-
-	(5)	Other movements	-	-
-	**5,886**	**Balance outstanding at end of year**	**-**	**1,939**

Note 21: Creditors

The following amounts were owed by the Council to third parties at financial year end:

Short-Term:

31 March 2015 £000s		31 March 2016 £000s
(19,010)	Central government bodies	(19,606)
(21,602)	Other local authorities	(20,351)
(2,170)	NHS bodies	(3,612)
(31)	Public corporations and trading funds	-
(113,262)	Other entities and individuals	(102,667)
(156,075)	**Total**	**(146,237)**

Notes to the Accounts

Long-Term:

31 March 2015 £000s		31 March 2016 £000s
(175)	Central government bodies	(179)
(499)	Other local authorities	(626)
-	NHS bodies	-
-	Public corporations and trading funds	-
(677)	Other entities and individuals	(456)
(1,351)	**Total**	**(1,262)**

Note 22: Provisions

The following provisions have been set aside in the 2015/16 accounts to meet future expenditure where liabilities are known or expected.

	Balance at 1 April 2015 £000s	Additional provisions made in 2015/16 £000s	Amounts used in 2015/16 £000s	Unused amounts reversed in 2015/16 £000s	Unwinding of discounting in 2015/16 £000s	Balance at 31 March 2016 £000s
Insurance Provision	11,935	3,347	(3,409)	-	-	**11,873**
Teachers Pension Provision	-	365	-	-	-	**365**
Variable Hours Holiday Pay	1,044	-	-	(1,044)	-	**-**
NNDR Appeals Provision	6,435	(967)	2,238	-	-	**7,705**
Municipial Mutual Insurance Provision	-	484	-	-	-	**484**
Other Liabilities	221	-	(6)	-	-	**215**
Total	**19,635**	**3,228**	**(1,177)**	**(1,044)**	**-**	**20,642**

Expected outflow of economic benefits:

	Not later than one year £000s	Later than one year and not later than five years £000s	Later than five years £000s	Total Provisions £000s
Insurance Provision	7,510	4,363	-	**11,873**
Teachers Pension Provision	365	-	-	**365**
Variable Hours Holiday Pay	-	-	-	**-**
NNDR Appeals Provision	7,705	-	-	**7,705**
Municipial Mutual Insurance Provision	484	-	-	**484**
Other Liabilities	6	23	187	**215**
Total	**16,069**	**4,386**	**187**	**20,642**

Insurance Provisions

Insurance provisions have been set aside to meet known claims for which it is anticipated the Council may be liable. The Council operates insurance provisions and reserves to meet self-insured liabilities in respect of fire damage, employers and third party liability and storm damage.

Notes to the Accounts

Teachers' Pension Provision

This provision is set aside for teachers not employed by schools, for whom pension contribution payments have not been made. These employees may have opted-out of the scheme, but HCC would be required to pay a back-dated contribution if this was not the case. This provision has been made as Serco has been undertaking an audit of both active and leaver teaching records where the employee was not paying into the Teachers Pensions scheme and identify cases of potential arrears of contributions. The initial number of records falling under the scope of the project was 10,991, made up of 1,236 live records and 9,755 withdrawn records.

During the 2014/15 financial year, a decision was taken to meet the costs to date centrally, as it had proved difficult to recover monies from schools, due both to the ongoing disputes regarding the liability for these costs, and the difficulties for some schools in meeting them. The provision was therefore released. During 2015/16 however, the Teachers Pensions Agency have carried out a data cleanse exercise, which involves administrating authorities checking all active employee records, to ensure they are correctly enrolled in the scheme. This has highlighted further discrepancies and has resulted in the reinstatement of the provision.

Variable Hours Holiday Pay

A provision was made in 2014/15 for back pay relating to holiday pay for certain staff, pending the resolution of ongoing litigation. During this financial year, a Collective Agreement with Trade Unions was made to change staff contracts to ensure transparency and compliance. The introduction of these clarifications to contracts has negated the requirement for a provision. There are still two outstanding claims to resolve which have a total estimated cost of just £10,000, although the value has been deemed de-minimis for a provision to be made. As a result, the provision made in 2014/15 is no longer considered to be required and has been released.

NNDR Appeals

HCC as precepting authority discloses its share of the provision calculated by billing authorities (districts) for the estimated costs of backdated appeals on National Non Domestic Rating (NNDR) values in the ratings list. These calculations are based on the lists of outstanding appeals with the Valuation Office as at March 2016 . Billing authorities have used local experience of the % success of appeals, adjusted where relevant for the likely outcome on the largest valuations.

Municipal Mutual Insurance Provision

In common with most other local authorities, until 30 September 1992 the Council insured with the Municipal Mutual Insurance (MMI) Company. Following MMI's insolvency a Scheme of Arrangement was put in place, pursuant to section 425 of the Companies Act 1985, now section 899 of the Companies Act 2006. The Scheme is managed by the Scheme Administrator and overseen by the Creditors' Committee as well as MMI's regulator appointed by the Financial Conduct Authority. The Scheme of Arrangement monitors MMI's solvency and provides for a levy to be imposed on all the Scheme Creditors in the event funds are required to pay for outstanding claims.

On 13 November 2012, the Scheme was triggered by the Directors of MMI as they could no longer foresee a solvent run-off for the payment of outstanding claims. This resulted in the imposition of a levy on all Scheme Creditors that have had claims paid since inception of the Scheme of Arrangement. This first levy of 15% amounting to £705,000 was issued on 1 January 2014 based on claims valued at £4.7m (less £50,000 retention). In recognition of a contingent liability for any future claims a reserve of £1.3m has been maintained to cover further levy payments required. There has been and still remains uncertainty about the total level of a levy, with the reserve holding sufficient to cover the worst case scenario.

In March 2015 a further interim levy was agreed to take the overall levy to 25% based on current estimated liabilities of MMI relating to HCC. The payment due by the 12th May 2016 is net of the interim levy of 15%. Due to the increased certainty of this element, this is now a provision rather than a contingent liability, and therefore a new provision for the amount due of £484,002 is being created, and this will be funded by a drawdown on the MMI reserve held to cover the contingent liability.

Other Provisions

HCC has been required to set aside funds to make certain pension payments following a decision by the Pension's Ombudsman. The value of this provision will be assessed on an ongoing basis as part of the triennial valuation of pension liabilities. The outflow of funds represents pension payments made.

Notes to the Accounts

Note 23: Usable Reserves

The following balances were held in usable reserves at year end:

31 March 2015		31 March 2016
£000s		£000s
172,656	Earmarked Reserves (see note 8)	162,517
-	Capital Receipts Reserve	3,641
73,713	Capital Grants Unapplied	62,364
30,575	General Fund	32,112
276,944	**Total**	**260,634**

Capital Receipts Reserve

The Capital Receipts Reserve represents the capital receipts available to either repay external debt or finance capital expenditure.

2014/15			2015/16	
£000s	£000s		£000s	£000s
	38,479	**Balance at 1 April**		**-**
14,350		Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	9,102	
(52,829)		Use of the Capital Receipts Reserve to finance new capital expenditure	(5,461)	
	(38,479)			**3,641**
	-	**Balance at 31 March**		**3,641**

Notes to the Accounts

Capital Grants Unapplied

Capital Grants Unapplied is the balance of grants and other contributions received but not yet applied to capital expenditure where there is no requirement to repay if conditions attached to the funding are not met. Where grants and contributions do have repayment conditions, the funds are held as a creditor balance in Capital Grants Received in Advance (see note 38). The total balance held in Grants Unapplied and Received in Advance was £107.8m at 31 March 2016, which includes £52.4m S106 Developers' Contributions.

2014/15			2015/16	
£000s	£000s		£000s	£000s
	74,670	**Balance at 1 April**		**73,713**
74,339		Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	66,206	
355		Capital grants and contributions transferred to Capital Grants unapplied and credited to the Comprehensive Income and Expenditure Statement	55	
(3,958)		Capital grants and contributions transferred from Capital Grants unapplied and credited/debited to the Comprehensive Income and Expenditure Statement	(112)	
(71,983)		Application of grants to capital financing transferred to the Capital Adjustment Account	(77,455)	
(188)		Repayments of grants	(43)	
478		Transfers from Earmarked reserves	-	
	(957)			**(11,350)**
	73,713	**Balance at 31 March**		**62,364**

Note 24: Unusable Reserves

The following balances were held in unusable reserves at year end:

31 March 2015		31 March 2016
£000s		£000s
460,236	Revaluation Reserve	617,260
(14)	Available for Sale Financial Instruments Reserve	(423)
1,874,111	Capital Adjustment Account	1,983,533
(4,207)	Financial Instruments Adjustment Account	(4,081)
(1,125,120)	Pensions Reserve	(895,868)
5,738	Deferred Capital Receipts Reserve	5,644
11,993	Collection Fund Adjustment Account	10,763
(14,856)	Accumulating Compensated Absences Adjustment Account	(16,223)
1,207,881	**Total**	**1,700,604**

Notes to the Accounts

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and any gains are realised.

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

2014/15			2015/16	
£000s	£000s		£000s	£000s
	399,866	**Balance at 1 April**		**460,236**
108,688		Upward revaluation of assets	185,153	
(30,517)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(15,649)	
	78,171	**Surplus of Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services**		**169,504**
(4,325)		Difference between fair value depreciation and historical cost depreciation	(4,624)	
(13,476)		Accumulated gains on assets sold or scrapped	(7,856)	
	(17,801)	**Amount written off to the Capital Adjustment Account**		**(12,480)**
	460,236	**Balance at 31 March**		**617,260**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains any gains or losses made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

While some of the Council's Available for Sale financial instruments are held in fixed value units (Constant Net Asset Value Money Market Funds), two investments in 2015/16 were held in MMFs with variable net asset and six investments in 2015/16 were held in pooled funds covering a number of asset classes which also have variable capital asset values. These funds with variable capital values are revalued as at 31/03/2016 to their market value.

2014/15		2015/16
£000s		£000s
(37)	**Balance at 1 April**	**(14)**
23	Revaluations of Available for Sale Financial Instruments	(408)
(14)	**Balance at 31 March**	**(423)**

Notes to the Accounts

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15			2015/16	
£000s	£000s		£000s	£000s
	1,797,462	**Opening Balance at 1 April**		**1,874,111**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(70,567)		- Charges for depreciation and impairment of non-current assets	(67,716)	
28,015		- Revaluation losses on Property, Plant and Equipment	50,401	
(1,801)		- Amortisation of intangible assets	(1,125)	
(38,166)		- Revenue expenditure funded from capital under statute	(32,503)	
(90,024)		- Amounts of non-current assets w ritten off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(38,285)	
17,801		Adjusting amounts w ritten out of the Revaluation Reserve	12,480	
	(154,742)	**Net written out amount of the cost of non-current assets consumed in the year**		**(76,748)**
		Capital financing applied in the year:		
52,829		- Use of the Capital Receipts Reserve to finance new capital expenditure	5,461	
9,694		- Use of the Capital Reserve to finance new capital expenditure	20,095	
57,171		- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	43,535	
71,982		- Application of grants to capital financing from the Capital Grants Unapplied Account	77,455	
23,818		- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	23,189	
15,896		- Capital expenditure charged against the General Fund and HRA balances	16,434	
	231,390			**186,169**
	1,874,111	**Balance at 31 March**		**1,983,533**

Notes to the Accounts

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

2014/15			2015/16	
£000s	£000s		£000s	£000s
	(4,370)	**Balance at 1 April**	**-**	**(4,207)**
112		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	112	
(40)		Adjustment for Equivalent Interest Rate on finance costs, in accordance with statutory requirements	(20)	
90		Soft Loans	35	
	163	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		**127**
	(4,207)	**Balance at 31 March**		**(4,081)**

Pension Reserve

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

2014/15		2015/16
£000s		£000s
(907,939)	**Balance at 1 April**	**(1,125,120)**
(179,660)	Actuarial gains or (losses) on pensions assets and liabilities benefits debited or credited to the Comprehensive Income and Expenditure Statement	276,559
(102,751)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(117,101)
65,230	Employer's pensions contributions and direct payments to pensioners payable in the year	69,794
(1,125,120)	**Balance at 31 March**	**(895,868)**

Notes to the Accounts

Deferred Capital Receipts Reserve

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

2014/15			2015/16	
£000s	£000s		£000s	£000s
	5,827	**Balance at 1 April**		**5,738**
-		Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-	
(89)		Transfer to General Fund upon receipt of cash	(94)	
	(89)			**(94)**
	5,738	**Balance at 31 March**		**5,644**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and National Non Domestic Rates (NNDR) income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Council Tax

2014/15		2015/16
£000s		£000s
9,093	**Balance at 1 April**	**15,171**
6,078	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	(560)
15,171	**Balance at 31 March**	**14,611**

NNDR

2014/15		2015/16
£000s		£000s
(3,169)	**Balance at 1 April**	**(3,179)**
(10)	Amount by which business rates (NNDR) income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(669)
(3,179)	**Balance at 31 March**	**(3,848)**

Notes to the Accounts

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave and flexi leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/15			2015/16	
£000s	£000s		£000s	£000s
	(9,942)	**Balance at 1 April**		**(14,855)**
9,942	-	Settlement or cancellation of accrual made at the end of the preceding year	14,855	-
(14,855)	-	Amounts accrued at the end of the current year	(16,224)	-
	(4,913)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(1,368)**
	(14,855)	**Balance at 31 March**		**(16,224)**

Note 25: Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following interest related items, in addition to operating costs:

2014/15		2015/16
£000s		£000s
2,310	Interest received	2,948
(17,904)	Interest paid	(17,987)
-	Dividends paid	-

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

2014/15		2015/16
£000s		£000s
70,567	Depreciation	67,716
(28,015)	Impairment and dow nw ard valuations	(50,401)
1,801	Amortisation	1,125
-	Increase/(decrease) in impairment for bad debts	-
(21,777)	Increase/(decrease) in creditors	(17)
(16,612)	Increase/(decrease) in debtors	1,445
60	Increase/(decrease) in inventories	902
37,521	Movement in pension liability	47,307
90,024	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	38,285
8,527	Other non-cash items charged to the net surplus or deficit on the provision of services	2,007
142,096		**108,369**

Notes to the Accounts

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2014/15 £000s		2015/16 £000s
42,603	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(3,987)
(14,350)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,102)
(128,195)	Any other items for w hich the cash effects are investing or financing cash flow s	(109,684)
(99,942)		**(122,773)**

Note 26: Cash Flow Statement – Investing Activities

2014/15 £000s		2015/16 £000s
(150,520)	Purchase of property, plant and equipment, investment property and intangible assets	(139,366)
(186,909)	Purchase of short-term and long-term investments	(73,739)
(1,188)	Other payments for investing activities	(43)
13,695	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,008
173,472	Proceeds from short-term and long-term investments	75,986
102,990	Other receipts from investing activities	131,745
(48,460)	**Net cash flows from investing activities**	**3,591**

Note 27: Cash Flow Statements – Financing Activities

2014/15 £000s		2015/16 £000s
(1,332)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(1,526)
(25)	Repayments of short- and long-term borrow ing	(49)
543	Other payments for financing activities	294
(814)	**Net cash flows from financing activities**	**(1,281)**

Note 28: 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 (SERCOP). However, decisions about resource allocation are taken by the Chief Operating Decision Maker on the basis of budget reports analysed across departments.

The Chief Operating Decision Maker (CODM) is the individual or body charged with allocating resources between segments of the organisation. In the case of Hertfordshire, this is Cabinet, which is comprised of executive elected members.

Reports to the CODM are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- Capital charges for operational assets, revaluations, impairment losses in excess of the balance on the revaluation reserve and amortisations are excluded from segmental reporting and shown against services in the Comprehensive Income and Expenditure Statement, in line with the Best Value definition of total cost
- The cost of retirement benefits are treated as uncontrollable and the actual current service cost of benefits accrued in the year are only reflected at the end of the year
- Expenditure on some support services is budgeted for centrally and not charged to services in segmental reporting
- Various adjustments required by SERCOP are not reflected (e.g. certain pension costs)

Subjective analysis of these balances is not required by Chief Operating Decision Maker, but is a required disclosure for the purposes of financial reporting. The analysis below is based on internal categorisations, so will be on a different basis to income and expenditure as shown in the Comprehensive Income and Expenditure Statement.

2014/15	Children's Services	Health and Community Services	Public Health	Environmental and Commercial Services	Community Protection	Resources	Central Items	Total
	£000s	£000s		£000s	£000s	£000s	£000s	£000s
Expenditure								
- Employee	89,640	73,190	3,206	14,679	32,125	33,197	-	**246,037**
- Depreciation, amortisation and impairment (capital charges)	-	-	-	-	-	-	-	**-**
- Support Service recharges	149	-	361	23	3	2,047	-	**2,583**
- Interest & Capital Financing	-	-	-	-	-	-	35,158	**35,158**
- Precepts & Levies	-	-	-	-	-	-	2,243	**2,243**
- Gain/Loss on disposal of non-current assets	-	-	-	-	-	-	-	**-**
- Other service expenses	112,007	799,621	32,134	114,429	5,868	95,409	-	**1,159,468**
- Net pension costs	-	-	-	-	-	-	-	**-**
Income	-	-		-	-	-	-	**-**
- Fees, charges and other service income	(17,632)	(524,013)	(121)	(15,020)	(2,263)	(77,187)	(1,527)	**(637,763)**
- Government grants and other contributions	(13,681)	(3,881)	-	(2,884)	(65)	(1,928)	(2,326)	**(24,765)**
Net Expenditure as reported to the County Council	**170,483**	**344,917**	**35,580**	**111,226**	**35,669**	**51,538**	**33,548**	**782,962**

Notes to the Accounts

2015/16	Children's Services £000s	Health and Community Services £000s	Public Health £000s	Environmental and Commercial Services £000s	Community Protection £000s	Resources £000s	Central Items £000s	Total £000s
Expenditure								
- Employee	91,230	81,526	3,493	14,704	31,885	32,283	-	255,121
- Depreciation, amortisation and impairment (capital charges)	-	146	-	-	-	131	-	277
- Support Service recharges	56	28	3	24	3	2,386	-	2,499
- Interest & Capital Financing	-	-	-	2	-	-	44,759	44,761
- Precepts & Levies	-	-	-	-	-	-	2,211	2,211
- Gain/Loss on disposal of non-current assets	-	-	-	-	-	-	-	-
- Other service expenses	114,225	686,652	42,378	113,683	5,435	93,928	1,000	1,057,300
- Net pension costs	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-
- Fees, charges and other service income	(17,759)	(429,160)	(214)	(16,919)	(2,331)	(69,984)	(2,257)	(538,624)
- Government grants and other contributions	(17,054)	(3,593)	(111)	(2,155)	(131)	(2,208)	(937)	(26,190)
Net Expenditure as reported to the County Council	**170,697**	**335,598**	**45,549**	**109,339**	**34,862**	**56,536**	**44,776**	**797,357**

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

2014/15 £000s		2015/16 £000s
782,962	Net Expenditure in the Segmental Analysis	797,357
(3,900)	Amounts included in the Segmental analysis and included below the Net Cost of Services on the Comprehensive Income & Expenditure Statement	(30,839)
(60,130)	Amounts included in the Segmental analysis and not included in the Comprehensive Income & Expenditure Statement	(45,921)
39,614	Amounts in the Comprehensive Income & Expenditure Statement not included in the segmental analysis	25,878
758,546	**Cost of Services in Comprehensive Income & Expenditure Account**	**746,475**

In addition to the service amounts shown above, there are further differences between the reports to the Chief Operating Decision Makers and the statutory financial reports, which can be categorised as:

- Amounts reported to management but not required by statutory reporting (e.g. certain capital financing costs which are not accounted for through the Comprehensive Income & Expenditure Statement)
- Amounts not reported to management but required by statutory reporting (e.g. gains/losses on disposal of assets)

These adjustments are summarised in the table overleaf:

Notes to the Accounts

2014/15	Per Segment Analysis £000s	Amounts included in segmental reporting and excluded from CI&E £000s	Amounts Included in CI&E and excluded from Segmental Reporting £000s	CI&E Total £000s
Employee	246,037	-	455,088	701,125
Depreciation, amortisation and impairment (capital charges)	-	-	44,195	44,195
Interest Payments	35,158	(22,488)	5,218	17,888
Precepts & Levies	2,243	-	-	2,243
Gain/Loss on disposal of non-current assets	-	-	75,674	75,674
Other service expenses	1,162,051	-	(215,753)	946,298
Net Pension Costs	-	-	39,072	39,072
Total Expenditure (A)	**1,445,489**	**(22,488)**	**403,494**	**1,826,495**
Fees, charges and other service income	(637,763)	-	384,238	(253,525)
Government grants and other contributions	(24,765)	-	(968,331)	(993,096)
Income from Council Tax	-	-	(582,965)	(582,965)
Interest & investment income	-	-	(2,461)	(2,461)
Total Income (B)	**(662,528)**	**-**	**(1,169,519)**	**(1,832,047)**
Net Expenditure (A + B)	**782,961**	**(22,488)**	**(766,025)**	**(5,552)**

Notes to the Accounts

2015/16	Per Segment Analysis	Amounts included in segmental reporting and excluded from CI&E	Amounts Included in CI&E and excluded from Segmental Reporting	CI&E Total
	£000s	£000s	£000s	£000s
Employee	255,121	-	449,064	704,185
Depreciation, amortisation and impairment (capital charges)	277	-	18,353	18,629
Support Services	-	-	-	-
Interest Payments	44,761	(21,666)	(4,650)	18,446
Precepts & Levies	2,211	-	-	2,211
Gain/Loss on disposal of non-current assets	-	-	29,182	29,182
Other service expenses	1,059,800	-	(89,521)	970,279
Net Pension Costs	-	-	36,119	36,119
Total Expenditure (A)	**1,362,171**	**(21,666)**	**438,547**	**1,779,052**
Fees, charges and other service income	(538,624)	-	329,453	(209,171)
Government grants and other contributions	(26,190)	-	(967,434)	(993,623)
Income from Council Tax	-	-	(604,067)	(604,067)
Interest & investment income	-	-	(2,947)	(2,947)
Total Income (B)	**(564,814)**	**-**	**(1,244,995)**	**(1,809,809)**
Net Expenditure (A + B)	**797,357**	**(21,666)**	**(806,448)**	**(30,757)**

Notes to the Accounts

Note 29: Acquired and Discontinued Operations

During 2015/16 the Council took on responsibility for Public Health Commissioning for Children (0-5), from the National Health Service. The costs of this service are not material and are disclosed in the Comprehensive Income and Expenditure Statement under “Public Health”. No material assets or liabilities were transferred.

There have been no Discontinued Operations during 2015/16.

Note 30: Trading Operations

The Council has established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. The following were active trading operations in 2015/16:

Hertfordshire Business Services (HBS)

HBS offers a professional purchasing, supply and contract management service to the Council. HBS is a leading member of the Central Buying Consortium consisting of 17 local authorities and negotiates both joint and Council specific contracts.

Hertfordshire Reprographics

Hertfordshire Reprographics is the Council’s in-house print unit. It provides a range of reprographic services including printing, fast print, plan print and photocopying.

