



Hertsmere Borough Council
Annual Financial Report & Statement of Accounts
For the Year Ended 31 March 2009

Annual Financial Report & Statement of Accounts: 2008/09

Contents:

A Message from the Leader of the Council	2
Outlook Statement	10
The Council's Carbon Footprint Report.....	18
Annual Governance Statement.....	25
Statement of Accounts: 2008/09.....	44
Glossary of Terms	109

A Message from the Leader of the Council

As the Leader of the Council, I am delighted to contribute to this year's Annual Financial Report & Statement of Accounts.

With the country and much of the developed world still in recession it is important to demonstrate to our residents how the Council has performed financially during this time and how it has continued to provide value for money in an economy where service cuts and redundancies are becoming ever more recurrent.

Over the next few pages I would like to celebrate some of the Council's key achievements with you, and when you read the statement of accounts later in this report, you will see how all of these have been delivered within budget, and with a little bit to spare. In this statement I will also share with you some of the plans we have afoot to keep providing the high quality service our residents have come to expect.

Hertsmere Borough Council plays a leading role in improving the quality of life for its residents. It is also committed to the ambitions of the community, which it demonstrates through participation in the Community Strategy (Hertsmere Together) and its own Corporate Plan.

I hope you will join me in celebrating all that the Council has achieved over the last financial year months and by working together we can all continue to contribute to a better quality of life for us all in the future.

Feedback from our Residents

Before I report on our achievements over the past financial year or so I would like to highlight some feedback we've received from you, our residents, during the last survey we carried out.

The survey was carried out in 2008 and the feedback demonstrates that the Council is making real progress in improving the types and quality of services our residents expect. From the residents surveyed:

- **84% are satisfied with their area as a place to live, of which 33% were very satisfied.** This is the highest recorded since the first survey carried out in 1999, and a 2% increase on 2005.
- **71% are satisfied with the way the Council is being run.** Again this is the highest recorded since the first survey carried out in 1999, and a 5% increase on 2005.
- **87% felt that the current availability of access to the Council meets their needs.** This includes offices, opening hours, web availability, and out of hours service.
- **52% think the Council provides good value for money.** Again this is the highest recorded since the first survey carried out in 1999, and a 13% increase on 2005.

As the leader of the Council, I am deeply committed in providing our residents the best possible service for their council tax, and whilst I am very pleased with the feedback we have received from the residents' survey, I also recognise there are many areas we still need to approve upon to ensure the Council meets all its corporate objectives and needs of the community in the future.

Maintaining Low Levels of Council Tax

As with most local authorities throughout the country, Hertsmere is finding it increasingly difficult to balance ongoing demands for increased provision of services, against the limited financial resources being made available. Despite this, our members and officers were able to identify significant efficiencies that allowed the Council to restrict the increase in Council Tax to 3.8% in 2008/09 and just 2.8% for 2009/10. The latter being the equivalent of an additional 9.4 pence per week for the average Band D property, or £4.90 per year when compared to the previous year.

In 2009/10 Hertsmere's share of the total council tax charged to its residents is just 11% - which is 11 pence in every £1. For an average band D property without a parish, this equates to £157 per year, which pays for services provided by the Council such as housing, museums, bus passes, parks, planning services, waste and recycling, health inspections, cemeteries, police community support officers, grants to community groups, and leisure activities for all ages.

The Council's Aim for Service Provision

Over the last year, the Council has worked hard to achieve the promises it made to the community to support the key areas of work.

The Council has six corporate goals and objectives which reflect those set by the local strategic partnership. To ensure clear linkage of accountability the achievement of these objectives are cascaded down into individual employee's appraisals.

The Council's six corporate goals and objectives are:

- Create an even safer community for all.
- Sustain improvements in the quality of Hertsmere's environment.
- Continue to promote healthy living, leisure and cultural opportunities.
- Encourage economic prosperity.
- Work towards meeting local housing needs through our strategic housing role.
- Sustain organised improvements to meet community needs.

What has Been Achieved to Date / Is Being Achieved?

As mentioned earlier I would like to now share with you the Council's key achievements over the past year or so. To put them into context I have addressed each achievement under the relevant corporate goal.

Create an Even Safer Community for All

Our Crime and Disorder Reduction Partnership (CDRP) continues to grow from strength to strength, and through this we contribute £128,000 a year for the 27 Police Community Support Officers currently employed in the borough.

Reducing crime is a key concern to our residents with 22% of respondents to our 2002 survey stating improvement was required. As a result of the CDRP and the investment made by the Council I am very pleased to report that recent statistics show a real reduction in crime in the area. June 2009 saw a 7.6% (year to date) reduction in all crime, which was equivalent to 224 fewer cases, and reductions were also seen in deliberate and non deliberate fires. With only 13% of residents (2008 survey) now feeling reduction of crime requires improvement, it is clear that the Hertsmere is becoming a safer place to live.

Some of the Council's other achievements and activities include:

- The receipt of the Hertfordshire Constabulary's Mick Fogarty Problem Solving Award for the Councils innovative approach to tackling disorder at Halloween.
- Supporting community cohesion through the granting of £5,000 to the Hertsmere Forum of Faiths.
- Community safety awareness activities such as speed meeting events, dog watch schemes, and Speed Kills.

Sustain Improvements in the Quality of Hertsmere's Environment

We are extremely proud of our achievement of a 40% recycling rate in the borough for 2008/09 which represents a significant increase since 2004/05 when we were achieving only 13%. We are working to further increase this through a range of initiatives, which include introducing recycling for flats in partnership with Registered Social Landlords.

The Council continues to support the Hertfordshire-wide real nappy campaign, and each family participating in the nappy collection pilot would receive a free real nappy. This pilot is being implemented in direct response to concerns raised by residents.

I am very pleased to announce that we have been awarded 4 Green Flags for our parks (Aberford Park in Borehamwood, King George in Bushey, Oakmere and Parkfield in Potters Bar) and 1 Green Pennant (for Fishers Field in Bushey). The Council has invested a lot of money in recent years in order to improve the quality of our parks, including £160,000 on the café in Aberford Park.

The Council has also successfully secured a grant from the Heritage Lottery Fund of £942,000, which it will use, together with £250,000 from its own capital funds, to restore the Bushey Rose Garden to its former glory. Work is now underway and should be completed in the summer of 2010.

Some of the Council's other achievements and activities to sustain improvements in the quality of the boroughs environment include:

- The temporary introduction of weekly waste collections in the event that summer temperatures remain over 30°C for 5 days or more.
- The award of £15,000 to the Council to set up one of the country's first Local Development Orders, which will encourage investment in Borehamwood town centre.
- The introduction of the Community Toilet Scheme, which if proved successful will be rolled out to other areas in the borough.
- Working with energy providers to promote greater energy efficiencies within the borough.

Continue to Promote Healthy Living, Leisure and Cultural Opportunities

The Council has been working very hard to deliver this corporate goal during the year, which has included making significant capital investment. Most notably is the development of the Borehamwood Community Theatre, which will give the community a modern purpose-built facility which will also be used during the day by the young people of Hertswood School. This project came about as a result of the community campaigning and I am delighted that the Council is able to respond to its residents in this way.

The Council is also heavily involved in the development of Borehamwood Village Hall, which once complete will facilitate the delivery of a range of services from one location, including a library, museum, youth and active elderly services, as well as two community halls and meeting facilities for use by a wide range of community organisations.

Again, the Council has responded to feedback from its residents and has introduced new activities for its Fifty Plus programme. Our initiatives to promote physical activity have proved successful as we see an increase in participants. One of the initiatives has been to introduce free swimming for the over 60's and under 16's, and our 'Mums of Steel' programme has received Lottery Funding from the Herts Sports Partnership in order to secure a further 32 sessions.

Through the Community Sports network and Active Hertsmere, the Council has been able to run a number of after-school sessions, mainly for secondary school pupils, through Shenley Cricket Club and Tabard Rugby Club. Further, Hertsmere is proud to have entered an additional seven teams in the 2009 Hertfordshire Youth Games, from which I'm delighted to report that a silver medal was won in Badminton, and bronze medals won in Boccia, Kwik Cricket, Girls Football and Aquathlon. My congratulations go to all who participated.

Our residents have also enjoyed many other activities provided by the council such as Easter Egg Hunts, where over 1,500 people attended across the borough. Jazz in the Park at the King George Recreation Ground attracted almost 50 people after it was arranged in partnership to raise funds for Mencap. Also taking place at the King George Recreation Ground, the Council successfully arranged the May Madness Day in support of the Friends Forum, and free rides were offered to disabled children when the fun fair came to town at Meadow Park in June.

Encourage Economic Prosperity

In the current recession, the encouragement of economic prosperity is always going to be particularly challenging. However the Council has made some positive achievements, not just to encourage prosperity going forward but also to assist those affected most by the current recession.

As previously mentioned, the local economy is set to get a boost thanks to our successful bid for £15,000 to set up one of the country's first Local Development Orders. Basically this means that Borehamwood town centre will be a pilot area for the new scheme which could help relax certain planning controls and encourage investment.

Our continued commitment to Elstree Film Studios continues to pay dividends for our community. The studios continue to exceed previous performance and last year contributed over £1.1m to the Council's income. We have now recruited an experienced managing director and are exploring opportunities to work with educational organisations, such as the London Film School, to provide a base for film and television skills development.

I do not have to mention the effect the current recession has had on many local businesses in the borough, which has led to many of our residents being left without work. As expected this increase in unemployment has led to a greater demand for services such as housing and council tax benefits, and particularly services provided by the Citizen's Advice Bureau. This year we have increased our core funding to the Citizens Advice Bureau to £215,000, with a further £37,000 being made available for the next two years to fund a specialist money advisor to support debt counselling.

In addition the Economic Development and Regeneration Group (part of the Local Strategic Partnership) has been working in partnership to provide an Advice Bus, a mobile centre where residents, primarily from deprived areas, can go for advice on debt, careers and unemployment. Advice has also been provided to local businesses, and local training providers have been used to provide government funded programmes to re-skill many unemployed residents in the borough. A Beat the Credit Crunch leaflet has been produced and is available from various locations throughout the borough as well as on the Council's website.