2014/15			2015/16	
£000s	£000s		£000s	£000s
(45,535)		Turnover for Hertfordshire Business Services (HBS)	(37,654)	
43,296		Expenditure for Hertfordshire Business Services (HBS)	36,177	
	(2,239)	**(Surplus) / Deficit for Hertfordshire Business Services**		**(1,476)**
(1,225)		Turnover for Hertfordshire Reprographics	(1,182)	
1,162		Expenditure for Hertfordshire Reprographics	1,191	
	(63)	**(Surplus) / Deficit for Hertfordshire Reprographics**		**9**
	(2,302)	**Net Surplus on trading operations**		**(1,468)**

Note 31: Agency Services

The Joint Commissioning Partnership Board was established in 2002 by the Primary Care Trusts (PCTs) in Hertfordshire and Hertfordshire County Council in order to implement and direct joint commissioning for Health and Social Care services. From April 2013, PCT functions have been taken over by Clinical Commissioning Groups (CCG’s) and by NHS England. As a result of this reorganisation, agency spend has reduced as responsibility for some specialist functions, including secure services, has transferred to NHS England.

Most of these services are within a Pooled Budget arrangement and HCC only accounts for their contributions in respect of these arrangements (see note 32). However some services are provided where the funding is not pooled because pooling of funding leads to the sharing of risk, and in some areas it is considered that the risk (e.g. in terms of level of funding required) should lie exclusively with one party.

The entries relating to agency services, which are net nil in the Comprehensive Income and Expenditure table, are detailed below:

2014/15		2015/16
£000s		£000s
10,333	Expenditure incurred on behalf of CCGs / NHS England	10,208
(10,333)	Expenditure recovered from CCGs / NHS England	(10,208)
-	**Net expenditure on service for NHS Hertfordshire**	-

Note 32: Pooled Budgets

In November 2015 a new S75 agreement was signed between Hertfordshire County Council, the Hertfordshire CCGs and Cambridgeshire & Peterborough CCG to include the Better Care Fund (which has incorporated the Westgate and Intermediate Care and Enablement Beds in East & North Hertfordshire pooled budgets within it). The Intermediate Care and Enablement beds in Royston pooled budget ceased at the end of 2014.

The Better Care Fund in Hertfordshire is significantly larger than these specifically pooled amounts - including funding for the protection of social care which is passed from the CCGs to Hertfordshire County Council - this amounts to £5m for Herts Valleys CCG and £5m for East & North Herts CCG. The remainder of the Better Care Fund (total fund is £331,427k) is currently not integrated and remains within the originating organisations.

The Integrated Community Equipment service budget has reduced in 2015/16 due to the transfer of the Wheelchair Repair Service to a third party provider from 1 November 2015.

Summary information for the pooled budgets that the Council contributed to in 2015/16 is shown below:

2014/15						2015/16						
Mental haelth, learning disability (was JCPB)	Integrated Community Equipment Service	Westgate – East and North Herts	Intermediate care and Enablement beds in east and North	Intermediate care and Enablement beds in Royston		Westgate – East and North Herts	Intermediate care and Enablement beds in east and North	Better Care Fund East & North Herts	Better Care Fund Cambridgeshire & Peterborough	Better Care Fund Herts Valleys	Mental haelth, learning disability (was JCPB)	Integrated Community Equipment Service
£000s	£000s	£000s	£'000s	£000s		£000s	£000s	£000s	£'000s		£000s	£000s
					Funding provided to the pooled budget							
(164,196)	(2,889)	(2,405)	(190)	(14)	The Council	(2,442)	(423)	(370)	-	(370)	(167,607)	(2,889)
(62,952)	(1,878)	(644)	(1,833)	-	East & North Herts CCG	(655)	(2,244)	(14,463)	-	-	(67,732)	(1,681)
(62,795)	(1,904)	-	-	-	Herts Valleys CCG	-	-	-	-	(14,920)	(66,708)	(1,704)
(2,492)	(78)	-	-	(261)	Cambs & Peter CCG	-	-	-	(300)	-	(2,484)	(70)
-	-	-	-	-		-	-	-	-	-	-	-
292,132	6,755	3,007	2,009	273	Expenditure met from the pooled budget	3,059	2,654	14,821	300	15,278	304,539	6,545
(303)	**6**	**(42)**	**(14)**	**(2)**	**Net (surplus) / deficit arising on the pooled budget during the year**	**(38)**	**(12)**	**(12)**	**-**	**(12)**	**7**	**201**

Notes to the Accounts

Note 33: Members' Allowances

The Council paid the following amounts in respect of Members' Allowances in 2015/16. In addition to the amounts paid to elected members, the table below includes amounts paid on behalf of the members in respect of Income Tax, National Insurance, pension contributions, and employers' pension contributions paid by the Council. The table also disclosed the allowances paid to co-opted public members of certain committees.

2014/15				2015/16		
Paid to individual £000s	Other Costs £000s	Total £000s		Paid to individual £000s	Other Costs £000s	Total £000s
			Elected Members			
1,156	212	1,368	Allowances	1,166	210	1,376
48	-	48	Expenses	46	-	46
11	-	11	Lunches	10	-	10
1,214	**212**	**1,426**		**1,222**	**210**	**1,432**
			Others	-	-	-
12	-	12	Allowances	9	-	9
-	-	-	Expenses	-	-	-
12	**-**	**12**		**9**	**-**	**9**
1,226	**212**	**1,438**	**Total**	**1,231**	**210**	**1,441**

Note 34: Termination Benefits and Exit Packages

The Authority terminated 255 employee contracts in 2015/16, who were either made redundant as part of the Authority's rationalisation of these services or had departures agreed with their line management. This incurred liabilities of £2.825m. The table below details the number of exit packages and total cost per band. In accordance with the requirements of the Code of Practice, the costs disclosed are the additional costs of early termination, and exclude any amounts paid to employees under the standard terms of membership of their pension schemes.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £	2015/16 £
£0 – £20,000	15	43	59	178	74	221	**500,724**	**1,417,218**
£20,001 – £40,000	1	3	10	19	11	22	**288,853**	**612,616**
£40,001 - £60,000	2	-	3	5	5	5	**246,594**	**240,075**
£60,001 - £80,000	-	1	-	3	-	4	**-**	**266,331**
£80,001 - £100,000	-	-	-	2	-	2	**-**	**185,469**
£100,001 - £150,000	-	-	-	1	-	1	**-**	**103,674**
£150,001 - £200,000	-	-	-	-	-	-	**-**	**-**
Greater than £200,000	-	-	-	-	-	-	**-**	**-**
Total	**18**	**47**	**72**	**208**	**90**	**255**	**1,036,171**	**2,825,384**

Note 35: Officers' Remuneration

The remuneration paid to the Council's employees earning over £50,000 is shown below. Remuneration is defined in the Accounts and Audit Regulations 2015 as including:

Sums paid to or receivable by an employee

Remuneration is usually taken to comprise gross pay (i.e. before the deduction of employee's pension contributions), compensation for loss of office and any other payments receivable on the termination of employment, even where these are not taxable and any ex gratia payments other than those for direct reimbursement of costs. Remuneration does not include employer's pension contributions.

Expense allowances chargeable to tax

For example the profit element of car allowances.

The money value of benefits

Other benefits, such as car loans, leased cars, travel cards and mobile phones.

The following table sets out the numbers of officers whose remuneration exceeds £50,000 per annum. These figures exclude pension contributions.

Notes to the Accounts

2014/15		2015/16
HCC Employees	Remuneration Band (£'s)	HCC Employees
205	50,000 - 54,999	205
132	55,000 - 59,999	142
107	60,000 - 64,999	114
80	65,000 - 69,999	77
27	70,000 - 74,999	38
18	75,000 - 79,999	15
10	80,000 - 84,999	13
12	85,000 - 89,999	10
5	90,000 - 94,999	6
8	95,000 - 99,999	9
3	100,000 -104,999	3
5	105,000 - 109,999	4
-	110,000 - 114,999	1
1	115,000 - 119,999	-
1	120,000 -124,999	1
-	125,000 -129,999	1
2	130,000 -134,999	-
-	135,000 -139,999	1
-	140,000 -144,999	-
-	145,000 -149,999	-
1	150,000 -154,999	-
-	155,000 -159,999	-
-	160,000 -164,999	-
-	165,000 -169,999	-
1	170,000 -174,999	1
618		**641**

Notes to the Accounts

The Accounts and Audit Regulations 2015 require the disclosure of information to provide greater transparency in respect of the total remuneration package for the senior team charged with stewardship of the organisation.

For senior members of the organisation disclosure is also made under the following categories:

- Salary, fees and allowances
- Bonuses
- Expenses allowances
- Compensation for loss of employment
- Employer's pension contribution
- Any other emoluments

The following table sets out the Senior Officers whose salary is £150,000 or more per year.

Position	Notes	Year	Salary	Benefits in Kind (*)	Compensation Payments	Total Remuneration excluding pension contributions	Pension Contributions	Remuneration including Pension Contributions
			£	£	£	£	£	£
Chief Executive & Director of Environment - J Wood		2015/16	173,760	-	-	173,760	35,795	209,555
		2014/15	171,700	-	-	171,700	33,793	205,493
Deputy Chief Executive and Director of Resources and Performance - S Pickup (see Note 1)	to 01/09/15	2015/16	61,610	-	-	61,610	12,692	74,302
		2014/15	152,273	-	-	152,273	31,311	183,584

(*) Benefits in Kind covers Car Lease payments

Note 1: The postholder for Deputy Chief Executive and Director of Resources & Performance left the authority on 1 September 2015. Following a review of the management structure, this post no longer exists. It has been replaced by the post of Director of Resources, which was appointed to in February 2016.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to, or more than, £50,000 per year. For the purposes of this disclosure Senior Officers have been defined as the Chief Executive, his direct reports, deputy chief officers and the Monitoring Officer. The total number of employees whose salary is between £50,000 and £150,000 is shown within £5,000 bands in the earlier table within this Note.

Notes to the Accounts

Position	Notes	Year	Salary	Benefits in Kind (*)	Compensation Payments	Total Remuneration excluding pension contributions	Pension Contributions	Remuneration including Pension Contributions
			£	£	£	£	£	£
Director Health & Community Services		2015/16	125,000	-	-	125,000	25,750	150,750
		2014/15	117,312	-	-	117,312	24,166	141,478
Director Community Protection (CFO) (see note 2)	59%	2015/16	88,441	1,785	-	90,225	17,264	107,490
		2014/15	79,659	1,460	-	81,119	16,967	98,086
Deputy Chief Fire Officer (see note 3)		2015/16	59,667	3,247	-	62,914	7,509	70,423
		2014/15	-	-	-	-	-	-
Deputy Chief Fire Officer (see note 3)	to 16/09/15	2015/16	47,926	-	-	47,926	10,400	58,326
		2014/15	106,326	3,216	-	109,542	22,647	132,189
Chief Legal Officer		2015/16	105,598	-	-	105,598	21,753	127,351
		2014/15	104,346	-	-	104,346	21,495	125,841
Director of Education and Early Intervention (see note 4)		2015/16	-	-	-	-	-	-
	to 30/04/14	2014/15	9,861	-	-	9,861	2,031	11,892
Director Children's Services (see note 4)		2015/16	138,000	-	-	138,000	28,428	166,428
	from 01/05/14	2014/15	120,358	-	-	120,358	24,794	145,152
Director of Children's Safeguarding and Specialist Services (see note 4)		2015/16	-	-	-	-	-	-
	to 30/04/14	2014/15	10,942	-	-	10,942	2,254	13,196
Deputy Director Children's Service, Education (see note 4)		2015/16	109,000	1,969	-	110,969	22,454	133,423
	from 01/05/14	2014/15	95,333	1,367	-	96,700	19,639	116,339
Deputy Director Services for Children and Young People (see note 4)		2015/16	-	-	-	-	-	-
	to 30/04/14	2014/15	8,557	124	-	8,681	1,763	10,444
Director of Family Safeguarding		2015/16	111,199	-	-	111,199	22,825	134,024
		2014/15	105,411	-	-	105,411	21,715	127,126
Deputy Director Environment		2015/16	106,815	-	-	106,815	22,004	128,819
		2014/15	105,548	-	-	105,548	21,743	127,291
Director Public Health		2015/16	108,396	-	-	108,396	22,330	130,726
		2014/15	108,111	-	-	108,111	22,271	130,382
Deputy Director Public Health		2015/16	121,784	40	-	121,824	15,788	137,612
		2014/15	121,958	88	-	122,046	15,457	137,503
Deputy Director Public Health	to 01/10/15	2015/16	56,535	380	-	56,915	7,537	64,452
		2014/15	94,245	760	-	95,005	12,987	107,992
Assistant Director Finance (acting S151 officer) (see note 5)	from 01/09/15 to 22/03/16	2015/16	57,022	-	-	57,022	11,746	68,768
		2014/15	-	-	-	-	-	-
Director of Resources (see note 1)	from 08/02/16	2015/16	20,517	-	-	20,517	4,227	24,744
		2014/15	-	-	-	-	-	-

(*) Benefits in Kind covers Car Lease payments

Notes to the Accounts

Note 1: The postholder for Deputy Chief Executive and Director of Resources and Performance left the authority on 1st September 2015. Following a review of the management structure this post no longer exists and the post of Director of Resources was appointed to.
Note 2: Figures represent 59% of costs as 41% are recharged for the role of Chief Executive, Hertfordshire Police & Crime Commissioner.
Note 3: The postholder for Deputy Chief Fire Officer left the authority on 16 September 2015. There was a short handover period, hence the new postholder commenced on 1 September 2015.
Note 4: The postholder for Director of Education & Early Intervention left the authority on 30 April 2014. Following a review of the management structure this post, along with Director of Children's Safeguarding and Specialist Services and Deputy Director Services for Children and Young People, no longer exist and the posts for Director Children's Services and Deputy Director Children's Services, Education were created.
Note 5: The Assistant Director Finance assumed acting S151 Officer responsibility from 1 September 2015 to 22 March 2016.

Note 36: Pensions Schemes Accounted for as Defined Contributions Schemes

Teacher's Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA) in the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The pension cost charged to the accounts is the contribution rate of 14.1% for 2015/16.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme - no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with the employer's contributions payable for the year.

Council contributions to the Teachers' Pensions Agency in respect of teachers' retirement benefits have amounted to £36.214m for 2015/16 (£32.623m in 2014/15).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. During 2015/16 the cost of these unfunded discretionary awards amounted to £4.313m (2014/15 - £4.262m).

Public Health

Public Health employees who were compulsorily transferred from the PCTs to the Council and who had access to the NHS Pension Scheme on 31st March 2013 retained access to that Scheme on transfer at 1st of April 2013. The Scheme provides these employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The pension cost charged to the accounts is the contribution rate of 14.3% for 2015/16.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis the balance sheet and the Public Health service revenue account is charged with the employer's contributions payable for the year.

Council contributions to the NHS Pension Fund in respect of these employees' retirement benefits have amounted to £0.261m for 2015/16 (£0.292m in 2014/15).

Notes to the Accounts

Note 37: Defined Benefit Pension Schemes

Participation in Defined Benefit 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 the employees earn their future entitlement.

The Council participates in two defined benefit pension schemes:

- **The Local Government Pension Scheme** for employees other than teachers and fire-fighters. This scheme operates under the regulatory framework for the Local Government Pension Scheme and its governance is the responsibility of Hertfordshire County Council's Pensions Committee. The scheme is administered by the Council and is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- **The Fire-fighters Pension Scheme** – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liability. Employer and employee contributions together will meet the full costs of pension liabilities being accrued in respect of currently serving employees while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

In addition to the above, the Council also makes contributions into the Teachers' Pension Scheme and the NHS Pension Scheme. Further information relating to these schemes, which provide retirement benefits for teaching and Public Health staff is shown in the note to the accounts "Defined Contribution Schemes" (Note 36). IAS 19 does not apply to the Council's contribution to these pension schemes.

Hymans Robertson, an independent firm of actuaries, has valued the Council's fund asset share and liabilities for both the Local Government Pension Scheme and Fire-fighters Pension Scheme.

The pension increase assumption, as with the accounting exercise in 2011, will be in line with the Consumer Price Index (CPI) which will be calculated at 0.8% per annum below RPI.

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31 March together with the movement from the previous year are shown below.

Transactions relating to retirement benefits:

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to the Accounts

2014/15 Local Government Pension Scheme £000s	2014/15 Fire-Fighters Pension Scheme £000s		2015/16 Local Government Pension Scheme £000s	2015/16 Fire-Fighters Pension Scheme £000s
		Comprehensive Income and Expenditure Statement		
		Cost of Service:		
53,630	9,900	– Current service cost	70,846	9,500
149	-	– Past service cost	636	-
-	-	– Settlements	-	-
		Financing and Investment Income and Expenditure:		
21,372	17,700	- Net interest on the net defined benefit liability	20,619	15,500
75,151	**27,600**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**92,101**	**25,000**
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
		Remeasurement of the net defined benefit liability comprising:		
(140,288)	-	- Expected Return on scheme assets (excluding the amount included in the net interest in the net defined benefit liability)	27,717	-
-	-	- Actuarial (gains) and losses due to changes in demographic assumptions	-	(1,300)
275,348	60,500	- Actuarial (gains) and losses due to changes in financial assumptions	(197,946)	(47,300)
(16,106)	206	- Actuarial (gains) and losses due to other experience	(31,293)	(26,437)
118,954	**60,706**	**Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure**	**(201,522)**	**(75,037)**
194,105	**88,306**		**(109,421)**	**(50,037)**

2014/15 Local Government Pension Scheme £000s	2014/15 Fire-Fighters Pension Scheme £000s		2015/16 Local Government Pension Scheme £000s	2015/16 Fire-Fighters Pension Scheme £000s
		Movement in reserves statement:		
(75,151)	(27,600)	– Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance w ith the Code	(92,101)	(25,000)
		Actual amount charged against Council Tax for pensions in the year		
49,862	3,695	– employers' contributions payable to scheme	53,718	3,404
-	7,411	– top-up grant contribution	-	8,358
4,262	-	– retirement benefits payable to pensioners	4,313	-
(21,027)	**(16,494)**		**(34,070)**	**(13,237)**

Notes to the Accounts

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a gain of £611.1m.

The following amounts are carried in the balance sheet:

2014/15			2015/16	
Local Government Pension Scheme £000s	Fire-Fighters Pension Scheme £000s		Local Government Pension Scheme £000s	Fire-Fighters Pension Scheme £000s
2,275,049	487,500	Present Value of the defined benefit obligation	2,142,769	425,700
(1,637,429)	-	Fair Value of scheme assets	(1,672,601)	-
637,620	**487,500**	**Net Liability arising from the defined benefit obligation**	**470,168**	**425,700**

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

2014/15			2015/16	
Local Government Pension Scheme £000s	Fire-Fighters Pension Scheme £000s		Local Government Pension Scheme £000s	Fire-Fighters Pension Scheme £000s
1,927,661	**410,300**	**Opening balance at 1 April**	**2,275,049**	**487,500**
58,598	9,900	Current service costs	75,345	9,500
82,938	17,700	Interest costs	73,181	15,500
15,161	2,200	Contributions by scheme participants	15,919	1,900
-	-	*Remeasurement gain/loss*	-	-
-	-	• Actuarial (gains) and losses arising from changes in demographic assumptions	-	(1,300)
275,348	60,500	• Actuarial (gains) and losses arising form changes in financial assumptions	(197,946)	(47,300)
(15,908)	(400)	• Other experience	(31,418)	(26,300)
(64,636)	(12,700)	Benefits paid	(63,684)	(13,800)
149	-	Past service costs	636	-
(4,262)	-	Entity combinations	(4,313)	-
-	-	Settlements	-	-
2,275,049	**487,500**	**Closing balance at 31 March**	**2,142,769**	**425,700**

Reconciliation of fair value of the scheme assets

2014/15			2015/16	
Local Government Pension Scheme £000s	Fire-Fighters Pension Scheme £000s		Local Government Pension Scheme £000s	Fire-Fighters Pension Scheme £000s
1,430,022	**-**	**Opening balance at 1 April**	**1,637,429**	**-**
-	-	*Remeasurement gain/loss*		
61,566	-	• Net interest income on Scheme Assets	52,562	-
140,288	-	• Expected return on assets (excluding the amount included in the net interest expense)	(27,717)	-
55,028	10,500	Employer contributions	58,092	11,900
15,161	2,200	Contributions by scheme participants	15,919	1,900
4,262	-	Contributions in respect of unfunded benefits	4,313	-
(64,636)	-	Benefits paid	(63,684)	-
(4,262)	-	Unfunded benefits paid	(4,313)	-
-	(12,700)	Pension and lump sum expenditure	-	(13,800)
-	-	Settlements	-	-
1,637,429	-	**Closing balance at 31 March**	**1,672,601**	-

The Fire-fighters' Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Notes to the Accounts

2014/15				2015/16		
Local Government Pension Scheme		Fire-Fighters Pension Scheme		Local Government Pension Scheme		Fire-Fighters Pension Scheme
Quoted prices in active markets	Quoted prices not in active markets			Quoted prices in active markets	Quoted prices not in active markets	
£000s	£000s	£000s		£000s	£000s	£000s
			Equity			
144,577		-	Consumer	135,876		-
171,282		-	Manufacturing	123,965		-
47,263		-	Energy and Utilities	29,063		-
147,168		-	Financial Institutions	127,103		-
24,282		-	Health and Care	22,145		-
101,699		-	Information Technology	79,103		-
12,077		-	Other	3,857		-
-		-	***Debt Securities***			
-		-	Corporate Bonds (investment grade)	-		-
-		-	UK Government	-		-
-		-	Other	-		-
	67,826	-	***Private Equity***		71,794	-
			Real Estate			
-		-	UK Property		74,701	-
-		-	Overseas Property		43,661	-
-		-	***Investment Funds and Unit Trusts***			
235,275		-	Equities	339,527		-
436,762		-	Bonds	457,984		-
7,094		-	Commodities	7,901		-
	1,463	-	Infrastructure		2,149	-
5,143	195,891	-	Other	6,827	99,923	-
-		-	***Derivatives***			
	(3,550)	-	Foreign Exchange		(6,143)	-
43,179		-	***Cash & Cash Equivalents***	53,165		-
1,375,798	**261,631**	**-**	**Total**	**1,386,517**	**286,084**	**-**

The above asset values as at 31 March 2016 are at bid value as required under IAS 19.

Notes to the Accounts

Asset and Liability Matching Strategy

The Council, having taken appropriate professional advice, has taken steps to mitigate investment risk and to set an investment strategy that is appropriate for the Fund's liabilities. A summary of the key steps taken is provided below:

- **Diversification** – the Fund has adopted a strategy that is diversified by asset class, region, sector and investment manager.
- **De-risking plan** – the Fund is moving towards a lower risk strategy that will comprise 65% in "growth" assets and 35% in "defensive" assets. The allocation between growth and defensive assets as at the accounting year end date was approximately 74% growth / 26% defensive.
- **Defensive asset portfolio** – the Fund has appointed three specialist mandates to manage the defensive assets (absolute return, UK corporate bonds, and liability matching). The liability matching mandate will seek to offer some protection from changes in inflation and interest rates.
- **Monitoring** – the Fund's investment arrangements are regularly monitored. The Council receives independent reporting from the custodian and the Fund's Investment Consultant and the Pensions Committee meet the investment managers on an ongoing basis.

Impact on Future Cash flows

The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The total liability as at 31 March 2016 of £895.9m has a substantial impact on the net worth of the Council as recorded on the balance sheet. However, statutory arrangements for funding the deficit mean:-

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, and;
- In the case of Firefighters pensions the underlying principle is that employer and employee contributions together will meet the full costs of pension liabilities being accrued in respect of currently serving employees while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

The total contributions estimated to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 is £58.0m. Expected contributions for the Firefighters Pension Scheme in the year to 31 March 2016 have not been estimated as being an unfunded scheme, the employer contribution depends on the benefits that will be paid in the year, the employee contributions and transferred in amounts received.

The maturity profile is as follows:

	Local Government Pension Scheme		Fire Fighters Pension Scheme	
	Liability Split	Weighted Average Duration	Liability Split	Weighted Average Duration
Active Members	46.50%	22.50	42.00%	25.10
Deferred Members	19.80%	21.40	3.40%	27.90
Pensioner Members	33.80%	11.30	54.60%	11.80

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Fire-fighters Scheme and the Local Government Pension Fund liabilities have been assessed by Hymans

Notes to the Accounts

Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

2014/15				2015/16	
Local Government Pension Scheme	Fire-Fighters Pension Scheme New Scheme	Fire-Fighters Pension Scheme Old Scheme		Local Government Pension Scheme	Combined Fire-Fighters Pension Scheme
			Mortality assumptions:		
			Longevity at 65 for current pensioners:		
22.3 years	29.5 years	29.5 years	○ Men	22.3 years	29.7 years
24.5 years	31.7 years	31.7 years	○ Women	24.5 years	31.6 years
			Longevity at 65 for future pensioners:		
24.3 years	31.1 years	31.1 years	○ Men	24.3 years	31.2 years
26.7 years	33.2 years	33.2 years	○ Women	26.7 years	33.2 years
3.80%	3.50%	3.80%	Rate of increase in salaries	3.70%	3.20%
2.40%	2.50%	2.80%	Rate of increase in pensions	2.20%	2.20%
3.20%	3.30%	4.30%	Rate for discounting scheme liabilities	3.50%	3.50%
75%	90%	90%	Take-up of option to convert annual pension into retirement lump sum *	75%	90%

* An allowance is included for future retirements to elect to take 75% of the maximum tax-free cash for post-April 2008 service and 50% of the maximum additional tax-free cash up to HMRC limits for pre- April 2008 service

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Sensitivity Analysis

Change in Assumptions at 31st March 2016	Local Government Pension Scheme		Fire Fighters Pension Scheme	
	Approximate % increase to Employer Liability	Approximate monetary amount £000s	Approximate % increase to Employer Liability	Approximate monetary amount £000s
1 year increase in member life expectancy	3%	64,283	3%	12,700
0.5% increase in the Salary Increase Rate	2%	49,946	1%	5,400
0.5% increase in the Pension Increase Rate	7%	155,383	8%	33,600
0.5% decrease in Real Discount Rate	10%	207,463	9%	39,500

Notes to the Accounts

Note 38: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

Credited to Taxation and Non Specific Grant Income

2014/15 £000s		2015/16 £000s
144,587	Revenue Support Grant	118,969
5,126	Council Tax Freeze Grants	-
-	Adult Social Care (New Burdens)	5,872
16,318	Education Services Grant	13,051
1,031	Adoption Reform	-
4,305	New Homes Bonus	5,825
2,107	Local Welfare Provision	-
3,008	Business Rates Autumn Statement Compensation 2015/16	3,285
2,272	Send Reform	659
-	Independent Living Fund	1,691
1,657	Other grants less than £1m each	1,914
7,411	Fire Pension Top-up Grant	8,358
118,637	Capital Grants and Contributions	90,979
306,460	**Total**	**250,602**

Notes to the Accounts

Credited to Services

2014/15 £000s		2015/16 £000s
	Education Funding Agency	
16,719	Grant for Sixth Formers	15,630
565,759	Dedicated Schools Grant	568,754
28,294	Pupil Premium	27,362
6,150	Building Schools for the Future	6,150
3,378	PE and Sports Grant	3,454
8,015	Universal Infant Free School Meals	13,171
351	Other grants less than £1m each	275
	Department for Education	
1,642	Youth Innovation Fund	3,221
895	Others grants less than £1m each	1,337
	Department of Health	
37,642	Public Health	43,004
668	Others grants less than £1m each	340
	Youth Justice Board	
900	Youth Justice	790
136	Other grants less than £1m each	109
	Department for Communities and Local Government	
1,871	PFI Credits	1,871
1,311	Troubled Families Grant	1,671
513	Others grants less than £1m each	1,297
	Home Office	
1,173	Unaccompanied Asylum Seeking Children	1,795
222	Other grants less than £1m each	151
	Department for Transport	
1,193	Local sustainable transport fund	46
1,111	Bus Services Operators Grant (BSOG)	1,212
159	Other grants less than £1m each	133
	Skills Funding Agency	
2,163	Community Learning	2,160
399	Other grants less than £1m each	717
	Various Other bodies	
1,262	Music Services Grant	1,638
24,473	Other grants less than £1m each & contributions	16,505
706,399		**712,793**

Notes to the Accounts

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver in the event that these conditions are not met. The balances at the year-end are as follows:

Capital Grants Received in Advance

2014/15 £000s		2015/16 £000s
49,134	**Balance at start of year**	**48,891**
57,340	New grants received in advance	40,999
3,848	Grants reclassifed in year to Capital Grants Received in Advance	16
(1,058)	Grants reclassifed in year from Capital Grants Received in Advance	(910)
(3,204)	Transfers to Earmarked Reserves	0
(57,169)	Application of grants used in year	(43,535)
48,891	**Balance at end of year**	**45,462**

These balances, together with Capital Grants Unapplied (see note 23), give a total £107.8m at 31 March 2016 available for funding capital spending.

Notes to the Accounts

Note 39: Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/16 are as follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2015/16 before deductions for academy recoupment and direct funding of high needs places by the EFA			**856,355**
Deductions for academy recoupment and direct funding of high needs places by the EFA for 2015/16			(287,601)
Total DSG after deductions for academy recoupment and direct funding of high needs places by the EFA for 2015/16			**568,754**
Plus: Brought forward from 2014/15			27,057
Less: Carry-forward to 2016/17 agreed in advance			(16,782)
Agreed initial budgeted distribution in 2015/16	**81,483**	**497,546**	**579,029**
In year adjustments	-	-	-
Final budget distribution for 2015/16	**81,483**	**497,546**	**579,029**
Less: Actual central expenditure	(76,149)	-	(76,149)
Less: Actual ISB deployed to schools	-	(497,649)	(497,649)
Plus: Local authority contribution for 2015/16	-	-	-
2015/16 in year balance carried forward to 2016/17	**5,334**	**(103)**	**5,231**
Carry forward to 2016/17 agreed in advance			16,782
Total carry forward to 2016/17			**22,013**

The final Early Years DSG block adjustment has not been included in the In Year adjustments above, because notification of this adjustment had not been received from the DfE by end May 2016.

Notes to the Accounts

Comparatives for 2014/15 of the deployment of DSG received are as follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2014/15 before deductions for Academy recoupment and direct funding of high needs places by the EFA	-	-	**830,646**
Deductions for Academy recoupment and direct funding of high needs places by the EFA for 2014/15	-	-	(265,098)
Total DSG after deductions for Academy recoupment and direct funding of high needs places by the EFA for 2014/15	-	-	**565,548**
Plus: Brought forward from 2013/14	-	-	26,701
Less: Carry-forward to 2015/16 agreed in advance	-	-	(17,364)
Agreed initial budgeted distribution in 2014/15	**84,185**	**490,700**	**574,885**
In year adjustments	-	211	211
Final budget distribution for 2014/15	**84,185**	**490,911**	**575,096**
Less: Actual central expenditure	(79,699)	-	(79,699)
Less: Actual ISB deployed to schools	-	(485,704)	(485,704)
Plus: Local authority contribution for 2014/15	-	-	-
2014/15 in year balance carried forward to 2015/16	**4,487**	**5,207**	**9,693**
Carry forward to 2015/16 agreed in advance	-	-	17,364
Total carry forward to 2015/16	-	-	**27,057**

Note 40: External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors:

2014/15 £000s		2015/16 £000s
171	Fees payable with regard to external audit services carried out by the appointed auditor for the year	142
(5)	Fees payable for the certification of grant claims and returns for the year	-
15	Fees payable in respect of other services provided during the year	13
181	**Total**	**155**

The credit of £5k for certification of grant claims relates to the refund of charges made for 2013/14. Fees payable in respect of other services provided during the year relate to the audit of the Teacher's Pension return.

Notes to the Accounts

Note 41: Contingent Assets

There were no contingent assets as at 31 March 2016.

Note 42: Contingent Liabilities

At 31 March 2016 the Council was aware of the following potential liabilities it may face in the future. These items have not been reflected in the accounts as there is no certainty that an actual liability may arise, or because there is uncertainty as to the amount of liability or when it will arise.

The Contingent liabilities identified relate to:

Municipal Mutual Insurance

In common with most other local authorities, until 30 September 1992 the Council insured with the Municipal Mutual Insurance (MMI) Company. Following MMI's insolvency a Scheme of Arrangement was put in place, pursuant to section 425 of the Companies Act 1985, now section 899 of the Companies Act 2006. The Scheme is managed by the Scheme Administrator and overseen by the Creditors' Committee as well as MMI's regulator appointed by the Financial Conduct Authority. The Scheme of Arrangement monitors MMI's solvency and provides for a levy to be imposed on all the Scheme Creditors in the event funds are required to pay for outstanding claims.

On 13 November 2012, the Scheme was triggered by the Directors of MMI as they could no longer foresee a solvent run-off for the payment of outstanding claims. This resulted in the imposition of a levy on all Scheme Creditors that have had claims paid since inception of the Scheme of Arrangement. This first levy of 15% amounting to £705,000 was issued on 1 January 2014 based on claims valued at £4.7m (less £50,000 retention).

In March 2016 a further interim levy was agreed to take the overall levy to 25% based on current estimated liabilities of MMI relating to HCC. The 15% levy paid has been deducted from this to give an overall levy which is due by the 12th May 2016. Because of the increased certainty of this element, it is now considered to be a provision rather than a contingent liability, and therefore a new provision for the amount due of £484,002 is being created. This will be funded by a drawdown on the MMI reserve held to cover the contingent liability.

Ernst and Young's report indicates that there is uncertainty around the scale of the final payment and estimates a potential levy of between 14.9% to 33.1%. Given this uncertainty, in addition to the provision created above and in recognition of a contingent liability for any future claims, a reserve of £0.8m has been maintained.

Local Authority Mortgage Scheme

Under this scheme, the Council has entered arrangements that provide a guarantee to meet first losses on specified mortgages within the local authority area. £10m was deposited with Lloyds Bank and Leeds Building Society during 2012/13, and these institutions will make mortgage advances up to this amount. The value of this guarantee, based on estimated mortgage default rates, is shown as a charge in the Comprehensive Income and Expenditure Account. However, as the default rate for these mortgages is unknown, there remains a contingent liability that the Council will have to meet the cost of defaults above this. The Council will receive a premium interest for the risk associated with the LAMS Scheme, which will be added to the commercial deposit rate. This premium will be set aside in an earmarked reserve to contribute towards funding any future potential liabilities.

Hertfordshire Pension Fund

The Council has a contingent liability in respect of admitted bodies in the Hertfordshire Pension Fund to which it has contracted services and transferred staff. Under the Local Government Pension Scheme Regulations 2013, the Council is responsible for the liabilities of these admitted bodies in the event that they fail to pay their obligations to the Pension Fund. The Council operates a risk management strategy for these admitted bodies and its standard approach is to require a financial bond to be maintained to offset their actuarially assessed liabilities.

Note 43: Financial Instruments

The Council's financial liabilities held during the year are all measured at amortised cost and comprise**:**

- Long-term loans from the Public Works Loan Board and commercial lenders
- Finance Leases detailed in note 16
- Private Finance Initiative contracts detailed in note 17
- Guarantees for Local Authority Mortgage Scheme
- Trade payables for goods and services received

The financial assets held by the Council during the year are held under the following three classifications:

1. **Loans and Receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:**
    - Bank current and high interest call account with Barclays Bank
    - Fixed term deposits with banks and building societies
    - Impaired investments in Icelandic banks
    - Loans to other local authorities
    - Loan to Hertfordshire Catering Limited – repaid by year end
    - Trade receivables for goods and services delivered
    - Loans made for service purposes, detailed below as Soft Loans
2. **Available for sale financial assets (those that are quoted in an active market) comprising:**
    - Money Market Funds, both constant and variable Net Asset Value funds.
    - Pooled fund investments including property, equity, bond and multi-asset funds
    - Loan notes held for the Hertfordshire Schools Building Partnership
3. **Unquoted equity investments held at cost because it is impracticable to determine fair value, comprising:**
    - Investments in companies set up by the Council (SureCare, Hertfordshire Catering Limited and Herts for Learning)
    - Investment in shares in the Municipal Bond Agency

The financial instruments disclosed in the Balance sheet are analysed across the above categories as follows:

Notes to the Accounts

31 March 2015			31 March 2016	
Short Term £000s	Long Term £000s		Short Term £000s	Long Term £000s
		Investments		
28,847	5,000	Loans and receivables	15,188	-
17,680	10,856	Available-for-sale financial assets	17,824	30,484
-	125	Unquoted equity investment at cost	-	425
46,527	**15,891**	**Total investments**	**33,012**	**30,909**
		Debtors		
93,427	34,529	Loans and receivables	68,118	35,633
93,427	**34,529**	**Total debtors***	**68,118**	**35,633**
		Cash & Cash Equivalents		
68,912	-	Loans & Receivables	75,066	-
8,430	-	Available-for-sale investments	20,940	-
77,342	**-**	**Total Cash & Cash Equivalents**	**96,005**	**-**
		Borrowings		
(2,848)	(260,758)	Financial liabilities at amortised cost	(2,878)	(260,779)
(2,848)	**(260,758)**	**Total borrowings**	**(2,878)**	**(260,779)**
		Other Liabilities		
(1,394)	(57,575)	PFI liabilities	(1,638)	(55,937)
(129)	(102)	Finance lease liabilities	(31)	(65)
-	(143)	Future Repayments due on Mortgages and Advances	-	(94)
(1,523)	**(57,821)**	**Total other liabilities**	**(1,670)**	**(56,096)**
		Creditors		
(121,344)	(1,351)	Financial liabilities at amortised cost	(112,802)	(1,262)
(121,344)	**(1,351)**	**Total creditors***	**(112,802)**	**(1,262)**

* The debtor and creditor lines in Note 43 do not match those given on the Balance Sheet, as the Balance sheet values include balances that do not meet the definition of a financial instrument.

Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. Loans of cash value £11.51m are included in the long-term debtors figure on the balance sheet at their adjusted value of £10.95m. The only significant individual soft loan made by HCC is a £6m loan to Watford Borough Council, using the Local Enterprise Partnership balances, at nil interest. The remaining £5.51m is mostly comprised of Adult Social Care and Children's Services loans to service users (or their families) at nil interest to pay for home adaptations which will support the service user to live at home, and reduce their need for council services. These loans are secured against the property to ensure full repayment on the sale of the property.

Notes to the Accounts

Income, Expenses, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

2014/15						2015/16				
Financial Liabilities measured at amortised cost	Financial Assets: Loans & Receivables	Financial Assets: Available for sale	Assets & Liabilities at Fair Value through Profit and Loss	Total		Financial Liabilities measured at amortised cost	Financial Assets: Loans & Receivables	Financial Assets: Available for sale	Assets & Liabilities at Fair Value through Profit and Loss	Total
£000s	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s
18,027	-	-	-	**18,027**	Interest expense	18,095	-	-	-	**18,095**
-	382	-	-	**382**	Losses on derecognition	-	-	-	-	**-**
-	-	-	-	**-**	Reductions in fair value	-	-	-	-	**-**
-	(540)	-	-	**(540)**	Impairment losses	-	327	-	-	**327**
-	-	-	-	**-**	Exchange Rate Losses	-	-	-	-	**-**
-	26	-	-	**26**	Fee expense	-	25	-	-	**25**
18,027	**(132)**	**-**	**-**	**17,895**	**Interest Payable and Similar Charges***	**18,095**	**352**	**-**	**-**	**18,446**
-	(1,828)	(596)	-	**(2,424)**	Interest income	-	(1,295)	(1,638)	-	**(2,933)**
-	(44)	-	-	**(44)**	Interest income accrued on impaired financial assets	-	(15)	-	-	**(15)**
-	**(1,873)**	**(596)**	**-**	**(2,468)**	**Interest Receivable and Similar Charges**	**-**	**(1,310)**	**(1,638)**	**-**	**(2,948)**
-	-	(23)	-	**(23)**	Gains on revaluation	-	-	-	-	**-**
-	-	-	-	-	Losses on revaluation	-	-	408	-	**408**
-	-	-	-	-	Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	**-**
-	**-**	**(23)**	**-**	**(23)**	**Impact of Revaluation in Other Comprehsive Income**	**-**	**-**	**408**	**-**	**408**
18,027	**(2,004)**	**(619)**	**-**	**15,404**	**Net (gain) / loss for the year**	**18,095**	**(959)**	**(1,229)**	**-**	**15,907**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables, and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be 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:

- Estimated ranges of interest rates at 31 March 2016 of 0.41% to 2.2% for loans from the PWLB and 2.83% to 2.91% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Notes to the Accounts

Fair values are shown in the tables below, split by their levels in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

There were no transfers between input levels during the financial year 2015/16.

There has been no change in valuation technique used during the year for the financial instruments.

The fair values calculated are as follows:

31 March 2015			31 March 2016		
Carrying Amount £000s	Fair Value £000s		Carrying Amount £000s	Fair Value £000s	Fair Value Level
263,606	417,878*	Borrow ings	263,657	398,438	2
58,969	58,969	PFI Liabilities	57,575	57,575	2
231	231	Finance Lease Liabilities	99	99	2
143	143	Future repayments on mortgages and advances	94	94	2
122,695	122,695	Creditors	114,064	114,064	2

*Fair Value of Borrowings for 2014/15 would have been £402.113m if calculated under IFRS 13 requirements, as per the 2015/16 fair value

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates. These Level 2 fair values have been calculated by discounting future cashflows at current market rates for comparable loans, and in addition on LOBO loans a fair value for the options has been calculated by the Council's treasury advisor using market information.

Short-term creditors are carried at cost, as this is a fair approximation of their carrying value. The fair value of long-term creditors is assumed to be commensurate with the carrying value.

31 March 2015			31 March 2016		
Carrying Amount £000s	Fair Value £000s		Carrying Amount £000s	Fair Value £000s	Fair Value Level
102,434	102,455	Loans and Receivables	90,254	90,254	2
36,966	36,966	Available for sale financial assets	69,248	69,248	1
125	125	Unquoted Equity at cost	425	425	N/A
127,956	127,956	Debtors	103,750	103,750	2

No loans and receivable assets are long-term investments and therefore no adjustments for fair value are required, as fair value is assumed to equate to carrying value.

Available for sale assets are carried in the Balance Sheet at their fair value. These fair values are Level 1 and are based on public price quotations as there is an active market for the instrument.

Notes to the Accounts

Unquoted Equities are held at cost, as they are not classified as 'held for sale' and it is impractical to derive a fair market value for these assets.

Short-term debtors are carried at cost, as this is a fair approximation of their carrying value. The fair value of Long-term Debtors is assumed to be commensurate with the carrying value.

Note 44: Impairment Losses

2014/15 £000s		2015/16 £000s
(540)	Icelandic Investments	327
(540)	**Total**	**327**

Icelandic Investments

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £28m deposited with these institutions, with varying maturity dates and interest rates. All monies invested with these institutions are subject to the respective administration and receivership processes, and the amounts and timing of payments to depositors such as the Council are determined by the administrators / receivers. Since 2009/10, the Council has considered an impairment adjustment for the deposits, based on latest information, and has calculated the impairment. These amounts have been adjusted as updated information on the amounts and timings of payments has been provided by the administrators / receivers.

The current position in relation to recovery of the sums deposited is set out below.

Heritable Bank

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008.

Following a dividend payment in August 2015, 98p in the £ has been distributed to Creditors.

The latest administrators report from November 2015 states that there are currently no planned distributions to creditors. The council has therefore recognised an impairment based on there being no expectation of further recovery.

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008. Details of the Council's deposits with Heritable Bank and the associated impairment are shown below:

Date Invested	Maturity Date	Amount Invested	Interest Rate	Recovered by 31/3/16 £'000	Carrying Amount £000s	Impairment £000s
15/09/2008	15/04/2009	£2m	6.00%	1,967	0	188
19/09/2008	23/12/2008	£5m	6.05%	4,914	0	693

Kaupthing, Singer and Friedlander Ltd (KSF)

The latest creditor report issued in May 2016 by the administrators Ernst and Young noted that the return to creditors was projected to be in the range of 85.5p to 86.5p in the £. The Council has recognised an impairment based on a recovery of 86% of its claim, (this is the mid-point of the range estimated by the administrators).

Following a dividend payment in March 2016, 83.75p in the £ has been distributed to Creditors.

In calculating the impairment the Council has therefore made the assumption that future recoveries will be received in March 2017, at 2.25p in the £.

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 7 October 2008. Details of the Council's deposits with Kaupthing, Singer & Friedlander Ltd. and the associated impairment are shown below:

Date Invested	Maturity Date	Amount Invested	Interest Rate	Recovered by 31/3/16 £'000	Carrying Amount £000s	Impairment £000s
04/01/2007	04/01/2011	£2m	5.46%	1,744	44	466
14/08/2007	16/08/2010	£2m	6.35%	1,692	43	477

LBI hf *(formerly Landsbanki hf)*

Following the sale in February 2014 of the Landsbanki claim, the Council has no outstanding assets or liabilities in relation to Landsbanki. 92% of the amounts originally deposited was recovered.

Glitnir Bank hf

The Council now has no outstanding assets or liabilities in relation to this deposit. The total return achieved in relation to this investment was 101% of the amounts originally deposited.

Accounting

A £0.327m impairment loss has been recognised in the Comprehensive Income and Expenditure Account in 2015/16.

This has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until remaining outstanding monies are recovered.

Notional interest is also credited to the Comprehensive Income and Expenditure account in 2015/16 of £0.014m.

Note 45: Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

- By formally adopting the requirements of the Code of Practice (the 2011 CIPFA Treasury Management in the Public Service: Code of Practice was adopted on 21 February 2012 by the members of the County Council)
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

For the 2015/16 financial year the prudential indicators and treasury management strategy were reported and approved at the County Council's meeting on the 23 February 2016. The annual treasury management strategy outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure, which can be summarised as follows:

- To reduce exposure of cash balances by funding the 2015/16 Capital Programme from balances and seeking opportunities to repay debt early,
- The majority of balances to be held in specified investments i.e. with UK government or local authorities and institutions with high credit ratings, with limits on non-specified investments by type, amount and duration,
- Institution and Group limits are applied,
- Only lending to banks outside the UK if the country has a sovereign rating of AA+,
- Setting a credit rating criteria framework that provides size and duration limits for investments that are applied as credit ratings change to reflect perceived risk to security of investments.
- The criteria specify action to be taken upon credit rating downgrades, or notice of potential downgrades.

Throughout 2015/16 the Council operated well within the criteria laid out in the Treasury Management Strategy.

Actual performance is reported annually to the Council's Audit Committee. These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council's treasury management strategy for 2015/16 set out the minimum acceptable criteria for investments by reference to credit ratings from Fitch, Moody's and Standard and Poor's.

The following analysis summarises the Council's potential maximum exposure to credit risk. The table (from an average of the default rates from Fitch, Moody's and Standard and Poor's) gives details of corporate finance average cumulative default rates (including financial organisations) for the period 1981–2015 on investments. The risk of default by trade debtors is based on the average amount of debt written off as a percentage of total debt over the last five financial years (2011/12 to 2015/16).