Working in partnership with Hertsmere Leisure Trust, the Council is proposing to build a day nursery at the Furzefield Centre in Potters Bar. The proposed project forms part of a county led initiative, whereby the Leisure Trust was selected to run Children's Centres within the borough. The project will require capital investment from both parties, but operating as a joint venture, the day nursery will not only meet community needs, but will also provide additional income for the Council.

Finally in an attempt to regenerate the local economy, the Council has awarded a grant to Screen East for the work it carries out in promoting the borough as a location for filming. At the end of the financial year Screen East maintained 958 locations within the borough on its database. Furthermore during the financial year a total of 192 days filming was carried out at these locations, which it is estimated to have generated approximately £2.76 million for the local economy.

Work towards Meeting Local Housing Needs through our Strategic Housing Role

The Council has successfully established a Housing Fund that enables it to plan for future housing needs. The Council now acts as an enabler and facilitator by directly intervening in the housing market and working in close partnership with the Registered Social Landlords.

By introducing the Choice Based Lettings Scheme, the Council is making better use of its housing stock by giving choice to its customers. Since the introduction of the scheme, I am pleased to report that the number of statutory homeless residents accommodated in hostels has decreased by 42% to just 41 during the last

financial year. Furthermore, by passing the responsibility for decision making direct to the customer, the scheme has given them a greater stake in their home and community, which in turn will lead to more sustainable tenancies and communities.

By providing a grant to the Home Improvement Agency (HIA) the Council has been able to secure dedicated staff to provide support directly to our elderly and disabled residents. Through this support, the HIA help our residents to obtain much needed home improvement works that meets their needs and helps improve their quality of life. The elderly also benefit from a scheme we administer called "Be Warm Be Wise". The scheme, which is available to pensioners whose main source of income is from the state pension and who live in a privately owned house, provides free installation of cavity walls and loft insulation.

The Council has also recently completed a second successful year as the Regional Centre of Excellence for Youth Homelessness. Part of our responsibility includes promoting good practice in preventing and tackling youth homelessness, and following the award of a central government grant we have now been able to produce a Compendium of Good Practice, which has proved invaluable in assisting young people in housing need.

Moving forward, the Council recently approved a new Housing Strategy, which, following extensive consultancy within the borough, has led to new action plans being laid specifically aimed at our vulnerable residents.

Our 5 year Homelessness Strategy has also been updated to include specific action plans for groups such as young people, victims of domestic violence, and people with mild learning difficulties or mental health issues. Since this strategy was introduced in 2008, we have successfully initiated trial tenancies aimed at people aged 16 and 17 which has helped our younger resident's access affordable housing and set up their own homes. Through the strategy, we have also been working with Irish Centre Housing and have made progress in developing support schemes for young men in Borehamwood, as well supporting young families in South Mimms. Other actions following the introduction of the strategy includes meeting with younger residents to raise awareness about homelessness and carrying out a sleeping rough survey.

As well as those already mentioned some of the Council's other key achievements in the year are:

- Taking a lead on the London Commuter Belt Fuel Poverty Project which, with substantial government funding, has been established to improve energy efficiency and deliver advice to 13,000 households in Hertfordshire and West Essex.
- The introduction of a Tenancy Liaison Officer to assist tenants within the private rental sector manage their tenancies.
- Continued investment of £100,000 year to fund disabled facilities grants.
- The facilitation of the regeneration of the GMG Estate, which comprises Girton Road, Munro Road and Gulland Road.

Sustain Organisational Improvements to meet Community Needs

There have been many changes in the way the Council carries out its day to day business in order to meet its communities needs. Many of these changes have been centred on a greater level of partnership working with other stakeholders in the area, in order to deliver enhanced services as efficiently as possible. One of the initiatives to promote this is the Local Strategic Partnership (Hertsmere Together), which has now been in operation for a couple of years and which I have the pleasure of chairing. However I could not mention this project without acknowledging the valuable support I have received from our chief executive and officers, and other local partners – especially those from voluntary groups.

The Hertfordshire Pathfinder is also a partnership initiative, led by Hertfordshire County Council and includes all authorities within the county. The partnership looks at better ways for neighbouring authorities to work together in order to provide the same quality services for less money. There have been various initiatives taking place across the county, with Hertsmere being involved some of these. Our Information Services department is part of the Hertslink project which provides much of our IT infrastructure through a central source maintained by County. Our Legal department is leading on an initiative to share specialist knowledge within the county, which

we hope will lead to a greater access to legal support but without incurring the cost of employing individual specialists. In conjunction with other Hertfordshire local authorities, our Human Resources department is also looking at ways to share certain services within the Council.

Through Pathfinder, we are also looking at ways to improve our customer services, with plans afoot to carry out joint training with other authorities and the introduction of Mystery Shoppers. Call-recording within our Customer Services department has also recently been introduced which will help us monitor our officers' telephone handling skills and improve the experience for residents contacting the Council.

Delivering a great service to our residents can only be achieved with skilled staff. The Council is dedicated to developing all of its staff and I am pleased to announce that the Council is now the proud holder of three Investors in People accreditations: one each for its Building Control, Engineering, and Street Scene Services, with many more departments currently working towards the accreditation. In addition to the IIP, our Finance department has been accredited with ACCA gold status for development of its staff, whilst our Building Control and Engineering Services departments have both retained their BSI accreditation. With the Council investing approximately £400 per person on training, I am pleased to see the positive effects it has had on service delivery.

As the Council moves forward there will be a greater emphasis on consulting with its residents. Various activities are already carried out, such as surveys and resident focus groups. This year we introduced the Ward Improvement Initiatives Scheme which allows each of our elected members to consult with their constituents and spend up to £2,000 per year on local projects. In the future the Council will be consulting its residents further, as we explore the use of Participatory Budget, which as the name suggests, will allow our residents to actively participate in the budget-setting process.

Some other things the Council's has been involved in is:

- The implementation of a new customer payment system, which has improved security and user functionality.
- The introduction of regular staff briefings to cascade information efficiently within the organisation.
- The use of new methods of communicating externally with residents and customers, such as Twitter.
- Employing a diverse workforce in relation to various equality standards.
- The re-launching of our 3C's system which allows us to record and review comments, complaints and compliments made about the Council.
- Strengthening of our leadership within the community, county and region.

In conclusion, I am sure you will agree that the Council has much to celebrate and we will continue to strive to deliver high quality services over the next year and work to deliver what the community tells us is most important.

2009/10 and Beyond

In this section I would like to comment on future financing for the Council. Not only is central Government challenging local authorities to achieve efficiency targets, but local people are also looking for assurances that our finances are robust and sufficient to ensure the sustainability of our services.

Our Medium Term Financial Strategy looks carefully at future revenue streams and cost drivers, identifies risks associated with them and highlights additional resources required as part of the reserves and balances policy. By carrying out a sensitivity analysis, we are able to assess the impact of internal and external factors on the Council resources over the coming years. Our Capital Strategy and Prudential Code require that we maintain a clear plan for our capital expenditure in the medium, term, as well as ensuring that the revenue implications of any capital programme are also budgeted. The adoption of the annual capital budget allows us to meet both requirements and assist in efficient and effective service delivery.

We have regularly exceeded our government set efficiency targets, which has enabled us to invest savings back into front line services. Our efficiency gains for 2008/09 were £586,000 against a target of £510,000. We managed to earn an additional £750,000 of interest on our investments, which we have used to set up an interest equalisation account, which will help us minimise the effect of the current reduction in the base rate.

In light of the efficiency challenges being set, the current economic climate, and the challenge of public sector spending cuts, we have started the budget setting process for 2010/11 earlier this year, with our strategic level figures based on prudent budgetary assumptions.

The 2008/09 Statement of Accounts

It can be seen from my statement and the Statement of Accounts that despite the current recession, the Council has still managed to deliver its objectives whilst achieving a small surplus of £14k. This is a great achievement and demonstrates the commitment of our staff and the sound financial management at the Council.

I cannot conclude my statement without mentioning Hertsmere's investment of £1m in Heritable Bank which entered into administration in October 2008. This investment was made in accordance with best practice and guidelines which governs financial management within the Council. Recent communication with the banks administrators has been positive and I'm pleased to report that it is expected that the Council will receive approximately 80% of its original deposit back. At the time of writing this report the Council has received its first dividend payment of 16 pence in the pound from the administrators, and the remaining balance is expected over the next 4 years as the bank liquidates its remaining assets.

Finally I would like to take this opportunity to thank the Director of Resources, as well as the Head of Financial Services and his team, for all their hard work and dedication in producing the final set of accounts by the statutory deadline. I would also like to thank Councillor John Graham, as Finance and Property Portfolio Holder, for his efforts in supervising the finance function.

I look forward to continuing my work with you in the future.



Councillor Morris Bright
Leader of Hertsmere Borough Council

Date: 29 September 2009

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Outlook Statement

The Development of the Council's Corporate Plan

The Community Strategy sets out the long-term vision that the Council shares with its partners and the residents of Hertsmere and has been developed in consultation with other relevant service providers and stakeholders, local voluntary and community groups, local businesses, and the wider general public. This, combined with statistical evidence, ensures that the Community Strategy reflects local needs and aspirations. These have helped the Council to develop its Corporate Plan which includes the following as corporate goals:

- Create an even safer community for all.
- Sustain improvements in the quality of Hertsmere's environment.
- Continue to promote healthy living, leisure and cultural opportunities.
- Encourage economic prosperity.
- Work towards meeting local housing needs through our strategic housing role.
- Sustain organisational improvements to meet community needs.

The Revenue Budget Setting Process

Setting an achievable revenue budget is dependent upon resolving the fundamental conflict between the desire to improve services whilst at the same time ensuring that the cost of those services to the taxpayer is acceptable, affordable and sustainable. In order to resolve these conflicting aims, the Council needs to gain a clear understanding of the following factors:

- What level of funding is required to provide each service for the forthcoming year.
- Which areas the Council considers to be its priorities for allocating funding in accordance with its Corporate Plan.
- Whether any efficiency gains or innovative service delivery solutions are possible for each service (e.g. through partnerships and shared service).
- Whether any additional income can be generated either in the form of government grants, external funding or through fees and charges levied.
- After consideration of all of the above factors, what will be an acceptable level of council tax for the forthcoming year.