Notes to the Accounts

Estimated maximum exposure to default 2015	Deposits with banks and financial institutions	Amount at 31 March 2016	Historical experience of default	Adjustment for market conditions at 31 March 2016	Estimated maximum exposure to default 2016
£000s		£000s	%	^	£000s
		(a)	(b)	(c)	(a * b)
4	UK Local Authorities	5,095	0.03%	1	2
10	AAA rated counterparties	38,406	0.0418%	1	16
3	AA rated counterparties	-	0.0327%	1	-
9	A rated counterparties	14,199	0.0635%	1	9
-	BBB rated counterparties	-	0.1853%	1	-
-	Other counterparties	29,933	0.0000%	1	-
393	Trade debtors	103,750	0.3151%	1	327
419		**191,383**			**354**

In October 2008 the Icelandic banking sector defaulted on its obligations. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements, see Note 44 for details. These outstanding Icelandic investments have therefore been excluded from the exposure to credit risk table above as the risk of loss has already been accounted for.

Financial Assets that are past due

The Council does not generally allow credit for its trade debtors. The amount of debt past its due date for payment amounted to £13.5 million. The past due amount can be analysed by age as follows:

31 March 2015		31 March 2016
£000s		£000s
2,154	Not later than three months	2,696
2,464	Three to six months	2,930
6,997	More than six months	7,847
11,615		**13,473**

Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

Notes to the Accounts

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters.

This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows. All trade and other payables are due to be paid in less than one year and are not included in this table.

31 March 2015 £000s		31 March 2016 £000s
2,848	Not later than one year	2,878
-	One to two years	-
249	Two to five years	3,145
8,396	Five to ten years	5,500
252,113	More than ten years	252,133
263,606		**263,657**

The maturity analysis of financial assets is as follows:

31 March 2015 £000s		31 March 2016 £000s
72,498	Less than 1 year	87,719
5,040	One to two years	-
-	Two to three years	-
-	More than three years	-
77,539		**87,719**

The Icelandic investments are included in the table above on the basis of the anticipated recoveries over future years, at 31/03/2016 all further Iceland recoveries are expected to take place within the year.

These figures relate to investments falling within the scope of the Treasury Management Risk Strategy; a further £72.6m of investments are held outside this remit (largely school held cash balances). The figures also exclude trade debtors of £102.292m.

Notes to the Accounts

Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates could have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement could rise;
- Borrowings at fixed rates – the fair value of the borrowing liability could fall;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement could rise; and
- Investments at fixed rates – the fair value of the assets could fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

According to this assessment strategy, at 31 March 2016, if interest rates had moved by 1% with all other variables held constant, the financial effect would be:

2014/15 1% Increase £000s	2014/15 1% Decrease £000s		2015/16 1% Increase £000s	2015/16 1% Decrease £000s
453	-	Increase in interest payable on variable rate borrow ings	638	-
(555)	394	Increase in interest receivable on variable rate investments	(882)	661
-	-	Increase in government grant receivable for financing costs	-	-
(102)	**394**	**Impact on Surplus or Deficit on the Provision of Services**	**(244)**	**661**

The impact of a 1% decrease in interest rates is not equivalent to a 1% increase in rates because, with bank base rate at only 0.5% on 31 March 2016, the rate of interest on a number of investments is below 1% and could not, therefore, effectively fall by a further 1%. In addition, the borrowing figures contain a number of Lender's Option Loans which are only likely to be exercised if interest rates increase.

Price risk

At the 31st March 2016 the Council had £30m invested across 6 pooled funds. £10m was held in a property fund, £6m in an equity fund, £10m in two bond funds, and £4m in two multi-asset funds. This element of the Council's portfolio is therefore now exposed to the risk of changing unit prices on these investments. These changing unit prices are influenced by the underlying asset types, equity prices, bond prices and commercial property prices. A 5% net fall across these different fund unit prices would result in a £1.5m fall in the Council's investment value. This movement would not be reflected in the Comprehensive Income and Expenditure Statement (CIES), instead the movement would be reflected in the Available for Sale Reserve. On sale any overall loss or gain over the life of the investment would then be recognised by moving from the Available for Sale Reserve, via the CIES to the General fund. To minimise the risk of volatility in unit prices resulting in a capital loss the Council has diversified across a number of asset classes and intends to hold these funds for the long term.

Foreign exchange risk

At 31 March 2016 the Council had no investments denominated in foreign currency.

Note 46: Trust Funds

The Council acts as Treasurer and Financial Adviser primarily to a number of educational prize funds, endowments, scholarships and bequests that generally have specific trustees to manage them. Capital is invested in accordance with the trustee's instructions in a range of external investments or, if held as cash by the Council, such balances will earn interest at the market seven-day rate. These funds do not represent assets of the Council and have not been included in the balance sheet. As at 31 March 2016 the total value of educational endowments was £569,205 (31 March 2015 - £541,397).

Note 47: 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.

Central Government

The central 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 the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding as at 31 March 2016 are shown in Note 38. These grants are in addition to the Council's share of the revenue support grant and redistributed business rates income as calculated by central government.

Other Public Bodies

In addition to the relationship with Central Government, Hertfordshire County Council has relationships with various NHS bodies. The significant transactions are disclosed in Notes 31 - Agency Services and Note 32 - Pooled Budgets.

Hertfordshire County Council Pension Fund

The Council administers the Pension Fund on behalf of its employees and those of District Councils within the county and other admitted bodies. On 1 April 2010, pension fund cash was separated from Hertfordshire County Council funds and from that date pensions cash was separately invested and all interest received applied directly to the Pension Fund.

Locality Budgets

Each elected member of the County Council has £10,000 per year to spend on grants in their local community. The approach is flexible and based on two fundamental principles.

Notes to the Accounts

The funding from the Locality Budgets scheme must be used for purposes which promote the social, economic or environmental wellbeing of Hertfordshire having regard to the Council's sustainable community strategy. Locality Budgets cannot be used for purposes which would be contrary to the County Council's prevailing policies or be used for any purposes prohibited by law.

Members and Officers

In addition the following members and officers sit on the Boards of the following organisations. The table below records the total value of transactions in the year with these organisations.

Total of Council's transactions with the organisation 2014/15 £000s	Name	Organisation	Total of Council's transactions with the organisation 2015/16 £000s
225	David Andrews (14/15 and 15/16) and Terry Douris (14/15 and 15/16)	Hertfordshire Groundwork Trust	333
81	Derek Scudder (14/15)	Watford Sheltered Workshops Ltd	n/a
32	Sara Johnston (14/15 and 15/16)	Welwyn Hatfield Women's Refuge	8
439	Robert Gordon (14/15 and 15/16), Paul Zukowskyj (14/15 and 15/16), and Tim Hutchings (14/15 and 15/16)	University of Hertfordshire	1,846
26	William Wyatt Lowe (14/15)	Adeyfield Neighbourhood Assoc	n/a
34,204	Simon Newland (to November 2014) and Claire Cook (14/15 and 15/16)	Herts Schools Building Partnership (HSBP)	7,419
6	Simon Newland (to January 2015)	Hatfield Free School	n/a
37	Roy Wilsher (14/15 and 15/16)	Chief Fire Officers' Association	31
3,049	Michael Collier (14/15 and 15/16) and Peter Maguire (15/16 only)	Herts Catering Ltd (HCL)	868
7,280	Claire Cook (to August 2014), Michael Collier (from September 2014 and 15/16) and Simon Newland (14/15 and 15/16)	Herts For Learning (HFL)	7,096
514	Iain MacBeath (14/15 and 15/16), Derrick Ashley (14/15) and Claire Cook (15/16 only)	Surecare Supplies Ltd	103
48	Steve Drury (14/15 and 15/16)	Ascend Charity	60
1,206	Roma Mills (14/15 and 15/16)	Carers in Hertfordshire	1,472
752	Mark Watkin (14/15)	Chessbrook ESC	n/a
8	Alan Searing (14/15 and 15/16)	Herts Young Mariners Base (HYMB)	7,012
18	Sandy Walkington (14/15 and 15/16)	St Albans Bereavement Network	21
13	Ian Reay (14/15 and 15/16)	Chilterns Conservation Board	12
23	Andrew Stevenson (14/15 and 15/16)	Herts Probation Trust	25
n/a	Sherma Batson (15/16)	HertsAid	342
n/a	Frances Button (15/16)	MacIntyre Housing Association	65
n/a	Jenny Coles (15/16)	Research in Practice	32
47,962	**Total**		**19,739**

** Figures exclude transactions with HCC schools*

The totals stated in the table above reflect the net transactions with each organisation respectively (i.e. expenditure less income). All totals are net expenditure, with the exception of The Chief Fire Officers' Association and Surecare Supplies, which are net income.

Notes to the Accounts

Where there is a new entry for 2015/16, either because there was no relationship in the prior year, or the relationship was judged immaterial, the comparative level of total transactions with the organisation have not been included in the 2014/15 details. The amounts disclosed in the 2014/15 accounts have been shown for comparative purposes even if no ongoing relationship exists.

In addition to the above, although no material transactions occurred during 2015/16, it should be noted that the following senior officer sits on the Boards of the following organisations which are related parties:

R. Wilsher – Director of Herts in Trust (charity)

Note 48: Investments in Companies and Group Relationships

The Council holds the following investments in companies. These investments have been considered for inclusion within the Council's group boundary, as explained in the accounting policy for Group Accounts. Group accounts have been prepared consolidating Hertfordshire Catering Limited and the Council's interest in Herts for Learning Ltd; interests in Surecare Supplied Ltd and the Herts Schools Building Partnership companies are not regarded as material and have therefore not been included.

Judgement on the treatment of shares in Herts for Learning owned by Hertfordshire schools is detailed in Note 3 Critical Judgements.

Name	Nature of Business	Owned %	Nominal Value £
Hertfordshire Catering Ltd	A wholly owned and controlled local authority limited company that provides a school meals service.	100%. Consolidated as a Subsidiary in the Group Accounts	£100,000
Herts for Learning Ltd	A schools company owned by the Council, and schools (both maintained and academies) within Hertfordshire.	The Council owns 20% of shares, with maintained Hertfordshire schools owning 66%. 20% of the company is consolidated as an Associate in the Group Accounts	£3,150
Surecare Supplies Ltd	A wholly owned and controlled local authority limited company which provides access to high value for money contracts and a wide range of products and services for care homes	Wholly owned (have bought the one and only share)	£10,000
Hertfordshire Schools Building Partnership Ltd	A company created for the delivery of the Hertfordshire Building Schools for the Future (BSF) programme.	20.00%	£20
Hertfordshire Schools Building Partnership Phase 1 Holdings Ltd	A company created for the delivery of the Hertfordshire Building Schools for the Future (BSF) programme.	9.8% directly and 10.2% indirectly	£18
Hertfordshire Schools Building Partnership Phase 1 Ltd	A company created for the delivery of the Hertfordshire Building Schools for the Future (BSF) programme.	20% indirectly	N/A

In addition to the holdings above, the Council acquired in 2012/13 a loan note with value £902,600 in Hertfordshire Schools Building Partnership Ltd.

Copies of the accounts for these companies can be obtained from the Chief Legal Officer, Hertfordshire County Council, County Hall, Hertford SG13 8DQ (Contact telephone: 01992 555527).

Notes to the Accounts

In addition to consideration of these companies, maintained schools within Hertfordshire are deemed under IFRS 10 to be entities under the Council's control, and so fall within the group boundary. The Code provides a specific adaptation to IFRS 10 and IAS27, under which schools are consolidated within the single entity accounts. The summary position of these schools at 31 March 2016, by category, is shown in the following table:

	Number of schools	Expenditure £	Income £	Surplus/Deficit at 31/3/16 £
Nursery	**14**	**10,061,403**	**10,474,397**	**1,599,076**
Community	14	10,061,403	10,474,397	1,599,076
Primary	**370**	**446,068,192**	**455,715,952**	**51,630,473**
Academy	1	-	-	-
Community	249	330,885,082	337,651,282	39,668,340
Voluntary Aided	83	80,169,354	81,833,007	6,955,047
Voluntary Controlled	34	29,426,985	30,224,327	3,966,197
Foundation	4	5,586,771	6,007,337	1,040,889
Secondary	**22**	**116,531,649**	**114,396,384**	**6,209,914**
Academy	1	2,606,055	2,636,359	346,764
Community	10	62,272,042	60,715,127	2,896,457
Voluntary Aided	3	14,832,673	14,911,979	1,650,356
Voluntary Controlled	1	2,164,418	2,175,157	158,554
Foundation	7	34,656,461	33,957,762	1,157,783
Special *	**22**	**42,731,304**	**42,887,376**	**4,957,484**
Academy	1	725,496	728,048	57,381
Community	19	38,157,799	38,161,771	4,355,331
Foundation	2	3,848,009	3,997,557	544,772
Education Support Centres *	**7**	**12,935,653**	**13,319,391**	**1,920,396**
Community	7	12,935,653	13,319,391	1,920,396
Total	**435**	**628,328,201**	**636,793,500**	**66,317,343**

* includes Edwinstree Base Unit

Group Accounts

Group Accounts

Introduction

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

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting, consolidating any material subsidiary, associate or joint venture entities over which the Council exercises control or influence. The basis for determining the Group Boundary is as set out in the Council's Accounting Policies on page 36.

Hertfordshire Catering Ltd (HCL), is a company formed in September 2013, since when the Council has owned 100% of shares (purchased for a cash consideration of £100k), and so has been consolidated as a subsidiary. There are no minority shareholders, and no restrictions on the Council's ability to access or use the assets or settle the liabilities of the group.

HCL provides a catering service to Hertfordshire maintained schools, as well as to academies and other schools within Hertfordshire and a small number outside the county.

Herts for Learning Ltd (HfL), also formed in September 2013 and since when the Council has owned 20.06% of shares, (cash consideration of £3,150), has been consolidated as an associate. Herts for Learning Ltd is the UK's largest Schools' Company and provides flexible, high quality teaching, learning, leadership and business support to schools and education settings in Hertfordshire and beyond.

Further details of these investments and the basis for inclusion in the Group Accounts are set out in Note 48 Investments in Companies.

Accounting Policies

HCL and HfL have prepared 2015/16 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies. All three entities have a financial year end of 31 March, with HCL and HfL producing accounts for the part-year since they became operational in September 2013.

As a subsidiary, the accounts of HCL have been consolidated with those of the Council on a line by line basis, and any balances and transactions between the parties have been eliminated in full. HCL's expenditure and income, adjusted for transactions with the Council, is included on the relevant service lines in the Comprehensive Income and Expenditure Statement; and balance sheet values are similarly incorporated into the relevant headings of the Balance Sheet, removing balances owed between the two parties.

HfL is consolidated as an associate, using the equity basis required by IAS 28. The Council's share of HfL's profits is shown below the (Surplus)/Deficit on Provision of Services, along with the tax expenses of both companies.

Group Accounts

Group Comprehensive Income & Expenditure Statement

2014/15 Group Gross Expenditure £000s	2014/15 Group Gross Income £000s	2014/15 Group Net Expenditure £000s		2015/16 Group Gross Expenditure £000s	2015/16 Group Gross Income £000s	2015/16 Group Net Expenditure £000s
405,393	(86,028)	319,365	Adult Social Care	407,557	(72,652)	334,905
6,430	(3,124)	3,306	Central Services to the Public	7,595	(3,298)	4,296
897,271	(715,104)	182,167	Children's & Education Services	890,778	(720,982)	169,796
5,822	(8)	5,814	Corporate and Democratic core	5,174	(5)	5,169
19,217	(1,308)	17,909	Cultural & Related Services	20,776	(1,266)	19,511
52,314	(4,171)	48,143	Environmental & Regulatory Services	51,161	(4,854)	46,307
46,381	(1,211)	45,170	Fire and Rescue Services	45,437	(1,315)	44,122
116,406	(13,114)	103,292	Highw ays and Transport Services	112,934	(20,358)	92,576
11,250	(3,007)	8,243	Housing Services	11,890	(3,128)	8,762
25,731	(4,143)	21,588	Non distributed costs	14,379	(4,095)	10,284
9,444	(5,745)	3,699	Planning Services	16,546	(8,806)	7,740
36,101	(37,747)	(1,646)	Public Health	45,227	(43,935)	1,291
1,631,761	**(874,710)**	**757,050**	**Cost of Services**	**1,629,453**	**(884,695)**	**744,758**
		73,130	Other Operating expenditure			27,287
		52,904	Financing and Investment Income & Expenditure			50,817
		(889,424)	Taxation and Non-Specific Grant Income			(854,670)
		(6,339)	**(Surplus) or Deficit on Provision of Services**			**(31,808)**
		(189)	Share of Surplus / Deficit on the Provision of Services by Associates			(203)
		202	Tax Expenses of Subsidiaries & Associates			252
		(6,326)	**Group Surplus/ Deficit on Provision of Services (A)**			**(31,759)**
		(78,171)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment			(169,504)
		179,660	Actuarial (gains) / losses on pension assets / liabilities			(276,559)
		(23)	(Surplus) or Deficit on revaluation of available for sale financial assets			408
		101,466	**Other Comprehensive Income & Expenditure (B)**			**(445,655)**
		95,140	**Total Comprehensive Income & Expenditure (A+B)**			**(477,414)**

Group Accounts

Group Balance Sheet

31 March 2015			31 March 2016	
£000s	£000s		£000s	£000s
2,820,648		Property, Plant & Equipment	3,066,800	
27,488		Heritage Assets	27,488	
4,711		Intangible Assets	4,030	
-		Assets Held for Sale	-	
15,878		Long Term Investments	30,806	
273		Investment in Associate	434	
34,529		Long Term Debtors	35,633	
	2,903,527	**Long Term Assets**		**3,165,192**
46,527		Short Term Investments	33,012	
5,886		Assets Held for Sale	1,939	
5,121		Inventories	4,243	
137,312		Short Term Debtors	110,710	
-		Financial Instruments Available for Sale	-	
78,956		Cash and Cash Equivalents	98,076	
	273,802	**Current Assets**		**247,980**
(2,848)		Short Term Borrow ing	(2,878)	
(1,523)		Short Term Liabilities	(1,670)	
(158,515)		Short Term Creditors	(148,862)	
(14,856)		Provisions for Accumulated Absences	(16,224)	
(15,000)		Short Term Provisions	(16,069)	
	(192,742)	**Current Liabilities**		**(185,703)**
(1,351)		Long Term Creditors	(1,262)	
(4,635)		Long Term Provisions	(4,573)	
(260,758)		Long Term Borrow ing	(260,779)	
(1,125,120)		Liability relating to the defined benefit pension scheme	(895,868)	
(57,821)		Other Long Term Liabilities	(56,099)	
(48,891)		Capital Grants Receipts in Advance	(45,462)	
	(1,498,576)	**Long Term Liabilities**		**(1,264,042)**
	1,486,012	**Net Assets**		**1,963,426**
278,031		Usable Reserves	262,721	
1,207,981		Unusable Reserves	1,700,705	
	1,486,012	**Total Reserves**		**1,963,426**

Group Cash Flow Statement

2014/15 £000s		2015/16 £000s
6,326	Net Surplus /(Deficit) on the Provision of Services	31,759
42,867	Adjustments to net Surplus /Deficit on the Provision of Services for non-cash movements	(14,949)
49,194	**Net Cashflows from Operating Activities**	**16,810**
(48,460)	**Investing Activities**	**3,591**
(1,314)	**Financing Activities**	**(1,281)**
(581)	**Net Increase/(Decrease) in Cash and Cash Equivalents**	**19,120**
79,536	Cash and Cash Equivalents at beginning of reporting period	78,956
78,955	**Cash and Cash Equivalents at end of reporting period**	**98,076**

In accordance with the Code, 2015/16 operating cashflows include the following interest items:

	£'000
Interest Paid	2,950
Interest Received	(17,987)

Group Accounts

Group Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves HCC**	Herts Catering Ltd Usable Reserves	Herts for Learning Usable Reserves	**Total Usable Reserves for Group**	Unusable Reserves HCC	Herts Catering Ltd Unusable reserves	**Total Unusable Reserves for Group**	**Total Group Reserves**
	£000s	£000s	£000s	£000s	**£000s**	£000s	£000s	**£000s**	£000s	£000s	**£000s**	**£000s**
Balance at 31 March 2014 carried forward	**25,180**	**155,616**	**38,479**	**74,670**	**293,944**	**193**	**120**	**294,257**	**1,286,793**	**100**	**1,286,893**	**1,581,150**
Movement in reserves during 2014/15												
Surplus or (deficit) on the provision of services	27,449	-	-	-	**27,449**	(21,274)	150	**6,325**	-	-	**-**	**6,325**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	**-**	**-**	**-**	(101,465)	-	**(101,465)**	**(101,465)**
Total Comprehensive Income and Expenditure	**27,449**	**-**	**-**	**-**	**27,449**	**(21,274)**	**150**	**6,325**	**(101,465)**	**-**	**(101,465)**	**(95,140)**
Adjustments between Group Accounts and authority accounts	(21,898)	-	-	-	(21,898)	21,898	-	**-**	**-**	**-**	**-**	**-**
Net Increase/ Decrease before Transfers	5,551	-	-	-	5,551	624	150	6,325	(101,465)	-	(101,465)	(95,140)
Adjustments between accounting basis & funding basis under regulations	16,884	-	(38,479)	(957)	(22,551)	-	-	**(22,551)**	22,551	-	**22,551**	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	**22,436**	**-**	**(38,479)**	**(957)**	**(17,000)**	**624**	**150**	**(16,226)**	**(78,914)**	**-**	**(78,914)**	**(95,140)**
Transfer to / from Earmarked Reserves	(17,040)	17,040	-	-	**-**	**-**	**-**	**-**	-	-	**-**	**-**
Increase / (Decrease) in 2014/15	**5,395**	**17,040**	**(38,479)**	**(957)**	**(17,000)**	**624**	**150**	**(16,226)**	**(78,914)**	**-**	**(78,914)**	**(95,140)**
Balance at 31 March 2015 carried forward	**30,575**	**172,656**	**-**	**73,713**	**276,944**	**816**	**270**	**278,031**	**1,207,881**	**100**	**1,207,981**	**1,486,010**

Group Accounts

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves HCC**	Herts Catering Ltd Usable Reserves	Herts for Learning Usable Reserves	**Total Usable Reserves for Group**	Unusable Reserves HCC	Herts Catering Ltd Unusable reserves	**Total Unusable Reserves for Group**	**Total Group Reserves**
	£000s	£000s	£000s	£000s	**£000s**	£000s	£000s	**£000s**	£000s	£000s	**£000s**	**£000s**
Balance at 31 March 2015 carried forward	30,575	**172,656**	**-**	**73,713**	**276,944**	**816**	**270**	**278,030**	**1,207,881**	**100**	**1,207,981**	**1,486,011**
Movement in reserves during 2015/16												
Surplus or (deficit) on the provision of services	55,483	-	-	-	**55,483**	(23,885)	161	**31,760**	-	-	**-**	**31,760**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	**-**	**-**	**-**	445,655	-	**445,655**	**445,655**
Total Comprehensive Income and Expenditure	**55,483**	**-**	**-**	**-**	**55,483**	**(23,885)**	**161**	**31,760**	**445,655**	**-**	**445,655**	**477,414**
Adjustments between Group Accounts and authority accounts	(24,725)	-	-	-	(24,725)	24,725	-	**-**	**-**	**-**	**-**	**-**
Net Increase/ Decrease before Transfers	30,758	-	-	-	30,758	840	161	31,760	445,655	-	445,655	477,414
Adjustments between accounting basis & funding basis under regulations	(39,359)	-	3,641	(11,350)	(47,068)	-	-	**(47,068)**	47,068	-	**47,069**	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(8,601)**	**-**	**3,641**	**(11,350)**	**(16,310)**	**840**	**161**	**(15,308)**	**492,724**	**-**	**492,724**	**477,416**
Transfer to / from Earmarked Reserves	10,138	(10,138)	-	-	**-**	**-**	**-**	**-**	-	-	**-**	**-**
Increase / (Decrease) in 2015/16	**1,537**	**(10,138)**	**3,641**	**(11,350)**	**(16,310)**	**840**	**161**	**(15,308)**	**492,724**	**-**	**492,724**	**477,416**
Balance at 31 March 2016 carried forward	**32,112**	**162,518**	**3,641**	**62,364**	**260,634**	**1,657**	**431**	**262,722**	**1,700,604**	**100**	**1,700,704**	**1,963,426**

Group Accounts

Notes to the Group Accounts

1. Debtors and Creditors

With the elimination of transactions between the Council and HCL as its subsidiary, debtors and creditors between these parties are excluded. Group debtors and creditors include balances owed between the Council and HfL as associate, and between HCL and HfL.

2. Defined Cost and Defined Benefit Pension Schemes

Note 37 of the Council's single entity accounts explain the Council's participation in the defined benefit Local Government Pension Scheme. HCL and HfL are admitted members of this scheme and their employees receive defined benefits; however, the companies pay a fixed rate contribution to the scheme and the Council is liable for the costs of any benefits above this. The Council's costs are accounted for on a defined benefit basis and included in their single entity accounts, and no further adjustment is required on consolidation. In the company accounts, the scheme is accounted for as a defined cost scheme, and IAS19 does not apply.

3. Summary Financial Position of Subsidiary

Hertfordshire Catering Ltd has been consolidated in the group accounts as a 100% owned subsidiary. The summary financial position of the company is shown below, for information (taken from the unaudited 2015/16 accounts).

2014/15 £'000s	Profit and Loss Account (HCL)	2015/16 £'000s
31,280	Turnover	34,152
(26,728)	Cost of Sales	(28,935)
4,552	**Gross Profit**	**5,217**
(3,690)	Administrative expenses	(4,169)
1	Interest received	2
(75)	Interest payable	-
787	**Profit before Taxation**	**1,051**
(163)	Taxation	(210)
624	**Profit for the financial period**	**841**

2014/15 £'000	Summary Balance Sheet (HCL)	2015/16 £'000
	Current Assets	
710	Stocks	733
3,117	Debtors	3,462
1,614	Cash	2,070
	Current Liabilities	
(4,525)	Creditors	(4,509)
916	**Total Assets less Current Liabilities**	**1,756**
	Capital and Reserves	
100	Called up Share Capital	100
816	Profit and Loss Account	1,656
916	**Total Shareholders' Funds**	**1,756**

Group Accounts

4. Summary Financial Position of Associate

Herts for Learning has been consolidated as an associate on an equity basis, showing the Council's proportionate share of the surplus/ deficit on the provision of services and of reserves. The full financial position for HfL is summarised below.

2014/15 £'000s	Authority Share £'000s	Profit and Loss Account (HfL)	2015/16 £'000s	Authority Share £'000s
21,850	4,383	Turnover	22,392	4,492
(18,570)	(3,725)	Cost of Sales	(18,695)	(3,750)
3,279	**658**	**Gross Profit**	**3,697**	**742**
(2,342)	(470)	Administrative expenses	(2,704)	(542)
3	1	Interest received	17	4
940	**189**	**Profit before Taxation**	**1,011**	**203**
(193)	(39)	Taxation	(206)	(41)
747	**150**	**Profit for the financial period**	**805**	**162**

2014/15 £'000s	Summary Balance Sheet (HfL)	2015/16 £'000s
10	Fixed Assets	108
1,352	Net Current Assets	2,059
1,362	**Total Assets less Current Liabilities**	**2,167**
16	Called up Share Capital	16
1,346	Profit and Loss Account	2,151
1,362	**Total Shareholders' Funds**	**2,167**

Local Government
Pension Fund Accounts

Local Government Pension Fund Accounts

Local Government Pension Fund Accounts

The Council is the Administering Authority for the Hertfordshire Pension Fund (“Pension Fund”) which is managed and administered in accordance with the Local Government Pension Scheme Regulations 2013. These accounts give a stewardship report of the financial transactions of the Pension Fund during 2015/16, and of the disposition of its assets at 31 March.

The Local Government Pension Scheme (“Scheme”) is a funded scheme, financed by contributions from employees and employers and by earnings from investments. The Pension Fund has published a Funding Strategy Statement, which sets out the Pension Fund’s strategy for meeting employers’ pension liabilities. The aim of the funding strategy is to ensure the long-term solvency of the Pension Fund and to ensure that sufficient funds are available to meet all benefits as they fall due for payment.

The Pension Fund covers staff employed by the Council (including maintained schools), the ten District Councils in Hertfordshire and 268 other bodies. The Pension Fund is available to all local authority employees within Hertfordshire, except teachers and fire personnel for whom separate pension arrangements apply. The Pension Fund provides pensions and other benefits for employees, their spouses, civil partners, nominated co-habiting partners or dependants. The income of the Pension Fund arises from contributions by the employees and by their employers and from dividends and interest on investments. The membership of the Pension Fund at 31 March 2016 was as follows:

31 March 2015		31 March 2016
32,992	Contributors	35,384
24,045	Pensioners	24,776
34,419	Deferred benefits (former contributors)	35,835
91,456	**Total Members**	**95,995**

The table below provides a summary of the Pension Fund accounts for the year 2015/16:

2014/15 £000s		2015/16 £000s
3,175,783	**Value of the Pension Fund at 1 April**	**3,581,039**
(18,538)	Net additions / (withdrawals) from dealing with those directly involved in the scheme	13,430
(16,164)	Management expenses	(15,927)
439,958	Net returns on investments	5,708
405,256	Increase / (Decrease) in the Pension Fund during the year	**3,211**
3,581,039	**Value of the Pension Fund at 31 March**	**3,584,250**

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund’s assets, which at 31 March 2013 were valued at £2,908 million, were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £617 million.

Individual employers’ contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Pension Fund’s funding policy as set out in its FSS.

The Administering Authority publishes a separate Annual Report and Statement of Accounts for the Pension Fund which provides detailed information and is accessible from the Pension Fund website at www.yourpension.org.uk/agencies/HCC.

Local Government Pension Fund Accounts

1. Fund Account

2014/15				2015/16	
£000s	£000s		Note	£000s	£000s
32,994		Contributions receivable from members	1	33,834	
123,538		Contributions receivable from employers	1	127,914	
6,897		Transfers in from other schemes	2	3,647	
3		Other income		4	
	163,432	**Additions from dealings with those directly involved in the Scheme**			**165,399**
(110,232)		Pensions		(114,070)	
(22,656)		Commutation of pensions and lump sum retirement benefits		(24,081)	
(1,957)		Lump sum death benefits		(3,593)	
	(134,845)	**Benefits payable to members**	3		**(141,744)**
(108)		Refunds of contributions		(507)	
(64)		State scheme premiums		(293)	
(46,953)		Transfers out to other schemes	4	(9,425)	
	(47,125)	**Payments to and on account of leavers**			**(10,225)**
	(18,538)	**Net additions / (withdrawals) from dealings with those directly involved in the Scheme**			**13,430**
(1,396)		Administrative costs		(1,553)	
(777)		Oversight and governance costs		(845)	
(13,991)		Investment management expenses		(13,529)	
	(16,164)	**Management expenses**	5		**(15,927)**
51,402		Investment Income	6	49,107	
(2,609)		Taxes on income		(2,528)	
391,165		Profits and losses on disposals of investments and changes in value of investments	7	(40,871)	
	439,958	**Net return on investments**			**5,708**
	405,256	**Net increase / (decrease) in the net assets available for benefits during the year**			**3,211**

Local Government Pension Fund Accounts

2. Net Assets Statement

31 March 2015 £000s	31 March 2015 £000s		Note	31 March 2016 £000s	31 March 2016 £000s
		Equities			
654,690		UK Equities		635,030	
719,844		Overseas Equities		456,887	
		Pooled investment vehicles			
248,294		Property		269,692	
1,351,041		Unit trusts		1,639,024	
447,386		Other managed funds		499,602	
		Derivatives			
472		Forward foreign exchange contracts	9	858	
135,154		Cash deposits		56,642	
11,049		Other investment balances		11,075	
	3,567,930	**Total investment assets**	8a		**3,568,810**
		Derivatives			
(59)		Forward foreign exchange contracts	9	(734)	
(7,687)		Other investment balances		(1,146)	
	(7,746)	**Total investment liabilities**			**(1,880)**
	3,560,184	**Total investment assets and liabilities**	8a		**3,566,930**
3,727		Long term assets	10	2,956	
	3,727	**Total non-current assets and liabilities**			**2,956**
22,779		Current assets	11	18,831	
(5,651)		Current liabilities	12	(4,467)	
	17,128	**Total current assets and liabilities**			**14,364**
	3,581,039	**Net assets of the Scheme available to fund benefits as at 31 March**			**3,584,250**

Owen Mapley
Director of Resources
Date: 23 September 2016

3. Statement of Accounting Policies

Basis of Preparation

The accounts have been prepared in accordance with the provisions of the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards, as amended for the UK public sector.

The accounts summarise the transactions and net assets of the Pension Fund. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits at the Net Assets Statement date is detailed in Note 15.

Valuation of Assets

Financial assets are included in the net asset statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the net asset statement on the date the Pension Fund becomes party to the contractual acquisition of the asset or to the liability. From this date, any gains or losses arising from changes in the fair value of the asset or liability are recognised in the Fund Account. The values on investments as shown in the net assets statement have been determined as follows:

- Market-quoted securities, for which there is a readily available market price, are valued at bid price at the close of business on the net asset date.
- Fixed interest securities are recorded at net market value based on their current yields.
- Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are quoted by the respective Investment Managers. If only a single price is quoted, investments are valued at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.
- Unquoted investments for which market quotations are not readily available are valued having regard to the latest dealings, professional valuations, asset values and other appropriate financial information.
- Indirect private equity investments are interests in limited partnerships and are stated at the partnership's estimate of fair value. Investments are valued based on the Pension Fund's share of the net assets of the private equity fund. For private equity limited partnerships there is usually a time delay in receiving information from the private equity Investment Managers. The valuations shown in the Net Assets Statement for these investments are the latest valuations provided to the Pension Fund, adjusted for cash movements between the valuation date and the net asset date.
- Forward foreign exchange contracts are stated at fair value which is determined as the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract.
- Investment assets and liabilities include cash balances held by the Investment Managers and debtor and creditor balances in respect of investment activities as these form part of the net assets available for investment.
- Rights issues are processed on ex date. If the value of the rights on ex date is 15% or more of the value of the underlying security, cost is allocated from the parent to the rights. If the value is less than 15%, the rights are allocated at zero cost.

Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution, repayable without penalty and on notice of not more than 24 hours. Cash equivalents comprise investments that are held to meet short-term liabilities rather than for investment or other purposes. Bank overdrafts, repayable on demand and which form an integral part of the County Council's treasury management function, are also included as a component of cash and cash equivalents.

Foreign Currency Translation

All investments are shown in sterling. Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the date of transaction. End of year spot market exchange rates are used to value foreign currency cash balances, market values of overseas investments and purchases and sales outstanding at the net asset date.

Gains and losses on exchange arising from foreign currency investment and cash balances are included within the Fund Account for the year.

Local Government Pension Fund Accounts

Management Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended), allows the Administering Authority to charge directly to the Pension Fund any costs or expenses incurred in administering it. Management expenses are accounted for on an accruals basis and disclosed in accordance with the 2014 CIPFA guidance 'Accounting for Local Government Pension Scheme Management costs' and analysed between administrative costs, oversight and governance costs and investment management expenses.

Fees of the external Investment Managers are agreed in the respective mandates governing their appointment. Fees are based on the market value of the portfolio under management. Where an Investment Manager's fee note has not been received for the final period, an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2015/16, £428,119 was based on such estimates.

Investment management expenses include transaction costs relating to the purchase and sale of investments.

VAT

The Pension Fund is exempt from VAT and is therefore able to recover such deductions. Investment management and administrative expenses are therefore recognised net of any recoverable VAT.

Benefits Payable

Pension and lump sum benefits payable include all amounts known to be due as 31 March 2016. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Contributions

Normal contributions both from members and employers are accounted for on an accruals basis, at the percentage rate certified by the Pension Fund Actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on an accruals basis in accordance with the period to which they relate or are due, or on a cash basis if the payment is an additional contribution in excess of the minimum required by the Pension Fund Actuary and set out in the Rates and Adjustments Certificate.

Pension strain contributions and employers' augmentation contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have joined or left the Pension Fund during the financial year and are calculated in accordance with Scheme regulations. Transfer values are treated on a cash basis when they are paid or received, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

Investment income earned by the Pension Fund on its investments is recognised as follows:

- Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement under other investment balances.
- Investment income earned on pooled investment vehicles that are accumulation funds, where income is retained and automatically reinvested, are shown as changes in the value of investments in the Fund Account.
- Income from private equity investments are reported on the quarterly valuations provided by the private equity Investment Managers. Income is recognised in the period in which the valuation is received.
- Distributions from other pooled investment vehicles are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement under other investment balances.

- Changes in the value of investment income are accounted for as income and comprise all realised and unrealised profits and losses during the year.

Taxation

The Pension Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Tax is deducted from dividends paid on UK equities, which is not recoverable. Income from overseas investments suffers a withholding tax in the country of origin, unless exemption is permitted. Provision is made for the estimated sums to be recovered and income grossed up accordingly. Irrecoverable tax is accounted for as a Pension Fund expense as it arises.

Security Lending

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) permit the Pension Fund to lend up to 35% of its securities from its portfolio of stocks to third parties in return for collateral. The Pension Fund has set a limit of 20% of the total Fund value. The securities on loan are included in the Net Assets Statement to reflect the Pension Fund's continuing economic interest of a proprietorial nature in these securities.

Additional Voluntary Contribution Investments

The County Council has arrangements with the Standard Life Assurance Company and the Equitable Life Assurance Society to enable employees to make Additional Voluntary Contributions (AVCs) to enhance their pension benefits. AVCs are invested separately from the Pension Fund's main assets and the assets purchased are specifically allocated to provide additional benefits for members making AVCs. As these contributions do not form part of the Pension Fund's investments, the value of AVC investments are excluded from the Pension Fund's Net Assets Statement in accordance with regulation 4(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

Prior period adjustments

There were no material prior period adjustments in 2015/16 that require disclosure.

Events after the Net Asset Date

The impact of the UK's vote to leave the European Union on the future valuation of the Pension Fund remains uncertain. There may be some short term volatility in equity markets and bond markets prices may also be impacted. However, whilst these impacts are short term in nature, the liabilities of the fund are over the long term. The Fund will continue to review its investment strategy in light of the changing economic and market conditions, to ensure that the strategy continues to deliver the risk and return objectives of the Fund.

Critical judgements in applying accounting policies and significant estimation techniques

In applying the accounting policies set out above, the Pension Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the accounts are:

- **Valuation of private equity investments:** Unquoted private equities are valued by the Investment Managers using the International Private Equity and Venture Capital Valuation Guidelines. These are inherently based on forward looking estimates and judgements involving many factors.

- **Pension fund liability:** The Pension Fund liability is calculated every three years by the Pension Fund Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 15. This estimate is subject to significant variances based on changes to the underlying assumptions.

Assumptions made about the future and other major sources of estimation uncertainty

Preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the net asset date and the amounts reported for revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those assumptions and estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- **Valuation of private equity investments:** The valuations for private equity investments shown in the Net Assets Statement are based on the latest valuations provided to the Pension Fund, adjusted for cash movements between the valuation date and the net asset date. This may result in a variance between the valuation included in the Financial Statements and the actual value of the Pension Fund's investments as at 31 March 2016 issued by each of the private equity Investment Managers. At 31 March 2016 private equity investments totalled £160.3million (including private equity investments held within the Global Alternatives Fund).

- **Contractual commitments:** Commitments to the private equity funds are made in local currency (sterling, euros and US dollars). The total remaining commitment to each private equity fund at 31 March 2016 has been converted to base currency, based on exchange rates applicable at the net asset date. The exact timing and amounts of when the Pension Fund's commitment will be drawn down is uncertain and therefore the actual payments made by the Pension Fund may be different from the estimates.

- **Actuarial present value of promised retirement benefits:** Estimation of the liability to pay retirement benefits depends on a number of complex judgements relating to the discount rate used to value the liabilities, the rate at which salaries increase, and changes in retirement ages and mortality rates. The consulting actuary to the Pension Fund, Hymans Robertson, is engaged to provide the Pension Fund with expert advice about the assumptions to be applied. Further information about the key assumptions used to calculate the actuarial present value of promised retirement benefits and the effect on the pensions liability of changes in individual assumptions are shown in Note 15.

- **Provision for doubtful debt:** In 2015/16 a provision for doubtful debt was made of £52,865. The provision was created for all invoiced debt at 31 March 2016 of £379,958. The provision is based on the County Council's Income Collection and Debt Management Policy for providing for doubtful debt as follows:

Age of debt at 31 March 2016	Provision created
0 – 274 days	0%
275 – 456 days	35%
457 – 639 days	50%
Over 639 days	100%

Notes to the Local Government Pension Fund Accounts

Notes to the LGPF Accounts

Note 1: Contributions Receivable

2014/15			2015/16	
£000s	£000s		£000s	£000s
		Members		
32,545		Normal	33,471	
449		Additional	363	
	32,994	**Total members**		**33,834**
		Employers		
94,764		Normal	98,344	
27,865		Deficit funding	27,769	
909		Augmentation and early retirement strain costs	1,801	
	123,538	**Total employers**		**127,914**
	156,532	**Total contributions receivable**		**161,748**

Members' additional contributions represent contributions from members to purchase additional years of membership or pension in the Scheme.

Employers' normal contributions represent the ongoing contributions paid into the Pension Fund by employers in accordance with the Rates and Adjustments Certificate, issued by the Pension Fund Actuary. These reflect the cost of benefits accrued by current members over the year.

Employers' deficit funding includes:

- £25,691,215 (£25,376,714 in 2014/15) past service adjustment which represents the additional contributions required from employers towards the deficit where an employer's funding level is less than 100%, as per the Rates and Adjustments Certificate. The deficit recovery period varies depending on the individual circumstances of each employer. For statutory bodies, the Pension Fund normally targets the recovery of any deficit over a period not exceeding 20 years. For Transferee Admission Bodies the deficit recovery period would be the shorter of the end of the employer's service contract or the expected future working lifetime of the remaining Scheme members. Further information can be found in the Pension Fund's Funding Strategy Statement accessible from www.yourpension.org.uk/agencies/HCC/.

- £2,077,893 (£2,467,874 in 2014/15) paid by employers in excess of the minimum contribution levels required by the Pension Fund Actuary in the Rates and Adjustments Certificate.

- £nil (£20,000 in 2014/15) termination payments where an employer had ceased to be a participating employer in the Pension Fund.

Contributions received are further analysed in the table below by type of employer.

2014/15			2015/16	
Employee	Employer		Employee	Employer
£000s	£000s		£000s	£000s
13,799	50,085	Administering Authority	14,640	53,918
16,066	60,520	Other Scheduled Bodies	16,299	63,044
3,129	12,933	Admitted Bodies	2,895	10,952
32,994	123,538	**Total contributions receivable**	**33,834**	**127,914**

Notes to the LGPF Accounts

Note 2: Transfers In from Other Schemes

The Pension Fund received £3,646,542 (£6,897,332 in 2014/15) in relation to individual members' transfers of benefits into the Pension Fund. No amounts were received during the year for group transfers from other schemes.

Transfers are shown on a cash basis, in accordance with the accounting policy.

Note 3: Benefits Payable

2014/15 £000s		2015/16 £000s
58,535	Administering Authority	62,412
63,366	Other Scheduled Bodies	65,223
12,944	Admitted Bodies	14,109
134,845	**Total benefits payable**	**141,744**

Note 4: Transfers Out to Other Schemes

2014/15 £000s		2015/16 £000s
7,931	Individual transfers	5,289
39,022	Bulk transfers	4,136
46,953	**Total Transfers out to other schemes**	**9,425**

Note 5: Management Expenses

Investment management expenses

The Pension Fund's Investment Managers are remunerated on the basis of fees calculated as a percentage of assets under management or as a fixed annual fee. Some Investment Managers also have a performance related fee, payable where performance exceeds the performance target, set out in Appendix C to the Statement of Investment Principles.

Investment management expenses include transaction costs associated with the acquisition, issue or disposal of Pension Fund assets and associated financial instruments. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments set out in Note 7.

The Pension Fund's assets are held in custody by an independent custodian. The Custodian is responsible for the safekeeping of the Pension Fund's financial assets, the settlement of transactions, income collection, tax reclamation and other administrative actions in relation to the Pension Fund's investments.

The Pension Fund's performance measurement service is provided by BNY Mellon. An analysis of the Pension Fund's performance is shown in the Investment Performance section on pages 59-63 of the full Pension Fund Accounts.

2014/15 £000s		2015/16 £000s
12,281	Management fees	11,790
1,505	Transaction costs	1,504
205	Custody fees	235
13,991	**Total investment management expenses**	**13,529**

Notes to the LGPF Accounts

Note 6: Investment Income

Analysis of investment income

2014/15 £000s		2015/16 £000s
	Income from fixed interest securities	
(3)	Public Sector	(1)
	Dividends from equities	
20,126	UK	22,866
15,893	Overseas	12,898
	Income from pooled investment vehicles	
12,024	Property	10,590
2,736	Other managed funds	1,833
238	Interest on cash deposits	313
	Other investment income	
259	Securities lending	370
117	Class action proceeds	180
12	Underwriting commission	58
51,402	**Total investment income**	**49,107**

An analysis of investment income accrued during 2014/15 and 2015/16 is shown in the following table.

2014/15					2015/16			
UK £000s	Overseas £000s	Global £000s	Total £000s		UK £000s	Overseas £000s	Global £000s	Total £000s
20,146	15,893	0	36,039	Equities	22,866	12,898	0	35,764
(2)	(1)	0	(3)	Bonds	0	(1)	0	(1)
8,872	3,348	2,520	14,740	Alternatives	7,073	2,382	2,968	12,423
238	0	0	238	Cash and cash equivalents	302	11	0	313
100	288	0	388	Other	368	240	0	608
29,354	**19,528**	**2,520**	**51,402**	**Total investment income**	**30,609**	**15,530**	**2,968**	**49,107**

Securities lending

The Pension Fund has an arrangement with its Custodian to lend securities from within its portfolio of stocks to third parties in return for collateral. Collateralised lending generated income of £369,603 for 2015/16 (£259,462 for 2014/15). This is included within investment income in the Fund Account.

The Pension Fund obtains collateral at 102% of the market value of securities loaned for collateral denominated in the same currency as that of the loans, or 105% in the case of cross-currency collateral. The market value of securities on loan and collateral held at 31 March 2016 and 2015 is shown in the following table, analysed by collateral type.