Matching Financial Resources to Priorities

The Council's plans for spending on services look forward at least three years based on the Corporate Plan. This plan known as the Financial Strategy is reviewed annually to reflect changes to the Community and other strategies. In addition, as mentioned above, the Council carries out community consultations regularly, which play a significant role in setting priorities for resource allocation in the spending plans. These spending plans are dependent on the government's proposals for financial support to local government, as grants are the main source of income.

Determining Council Spending Plans

Considerable pressure has been placed upon spending plans by the efficiency gain targets set by central government and the overall cap placed on the council tax increase of only 5%.

Statutory and Other Demands for Increased Expenditure

In determining its spending plans the Council must take account of any new unavoidable or statutory demands placed upon it.

Reductions in Income

The Council receives income from many sources. Whilst officers and members take the required steps to safeguard the Council's income, there are some sources of income that are outside the direct control of the Council and as a result, the income targets in the 2009/10 budget have been reduced in the following areas:

- Uncertainty of planning application fee income due to market conditions.
- Uncertainty in income generated from subsidiary entities.
- Uncertainty in income from Land Charges due to regulatory changes.
- Reduction in the funding available from investment income as the Council seeks to reduce its reliance on this funding source.

Spending plans are further influenced by national and local priorities for the expansion and improvement of services, taking account of the following trends and policies:

Trends:

The Council is aware that the following areas require special attention and are based upon previous experience, emerging legislation and professional assessment:

- The current mismatch between the level of affordable housing available and the demand for it from young, single people and particularly key workers will continue, resulting in local employment difficulties. The impact of the credit crunch in 2007, and in particular, the availability of affordable mortgages will also have an impact.
- Pressure for new development is likely to continue at present levels with fewer urban area sites becoming available in the borough to sustain this growth.
- The condition of the local environment, waste management and recycling will attract higher public interest and demands for improvement.
- There will be a continued growth in car ownership with limited new road building or improvement in public transport.
- Climate change will result in increased risk from flooding and place more pressure on energy conservation and pollution control.
- The proportion of older people in the local population will continue to increase, but remain relatively affluent, demanding improvements in leisure, recreation, health and social services and the infrastructure needed to support it.

- Financial pressure on all parts of the public sector will continue forcing those organisations to be more active in forging strategic alliances and partnerships and in devising other innovative ways of delivering and procuring services.
- With Hertsmere being the second most diverse district in Hertfordshire, a higher emphasis is placed the requirement for access to services.

Value for Money Policy and Gershon Efficiency Gains Agenda

The Council has a statutory duty for delivering value for money with public funds. It should keep its internal controls under continuous review in order to manage all its limited resources in an efficient and effective manner, taking into account guidance on good practice issued from time to time by the Council's auditors and appropriate advisory bodies.

Value for money is the term used to measure whether or not an organisation has obtained the maximum benefit from the goods and services it acquires and/or provides, with its resources. Value for money not only measures the cost of goods and services, but also takes into account quality, whole life costing, best value, benchmarking and other criteria to see whether or not, when merged together, they represent good value for money.

Achieving value for money may also be defined in terms of the '**three E's**' – economy, efficiency and effectiveness:

- **Economy:** the most economically advantageous price paid to provide a service (i.e. doing less with fewer resources).
- **Efficiency:** a measure of productivity – how much you get out in relation to what you put in (i.e. doing the same as before, but with fewer resources).
- **Effectiveness:** a measure of the impact achieved and outcome (i.e. doing more than before with the same resources as now).

Department of Communities and Local Government's (DCLG) assessment on efficiency gains are categorised in the following groups:

- Reducing inputs (money, people, assets, etc) for the same output.
- Reducing prices (procurement, labour costs, etc) for the same outputs.
- Getting greater outputs or improved quality (extra services, productivity, etc) for the same inputs.
- Getting more outputs or improved quality in return for an increase in resources that is proportionately less than the increase in output or quality.

Certain types of activity are not acceptable as efficiency gains:

- Re-labelling of activity (e.g. reclassifying inspection as advice).
- Cuts that result in poorer service for the public.
- Increased income purely from higher prices in fees and charges to the public.

DCLG recognises the efficiency gains will be both cashable and non-cashable, but also has reservations that the cashable gains may be detrimental to the quality of the services. Hence DCLG has recommended that Councils should adopt a suitable set of quality cross checks to demonstrate that the quality of the service is either improved or maintained.

Approach to Delivering the Efficiency Agenda

Procurement:

- Competitive tendering.
- Introduction of the e-market place should result in economies of scale.
- Introduction of contract procedure rules has standardised procedures and documents with regards to all types of procurement.

Personnel:

- Developing flexible working, providing opportunities for home working and dedicated teleworking centres to recruit and retain better staff so that the cost of recruitment can be reduced and to improve productivity via enhanced staff morale.
- Reducing sickness absence levels.

Corporate Plan and Policy Framework:

- Business Process Review (to eliminate duplications and inefficiencies in processes).
- Partnership and collaborative working.

Asset Management Plan:

- Better use of our existing asset portfolio.

For further details refer to the Council's Financial Strategy available on the Council's website.

The Council will have to put in place more robust and innovative ways of achieving further efficiencies. As the Council becomes more and more efficient, the challenge of achieving further annual efficiency gains set out by DCLG will become more difficult to realise. Following the Comprehensive Spending Review (CSR) 2007, the required efficiency gains have been increased to 3% per annum, all of which need to be cashable.

The Council is also participating in the Hertfordshire Pathfinder initiative, which has been set up to promote partnership working with other councils within the area, to provide quality services whilst generating real efficiencies. A target of 0.5% of efficiency savings has been set for the county as a whole, and the Council is already involved in several projects reviewing potential partnership arrangements within legal and payroll services.

The Councils Spending Plan for 2009/10

2008/09 Approved Budget £'000		2009/10 Approved Budget £'000
	Gross Expenditure:	
1,913	Planning & building control	2,120
2,193	Housing and health services	2,498
5,437	Waste management & street scene	5,426
2,339	Corporate support	2,610
1,657	Finance, revenues & benefits and IS	1,364
1,747	Legal & democratic services <i>(including estate maintenance)</i>	2,942
813	Human resources & customer services	856
1,434	Corporate management	793
190	Audit & assurance	177
311	Other income / expenditure	301
18,034	Gross requirement	19,087
	Less:	
6	Mortgage interest receivable	4
3,914	Depreciation & capital charges	4,628
14,114	Total net requirement	14,455

Analysis of 2009/10 Budgets

	Gross Cost £'000	Less: Income £'000	Gross Requirements £'000	Less: Depreciation £'000	Total Net Requirements £'000
Services:					
Planning & building control	3,996	1,876	2,120	205	1,915
Housing and health services	2,842	344	2,498	230	2,268
Street scene services	7,034	1,608	5,426	480	4,946
Corporate support	2,837	227	2,610	3	2,607
Finance, revenues & benefits	32,567	31,203	1,364	-	1,364
Legal, democratic services *	7,609	4,667	2,942	3,701	(759)
Human resources & customer	930	74	856	9	847
Corporate management	793	-	793	-	793
Audit & assurance	177	-	177	-	177
Other income / expenditure	562	261	301	-	301
Sub-total	59,347	40,260	19,087	4,628	14,459
Mortgage interest receivable	-	4	(4)	-	(4)
Total	59,347	40,264	19,083	4,628	14,455

* includes estate maintenance

Implications of the 2009/10 Spending Plans for Tax Payers

In order to work out the Council Tax that is required to pay for the net cost of services, the following must be considered:

- Take into account other items of corporate expenditure, such as interest receipts and payments.
- Adjust the figures for non-cash entries such as capital charges.
- Consider the amount central government is contributing to spending commitments.
- Add on the amount that will be required on behalf of town and parish councils.

2008/09 £'000		2009/10 £'000
18,034	Budgeted net cost of services	19,087
(6)	Other items of corporate expenditure	(4)
(3,914)	Capital charges component	(4,628)
(7,829)	Income from central government grants	(7,868)
6,285	Net funds required by Hertsmere Borough Council	6,587
908	Funds required by town and parish councils	945
(12)	Collection fund deficit / (surplus)	(71)
7,181	Amount to be raised from Council Tax	7,461

The average Council Tax levy for Band D for the **prior year** was £175.27. This is calculated by dividing the council tax requirement of £7,180,982 by the equivalent number of Band D households of 40,971.

Using the new tax base of 41,406 and dividing it by the requirements of £7,460,533, the average levy for 2009/10 is £180.18. This means the Council has increased the Band D levy by an average 2.8 %.

The Council also incurs expenditure on services that are provided in only part of the Council's area. These expenses are termed 'special expenses'. An example is allotment maintenance costs. The following analysis looks at the increase on Council Tax within each parish including special expenses and parish council charges for a Band D property. This increase will apply on the same basis for properties within the other bands.

Analysis of the 2009/10 Council Tax Charge at Band D by Area

	Aldenham		Elstree & Borehamwood		Ridge		Shenley		South Mimms		Bushey & Potters Bar		TOTAL
	No	£	No	£	No	£	No	£	No	£	No	£	
Tax Base: (number of households)	5,102		13,482		96		1,820		358		20,548		41,406
		£		£		£		£		£		£	AVERAGE
General Expenses (before government grants)	334.44		334.44		334.44		334.44		334.44		334.44		334.44
Special expenses	0.16		15.99		16.15		15.99		17.21		17.21		14.66
Parish / town council charge	106.63		24.42		8.33		33.32		27.93		-		22.82
Gross charge at band D	441.23		374.85		358.92		383.75		379.58		351.65		371.92
Less:													
Revenue support grant	35.64		35.64		35.64		35.64		35.64		35.64		35.64
NDR grant	154.39		154.39		154.39		154.39		154.39		154.39		154.39
Collection fund surplus	1.71		1.71		1.71		1.71		1.71		1.71		1.71
Net charge at band D	191.74		191.74		191.74		191.74		191.74		191.74		191.74
Total collection	249.49		183.11		167.18		192.01		187.84		159.91		180.18
Prior year charge	243.17		177.94		162.79		187.52		183.44		155.58		175.27
Increase including Parish / Town	6.32		5.17		4.39		4.49		4.40		4.33		4.91
	2.6%		2.9%		2.7%		2.4%		2.4%		2.8%		2.8%

The Council's Carbon Footprint Report

Introduction

What gets measured gets attention! So the saying goes. Without some form of measurement the Council cannot manage effectively its operational carbon dioxide [CO₂] emissions or be able to provide evidence of sustained improvements in its effort to reduce its carbon footprint.