2014/15			2015/16	
Market value of securities on loan	Collateral held		Market value of securities on loan	Collateral held
£000s	£000s		£000s	£000s
70,109	75,209	Government debt and Supranationals	1,425	1,502
1,369	1,437	UK Equity DBV	-	-
470	495	G10 debt	45,835	49,025
71,948	**77,141**	**Total**	**47,260**	**50,527**

Note 7: Profit and Losses on the Disposal of Investments and Changes in the Value of Investments

Value at 31 March 2014 £000s		Purchases at cost and derivative payments £000s	Sale proceeds and derivative receipts £000s	Profits and losses on disposals and change in value of investments £000s	Value at 31 March 2015 £000s
	Fixed interest securities				
15	Public Sector	-	(15)	-	-
	Equities				
706,244	UK	87,117	(177,578)	38,907	654,690
726,995	Overseas	417,948	(538,706)	113,607	719,844
	Pooled investment vehicles				
202,546	Property	24,776	(7,346)	28,318	248,294
1,036,505	Unit trusts	183,153	(37,367)	168,750	1,351,041
412,911	Other managed funds	34,176	(41,252)	41,551	447,386
	Derivatives				
29	Net forward foreign exchange*	7,692	(6,654)	(654)	413
199,939	Cash deposits	-	(65,471)	686	135,154
3,285,184	**Subtotal**	**754,862**	**(874,389)**	**391,165**	**3,556,822**
(127,646)	**Net other investment balances****				**3,362**
3,157,538	**Total investments assets / (liabilities)**				**3,560,184**

* Net forward foreign exchange assets/liabilities (see note 8a)
** Net other investment balances assets/liabilities (see note 8a)

Value at 31 March 2015 £000s		Purchases at cost and derivative payments £000s	Sale proceeds and derivative receipts £000s	Profits and losses on disposals and change in value of investments £000s	Value at 31 March 2016 £000s
	Equities				
654,690	UK	116,261	(106,423)	(29,498)	635,030
719,844	Overseas	250,798	(476,059)	(37,696)	456,887
	Pooled investment vehicles				
248,294	Property	134,681	(140,598)	27,315	269,692
1,351,041	Unit trusts	299,809	(6,964)	(4,862)	1,639,024
447,386	Other managed funds	88,710	(45,433)	8,939	499,602
	Derivatives				
413	Net forward foreign exchange*	13,032	(8,892)	(4,429)	124
135,154	Cash deposits	-	(77,872)	(640)	56,642
3,556,822	**Subtotal**	**903,291**	**(862,241)**	**(40,871)**	**3,557,001**
3,362	**Net other investment balances****				**9,929**
3,560,184	**Total investments assets / (liabilities)**				**3,566,930**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at year end and profits and losses realised on the sale of investments during the year. Derivative receipts and payments correspond to the sterling equivalent amount of forward foreign exchange settled during the year. The sale proceeds for cash deposits represent the net movement in cash held by the Investment Managers during the year. The change in market value of cash results from gains and losses on foreign currency cash transactions.

Note 8: Investment Analysis

a) Analysis of investment assets at market value

2014/15			2015/16	
£000s	£000s		£000s	£000s
		Investment assets		
		Equities		
654,690		UK quoted	635,030	
719,844		Overseas quoted	456,887	
	1,374,534	**Total equities**		**1,091,917**
		Pooled investment vehicles		
158,265		UK property	152,746	
2,794		Overseas property	757	
87,235		Global property	116,189	
248,294		**Property**	**269,692**	
104,357		UK equity unit trusts	118,507	
377,973		Overseas equity unit trusts	585,156	
376,890		UK Index Linked Gilts Fund	397,756	
330,579		Global Core Plus Bond Fund	358,743	
161,242		Global Absolute Return Bond Fund	178,862	
1,351,041		**Unit trusts**	**1,639,024**	
68		UK private equity	-	
13,987		UK other managed funds	13,826	
117,864		Overseas private equity	115,942	
315,451		Global Alternatives Fund	369,817	
16		Overseas other managed funds	17	
447,386		**Other managed funds**	**499,602**	
	2,046,721	**Total pooled investment vehicles**		**2,408,318**
		Derivatives		
472		Forward foreign exchange	858	
	472	**Total derivatives**		**858**
		Cash		
135,154		Cash deposits	56,642	
	135,154	**Total Cash**		**56,642**
		Other investment balances		
6,657		Amounts receivable from the sale of investments	6,573	
4,392		Investment income due	4,502	
	11,049	**Total other investment balances**		**11,075**
	3,567,930	**Total investment assets**		**3,568,810**

Table continues overleaf

Notes to the LGPF Accounts

2014/15			2015/16	
£000s	£000s		£000s	£000s
		Investment liabilities		
		Derivative contracts		
(59)		Forward foreign exchange contracts	(734)	
	(59)	**Total derivatives contracts**		**(734)**
		Other investment balances		
(7,429)		Amounts payable for the purchase of investments	(925)	
(258)		Non recoverable tax payable	(221)	
	(7,687)	**Total other investment balances**		**(1,146)**
	(7,746)	**Total investment liabilities**		**(1,880)**
	3,560,184	**Total investment assets and liabilities at market value**		**3,566,930**

Five pooled holdings exceeded 5% of the total investment assets and liabilities available to fund benefits and 5% of their asset class at 31 March 2016. These were the Legal & General Over 5 yr Index Linked Gilts Fund, Royal London Core Plus Bond Fund, Legal & General North America Equity Index Fund, LGT Capital Crown Phoenix Alternatives Fund and the Henderson Absolute Return Bond Fund.

Cash deposits (including cash and cash instruments) and other investment balances (including accrued dividend entitlements) are accounted for as investment assets as these form part of the net assets available for investment within the investment portfolio.

Investment assets and liabilities at the Net Asset date are further analysed by asset class in the following table.

2014/15					2015/16			
UK	Overseas	Global	Total		UK	Overseas	Global	Total
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
773,034	1,097,833	-	1,870,867	Equities	767,363	1,042,060	-	1,809,423
376,890	-	491,821	868,711	Bonds	397,756	-	537,605	935,361
158,333	120,658	402,686	681,677	Alternatives	152,746	116,699	486,006	755,451
121,729	13,428	(3)	135,154	Cash and cash equivalents	43,807	12,842	(7)	56,642
1,520	1,842	413	3,775	Other	7,585	2,344	124	10,053
1,431,506	**1,233,761**	**894,917**	**3,560,184**	**Total assets and liabilities**	**1,369,257**	**1,173,945**	**1,023,728**	**3,566,930**

Notes to the LGPF Accounts

b) Analysis by Investment Manager

The value of investments held by each Investment Manager on 31 March were:

31 March 2015			31 March 2016	
£000s	%		£000s	%
361,060	10.1	Allianz Global Investors Europe GmbH	362,313	10.2
341,221	9.6	Baillie Gifford & Co.	328,740	9.2
265,111	7.5	CBRE Global Collective Investors (UK) Ltd.	297,688	8.3
276,721	7.8	Global Thematic Partners, LLC	384	0.0
90,722	2.5	Harbour Vest Partners, LLC	84,386	2.4
161,242	4.5	Henderson Global Investors Ltd.	178,862	5.0
148,317	4.2	JP Morgan Asset Management (UK) Ltd.	143,701	4.0
305,406	8.6	Jupiter Asset Management Ltd.	305,065	8.5
852,059	23.9	Legal & General Assurance (Pensions Management) Limited	1,094,728	30.7
383,451	10.8	LGT Capital Partners (Ireland) Ltd	369,817	10.4
624	-	Pantheon Ventures	2,887	0.1
1,347	-	Permira Advisers LLP	677	0.0
330,580	9.3	Royal London Asset Management Ltd.	358,744	10.1
42,123	1.2	Standard Life Investments Ltd.	38,919	1.1
59	-	TTP Venture Managers Ltd.	-	0.0
141	-	Residual funds from previous portfolios	19	0.0
3,560,184	**100**	**Funds externally managed**	**3,566,930**	**100**
20,855		**Funds held at Hertfordshire County Council and non-investment balances**	**17,320**	
3,581,039		**Net Assets of the Scheme**	**3,584,250**	

The market values in the above include the value of investments, cash and net current assets held by each Investment Manager at 31 March. The funds held by Hertfordshire County Council include net current assets, long term assets and cash required to manage the cash flow associated with the payment of benefits and collection of contributions.

Residual funds from previous portfolios represent residual cash and investment income still due to the portfolios previously run by outgoing Investment Managers following the review of the Pension Fund's Investment Strategy.

c) Encumbrance of Assets

The Custodian has a lien over the Pension Fund's assets in order to recover any outstanding debts. This is held for the protection of the Custodian and has never been invoked.

Notes to the LGPF Accounts

Note 9: Derivatives

The Pension Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Pension Fund does not hold derivatives for speculative purposes.

Forward foreign exchange contracts

Forward foreign exchange contracts are over the counter contracts with non-exchange counterparties and are used to hedge against foreign currency movements. Forward foreign exchange contracts are disclosed in the accounts at fair value which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date.

The counterparties at 31 March 2015 and 31 March 2016 were UK and overseas investment banks and the contracts held with these investment banks are analysed in the following table by duration.

2014/15				Duration	2015/16			
Currency Payable	Currency Receivable	Fair Value Asset	Fair Value Liability		Currency Payable	Currency Receivable	Fair Value Asset	Fair Value Liability
£000s	£000s	£000s	£000s		£'000	£000s	£000s	£000s
(280)	280	0	0	Within 1 month	0	0	0	0
(79,679)	80,092	472	(59)	3-6 months	(101,465)	101,589	858	(734)
(79,959)	**80,372**	**472**	**(59)**	**Total**	**(101,465)**	**101,589**	**858**	**(734)**

Note 10: Long Term Assets

Long term assets of £2,956,000 in the Net Assets Statement relates to the bulk transfer of Magistrates Court staff to the civil service pension scheme in 2005 in accordance with the terms of transfer agreement. In 2014/15 long term assets of £3,727,084 included £3,695,000 in respect of the bulk transfer of Magistrates Court staff and £32,084 for early retirement strain costs.

Note 11: Current Assets

2014/15 £000s		2015/16 £000s
13,541	Contributions due from employers	13,438
8,662	Cash and cash equivalents	4,428
42	VAT due from HMRC	539
606	Other debtors and prepayments	479
(72)	Provision for doubtful debt	(53)
22,779	**Total current assets**	**18,831**

Cash and cash equivalents represent investments in money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours.

Notes to the LGPF Accounts

Current assets are further analysed by type of debtor organisation.

2014/15			2015/16	
£000s	£000s		£000s	£000s
45		Central government bodies	1,909	
7,892		Other local authorities	8,092	
7		NHS bodies	3	
6,245		Other entities and individuals	4,452	
	14,189	**Total debtors**		**14,456**
(72)		Provision for doubtful debt	(53)	
8,662		Cash and cash equivalents	4,428	
	8,590	**Total cash balances**		**4,375**
	22,779	**Total current assets**		**18,831**

Note 12: Current Liabilities

2014/15		2015/16
£000s		£000s
1,196	Tax payable to HMRC	1,292
1,557	Investment management fees	1,285
444	Other creditors	324
2,362	Unpaid benefits	1,053
92	Cash and cash equivalents	513
5,651	**Total current liabilities**	**4,467**

Cash balances in the table above include cash balances less cash in transit in the form of unpresented cheques and payments committed by BACs at the net asset date.

Current liabilities are further analysed by type of creditor organisation.

2014/15		2015/16
£000s		£000s
1,196	Central government bodies	1,295
0	Other local authorities	12
4,363	Other entities and individuals	2,647
92	Cash and cash equivalents	513
5,651	**Total Current Liabilities**	**4,467**

Notes to the LGPF Accounts

Note 13: Financial Instruments

Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

The 2014/15 figures have been restated from those reported in the 2014/15 Annual Report and Accounts to reflect the re-categorisation of the Global Alternatives Fund reported within "Managed Funds". For consistency with the Net Asset Statement, the Global Alternatives Fund has been reported on a whole fund rather than a segregated basis. The following table shows the restated figures for "Managed Funds".

All financial instruments are carried in the balance sheet at their fair value. The Pension Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

31 March 2015 RESTATED				31 March 2016		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000s	£000s	£000s		£000s	£000s	£000s
1,374,534	0	0	Equities	1,091,917	0	0
248,294	0	0	Property	269,692	0	0
1,351,041	0	0	Unit trusts	1,639,024	0	0
447,386	0	0	Managed funds	499,602	0	0
472	0	0	Derivatives	858	0	0
0	135,154	0	Cash deposits	0	56,642	0
11,049	0	0	Other investment balances	11,075	0	0
0	3,727	0	Long term assets	0	2,956	0
0	22,779	0	Current assets	0	18,831	0
3,432,776	**161,660**	**0**	**Total financial assets**	**3,512,168**	**78,429**	**0**
(59)	0	0	Derivatives	(734)	0	0
(7,687)	0	0	Other investment balances	(1,146)	0	0
0	0	(5,651)	Current liabilities	0	0	(4,467)
(7,746)	**0**	**(5,651)**	**Total financial liabilities**	**(1,880)**	**0**	**(4,467)**
3,425,030	**161,660**	**(5,651)**	**Total**	**3,510,288**	**78,429**	**(4,467)**

Net gains and losses on financial instruments

2014/15		2015/16
£000s		£000s
390,479	Fair value through profit and loss	(40,231)
686	Loans and receivables	(640)
391,165	**Total gains and losses**	**(40,871)**

Notes to the LGPF Accounts

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1: Financial instruments where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts. Listed securities are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2: Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3: Financial instruments where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following tables provides an analysis of the financial assets and liabilities of the Pension Fund analysed across levels 1 to 3, based on the level at which the fair value is observable, along with comparative figures for 2015. The figures as at 31 March, 2015 have been restated from those reported in the 2014/15 Annual Report and Accounts to reflect the re-classification of financial assets and liabilities following confirmation of valuation levels from the Pension Fund's Investment Managers.

	31 March 2016			
	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets				
Fair value through profit and loss	2,541,135	563,990	407,043	3,512,168
Loans and receivables	78,429	0	0	78,429
Financial liabilities				
Fair value through profit and loss	(1,146)	(734)	0	(1,880)
Financial liabilities at amortised cost	(4,467)	0	0	(4,467)
Net financial assets	**2,613,951**	**563,256**	**407,043**	**3,584,250**

	31 March 2015 RESTATED			
	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets				
Fair value through profit and loss	2,558,742	498,654	375,380	3,432, 776
Loans and receivables	161,660	0	0	161,660
Financial liabilities				
Fair value through profit and loss	(7,687)	(59)	0	(7,746)
Financial liabilities at amortised cost	(5,651)	0	0	(5,651)
Net financial assets	**2,707,064**	**498,595**	**375,380**	**3,581,039**

Notes to the LGPF Accounts

Note 14: Nature and Extent of Risks Arising from Financial Instruments

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

a) Overall procedures for managing risk

The principle powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) and require an administering authority to invest any pension fund money that is not needed immediately to make payments from the pension fund. These regulations require the Pension Fund to formulate a policy for the investment of its Fund money.

The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

The Pension Fund has prepared a Statement of Investment Principles which is provided at page 173 and sets out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

Pension Fund cash held by the Administering Authority is invested in accordance with the Pension Fund's treasury management strategy and lending policy ("Treasury Management Strategy"), prepared in accordance with the CIPFA Prudential Code, CIPFA Treasury Management in the Public Services Code of Practice and the legal framework and investment guidance set out and issued through the Local Government Act 2003. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Pension Fund's financial instrument exposure.

Investment performance by external Investment Managers and the Administering Authority is reported to the Pensions Committee and Board quarterly. Performance of Pension Fund investments managed by external Investment Managers is compared to benchmark returns. For Pension Fund cash held by the Administering Authority, performance of the treasury function is assessed against treasury management performance measures modelled on the CIPFA Treasury Management Code of Practice which has been adopted by the County Council.

b) Credit risk and counterparty risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pension Fund. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Pension Fund's financial assets and liabilities. Therefore credit risk on investments is reflected in the market risk, in the other price risk figures given in section d) Market Risk.

In addition, the Pension Fund reviews its exposure to credit and counterparty risk on its investments through its external Investment Managers by the review of the Investment Managers' annual internal control reports. This is to ensure that Investment Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers. The Investment Management Agreements for the Pension Fund's bond managers prescribes the investment restrictions on the securities they can invest in, including the minimum acceptance criteria for investments.

Credit risk also arises through the Pension Fund's deposits with banks and financial instruments. For cash managed by the Administering Authority, the Pension Fund's Treasury Management Strategy for 2015/16 sets out the type and minimum acceptable criteria for investments by reference to credit ratings from Fitch, Moody's and Standard & Poor's and outlines the process to be followed for credit rating downgrades.
The credit ratings and amounts held in money market funds, call accounts and cash/current accounts at 31 March 2015 and 2016 are shown in the table overleaf.

2014/15			2015/16	
£000s	Credit rating		£000s	Credit rating
		Cash managed by Administering Authority		
(84)	A	Bank current account	(505)[1]	A-
3,984	A to AA-	Call accounts	1,925	A-
4,670	AAA	Money market funds	2,495	AAA
		Cash managed by Custodian and Investment Managers		
68,587	A to AA-	Bank current account	1,149	A+ to AA-
69,447	AAA	Money Market Funds	55,551	AAA
146,604		**Total cash and cash equivalents**	**60,615**	

[1] Cash balances include cash balances less cash in transit in the form of unpresented cheques and payments committed by BACs at the Net Asset date.

c) Liquidity risk

Liquidity risk is the risk that the Pension Fund will not be able to meet its financial obligations when they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension Fund has a cashflow management system that seeks to ensure that cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours. At 31 March 2016 £3,915,444 (100%) of the cash and cash equivalents held by the Administering Authority was held in money market funds, call accounts and bank current accounts.

The Pension Fund has set a cap of £20 million (£35 million from 1 April 2016) on the amount of cash held by the Administering Authority to balance the need for the Pension Fund to be as fully invested as possible whilst maintaining liquidity to avoid the need to sell assets at inopportune times. Where there are surplus funds in excess of the cap, these funds are distributed to Investment Managers, after taking advice from the Pension Fund's Investment Consultant.

External Investment Managers have substantial discretionary powers over their individual portfolios and the management of their cash positions. The Pension Fund's investments are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable. The Pension Fund defines liquid assets as assets which can be converted into sterling cash within three months. At 31 March 2016 the value of illiquid assets was £430,038,358 (12.1% of total fund assets).

d) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Pension Fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. The change in the market value of its investments during the year was -£40,870,990.

In order to manage market value risk, the Pension Fund has set restrictions on the type of investments it can hold, subject to investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended). Details of these can be found in the Pension Fund's Statement of Investment Principles on page 172.

The Pension Fund has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Pension Fund. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic regions within each class.

Market risk is also managed by constructing a diversified portfolio across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Pension Fund. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Agreement and ensure that the agreed limit on maximum exposure to any one issuer or class of asset is not breached.

For cash managed by the Administering Authority, the Pension Fund has set institution and group limits to diversify the Pension Fund's investment across a range of individual holdings, sectors and countries.

e) Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether these changes are caused by factors specific to the individual instrument or issuer or factors affecting all such instruments in the market.

The Pension Fund is exposed to changes in equity and bond prices, as the future price is uncertain. All securities investments present a risk of loss of capital. This risk is mitigated using diversification and policies on selecting investments as discussed above.

The one year expected volatility in market prices are shown in the following table, along with the changes in the value of the Pension Fund's investment assets and liabilities if the market price of investments increase or decrease in line with these movements. The total fund volatility takes into account the expected interactions between the different asset classes, based on the underlying volatilities and correlations of the assets in line with mean variance portfolio theory.

Asset Class	Value as at 31 March 2016	Change	Value on Increase	Value on Decrease
	£000s	%	£000s	£000s
UK Equities, Unit Trusts and Pooled Funds	767,363	17.1	898,583	636,144
Global equities, Unit Trusts and Pooled Funds (ex UK)	1,049,581	19.6	1,255,299	843,863
Property	277,214	14.7	317,964	236,464
Corporate Bonds (medium term)	358,743	9.5	392,824	324,662
Index-Linked gilts (medium term)	397,756	9.6	435,941	359,571
Private Equity	160,347	28.7	206,367	114,327
Commodities	17,348	20.0	20,818	13,878
High yield debt/convertible bonds/insurance linked securities	95,043	7.5	102,171	87,915
Emerging Market Debt	40,348	12.7	45,472	35,224
Infrastructure equity	4,455	20.3	5,359	3,551
Absolute Return Bonds	178,862	10.1	196,927	160,797
Absolute return/Diversified Growth	162,699	12.6	183,199	142,199
Cash, other investment balances and forward foreign exchange contracts	57,171	0.6	57,514	56,828
Total Fund	3,566,930	10.8	3,952,158	3,181,701

Asset Class	Value as at 31 March 2015 £000s	Change %	Value on Increase £000s	Value on Decrease £000s
UK Equities, Unit Trusts and Pooled Funds	777,896	17.0	910,138	645,654
Global equities, Unit Trusts and Pooled Funds (ex UK)	1,092,972	20.1	1,312,659	873,284
Property	248,294	14.7	284,793	211,795
Corporate Bonds (short term)	161,242	7.1	172,690	149,794
Corporate Bonds (medium term)	367,798	9.5	402,739	332,858
Index-Linked gilts (medium term)	376,890	8.6	409,302	344,477
Private Equity	144,321	28.6	185,597	103,045
Commodities	14,728	13.8	16,761	12,696
High yield debt/convertible bonds/insurance linked securities	83,059	13.4	94,189	71,929
Overseas Real Estate Investment Trusts	11,069	13.3	12,541	9,597
Infrastructure	3,742	15.9	4,337	3,147
Absolute return/Diversified Growth	142,774	12.0	159,906	125,641
Cash, other investment balances and forward foreign exchange contracts	135,399	0.6	136,212	134,587
Total Fund	3,560,184	11.2	3,958,925	3,161,444

f) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Pension Fund recognises that interest rates can vary and can affect both income to the Pension Fund and the value of the net assets available to pay benefits. A 100 basis points (BPS) movement in interest rates has been advised by the Pension Fund Actuary, as a sensible level to indicate interest rate sensitivity.

The analysis in the following table assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits, of a +/- 100 BPS change in interest rates. Movement in bond values have been calculated to include the impact of modified duration. Modified duration expresses the measurable change in the value of a security in response to a change in interest rates.

Value at 31 March 2015 £000s	Potential change +/- 100 BPS £000s	Value on increase £000s	Value on decrease £000s	Asset class exposed to interest rate risk	Value at 31 March 2016 £000s	Potential change +/- 100 BPS £000s	Value on increase £000s	Value on decrease £000s
138,034	0	138,034	138,034	Cash at Custodian and Investment Managers	56,700	0	56,700	56,700
8,570	0	8,570	8,570	Cash held by Administering Authority	3,915	0	3,915	3,915
950,958	119,384	831,574	1,070,342	Bond (pooled funds)	1,020,962	131,563	889,399	1,152,525
1,097,562	**119,384**	**978,178**	**1,216,946**	**Total**	**1,081,577**	**131,563**	**950,014**	**1,213,140**

Value at 31 March 2015 £000s	Potential change +/- 100 BPS £000s	Value on increase £000s	Value on decrease £000s	Income source exposed to interest rate risk	Value at 31 March 2016 £000s	Potential change +/- 100 BPS £000s	Value on increase £000s	Value on decrease £000s
179	2	181	177	Cash at Custodian and Investment Managers	264	2	266	262
59	1	60	58	Cash held by Administering Authority	49	1	50	48
238	**3**	**241**	**235**	**Total**	**313**	**3**	**316**	**310**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

The Pension Fund's bond holdings are held in accumulation funds where income is retained and automatically reinvested rather than being distributed to the Pension Fund. Income earned from these funds are therefore excluded from the analysis above.

g) Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Pension Fund holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31 March 2016, the Pension Fund had overseas investments (excluding forward foreign exchange contracts) of £1,893,836,788 and £12,842,041 cash denominated in currencies other than sterling.

The Pension Fund Actuary has advised that the one year expected standard deviation for an individual currency at the 31 March 2016 is 10% (13% at 31 March 2015). This assumes no diversification, and in particular, that interest rates remain constant. An analysis of the impact this would have on the Pension Fund is given in the following table together with the prior year comparator.

Asset Class	Value as at 31 March 2016 £000s	Potential market movement +/-10% £000s	Value on increase £000s	Value of decrease £000s
Overseas Equity	456,887	45,689	502,576	411,198
Overseas property	107,651	10,765	118,416	96,886
Overseas unit trusts	843,523	84,352	927,875	759,171
Overseas managed funds	485,776	48,578	534,354	437,198
Foreign currencies	12,842	1,284	14,126	11,558
Total	**1,906,679**	**190,668**	**2,097,347**	**1,716,011**

Asset Class	Value as at 31 March 2015 £000s	Potential market movement +/-10% £000s	Increase 13% £000s	Decrease 13% £000s
Overseas Equity	719,844	93,580	813,424	626,264
Overseas property	84,359	10,967	95,326	73,392
Overseas unit trusts	500,860	65,112	565,972	435,748
Overseas managed funds	433,331	56,333	489,664	376,998
Foreign currencies	14,895	1,936	16,831	12,959
Total	**1,753,289**	**227,928**	**1,981,217**	**1,525,361**

External Investment Managers manage this risk through the use of forward foreign exchange contracts and futures, to hedge currency exposures back to the base currency. See Note 9 for further information.

The Treasury Management Strategy does not permit the Administering Authority to invest in foreign currency denominated deposits.

Note 15: Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits of the Pension Fund at 31 March 2016 and 31 March 2015 are set out in the following table. This is the underlying commitment of the Pension Fund in the long term to pay retirement benefits to its active (employee members), deferred and pensioner members.

31 March 2015 £m		31 March 2016 £m
5,047	Present value of promised retirement benefits	4,733

Liabilities have been projected using a roll forward approximation from the latest formal valuation as at 31 March 2013 and therefore do not take account of any changes in membership since the valuation date. The liability at 31 March 2016 is estimated to comprise of £2,292 million with respect to employee members, £906 million with respect to deferred members and £1,535 million with respect to pensioners. The principal assumptions used by the Pension Fund Actuary were:

31 March 2015		31 March 2016
	Financial assumptions	
2.4% per annum	Inflation/pension increase rate	2.2% per annum
3.8% per annum	Salary increase rate	3.7% per annum
3.2% per annum	Discount rate	3.5% per annum
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
22.3	• Men	22.3
24.5	• Women	24.5
	Longevity at 65 for future pensioners:	
24.3	• Men	24.3
26.7	• Women	26.7

Allowance has been made for future pensioners to elect to exchange 50% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

The actuarial present value of promised retirement benefits is sensitive to changes in actuarial assumptions. The significant changes and their impact on the value of the Pension Fund's liabilities between 31 March 2015 and 31 March 2016 were:

Change in assumptions for the year ended 31 March 2016	£m	%
0.5% decrease in discount rate	482	10
1 year increase in member life expectancy	142	3
0.5% increase in salary increase rate	147	3
0.5% increase in pensions increase rate	328	7
Total increase in liabilities due to changes in assumptions	**1,099**	**23**

The assumptions used by the Pension Fund Actuary to calculate the present value of promised retirement benefits are those required by the Code of Practice on Local Authority Accounting 2015/16. The liability set out in the table above is used for statutory accounting purposes and should not be compared against the value of liabilities calculated on a funding basis, which is used to determine contribution rates payable by employers in the Pension Fund. Further information on the Pension Fund's policy for funding its liabilities is set out in Note 16.

Note 16: Funding Policy

The Pension Fund's approach to funding its liabilities is set out in its Funding Strategy Statement. The statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

The Pension Fund Actuary is required to report on the "solvency" of the Pension Fund at least every three years. The last actuarial valuation of the Pension Fund was carried out as at 31 March 2013 to determine contribution rates for the financial years 2014/15 to 2016/17, with the new rates effective from 1 April 2014. A copy of the 2013 Valuation Report is accessible from the Pension Fund website: www.yourpension.org.uk/Hertfordshire/Fund-information/Policy-statements.aspx

The market value of the Pension Fund's assets at the valuation date was £2,908 million and represented 82.5% of the Pension Fund's accrued liabilities, allowing for future pay increases.

In accordance with the Scheme regulations, employer contribution rates were set to meet 100% of the Pension Fund's existing and prospective liabilities. The contribution rates were calculated using the projected unit actuarial method (or the attained age method for employers closed to new entrants) and the main actuarial assumptions were as follows:

Discount rate	**4.8%**
Salary increases	**3.8%**
Price inflation/pension increases	**2.5%**

Further information can be found in the Funding Strategy Statement on page 68 and the Actuarial Valuation report on page 17 of the full Pension Fund Accounts.

Note 17: Additional Voluntary Contributions (AVCs)

Scheme members have the option to make AVCs to enhance their pension benefits. These contributions are invested separately from the Pension Fund's assets, with either the Standard Life Assurance Company or the Equitable Life Assurance Society.

2014/15							2015/16					
Standard Life		Equitable Life		Total AVCs			Standard Life		Equitable Life		Total AVCs	
£000s	£000s	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
	5,059		**1,550**		**6,609**	**Value at 1 April**		**5,161**		**1,552**		**6,713**
						Income						
226		4		230		Contributions received	229		7		236	
0		0		0		Transfer values received	3		0		3	
	226		**4**		**230**	**Total Income**		**232**		**7**		**239**
						Expenditure						
(612)		(83)		(695)		Retirement benefits	(390)		(167)		(557)	
(4)		(1)		(5)		Transfer values paid	(11)		(46)		(57)	
(2)		0		(2)		Lump sum death benefit	0		(4)		(4)	
	(618)		**(84)**		**(702)**	**Total Expenditure**		**(401)**		**(217)**		**(618)**
	494		**82**		**576**	**Change in market value**		**(31)**		**24**		**(7)**
	5,161		**1,552**		**6,713**	**Value at 31 March**		**4,961**		**1,366**		**6,327**

Note 18: Related Parties

a) Hertfordshire County Council

The County Council incurred costs of £426,901 in relation to the management of the Pension Fund and was subsequently reimbursed by the Pension Fund for these expenses. The County Council also contributed £53,917,610 to the Pension Fund in 2015/16.

b) Pensions Committee

Five members of the County Council Pensions Committee were councillor members of the Hertfordshire Local Government Pension Scheme during 2015/16. Each member of the Pensions Committee is required to declare their interests at each meeting.

c) Key Management Personnel

The Administering Authority disclosure of senior officer remuneration includes the S151 Officer who has responsibility for the proper financial administration of the Pension Fund under the Local Government Act 1972.

During 2015/16 this included the Director of Resources, Deputy Chief Executive and Assistant Director Finance.

These Officers were employed by the Administering Authority and spent a proportion of time on the financial management of the Pension Fund. These costs comprise an element of the remuneration from the Pension Fund to the County Council in 2015/16 of £426,901.

The remuneration paid by Hertfordshire County Council to key management personnel of the Pension Fund, apportioned for the proportion of time on the financial management of the Pension Fund, were:

Position	Note	Year	Apportioned salary £	Apportioned pension contributions £	Total apportioned remuneration £
Director of Resources	1	2015/16	338	62	**400**[1]
		2014/15	0	0	**0**
Deputy Chief Executive	2	2015/16	5,533	1,015	**6,548**[2]
		2014/15	12,160	2,505	**14,665**
Assistant Director Finance	3	2015/16	3,817	705	**4,522**[3]
		2014/15	0	0	**0**

[1] S151 Officer from 22 – 31 March 2016
[2] S151 Officer from 1 April – 31 August 2015
[3] S151 Officer from 1 September 2015 – 22 March 2016

Note 19: Contingent Liabilities and Contractual Commitments

The Pension Fund had no contingent liabilities.

At 31 March 2016, the Pension Fund had a contractual commitment of a further £111.1 million (£118.3 million at 31 March 2015) to private equity limited partnerships and private equity funds within the Global Alternatives Fund, based on exchange rates applicable at the balance sheet date.

Notes to the LGPF Accounts

Note 20: Contingent Assets

a) Withholding tax reclaims

The Pension Fund has entered into a process to reclaim withholding tax made by other European Union (EU) countries, based on precedent cases in some EU countries that tax has been withheld unfairly under EU law. Claims have been submitted in France and Germany.

The Pension Fund's claims are set out in the following table in both euros and sterling (calculated using exchange rates as at 31 March 2016). The claims are subject to legal processes but based on precedent and legal advice, the Pension Fund expects to be successful in these claims. Therefore the amounts below are contingent assets for the Pension Fund.

Country	Euro Value at 31 March 2016	Sterling Value at 31 March 2016
	€ 000s	£ 000s
Germany	148	118
France	191	151
Total	**339**	**269**

b) Bonds

34 admitted bodies in the Pension Fund held bonds as surety to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

Note 21: Statement of Investment Principles

Regulation 12.1 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) requires the Pension Fund to publish a Statement of Investment Principles. This is set out on pages 172-179 in the full Pension Fund accounts.

Local Government Pension Fund Accounts Investment Report

Investment Report

Investment Management

Powers of Investment

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) and require an administering authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund.

These regulations permit a range of investments, subject to specific restrictions. Investments may be made:

- in any security on any recognised stock exchange (no single holding to exceed 10% of the value of all investments);
- in unlisted securities (subject to a maximum of 10% of the total value of investments);
- in Unit Trusts and other Managed Funds subject to a maximum of 25% of the total value of investments with any one Investment Manager;
- by deposit with any bank (subject to a maximum of 10% of the value of all investments to any one bank, excepting National Savings Bank) or local authority (the total of such deposits not to exceed 10% of the total value of all investments).

The regulations require that the administering authority's investment policy must be formulated with a view to:

- the advisability of investing pension fund money in a wide variety of investments;
- the suitability of particular investments and types of investments;
- obtaining proper advice at reasonable intervals about their investments.

A local authority may elect to impose its own restrictions in addition to the legal restraints laid down in the regulations. The additional limits which have been determined by the County Council are set out in the Pension Fund's Statement of Investment Principles on page 172.

Responsibility for Investing the Pension Fund's Assets

The Pensions Committee of the County Council is responsible for setting the overall investment strategy of the Pension Fund and monitoring investment performance.

The majority of the Pension Fund's investments are managed by external Investment Managers, who have substantial discretionary powers regarding their individual portfolios. The split of the Pension Fund between these managers at 31 March 2016 is shown in the following table.

Investment Manager	Pension Fund %
Allianz Global Investors Europe GmbH	10.2
Baillie Gifford & Co.	9.2
CBRE Global Collective Investors (UK) Ltd	8.3
Henderson Global Investors Ltd	5.0
Jupiter Asset Management Ltd	8.5
JPMorgan Asset Management (UK) Ltd	4.0
Legal & General Assurance (Pensions Management) Limited	30.7
LGT Capital Partners (Ireland) Ltd	10.4
Royal London Asset management Ltd	10.1
Private Equity	3.6

An amount of cash is held by the County Council in order to manage the payment of members' pension benefits and the collection of contributions. This is invested in accordance with the Pension Fund's Treasury Management Strategy which is reviewed and approved annually by the Pensions Committee. The 2015/16 Treasury Management Strategy was approved by the Pensions Committee on 27 February 2015.

The Statement of Investment Principles details the extent to which the Administering Authority complies with principles of good governance and investment practice, set out in the Myners review of Institutional Investment in the UK.

Statement of Investment Principles 2016

1. Introduction

1.1 The County Council is responsible for the administration of the Pension Fund. The County Council has a statutory duty to ensure that any funds not immediately required to pay pension benefits, are suitably invested.

1.2 As required by statute, the County Council has approved a Statement of Investment Principles ("Statement") which is applied to the management of the Pension Fund's investments. The latest Statement will be presented for approved by the Pensions Committee on 9 September 2016.

1.3 In accordance with government guidelines, the extent to which the Pension Fund complies with the statutory guidance "Investment decision making and disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles" is set out at Appendix A to this Statement.

2. Who Makes the Investment Decisions?

2.1. The strategic management of the assets is the responsibility of the Pensions Committee. The committee determines the strategic management of the assets based upon the professional advice it receives and the investment objectives as set out in section 6. The Pensions Committee is responsible for monitoring the performance of the Investment Managers and the investments made, reviewing asset allocation decisions and the performance objectives for the Pension Fund. In addition the Pensions Committee can appoint (and, when necessary, dismiss) Investment Managers.

2.2. Day to day operational decisions are delegated to the County Council's Chief Finance Officer, the Director of Resources.

2.3. The Pension Fund's governance arrangements are set out in full in the Governance Policy and Compliance Statement which is accessible from the Pension Fund website www.yourpension.org.uk/agencies/HCC/

3. What are the Investment Objectives of the Pension Fund?

3.1. To comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended), specifically to ensure that all:

- funds are suitably invested;
- investments are diversified;
- relevant investment limits are not exceeded;
- investments and investment arrangements are regularly monitored and reviewed.

3.2. To ensure that the Pension Fund has sufficient assets to pay Scheme benefits.

3.3. To achieve a long term rate of return on the invested funds (both capital gains and income) which assists in controlling the level of employers' contributions to the Pension Fund and also the cost of the pensions to the local taxpayers where appropriate by:

i.) as a minimum, matching the Pension Fund Actuary's rate of return assumptions made when assessing the Pension Fund's level of funding; and

ii.) exceeding the Pension Fund's benchmark by 1% measured over three year rolling periods.

3.4. The Statement of Investment Principles is linked to the Funding Strategy Statement, which sets out the Pension Fund's strategy for meeting employers' pension liabilities. The aim of the funding strategy is to ensure the long-term solvency of the Pension Fund while not unnecessarily restraining the investment strategy set out in this document. The two strategies set out the common objective of the Pension Fund to maximise returns on investments to control the level of employers' contributions.

4. Achieving the Investment Objectives

4.1. The Pension Fund sets a long-term investment strategy (the mix of asset types) to have regard to the Pension Fund's liability structure and its investment objectives. This strategy is reviewed at a minimum every three years after each actuarial valuation but is monitored on an ongoing basis to assess any necessary changes.

4.2. The Pensions Committee having taken appropriate professional advice, has made the arrangements set out below to reduce the risk that one or more of the investment objectives for the Pension Fund are not achieved over the long term.

4.2.1 Suitable Investments

The Pensions Committee considers that the following types of investments, within specific limits, are suitable for the purposes of a pension fund:

- cash, bank deposits and other short term money market investments;
- quoted fixed interest securities, individual securities and pooled investment vehicles;
- quoted equity investments, individual securities and pooled investment vehicles;
- property unit trusts;
- derivative instruments, but not to be used for speculative purposes;
- alternative asset classes including commodities and absolute return strategies;
- unquoted equity investments and private equity pooled vehicles.

4.2.2 Pension Fund Benchmark and Asset Allocation

The Pension Fund has adopted a specific benchmark which has been approved by the Pensions Committee, following appropriate professional advice from the Investment Consultant, Investment Managers and the performance measurement consultant. The composition of the Pension Fund benchmark is set out at Appendix B to this Statement.

The weightings of the various asset classes within the benchmark form the basis for asset allocation within the Pension Fund. The asset allocation set out in the benchmark is designed to spread the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic regions within each class.

4.2.3 Investment Management Choice

The main choices when selecting a fund management style are:

- Active or passive – making independent decisions when buying or selling Investments ("active") or buying stocks to replicate a specific index ("passive").
- Multi-asset or specialist – investing across a broad range of asset classes ("multi-asset") or in a narrow, specific asset class ("specialist").

The Pension Fund currently uses "active, specialist", "active, multi-asset" and "passive, specialist" Investment Managers only on the advice of the Investment Consultant to increase the potential return of the Pension Fund.

The number of Investment Managers and the share of the Pension Fund by type as at 31 March 2016 are shown in the following table, along with comparative figures for 31 March 2015.

Share of Total Pension Fund 31 March 2015			Share of Total Pension Fund 31 March 2016	
%	Number of Investment Managers		%	Number of Investment Managers
61.6	8	External, active, specialist	55.3	7
10.8	1	External, active, multi-asset	10.4	1
23.9	1	External, passive, multi-asset	30.7	1
3.7	5	Private Equity	3.6	4

The percentages in the table above are calculated using the value of investments, cash and net current assets held by each Investment Manager at 31 March. During 2015/16, the Fund moved funds out of its active global equity mandate with Global Thematic Partners to the passive global equity mandate managed by Legal & General Assurance (Pensions Management) Limited.

Full details of the Investment Managers, their mandates and fee basis are shown at Appendix C.

All the Investment Managers need the approval of the Chief Finance Officer, the Director of Resources, to acquire shares in any securities that are not listed on a recognised stock exchange.

4.2.4 Responsible Ownership including Social, Environmental and Ethical Considerations

Investment Managers are expected to apply their professional expertise to maintain suitably diversified portfolios for a pension fund. When making investment decisions, Investment Managers are expected to take account of what they reasonably believe are all relevant considerations.

The Pension Fund routinely votes on all matters raised by the largest 350 listed UK companies where it owns shares. The Pension Fund's voting policy is to vote in accordance with the current principles of corporate governance best practice, as advised by the ISS Governance, except when the advice of Investment Managers indicates such action would not be in the best financial interests of the Pension Fund.

Equity managers who are regulated by appropriate UK (or other relevant) authorities are expected to report on their adherence to the UK Stewardship Code on at least an annual basis.

Additionally, in monitoring the Pension Fund's Investment Managers, the Pensions Committee receives updates from the Investment Consultant on their research ratings, which include a rating for Environmental, Social and Corporate Governance ("ESG") issues. These ratings reflect the Investment Consultant's views on the extent to which ESG and active ownership practices (voting and engagement) are integrated into the Investment Manager's strategy.

4.2.5 Investment Restrictions

The following investment restrictions apply to the funds under management:

i.) all limits determined under the Local Government Pension Scheme Investment and Management of Funds) Regulations 2009 (as amended); and

ii.) additional limits which have been determined by the County Council:

Private Equity	-	Total investments are not to exceed a maximum of 7.5% of the value of the Pension Fund. In general the Pensions Committee expects private equity to be no more than 5%. The 2.5% headroom allows for fluctuations in the value of other assets.
Options, futures and contracts for differences	-	A maximum of 25% of UK equity portfolio. Only to be used to protect against possible adverse fluctuations in the values of other investments or cash in the portfolio.
Insurance contracts	-	Any single insurance contracts are not to exceed a maximum of 35% of the value of the Pension Fund.
Individual equity holdings	-	The total holding in a single company is not to exceed 5% of the issued share capital.

Any breaches of the restrictions above are reported to the next available meeting of the Pensions Committee.

4.2.6 Investment Performance Management

The investment performance of Investment Managers is measured by an independent organisation. This service is provided by the Pension Fund's Custodian, BNY Mellon Asset Servicing B.V. Quarterly reports are provided to the Chief Finance Officer, the Director of Resources and to the Pensions Committee and Pensions Board.

4.2.7 Monitoring of Investment Managers

The Pensions Committee meets quarterly to review the performance of the Pension Fund's Investment Managers.

4.2.8 Actuarial Valuation

The Pension Fund is subject to triennial valuations by an independent actuary. Employers' contributions are determined by the Pension Fund Actuary to ensure that in the long term the Pension Fund's assets will match its liabilities. The framework for this is set out in the Funding Strategy Statement.

4.2.9 Stock Lending

The Pension Fund operates a stock lending programme through its custodian bank. The Pension Fund limits the lending to 20% of the total of its portfolios and ensures that the collateral is in cash or bonds and is valued on a daily basis to be on average 105% of the value of the stock which has been lent.

4.2.10 Custody Arrangements

The Pension Fund's assets are held in custody by an independent custodian, where reasonable controls have been certified by an appropriate auditor.

5. Compliance with this Statement

5.1. The Pension Fund will monitor compliance with this Statement in particular, it will ensure its investment decisions are exercised with a view to giving effect to the principles contained in this Statement, so far is reasonably practicable.

6. Compliance with Myners Principles

6.1. The Myners principles cover the arrangements for effective investment management decision making, setting and monitoring clear investment objectives, focus on asset allocation, arrangements to receive appropriate expert advice, explicit manager mandates shareholder activism, use of appropriate investment benchmarks, measurement of performance, transparency in investment management arrangements and regular reporting.

6.2. The Pension Fund supports the principles and complies with the principles as set out in appendix A to this Statement.

7. Review of this Statement

7.1. This Statement will be reviewed to respond to any material changes to any aspects of the Pension Fund, its liabilities, finances and its attitude to risk which it judges to have a bearing on the stated investment policy.

Appendix A to the Statement of Investment Principles 2016

Compliance with Myners Principles	
Principle	**Current Position**
1. Effective Decision Making	
Administering authorities should ensure that: • *decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation;* *and* • *those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.*	Day to day operational decisions are delegated to the County Council's Chief Finance Officer, the Director of Resources, who, with relevant members of staff, regularly attends seminars and briefing sessions and accesses professional and other publications to maintain a high level of skills and knowledge in investment matters. Members of the Pensions Committee act in the role of trustees for the Pension Fund. An annual training plan is approved setting out training sessions which include quarterly workshops on investments and pension related issues. Both Members and Officers involved with making investment decisions take advice from appropriately qualified professionals where appropriate. The CIPFA Knowledge and Skills framework is available to all Members and Officers as a learning tool for the development of Member knowledge of pension investments and the regulatory background. A medium term business plan for the Pension Fund is prepared annually and incorporated within Hertfordshire County Council's integrated plan.
2. Clear Objectives	
An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.	The Pension Fund's main investment objective, as set out in this Statement of Investment Principles, acknowledges the need to meet the Pension Fund's liabilities and states that the aim is to ensure the impact on local taxpayers is minimised. The Statement of Investment Principles is circulated to the Pension Fund's advisors and Investment Managers and is published on the Pension Fund website. The following investment objectives for the Pension Fund were agreed in 2011, following a comprehensive investment strategy review: - **Return objective:** To achieve 100% funding on an ongoing basis over a 20 year period from 2011 (i.e. by 2031), with a probability of 67%. - **Risk objective:** Limiting the likelihood of a fall in funding level to below 65% at the 2016 Actuarial Valuation to a one in ten probability.
3. Risk and Liabilities	
In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	The Pension Fund's main investment objective, as set out in this Statement of Investment Principles, acknowledges the need to meet the Pension Fund's liabilities and states that the aim is to ensure the impact on local taxpayers is minimised. The Pension Fund's Risk Register sets out the key risks to the Pension Fund along with controls in place to manage those risks. Risks are monitored on a regular basis and a quarterly report

Compliance with Myners Principles	
Principle	**Current Position**
	presented to the Pensions Committee The Pension Fund carries out employer risk monitoring exercises, including an annual employer covenant check. This facilitates early detection of issues that may impact on an employer's ability to meet their liabilities to the Pension Fund.
4. Performance Assessment	
Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. *Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.*	The Pensions Committee formally measures performance of Investment Managers and investments on a quarterly basis. Performance is also reported to the Pensions Board on a quarterly basis. Performance measurement services are provided by BNY Mellon, which includes daily exception reporting on Investment Manager compliance with their Investment Manager Agreements. **Development Areas** • Develop a framework to formally measure the performance of the Pension Fund's advisors.
5. Responsible ownership	
Administering authorities should: • *adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents* • *include a statement of their policy on responsible ownership in the statement of investment principles* • *report periodically to scheme members on the discharge of such responsibilities.*	The Pension Fund's Investment Managers have adopted the Institutional Shareholders' Committee Statement of Principles. A statement regarding responsible ownership is included in the Statement of Investment Principles, which is part of the Annual Report published on the Pension Fund website for all Scheme members to access.
6.Transparency and reporting	
Administering authorities should: • *act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives* • *provide regular communication to scheme members in the form they consider most appropriate.*	In addition to this Statement, the Pension Fund communicates with its stakeholders through the publication of the following documents which are all accessible from the Pension Fund website: • Governance Compliance Statement • Annual report • Communication Statement In addition a monthly newsletter is published and accessible from the Pension Fund website and an annual meeting is held for all employers. Communication with Scheme members is through the website, periodic mailings and through the Pension Fund employers.