Calculating a carbon footprint is only the beginning of carbon management but a useful exercise as part of a complete environmental management system.

Many organisations including some local authorities already publicly report their carbon emissions which until October 2008 was not mandatory. The Government now makes it compulsory for local authorities and local authority partners to display their operational carbon emissions in the form Display Energy Certificates [DECs] year on year.

This council's approach to carbon footprint measurement is based on the current Department for Environment Food and Rural Affairs [DEFRA] developed excel spreadsheet tool to capture information on CO₂ emissions from buildings and transport. The same tool is used to report information on percentage CO₂ reduction from all local authorities and Government offices operations to DEFRA.

However for authorities that use different carbon management tools to calculate their CO₂ emissions such as that of the "Carbon Trust", the DEFRA excel spreadsheet tool has been designed for ease of importing and exporting information.

The Council's Objectives for Establishing its own Carbon Footprint

There are five main reasons for calculating the council's operational carbon footprint and these are:

- To demonstrate leadership in tackling climate change.
- To help the council manage effectively its carbon footprint and reduce emissions.
- To enable the council to report the footprint accurately to stakeholders.
- To help the council set a realistic reduction target.
- To ascertain what level of emissions the council need to offset in order to become carbon neutral.

Calculating the council's carbon footprint is an effective tool for ongoing energy and environmental management.

This approach is relatively quick and straight forward. The opportunities for reduction can easily be identified and prioritised, focusing on the areas of greatest savings potential.

Requests have been made in the past by interested residents for the publication of the council's carbon footprint and now that request can be granted.

Climate Change Strategy

The Framework Paper

The Council’s Climate Change Strategy Framework Paper has been prepared to bring together policies, service plans and strategies which address different aspects of Climate Change. The Framework Paper identified four core strands of work that needed to be addressed:

- Leadership including sending signals and changing behaviours.
- Mitigation to reduce the level of Council’s carbon emissions.
- Identifying and promoting adaptation strategies and technologies.
- Risks and opportunities associated with climate change.

These strands can be achieved at two levels – internally within the Council as corporate manager and service provider and externally as part of the Community Strategy and through implementation in the wider community.

The principal strategic outcomes will be:

- Changed behaviours.
- Reduced emissions.
- Reduced vulnerability.

The Council’s Climate Change Strategy [CCS]

The Council’s strategy [CCS] is expected to be published in October / November this year. This overarching strategy is being developed to address the 4-core strands identified above, co-ordinate and promote activity within the Council and across the borough as a whole. In addition the strategy will recognise the contribution of existing initiatives which provide continuity of action on climate change and will help ensure key areas are prioritised and implemented.

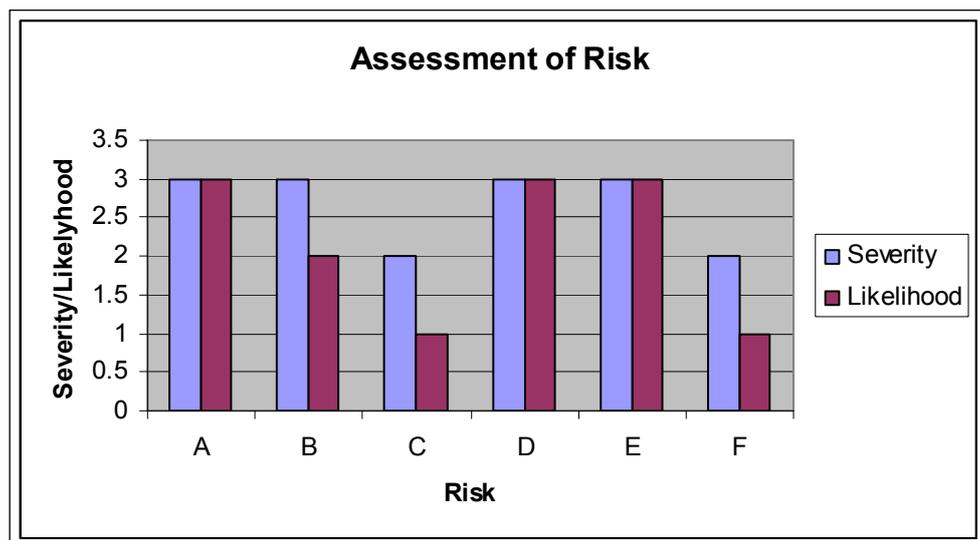
Strategic aim	Strategic Response
<ol style="list-style-type: none"> 1. Significantly reduce Hertsmere Borough Council’s (HBC’s) operational impact on climate change. 2. Adapt the Council’s business to the consequences of climate change and take full advantage of the opportunities it presents. 	<p>In the light of UK Climate Change Act 2008 and consequent regulatory backdrop HBC has made a bold and strategic commitment on climate change mitigation by signing the “Nottingham Declaration” and taken the following actions:-</p> <ul style="list-style-type: none"> ○ A Strategy Group has been set up consisting of the Director of Environment and other senior managers to oversee the inter-departmental approach to the carbon neutrality motion. ○ Developed the Council’s Travel Plan to encourage sustainable mode of travelling. ○ Established an officer task group known as “The Energy and Sustainability Team (EAST)” with the principal aim to reduce energy consumption and sustain the local environment. ○ Work alongside our peers in Hertfordshire in tackling climate change by pulling together resources to achieve a common goal. ○ Prepared High Level Action Plan and progress against the long term targets will be monitored on an annual basis.

Impacts of Climate Change on Council Services

The diagram and table below summarise the output of the Council's risk management and opportunity appraisal process for risks and opportunities with specific relevance to climate change. A fuller analysis of these risks and the Council's response to their mitigation and the opportunities identified can be found on the "Climate Change Risk Assessment Register" which is available on request.

Risks

A	Failure to respond to climate change.
B	Failure to respond to extreme weather events.
C	Failure to improve and sustain the quality of the Council's environment.
D	Failure to meet carbon reduction targets.
E	Fail to allow for climate change in strategic and service plans.
F	Fail to implement and enforce HBC Land Drainage Byelaws.



Opportunities

1	Cost savings from energy efficiency.
2	Improvements in residents' quality of life.
3	Eradication of fuel poverty.
4	Increase in energy efficient product sales for local businesses.

Carbon Emissions

Definition:

- **Direct Emissions** are emissions from sources that are owned or controlled by the council.
- **Indirect Emissions** are emissions that are a consequence of the activities of the council but occur at sources owned or controlled by another entity e.g. emissions from the leisure centres, transport related activities in vehicles not owned or controlled by the council and out sourced activities.

Direct and Indirect Emissions:

The process of calculating the council's carbon footprint involved the measurement of direct and indirect emissions associated with the delivery of the council's function as a Local Authority.

These functions include all the council operations, transportation and outsourced services as listed below but exclude social housing and goods procured by the council.

- Waste and Re-cycling operations.
- Engineering Services operations.
- Estate Maintenance and Contractors operations.
- Leisure Facilities.
- Staff Business Travels.

The full breakdown of affected buildings and operations which shows Hertsmere Borough Council's overall carbon emissions baseline and air quality component of those operations is available for viewing on request.

The data displayed below is the annual CO₂ emissions [April – March] and these emissions will be monitored, reviewed and published annually.

CO₂ Emissions Breakdown 2008

The tables and graphs below summarise the breakdown of Council's carbon emissions.

Table 1

Total CO ₂ Emissions (tonnes)	Emissions from buildings and lights (tonnes)	Emissions from transport (tonnes)
7,874	6,758	1,116

Graph 1

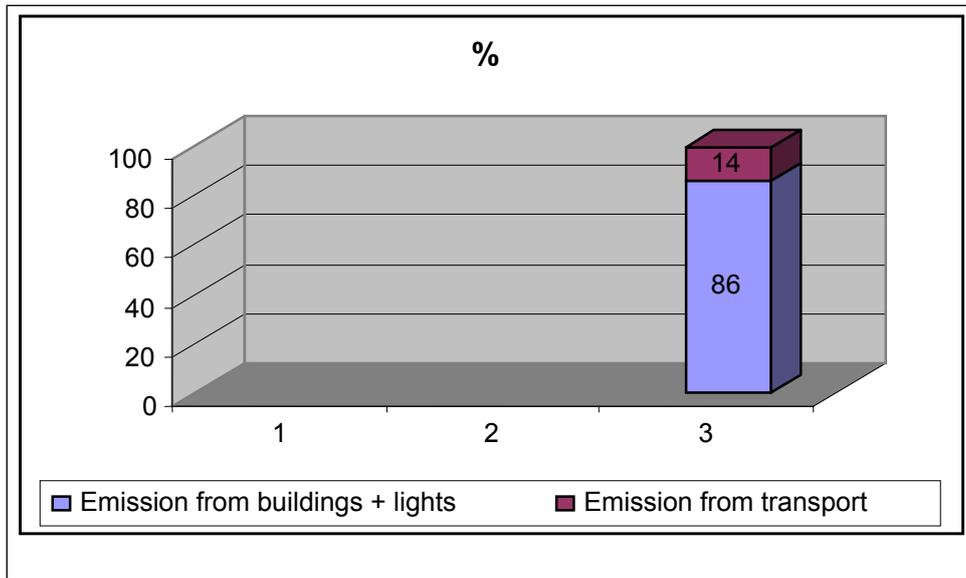


Table 2

Direct Emissions	Indirect Emissions
743.38 tonnes	6014.62 tonnes

Graph 2

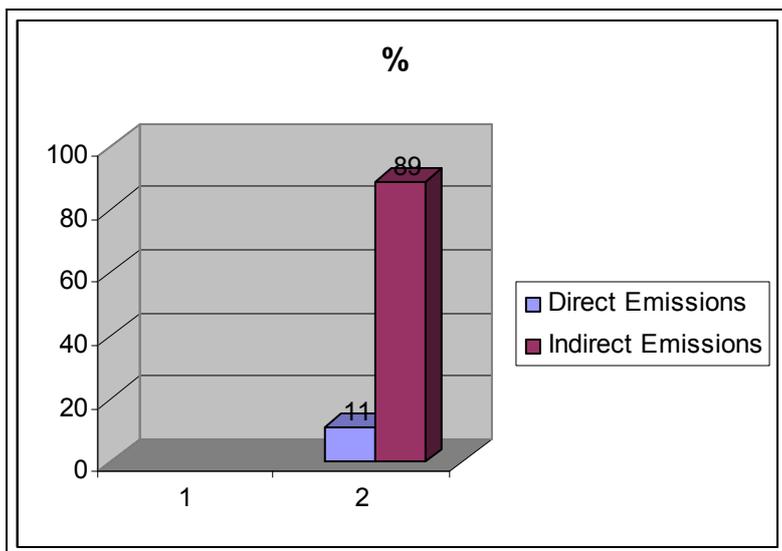
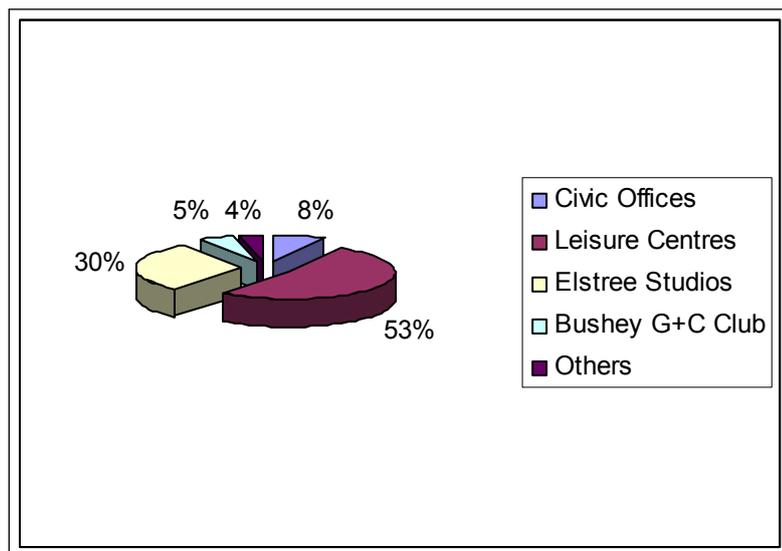


Table 3

Building	Emissions
Civic Offices	558.9 tonnes
Leisure Centres	3,540 tonnes
Elstree Studios	2,043 tonnes
Bushey G&C Club	336.2 tonnes
Others	278.8 tonnes
Total	6,758 tonnes

Graph 3



The Technical Details - Limitations and Adaptations

Every effort has been made to ensure that the data collected for the calculation of this footprint is reliable and well documented for scrutiny.

The assumptions listed below have been made in the preparation of the footprint:

1. Degree Day Region – Degree day data for East Anglia has been adopted.
2. Gross Internal Areas – About 40% of gross internal areas have been estimated.
3. Road Type Percentages – Our road type data has been split in two i.e. 50% urban and 50% rural.
4. Threshold for Outsourced Services – CO2 emissions figures have been taken only from contractors who have dedicated contracts with the council.

Verification

Independent verification of the calculations was envisaged prior to the council using the current DEFRA developed excel spreadsheet tool to ensure that the methodology has been correctly used. However this is no longer necessary because the DEFRA tool is unique and is now the only tool to be used for reporting on CO2 emissions mitigation.

Conclusion

The establishment of the Council's carbon footprint is very important because without it the full extent of the challenges which the Council face on CO2 emissions mitigation may not be realised. As a public body the Council is in a strong position to lead on this subject locally by setting behavioural and strategic standard for the private sector and the community to follow.

It will not be unusual for the carbon emissions baseline to fluctuate for a period before it settles down due to factors like non-use or change of use of building space. Once stability returns to the baseline then the task of setting a realistic reduction target and ascertaining what level of emissions the council needs to offset in order to become carbon neutral can begin.

Annual Governance Statement

Scope of Responsibility

Hertsmere Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

This Governance Statement explains how the Council has maintained sound governance during the financial year 2008/09 and also how the Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and 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 and cost-effective services.

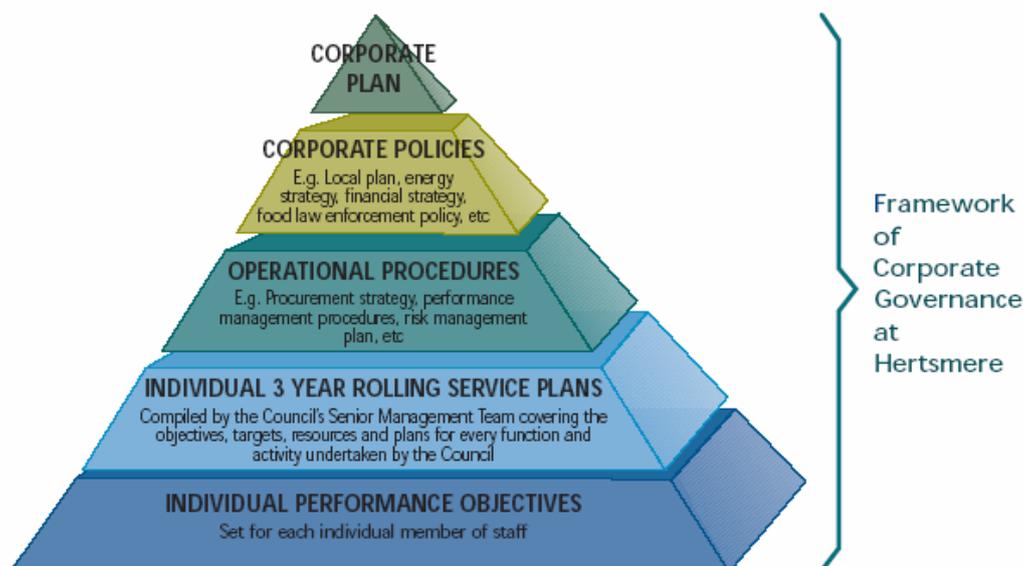
The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.

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

The governance framework has been in place for the financial year 2008/09 and up to the date of the approval of the Council's Statement of Accounts.

The Governance Framework

The diagram below shows how the Council's plans and strategies link together. The model recognises the external influence of the Community Strategy as well as internal business planning processes:



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

General:

The Council has adopted the Leader and Cabinet style of political management under the Local Government Act 2000 and has a comprehensive Constitution to govern its actions and decision-making.

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

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

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

The Management Team is aware of the financial and other procedures and controls outlined in the Constitution, and each Head of Service is required to sign a declaration of compliance (ie., Management Assurance Statement) at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

Identifying and communicating the Council’s vision of its purpose and intended outcomes for citizens and service users:

The Council and its partner agencies in the Local Strategic Partnership (LSP) have prepared a Community Strategy (“Hertsmere Together”), which underpins the Council’s Corporate Plan.

The Community Strategy and Corporate Plan ensure that the Council’s strategic plans, priorities and targets are robustly developed in consultation with local communities and other key stakeholders.

The Corporate Plan 2006-2009 was approved in June 2006 and it sets out clear and robust objectives for the Council that show what the Council is doing, and how this relates to the local community’s needs.

The existing Corporate Plan goals are closely allied to the strategic objectives in the Community Strategy to ensure an integrated approach to delivering services that meet community needs:

Local Strategic Partnership “Community Strategy” Strategic Objectives	Hertsmere Borough Council Corporate Plan Goals
Create a safer environment	Create an even safer community for all
Improve and sustain the quality of Hertsmere’s environment	Sustain improvements in the quality of Hertsmere’s environment
Promote healthier communities and leisure and cultural opportunities	Continue to promote healthy living, leisure and cultural opportunities
Encourage economic development, lifelong learning, employment and regeneration opportunities	Encourage economic prosperity
Work towards meeting local housing needs	Work towards meeting locals housing needs through Hertsmere’s strategic housing role
	Sustain organisational improvements to meet community needs

Reviewing the Council’s vision and its implications for the Council’s governance arrangements:

The Council’s Corporate Plan has been subject to ongoing review, particularly in the light of the results of two recent surveys (the Place Survey and the Residents’ Survey), which have provided significant information from service users and residents to input to the re-assessment of priorities and targets. It is anticipated that a fully revised Corporate Plan will be presented to the Council in November 2009.

The Corporate Plan will always form part of the Council’s governance arrangements as, together with the Community Strategy, they fully encompass Council and community priorities for the Borough and they are used to inform other key documents such as the Council’s Medium Term Financial Strategy.

The Council publishes an Annual Report, which show its activities, achievements, financial position, and performance, and its plans to maintain and improve service delivery.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council’s objectives and for ensuring that they represent the best use of resources:

The Corporate Plan provides the benchmarks for performance within the Council, and the Annual Report records the achievements against the Plan. The Council allocates resources based on its priorities, as set out in

the Plan as well as in other documents, e.g. the Housing and Waste Strategies as well as the Communications Strategy and Residents' Survey.

The Council has made proper arrangements for monitoring and reporting performance through the Executive Performance Panel, and has sound systems to provide management and financial information. Where performance does not meet the planned levels, the Panel issues a remedial action plan and monitors progress with the improvement work.

The Council aims to use its resources efficiently, effectively and economically – the Constitution provides specific guidance in this.

The Council has entered into a number of shared service initiatives, eg., with Hertfordshire County Council, Stevenage Borough Council, Watford Borough Council and Welwyn Hatfield Borough Council as well as the Hertfordshire Police Authority and the Local Museum.

As part of one such initiative, the Welwyn Hatfield Borough Council's Procurement Manager spends approximately two days per week at Hertsmere. The Contract Procedure Rules include a requirement for a lead officer on procurement for all major projects, to embed best practice.

An important component of the Comprehensive Performance Assessment framework is the External Auditors' Use of Resources Judgements - designed by the Audit Commission. This is an assessment of the Council's arrangements in financial reporting, financial management, financial standing, internal control and value for money.