Investment Report

Appendix B to the Statement of Investment Principles 2016

Asset Class	Allocation %	Benchmark
UK Equity	10.0	FTSE All-Share Index
UK Equity smaller cap	6.0	FTSE All-Share Index ex-top 20 stocks
Overseas Equity	20.2	Composite of FTSE indices
Global Equity	14.0	MSCI AC World Index (NDR)
Absolute Return Bonds	5.0	3 month sterling LIBOR
Sterling Corporate Bonds	10.0	50% iBoxx Non Gilt All Maturities Index/50% FTSE A All Maturities Gilts Index
Index-Linked Gilts	10.0	FTA A Over 5 Year Index-Linked Gilts Index
Property	8.0	IPD UK All Balanced Funds Index IPD Adjusted Global Index
Alternatives	10.8	3 month sterling LIBOR
Private Equity	5.0	FTSE All-Share Index
Cash	1.0	7 Day Sterling LIBID
Total	**100.0**	

Investment Report

Appendix C to the Statement of Investment Principles 2016

Pension Fund Investment Managers at 31 March 2016				
Investment Manager	**Value of Portfolio at 31/03/2016 £m**	**Type of Mandate**	**Performance Target % above benchmark**	**Fee Type**
Allianz Global Investors Europe GmbH	362.3	Active, Specialist, Global Equities	3% - 4%	Ad valorem
Baillie Gifford & Co.	328.7	Active, Specialist, UK Equities	1.25%	Fixed fee
CBRE Global Collective Investors (UK) Ltd.	297.7	Active, Specialist Property	1.0%	Performance related
Global Thematic Partners, LLC	0.4	Active, Specialist, Global Equities	3% - 5%	Ad valorem
HarbourVest Partners, LLC	84.4	Active, Specialist, Private Equity	Not applicable	Performance related
Henderson Global Investors Ltd.	178.9	Active, Specialist, Bonds	3%	Ad valorem
JP Morgan Asset Management (UK) Ltd.	143.7	Active, Specialist, Global Equities	3%	Performance related
Jupiter Asset Management Ltd.	305.1	Active, Specialist, UK Equities	2%	Performance related
Legal & General Assurance (Pensions Management) Ltd.	1,094.7	Active, Specialist, Multi-Asset Equities/Bonds	0%	Ad valorem
LGT Capital Partners (Ireland) Ltd.	369.8	Active, Multi-Asset Alternatives	4%	Ad valorem
Pantheon Ventures (UK) LLP	2.9	Active, Specialist, Private Equity	Not applicable	Performance related
Permira Advisers, LLP	0.7	Active, Specialist, Private Equity	Not applicable	Performance related
Royal London Asset Management Ltd.	358.7	Active, Specialist, Bonds	1.75%	Ad valorem
Standard Life Investments Ltd.	38.9	Active, Specialist, Private Equity	Not applicable	Performance related

Fee types:
Fixed fee - fee is fixed amount, indexed by RPI annually
Ad valorem - based only on the value of the portfolio
Performance related - additional fees payable where performance exceeds the target

Firefighters’ Pension Fund Accounts

Firefighter's Pension Fund

Fund account for year ended 31 March 2016

2014/15 £000			Note	2015/16 £000	
		Contributions receivable			
		From employer:			
(3,086)		- contributions in relation to pensionable pay		(2,808)	
(87)		- ill health early retirements		(87)	
		From members:			
(2,216)		- Firefighters' contributions		(2,395)	
	(5,389)	**Total - Contributions receivable**	**3**		**(5,290)**
		Transfers in			
(19)		- from other authorities	4	(40)	
	(19)	**Total - Transfers in**			**(40)**
		Benefits payable			
9,119		- pensions		9,660	
3,597		- commutations and lump sum retirement benefits		2,751	
73		- lump sum death benefits		-	
-		- other (GAD vs Milne)		1,107	
	12,789	**Total - Benefits payable**			**13,518**
		Payments to and on account of leavers			
-		- refunds of contributions		-	
32		- transfers out to other authorities	4	172	
	32	**Total - Payments to and on account of leavers**			**172**
	7,413	Deficit for the year before top-up grant receivable from central Government			8,360
	(7,413)	Top-up grant payable by central Government	5		(8,360)
	-				**-**

Net assets statement as at 31 March 2016

2014/15 £000			2015/16 £000	
		Current assets		
3,479		Top-up grant receivable from central Government	3,074	
	3,479			3,074
		Current liabilities		
(3,479)		Amount owing to the General Fund	(3,074)	
	(3,479)			(3,074)
	-	**Net Assets**		-

Owen Mapley
Director of Resources
Date: 23 September 2016

Firefighter’s Pension Fund

Summary of the Firefighters’ Pension Fund Operations

The Firefighters’ Pension Fund was established under the Firefighters’ Pension Scheme (Amendment) Order 2006.

Until the end of March 2006 the Council was responsible for paying the pensions of its former fire-fighting employees on a ‘pay-as-you-go’ basis. This meant that employees’ contributions were paid into the Council’s accounts from which pensions awards were made and the Council received funding from central government as part of general Formula Grant to support payments of pensions.

From 1 April 2011, the Council has continued, through its scheme administrator, London Pensions Fund Authority (LPFA), to administer and discharge its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the new and existing pension schemes.

Regular firefighters employed before 6 April 2006 were eligible for membership of the 1992 Firefighters' Pension Scheme. When this scheme closed a new 2006 Firefighters’ Pension Scheme was introduced for regular and retained firefighters employed since 6 April 2006. On 1st April 2015, a new 2015 Firefighters’ Pension Scheme came into effect. The two previous Schemes (Firefighters' Pension Scheme 1992 and Firefighters' Pension Scheme 2006) continue in force for firefighters who were serving before that date and who are eligible to remain members of their earlier Scheme.

In 2015, the Modified Retained Pension Scheme was also introduced which gave retained firefighters employed between 1 July 2000 and 5 April 2006 inclusive the opportunity to pay historic contributions and buy back their service for this period. The Modified Retained scheme does not constitute a scheme on its own but rather a modified section of the 2006 scheme with different benefits.

The new financial arrangements are for the 1992, 2006 and 2015 Firefighters’ Pension Schemes and have no impact on the terms and conditions of either scheme.

The Firefighters’ Pension Fund is an unfunded defined benefits scheme meaning that there are no investment assets available to meet pension liabilities. Employee contributions and a new employer's contribution are paid into the pension fund from which pension payments are made. The fund is topped up by central Government grant if the contributions are insufficient to meet the cost of pension payments and any surplus in the fund is recouped by central Government. The underlying principle is that employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees, while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

The financing of pension payments was taken out of the Formula Grant from April 2006 which instead now takes into account the funding needed to support the cost of the employer contributions and lump sum payments in respect of ill-health early retirements.

Following a complaint brought by Mr W Milne, the Pensions Ombudsman determined in May 2015 that the scheme’s commutation factors should have been reviewed before 2006, and the Government decided that additional payments would be made to scheme members whose pension commenced between 1 December 2001 and 21 August 2006 and who chose to commute pension for lump sum at retirement. In the case of Hertfordshire this related to 70 members and amounted to £1,107k. All liabilities were fully paid by March 2016 and a grant was received from the Government to fully fund these liabilities. No outstanding liabilities exist for Hertfordshire.

Accounting Policies

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on IFRS and summarise the transactions and net assets of the Firefighters’ Pension Fund and do not take account of liabilities to pay pensions and other benefits after 31 March 2016.

Transfer values have been treated on a cash basis and all other amounts have been prepared on an accruals basis.

Firefighter’s Pension Fund

Contributions Receivable

Employer and Employee Contributions

Employees’ and employer’s contribution levels are set nationally by central government and are subject to triennial revaluation by the central Government Actuary’s Department.

The purpose of the employee and employer contribution rates under the new arrangements is to meet the accruing pension liabilities of currently serving firefighters. This means the Council must meet the full cost of employing firefighters, including the cost of future pension liabilities, at the time of employing them.

Separate contribution rates, as a percentage of pensionable pay, apply to the 1992 Firefighters’ Pension Scheme and the 2006 Firefighters’ Pension Scheme, as shown below.

	Employer %	Employee %
1992 Firefighters’ Pension Scheme Pensionable Pay Band		
Up to and including £15,150	21.7	11.0
More than £15,150 and up to and including £21,210	21.7	12.2
More than £21,210 and up to and including £30,300	21.7	14.2
More than £30,300 and up to and including £40,400	21.7	14.7
More than £40,400 and up to and including £50,500	21.7	15.2
More than £50,500 and up to and including £60,600	21.7	15.5
More than £60,600 and up to and including £101,000	21.7	16.0
More than £101,000 and up to and including £121,200	21.7	16.5
More than £121,200	21.7	17.0
2006 Firefighters’ Pension Scheme Pensionable Pay Band		
Up to and including £15,150	11.9	8.5
More than £15,150 and up to and including £21,210	11.9	9.4
More than £21,210 and up to and including £30,300	11.9	10.4
More than £30,300 and up to and including £40,400	11.9	10.9
More than £40,400 and up to and including £50,500	11.9	11.2
More than £50,500 and up to and including £60,600	11.9	11.3
More than £60,600 and up to and including £101,000	11.9	11.7
More than £101,000 and up to and including £121,200	11.9	12.1
More than £121,200	11.9	12.5
2015 Firefighters’ Pension Scheme Pensionable Pay Band		
Up to and including £27,000	14.3	10.0
More than £27,000 and up to and including £50,000	14.3	12.2
More than £50,000 and up to and including £142,500	14.3	13.5
More than £142,500	14.3	14.5

Firefighter's Pension Fund

Contributions received by the Fund are analysed below.

	Employer		Employee	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
1992 Firefighters' Pension Scheme	2,632	1,432	1,799	983
2006 Firefighters' Pension Scheme	454	45	417	38
2015 Firefighters' Pension Scheme	-	1,331	-	1,122
Modified Retained – Service Buy Back	-	-	-	252
	3,086	**2,808**	**2,216**	**2,395**

Ill-Health Early Retirements

Early retirements due to ill-health could, with effect from 1 April 2006, have required the Council to make a lump sum payment into the pension fund of 4× average pensionable pay in respect of all higher tier ill-health retirements and 2× average pensionable pay in respect of all lower tier ill-health retirements, reintroducing some in-year financial volatility, as the number of firefighters who retire on grounds of ill-health will vary from year to year.

However, to deal with this volatility, authorities are required to spread the charges credited to the pension fund equally over a period of three years. The initial payment tranche being made at the time of retirement and subsequent tranches made, without the addition of interest, on 1 April each financial year.

Other approved early retirements have a real cost, which must be covered by employers. These costs will be actuarially calculated for each individual, using a table of factors, and the Council will be required to make a payment into the pension fund.

Contributions received by the Fund are analysed below.

	Employer	
	2015 £000	2016 £000
2006 Firefighters' Pension Scheme	87	87
	87	**87**

There were no additional Ill Health retirements during 2015/16. Ill health charges in both years therefore relate to £67k in higher tier and £20k in lower tier retirements.

Transfers to or from other schemes

Where a firefighter transfers to or from another Fire and Rescue Authority within England there is no need for a cash transfer. A firefighter who transfers out of the Firefighters' Pension Scheme to another pension scheme, or to the Firefighters' Pension Scheme in Scotland, Wales or Northern Ireland, is entitled to ask for a Cash Equivalent Transfer Value to be paid across, equivalent to the value of their pension rights on leaving the Firefighters' Pension Scheme.

This would be paid from the Firefighters' Pension Fund and similarly an inward Transfer Value should be paid into the fund.

Top-up Grant

Since 1 April 2006, where employer and employee contributions paid into the Firefighters' Pension Fund are not sufficient to meet pension payments for the year, the deficit has been met by a Central Government top-up grant paid by the Department for Communities and Local Government (Firefighters Pensions moved to the Home Office from 1st April 2016). Any surplus in the fund must be paid back to central Government as the party that brings the account back to a nil balance at the end of each year.

Liabilities after year end

The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after 31 March 2016, which are disclosed separately in Note 37 of the main HCC accounts.

Glossary

Glossary

This glossary is intended to provide the reader with a clear and concise explanation of the technical terms used in this report.

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.

Accrual Accounting
The inclusion of income and expenditure within the accounts for the financial year in which they are earned or incurred, not when the money is received or paid.

Actuarial Gains and losses
For defined benefit pension schemes, the changes in actuarial deficits or surpluses that arise because:

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

Agency Services
Services that are performed by or for another Authority or Public Body, where the principal, the authority responsible for the service, reimburses the agent, the authority carrying out the work, for the cost of the work carried out.

Amortised Cost Using the Effective Interest Rate Method
The amortised cost using the effective interest rate method applies to both financial assets and liabilities carried at amortised cost. It is a method of determining, from the expected cash flows, the balance sheet carrying amount of such assets and liabilities and the periodic charges or credits to the Income and Expenditure Account of a financial instrument.

Asset
An item that has value owned by the Council. Examples would be land, buildings and stocks.

Balance Sheet
This provides a summary of all the assets and liabilities of the Council, bringing together all the accounts of the Council except the Pension Fund and various Trust Funds whose assets are not at the disposal of the Council.

Billing Authority
The local authority responsible for collecting the Council Tax from residential properties in their area. In Hertfordshire this is the responsibility of the Borough and District Councils.

Budget
A statement of the Council's policy expressed in financial terms. This includes both revenue and capital expenditure.

Capital Adjustment Account
The opening balance on this account represents the combined total of the Fixed Asset Restatement Account and the Capital Financing Account which were replaced at 1 April 2007. From 2007/08 the movements on the Capital Adjustment Account reflects financing of capital expenditure from revenue and capital resources, together with the reversal of amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.

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

Capital Financing Requirement
The amount of money the Council would need to borrow to finance its capital expenditure. The Minimum Revenue Provision in relation to this debt is calculated with reference to estimated life of the asset for which borrowing is undertaken at the end of the preceding financial year.

Glossary

Capital Receipts
The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay outstanding debt on fixed assets or finance capital expenditure within rules set down by government. Capital receipts however cannot be used to finance revenue expenditure.

Capital Receipts Reserve
Income from the sale of capital assets. These receipts are available to either finance capital expenditure or repay debt.

Carry Forwards
These are underspends at the year-end which Members and officers, under delegated powers, have agreed to carry forward to the next year to support that year's expenditure plans.

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

Code of Practice on Local Authority Accounting
The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

Collection Fund
A fund administered by each billing authority. Council Tax monies are paid into the fund whilst part of the net revenue expenditure of the Council is met from the Collection Fund.

Component Accounting
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

Comprehensive Income & Expenditure Account
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. 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.

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

Constructive Obligation
An obligation that derives from an authority's actions, where by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Liability
A potential liability at the balance sheet date, the outcome of which is uncertain, as it is dependent on a future event.

Corporate and Democratic Core
Comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those that 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.

Glossary

Council Tax
A property based tax that is administered by District, Borough and Unitary Councils.

Creditors
Amounts owed by the Council at the balance sheet date for goods and services supplied. This will include receipts in advance that have not been applied at the balance sheet date.

Current Asset
An asset that is realisable or disposable within one year.

Current Liability
Amounts that are due to be settled within one year.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liability expected to arise from employee service in the current period.

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employee's services earlier than expected; and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Amounts due to the Council at the balance sheet date.

Deferred Credits
Capital income potentially due to be received in future periods.

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 of the scheme. The scheme may be funded or un-funded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

Depreciated Replacement Cost
The method employed in valuing land and buildings where a market value basis is not readily available.

Depreciation
The measure of the cost or revalued amount of the benefits of the fixed 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, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers such as The Local Government (Discretionary Payments) Regulations 2006.

Doubtful Debts
A provision made by the Council based on age and particular circumstances relating to amounts owed to the Council.

Glossary

Earmarked Reserves
Sums set aside to meet revenue or capital expenditure needs in the future. Reserves offer the scope for greater flexibility in financing future expenditure.

Emoluments
Amounts paid to employees, including expenses or non-monetary benefits that are taxable.

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

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 in order to give fair presentation of the accounts.

Exit Packages
All relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

Extraordinary Items
Material abnormal items which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

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.

Fees and Charges
Income raised by charging users of services for the facilities. For example, the supply of school meals and home helps.

Financial Asset
A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset

Financial Instrument
A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Finance Lease
Arrangements whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

Financial Liability
A financial liability is an obligation to transfer economic benefits controlled by the Council, either by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

Formula Grant
Central Government provides funding to local authorities through a general grant known as Formula Grant, made up of Revenue Support Grant and Re-distributed Business Rates, in support of its general revenue expenditure.

Foundation School
A school that receives funding from the Council but owns its land and buildings.

General Fund Balance
The excess to date of income over expenditure in the Income and Expenditure Account.

Glossary

Going Concern
The concept that the authority will remain in operational existence for the foreseeable future. Income and expenditure accounts and the balance sheet are produced on the basis that there is no intention to curtail significantly the scale of operations.

Government Grants
Assistance by government and inter-government agencies and similar bodies. When applied, revenue grants are credited to the appropriate service revenue account.

Heritage Assets
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities, that is held and maintained principally for its contribution to knowledge and culture

Historical Cost
The value of capital expenditure originally incurred.

International Financial Reporting Standards
The Code of Practice is the first to be based on International Financial Reporting Standards and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the balance sheet. Examples would include loss in value due to physical damage or decline in market value due to a general fall in prices.

Infrastructure Assets
Assets such as highways, footpaths and railways, whose value is through continued use i.e. there is no prospect of sale or alternative use.

Intangible Assets
Non-monetary assets that do not have physical substance and which provide future economic benefits or service potential.

Investments (Non-Pensions Fund)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments, other than those in relation to the Pension Fund, that do not meet this criterion are classified as current assets.

Investments (Pensions Fund)
The investments of the Pension Fund will be accounted for in the statements of that Fund. FRS17 Retirement Benefits requires authorities to disclose their attributed share of pension scheme assets.

LASAAC
Local Authority (Scotland) Accounts Advisory Committee

Liquid Resources
Current asset investments that are readily disposable by the authority without disrupting its business and are readily convertible to known amounts of cash.

Long Term Borrowing
Loans repayable more than one year after the balance sheet date.

Long Term Contracts
A contract entered into for the provision of a service where the time taken to complete the contract is such that the contract falls into different accounting periods.

Long Term Debtors
Amounts due to the Council more than one year after the balance sheet date.

Minimum Revenue Provision
An amount that the Council is required to charge to the general fund, to provide for the repayment of debt related to capital expenditure.

Glossary

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

National Non-Domestic Rates
A rate in the pound, set by Central Government at a standard countrywide rate, applied to the rateable value of each premise not being used for domestic purposes.

Net Book Value
The amount at which fixed assets are included in the balance sheet. This would be either the asset's historic cost or current value less the cumulative amount provided for depreciation.

Net Current Replacement Cost
The cost of replacing an asset in its existing condition and its existing use.

Net Debt
For cash flow statement presentation purposes, net debt comprises the authority's borrowings plus bank overdrawn positions less positive bank and cash balances, short and long term investments.

Non Distributed Costs
Costs that cannot be directly attributed to services.

Net Interest on the Net Defined Liability
The change during the period in the net defined benefit liability (asset) that arises from the passage of time. The net interest on the net defined liability (asset) comprises the interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling

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

Overhanging Discounts and Premiums
Discounts or premiums occurring as a result of debt restructuring that cannot be linked with the replacement loan.

Past Service Cost
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

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

Post Balance Sheet Events
Events both favourable and unfavourable that occur between the balance sheet date and the date on which the responsible financial officer signs the Statement of Accounts.

Precept
The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax and Business Rates payers on their behalf.

Precepting Authorities
Those authorities which are not billing authorities (i.e. do not collect Council Tax and Business Rates). County Councils, Police Authorities and Joint Authorities are 'major precepting authorities' and Parish, Community and Town Councils are 'local precepting authorities'.

Prior Period Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Glossary

Private Finance Initiative
The private finance initiative provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. In return the private sector receives payment linked to performance in meeting agreed standards of provision.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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

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 realisation of which can be assessed with reasonable certainty.

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Public Works Loan Board
A government agency established to provide long-term loans to local authorities to finance part of their capital expenditure.

Rateable Value
Rateable value of a property is based on an assessment of the annual rental value for non-domestic property. Rateable value multiplied by the rate in the £ levied equals the rate payments for the year

Related Parties
For a relationship to be treated as a related party relationship there has to be some element of control or influence by one party over another, or by a third party over the two parties.

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.

Resources and Performance
A directorate of the Council which contains the services organised on a corporate basis that support the delivery of services to the public

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. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Return on plan assets, excluding amounts included in net interest on the net defined liability
This is defined as interest, dividends and other income derived from the plan assets, together with realised and unrealised gains and losses on the plan assets, less:

- any costs of managing plan assets, and

- any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

Revaluation Reserve
Gains and losses on an individual asset basis arising from revaluations are reflected within the Revaluation Reserve.

Revenue Contingency
A sum set-aside for future pay and price increases.

Revenue Contributions to Capital Outlay
Contributions from revenue to finance capital expenditure.

Revenue Expenditure and Income
This is expenditure on day-to-day running costs and consists primarily of salaries and wages, premises related costs and supplies and services. Revenue income will include fees and charges and service specific grants.

Revenue Expenditure Funded from Capital under Statute
Expenditure which does not result in, or remain matched with, assets controlled by the authority.

Revenue Support Grant
A grant paid by central government in aid of local authority services in general, as opposed to specific grants, which may only be used for a specified purpose.

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.

Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Service Reporting Code of Practice
The Code that establishes ‘proper practices’ with regard to consistent financial reporting for services.

Short Term Borrowing
Loans repayable within one year of the balance sheet date.

Short Term Investments
Deposits with approved financial institutions which, when placed, had a maturity date of less than one year

Soft Loans
Loans made for policy reasons that are interest free or at rates below prevailing market rates.

Specific Grants
Government grants to local authorities in aid of particular projects or services.

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

Total Cost
The total cost of providing a service, including an appropriate share of all support services and overheads.

Glossary

Transfer Value
The value of an employee’s pension rights when transferring from one pension scheme to another.

Useful Life
The period over which the Council will derive benefits from the use of a fixed asset.

Vested Rights
In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- for deferred pensioners, their preserved benefits;
- for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses, civil partners or other dependants