The External Auditors have concluded that the Council's performance for the financial year 2007/08 was as follows:

Financial reporting	...	...	4 out of 4	(2006/07 Score 4)
Financial management	...	...	3 out of 4	(2006/07 Score 3)
Financial standing	...	...	3 out of 4	(2006/07 Score 3)
Internal control	...	...	2 out of 4	(2006/07 Score 2)
Value for Money	...	...	3 out of 4	(2006/07 Score 2)

Score 4 -	Performing strongly, standard setting performance
Score 3 -	Performing well, above minimum requirements
Score 2 -	Performing adequately, meeting minimum requirements
Score 1 -	Inadequate, below minimum standards

The Comprehensive Performance Assessment framework has been replaced by the Comprehensive Area Assessment and the External Auditors' Use of Resources Judgements has also been revised – both to take effect in the financial year 2008/09.

Defining and determining the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:

The Council's Constitution sets out the roles and responsibilities of both Members and officers. It also commits the Council to provide clear leadership to the community in partnership with others. It aims to enhance the involvement of citizens in decision-making and make the decision-making process efficient, effective and transparent and those involved in it, accountable.

There are regular meetings of the Council, the Executive, the Management Board, the Chief Officers' Board and the Management Team. In addition, there are regular meetings of the following Committees:

- Audit
- Environment Scrutiny
- Licensing
- Overview & Performance
- Personnel
- Resources Scrutiny
- Standards

Each having clear terms of reference of the business they respectively conduct.

There is a realistic level of delegation in place, which permits the Council's business to be conducted as effectively as possible.

The Council's Forward Plan and Publication of Decision List provides the Overview and Scrutiny Committees with proposed and recently made executive decisions, which are used in determining items for scrutiny.

The Constitution includes roles and responsibilities of the three statutory officers, the Chief Officers' Team, the other individual Chief Officers, the Housing Officer Panel as well as Proper Officer Functions. Roles and responsibilities of officers are further defined in the job descriptions for each post.

The Constitution also provides a protocol for Member / officer relations and Codes of Conduct, which define the standard of behaviour that the Council requires of both Members and officers. These also ensure that Members and officers are not influenced by prejudice, bias or conflict of interest in their work.

Developing, communicating and embedding Codes of Conduct, defining the standards of behaviour for Members and officers:

The Council's Constitution sets out:

- Code of Conduct for Members – this includes General Provisions, Interests and the Register of Members' Interests. The Register entries are renewed when Members are elected or re-elected and Members are regularly reminded to keep their entries accurate and up to date. The Register is subject to review by both Management and Internal Audit. Members are also required to declare any interests prior to all meetings.
- Local Code of Guidance for Members and Officers involved in Planning Matters – this includes conduct of Members and officers, Procedures for Committees considering Planning Matters, Site Visits by Members and by the Planning Control Committee
- Officers Code of Conduct – this includes Standards, Disclosure of Information, Political Neutrality, Relationships, Employment, Outside Commitments, Equality, Separation of Roles during Tendering, Corruption, Use of Financial Resources, Hospitality, Register of Gifts and Hospitality, etc., Officers are regularly reminded to record any offers of gifts and hospitality. In addition, work is currently underway to extend the requirement for officers to declare any interests and/or conflicts of interest – these forms are in place in Internal Audit and Benefits and are reviewed annually.
- Protocol on Member / Officer Relations – this includes the Principles underlying Member / Officer Relations, the roles of Members and Officers, the relationships between the Mayor and officers, the Leader and Members of the Cabinet and officers, the Chairmen and Members of Committees and officers, Officer relationships with Party Groups, etc.

A copy of the Constitution is made available to each Member when they are first elected to the Council. Copies are also available on the Council's Website and at Council offices, libraries and other appropriate locations.

In addition, Induction Training is provided to newly elected Members and new employees and the Council is working towards the Members Development Charter.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks:

The Constitution and the decision-making structures (both Members and officers) are regularly reviewed to ensure that they up-to-date, relevant, in line with good practice and fit for purpose.

The Constitution sets out the Council's Policy Framework which means the following plans and policies:

- Community Strategy
- Corporate Plan
- Crime and Disorder Reduction Strategy
- Cultural Strategy
- Energy Strategy
- Financial Strategy
- Housing Strategy
- Development Plan
- Environmental Policy
- Risk Management Strategy
- Local Code of Governance

Each of these documents is kept under regular review – this review process is monitored by Covalent software.

The Council has an approved Risk Management Strategy, which sets out:

- The key features of its risk management system.
- Roles and responsibilities with regard to risk management.
- Its overall approach to the management of risk.
- Actions to embed the process in future periods.

The Council's Risk Register has been reviewed, has been considered by the Audit Committee and was approved by the Executive in May 2009. The Risk Register comprises three elements:

- An introduction to the Register, definitions and how the Register was compiled.
- A full schedule of the Corporate and Operational Risks that have been identified and assessed.
- A schedule of those Corporate and Operational Risks that have been assessed as either "High" or "Bubbling Under".

To facilitate the effective management of the Corporate and Operational Risks, a Risk Map and Treatments Plans have been developed. These will:

- Ensure that Heads of Service and their teams (as well as the Chief Officers' Board) keep the Register under review to ensure that all (new and existing) business risks are identified and assessed
- Ensure that the Management Team, Chief Officers' Board and Members (at Audit Committee and Executive) keep the Register under review to ensure effective management of all business risks

The Council has undertaken preliminary Business Impact Analyses across its services and it also has off-site storage and data recovery arrangements in place. An outline Business Continuity Plan has been compiled and will be further developed during the next financial year.

Undertaking the core functions of an Audit Committee:

The Audit Committee comprises five non-Executive Members and its key purposes, which are set out in the Constitution, are in line with the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities".

The Audit Committee works to promote and safeguard financial probity throughout the authority, by monitoring the auditing process and it receives regular reports from both internal and external auditors, and monitors the implementation of recommendations arising from audit reviews.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

The Council has a full range of policies and procedures and places great emphasis on compliance with these, as well as with the law and other external regulations. Compliance is achieved through the following mechanisms:

Members

Code of Conduct, Role Descriptions, Training & Development and Declaration of Interests

Employees

Code of Conduct, Job / Person Specification, Appraisals, Team Meetings and Training & Development

Other

- The Constitution and other policies and procedures are available on the Council's Website, Intranet and as hard copy.
- Officers prepare timely reports to all of the Council's decision-making bodies (including the Cabinet, the Audit Committee and the Chief Officers' Team) on statutory requirements and proposals regarding their implementation.
- Standard report formats require officers to consider the implications of Corporate Policy, Finance, Health & Safety, Legal, Personnel and Risk Management.
- The work of the Internal Audit Team, which assists the statutory officers in discharging their duties effectively.
- The work of the Council's External Auditors, which provides an opinion on compliance to Members and officers as well as to the Council's stakeholders.

Whistle-blowing and receiving and investigating complaints from the public:

The Council's Whistle-blowing Policy is available on the Council's Website and Intranet. The Policy covers any malpractice or wrongdoing by:

- Any Member of the Council
- Any employee of the Council
- Any contractor, supplier, consultant or partner of the Council in the course for their work for the Council

The Council subscribes to the whistle-blowing charity, Public Concern at Work, which promotes practical arrangements to help organisations to manage themselves better and to demonstrate this to their employees and other stakeholders.

The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (ie., Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the Website.

Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by the appropriate training:

On taking up office, all Members are required to attend a Members' Induction Course. The Constitution states that the Council's Standards Committee is responsible for "advising, training or arranging to train Councillors and co-opted members on matters relating to the Members' Code of Conduct".

The Constitution also states that "All Members appointed to the Planning Committees (and all other Members who may from time to time consider a planning application) must receive training in planning procedures. Induction training in planning procedures shall be provided to all Members, either before serving on the Committee or within two months of appointment."

As stated above, the Council is working towards the Members Development Charter.

Senior Officers' training needs are identified (and regularly monitored) as part of the Council's Continuous Performance Review Scheme. In addition to the Corporate Training Programme and various professional development courses, seminars and conferences, a variety of Management Development Courses, Project Planning and mentoring facilities have been delivered to senior managers.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

Opinion Research Services was commissioned by the Council to undertake a survey in which the Council wished to examine residents' views on a range of services. The results of the survey, which included questions on value for money, the local environment, the Council's Website, local democracy and communicating with residents, was published in February 2008.

The Council's official magazine "Hertsmere News" is published every quarter and delivered throughout the Borough.

Residents and property / business owners in the Borough are able to submit relevant questions in writing for consideration and response at Council meetings.

There is a facility for Council to receive petitions – should a group of residents feel strongly about an issue that the Council has an interest or involvement.

Members of the public are also able to speak at a Planning Committee on any application being considered at that meeting – by prior arrangement only.

The Council is subject to the requirements of the Freedom of Information Act and its approach is to provide open, honest and transparent information to all stakeholders without compromising confidentiality.

Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements:

The Council is committed to improving and supporting collaborative working of all kinds, although the wide range of partnership models do make it very difficult to prescribe a single set of arrangements. However, partnership working should not result in diminished accountability to the public.

Accordingly, there are individual Service Level Agreements in place and there are regular meetings with partners to monitor the performance of the work carried out by the partnership.

The Local Strategic Partnership is the forum for all of the Council's partners – meetings are chaired by the Leader and are supported by the Chief Executive and senior managers.

Review of Effectiveness

The Council has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

This review is informed by those Members and officers, who have the responsibility for the development and maintenance of the governance environment:

- The work of Members at Council, at Executive, at Overview & Scrutiny Committees, the Audit Committee and the Standards Committee.
- Annual Management Assurance Statements prepared by the Chief Officers – including the S151 Officer and the Monitoring Officer – relating to internal controls, performance and risk management within their areas of activity.
- The Head of Internal Audit's Annual Report.
- Reports made by the Council's External Auditors and other review agencies and inspectorates.

The Council

The Council, as a whole, takes decisions on budget and policy framework items as defined by the Constitution. The Council met seven times during the financial year.

At the Annual Meeting (May), it elects a Leader of the Council for the forthcoming year. The Leader then seeks approval to his proposals for membership of the Executive and the allocation of portfolios. Individual Executive Members are fully responsible for their portfolios and exercise the powers delegated to them.

All Members are entitled to attend the Executive meetings and question / challenge the Executive in a public forum.

Additionally, a key role of the Overview and Scrutiny Committees is to review and scrutinise the decision and performance of the Executive.

The Executive

The Executive comprises seven Members and meetings are chaired by the Leader of the Council. Similar to any public meeting, members of the public are entitled to attend. The Executive met twelve times during the financial year.

The Overview and Scrutiny Committees

The Overview and Performance Committee (previously the Overview Committee) is one of the Council's three Overview and Scrutiny (O&S) Committees, whose role is to scrutinise the decisions and performance of the Executive and the Council as a whole and to undertake policy development and review work.

The Overview and Performance Committee met six times during the financial year and has an overarching role over the O&S function. The Committee sets the work programme for O&S and receives updates from the Chairmen of the two Scrutiny Committees. In addition, the Overview and Performance Committee undertakes financial and performance monitoring, and has the following specific responsibilities within its remit: Community Strategy, Corporate Strategy, Financial Strategy, Risk Management and Efficiency.

The Environment Scrutiny Committee (previously the Housing & Environment Scrutiny Committee) met ten times during the financial year. The Committee's specific responsibilities include the following areas of the Council's business: Housing; Planning; Waste and Recycling; Transport Policy; Environmental Health; and Parks & Open Spaces.

The Resources Scrutiny Committee (previously the Property, Community Services and Support Services Scrutiny Committee) met eight times during the financial year. The Committee's specific responsibilities include the following areas of the Council's business: Community Safety; Estates Management; Council-owned

Property; Customer Services; Communications; Grants; Community Services; Cultural and Leisure Services; Human Resources; and Finance and Information Services.

The Overview & Performance and Scrutiny Committee met twice during the financial year as part of the consultation process on the Council's Revenue and Capital Budgets and on the Council's performance over the previous year against key indicators and the targets which it has set for the year to come.

Member Panels

There are also a number of cross-party Member Panels to scrutinise the various areas of Council activity, e.g. Financial Monitoring Panel, Housing Panel, Performance Management Panel, Planning Panel and Waste Management Panel. Ad-hoc Panels have been established for specific projects, e.g. Bushey Golf & Country Club.

The Audit Committee

The Council's Audit Committee's Terms of Reference are kept under regular review to ensure that its role complies with those prescribed by the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities".

The Audit Committee comprises five non-Executive Members and met five times during the financial year. It substantially completed its Planned Work and Training Programme – receiving reports from the Council's External Auditors, the Internal Audit Team and the Interim Risk Manager.

Additionally, the Audit Committee has the responsibility, as "those charged with governance" (under ISA 260), for receiving the External Auditors' findings relating to the audit of the Council's Accounts.

The Standards Committee

The Standards Committee comprises three Borough Councillors, two representatives of the Town and Parish Councils, and 4 Independent "Co-opted" Members. The Independent Members are not Councillors but are members of the public appointed by the Council to serve on the Standards Committee, in accordance with legislation.

Independent Members are bound by the same Code of Conduct which applies to Councillors, and the Chairman of the Standards Committee must be one of the Independent Members.

The Committee exists to maintain high ethical standards and probity at all levels within the authority and within the Town and Parish Councils in the Borough – this is done by monitoring the operation of the Members' Code of Conduct.

As from May 2008, the Standards Committee was responsible for the local determination of all allegations of misconduct received against Councillors. Individual cases are determined by Sub-Committees drawn from the membership of the Standards Committee.

The Standards Committee had three full meetings during the year. These were supplemented by six sub-committee meetings, which considered complaints about individual Councillors.

In the light of the increased workload, the Standards Committee has now programmed in six meetings for the forthcoming municipal year.

Senior Management

There are three Council officers who are statutory appointments – the Chief Executive's role as the Head of Paid Service, the Director of Resources' role as the Section 151 Officer and the Head of Legal & Democratic Services' role as the Monitoring Officer.

The Chief Executive and the Directors of Environment and Resources comprise the Chief Officers' Board, which meets on a weekly basis.

The Chief Officers' Board, together with the Heads of Corporate Support, Financial Services, Housing & Health, HR & Customer Services, Legal & Democratic Services, Planning & Building Control and Street Scene Services as well as the Audit Manager, comprise the Management Team which meets on a monthly basis.

Each Head of Service has completed and signed off a Management Assurance Statement for the financial year 2008/09. These Management Assurance Statements have been designed to require each officer to certify the effective operation of the control environment in their service area – including arrangements for performance management and risk management. As a consequence, these Statements are key supporting documents in identifying any Significant Governance Issues.

Governance Group

The Council has an officer Governance Group, which is chaired by the Chief Executive, in his capacity as the Council's Head of Corporate Governance.

The Group's Terms of Reference states that its purpose is to define and co-ordinate the Council's approach to good governance and to determine the extent to which the Council complies with the current principles and elements of good governance – as set out in the nationally recognised CIPFA/SOLACE Guidance Framework.

The Group is overseeing a review of the Council's existing governance arrangements against the CIPFA/SOLACE Guidance Framework and, as a result of this work, will establish an Improvement Plan which will be kept under review and will be regularly reported to the Audit Committee.

The Group met six times during the financial year.

Internal Audit

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

The Internal Audit Team has undertaken a Work Programme during the financial year, which was approved by the Audit Committee, and has sought to operate in accordance with the professional standards prescribed in the CIPFA Code of Practice.

In line with this Code, an Annual Report has been compiled and presented to the Audit Committee, which:

- Includes an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- Discloses any qualifications to that opinion, together with any reasons for the qualification.
- Draws attention to any issues which are judged particularly relevant to the preparation of the Annual Governance Statement.

This report is a key supporting document in identifying any Significant Governance Issues. The Audit Manager concluded that, based on the planned and unplanned work performed, the Council's internal control environment is, in overall terms, adequate and effective.

The Council's External Auditors regularly review the work of the Internal Audit Team and place reliance on their work.

Recommendations made by the Internal Audit Team to strengthen the internal control environment and agreed by management are kept under review by the Audit Committee to ensure that they are implemented in a timely manner.

Performance Management

In response to concerns raised following the Comprehensive Performance Assessment in 2004, the Executive agreed a Performance Management Framework, together with an Action Plan, to ensure that due consideration was given to performance management as well as to performance monitoring.

National and Local Performance Indicators are regularly collected, analysed and reported to Members and senior management – the process is facilitated by a software package, Covalent.

An Executive-led Performance Management Panel, which comprises key Members and Chief Officers, meets regularly to consider Best Value and selected Local Performance Indicators – should the performance of any indicator be deteriorating or be below target, the Panel can issue a “Remedial Action” template to be completed by the relevant Head of Service and presented back to the Panel.

The Financial Monitoring Panel meets on a monthly basis to scrutinise the Council’s financial performance.

Procurement

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

The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes the Procurement Strategy, Contract Procedure Rules and the Procurement Handbook.

To ensure compliance with these rules, an expenditure report is run on a regular basis and mapped against the contract list. An exception list is then produced where possible non-compliance is highlighted.

This “non-compliance” list is presented to and discussed by the Procurement Group and officers are required to provide an explanation and, if necessary, to put an action plan into place

The Procurement Group consists of senior officers from all service areas.

Risk Management

In June 2008, the Council approved its revised Risk Management Strategy and Policy document – it had been considered previously by the Audit Committee and the Executive.

During the second half of the financial year, the Council’s Risk Register was comprehensively reviewed and, as part of this exercise, Treatment Plans were devised and a Risk Map compiled.

All of these documents were considered by the Management Team, the Chief Officers’ Board, the Audit Committee before being presented to the Executive in May 2009 for approval.

A permanent Risk Manager took up her post in May 2009, taking over from the Interim Risk Manager who had been in post since October 2008 – both posts are a Shared Services Initiative with Watford Borough Council.

Icelandic Banks

Along with some other 120 other local authorities, the Council has been affected by the Icelandic Banks going into receivership in October 2008 – it had made an investment of £1 million in the Heritable Bank in August 2008.

Following the annual review by the Internal Audit Team of Treasury Management which had started prior to the collapse of the Icelandic Banks, the final report was issued to all relevant officers and it was also considered by the Audit Committee, the Executive and, finally, by the Council in November 2008.

The Internal Audit Team concluded, amongst other things, that:

- “The internal controls within the system, as currently laid down and operated, provide substantial assurance (i.e. the highest rating available) that risks material to the achievement of the objectives for the system are adequately managed and controlled.
- Investments made to date during this financial year (i.e. including the investments in Landsbanki & Heritable Bank) have been made in accordance with the Council’s approved policies and procedures”.

In response to the then current economic climate and the changes in the markets for term deposits among banks, the Council’s existing Treasury Management Strategy was amended to minimise future risks of defaults by its investment counterparties. The Strategy was considered by the Executive before being approved by the Council in November 2008.

As at September 2009, officers are aware that it is most likely that the Council will receive from Ernst & Young (the Administrators of the Heritable Bank) 80% of its investment over the next three to four years.

Members’ and Officers’ Allowances & Expenses

Members’ Allowances: These are reviewed by an Independent Remuneration Panel, which is made up of four independent members of the community and are assisted by the Head of Legal & Democratic Services and the Democratic Services Manager. The report and recommendations of the Independent Remuneration Panel are submitted to the Full Council for approval.

Officers’ Allowances & Expenses: Allowances are stipulated by individual employment contracts, whereby the Human Resources Team instructs the Payroll Team as to the payment to be made. Officers’ Expenses are authorised for payment by employees’ line managers and reimbursed via payroll.

Both Members’ and Officers’ Allowances & Expenses are subject to periodic review by the Internal Audit Team to ensure that the internal controls in operation are both adequate and effective.

The Council does not have any plans to review its arrangements for the payment of Members’ and Officers’ Allowances and Expenses in the light of the Parliamentary Members’ issues.

Annual Audit & Inspection Letter (AAIL)

This document was presented to the Audit Committee in April 2009 and provided an overall summary of the Audit Commission’s assessment of the Council. It drew on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last AAIL.

The key messages were reported as:

“Hertsmere Borough Council’s overall performance remains below average, although there are improvements in some priority areas. Improvements continue to be made in cultural services and crime levels continue to reduce and remain low. The Council works well in many partnerships, especially the third sector. The Council performs well in delivering value for money. Access to services still remains adequate. Numbers of affordable houses completed is still below regional and national averages and the Council’s approach to sustaining improvements in the quality of Hertsmere’s environment continues to be mixed.”

Progress is being made on delivering sustainable improvement. A range of plans have been adopted which clearly link to Council and community priorities. Capacity has been strengthened at a strategic level following the appointment of a Chief Executive in October 2008 as well as recruitment to other key posts. Performance management arrangements have been strengthened but the Council’s approach to scrutiny remains ineffective.

Whilst the Council consults effectively at service level and with young people, the corporate approach understanding customer and community need through community engagement and complaints analysis is being developed.

The Council improved its performance against the Value for Money assessment. This is reflective of the Council's comparative performance in its priority areas matching or being better than expected for the level of comparative spend. The Council also demonstrated improvements in the delivery of its priority services."

The AAIL identified some actions needed by the Council:

"Key areas for improvement arising from the Direction of Travel assessment includes:

- The Council needs to focus on improving performance in key service areas; and
- The Council needs to develop scrutiny more effectively,

The Council should continue to think about how it can improve Value for Money by increasing the quality of its services."

Significant Control & Governance Issues

The table below provides some follow-up information on those significant control issues that were identified in the Council's Statement on Internal Control for the financial year 2007/08:

No.	Significant Governance Issue	Status
1.	Governance – there is a need to ensure that the Council's commitment to good governance is articulated in a Local Code of Governance and that its governance arrangements remain fit for purpose.	Adequately addressed. As stated above, the Local Code of Governance was agreed in Sept 2008 and the Governance Group is currently undertaking a self-assessment of the organisation's governance arrangements - an Improvement Plan will be agreed and the Group will monitor the implementation of any agreed actions through the year. An ongoing programme of awareness sessions will also be delivered through the year.
2.	Code of Conduct – there is a need to develop, communicate and embed Codes of Conduct, defining the standards of behaviour of Members and officers.	Adequately addressed. Code of Conduct Training for Members was delivered in June 2008 and Member/Officer Protocol Training was delivered in March/April 2009. In addition, a range of consultation was undertaken re: the Draft Members' Code of Conduct as well as the proposed Employees' Code of Conduct.

3.	Business Continuity & Civil Contingencies – there is a need to continue the progress that has been made to date to ensure that there are adequate and effective arrangements in place.	Following the work on Business Impact Analysis (BIA) across the Council, a Draft Business Continuity Plan (BCP) has now been compiled. It is anticipated that the BIA exercise will be reviewed (in the light of actual and anticipated events) and aspects of the BCP, once finalised, will be tested. See below.
4.	Partnership Working – there is a need to develop and formalise the appropriate protocols and standards across the various areas of activity.	Two key Partnerships (LSP and CDRP) undertook self-assessment exercises and have Action Plans in place for improvement. Partnership agreements/SLAs are in place for the all core funded organisations (eg., CAB and Bushey Museum). A Partnership Governance Framework is under development. See below.
5.	Performance Management – there is a need to continue the progress that has been to date and embed the performance management arrangements throughout the Council.	The Performance Strategy was agreed in April 2009, the Performance Management arrangements were reviewed by External Audit in August 2008 and a new Portfolio Holder for Performance was established in January 2009. The Performance Management Panel (comprising cross-party membership) has developed further during the year continuing to challenge officers regarding Performance Indicators. See below.
6.	Procurement – there is a need to ensure that Finance and Contract Procedure Rules are adequate and effective.	Adequately addressed. As stated above, the Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner.
7.	Risk Management – there is a need to ensure that there are adequate resources in place to continue to embed the risk management arrangements throughout the Council.	Adequately addressed. Further progress has been made with a review of the Council's Risk Management Strategy and Corporate Risk Register as well as the development of appropriate Treatment Plans and a Risk Map – all of which were approved by the Executive. The post of Risk Manager (a shared service) has now been filled.

In addition to those significant governance issues previously identified that require further work, a number of additional significant governance issues have been identified during the financial year 2008/09.

The following table sets out the proposed action to be taken in order to address each of these issues – progress will be monitored by both the Governance Group and the Audit Committee:

No.	Significant Governance Issue	Proposed Action
1.	Business Continuity & Civil Contingencies	There is a need to accelerate the progress that has been made to date to ensure that there are adequate and effective arrangements in place. As stated above, It is anticipated that the Business Impact Analysis exercise will be reviewed (in the light of actual and anticipated events) and aspects of the Council's Business Continuity Plan, once finalised, will be tested.
2.	Partnership Working (incl. Pathfinder)	There is a need to continue the progress that has been to date. There is a need to continue the progress that has been to date. As stated above, the Partnership Governance Framework will be finalised and it is also anticipated that Partnership Risk Management arrangements will be further strengthened.
3.	Performance Management	There is a need to continue the progress that has been made to date by embedding the performance management arrangements throughout the Council.
4.	Bushey Golf & Country Club	There is a need to strengthen the Club's control environment (i.e. governance, internal controls and risk management arrangements), to enhance the Board of Directors and to strengthen the management of financial and non-financial performance.
5.	Elstree Studios	There is a need to continue to strengthen the Company's control environment (i.e. governance, internal controls and risk management arrangements) and to continue to strengthen the management of financial and non-financial performance.

Certification

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive, the Audit Committee and the Governance Group and the plan to address the identified weaknesses and to ensure continuous improvement of the system is in place.

We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:



Donald Graham
Chief Executive



Councillor Morris Bright
Leader of the Council

Dated: 29 September 2009

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Hertsmere Borough Council
Statement of Accounts
For the Year Ended 31 March 2009

Statement of Accounts: 2008/09

Contents:

Statement of Responsibilities	45
Independent Auditors' Report to the Members of Hertsmere Borough Council	46
Explanatory Foreword	49
Statement of Accounting Policies	58
Income & Expenditure Account.....	64
Statement of Movement on the Council Fund	65
Statement of Total Recognised Gains and Losses	66
Balance Sheet	67
The Cash Flow Statement	68
Notes to the Accounts	69
The Collection Fund.....	97
Notes to the Collection Fund	98
Group Statement of Accounts	101

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Director of Resources

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

In preparing this Statement of Accounts the Director of Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgement and estimates which were reasonable and prudent.
- Complied with the Code of Practice.

The Director of Resources has also:

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

Certificate of the Director of Resources:

I certify that this Statement of Accounts presents fairly the financial position of Hertsmere Borough Council at 31 March 2009 and its Income & Expenditure for the year then ended.



Sajida Bijle
Director of Resources

Date: 29 September 2009

I confirm that the unaudited accounts were approved by the Accounts Approval Committee at the meeting held on 24 June 2009

Signed on behalf of Hertsmere Borough Council:



Councillor John Graham
Chairman of the Accounts Approval Committee

Date: 29 September 2009

Independent Auditors' Report to the Members of Hertsmere Borough Council

Opinion on the Financial Statements

We have audited the Authority and Group accounting statements and related notes of Hertsmere Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hertsmere Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Hertsmere Borough Council 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 Responsible Financial Officer and Auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group

accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In our opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Hertsmere Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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



Paul Winrow
Senior Statutory Auditor

For GRANT THORNTON UK LLP
Byron House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

29 September 2009

Explanatory Foreword

Overview from the Director of Resources

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2008/09. Compared to metropolitan boroughs, Hertsmere Borough Council is a small district council with distinctly individual communities and several smaller settlements. The Council is continuing with its programme of continuous improvement in performance and service delivery. The Council has made considerable progress in developing its Corporate Governance framework and various strategies have been developed, finalised or reviewed. The Audit Committee, that meets quarterly and is attended by the external auditors, continues to play an important role in promoting probity and accountability.

As well as the following financial statements and disclosures, included earlier in the Annual Financial Report is an Outlook Statement which illustrates how the Council is planning to deliver continuous improvement from a financial perspective.

The Accounts and Audit Regulations 2003 require the Statement of Accounts to be approved by 30 June and published by 30 September each year. The Annual Governance Statement, which is also included in this report, has been approved by both the Executive Committee and the Audit Committee.

Once again I would like to take this opportunity to thank formally the Head of Financial Services and all the finance staff and service managers for their assistance in preparing these accounts, and for their support throughout the year.

If you would like to have any further information on the accounts, you can forward details of your request to the Council by post using the following address:

Director of Resources
Civic Offices
Elstree Way
Borehamwood
Hertfordshire
WD6 1WA

You may wish to send your query by using our website.

Further details of the Council's activities for the year are given in the Annual Report which may be obtained from Customer Services at the same address.

How we have Managed the Council's Resources in 2008/09

Managing Resources

In 2008/09 the budget for the Council's cost of services was set at £14.11m after funding from reserves. The actual spend for the year is £14.23m, which has resulted in a overall variance of £0.12m as explained below:

How the Council's Resources have been Managed in 2008/09				
Services:	Spending 2008/09			Explanation for Variance: Favourable / (Adverse)
	Budget	Actual	Variance	
	£'000	£'000	£'000	
Central: Democratic representation & corporate management, collection of local taxes, registration of electors, conducting elections, emergency planning, and local land charges.	4,781	5,018	(237)	Reduction in land charges income, increase in bank charges and other non budgeted expenses.
Cultural & related: Museums & galleries, theatres, recreation and sport facilities, allotments, community centres, tourism, parks and open spaces.	3,104	3,127	(23)	Reduction in play scheme income due to fall in demand, and additional cost to replace play equipment.
Environmental: Cemeteries, churchyards, food safety, pollution reduction, health & safety, pest control, public health, licensing, public conveniences, community safety, flood defence, household & trade waste collection, recycling and street cleansing.	5,367	5,214	153	Reduction in employee costs due to staff vacancies, increase in recycling and licensing income due to new legislation.
Planning & development: Building regulations & control, development control, local & regional planning, environmental initiatives, economic and community development.	(642)	(245)	(397)	Reduction in planning fees due to economic climate, provision for legal costs in respect of planning appeal and reduction in income from Bushey Golf & Country Club.
Highways, roads and transport: Routine highways & roads maintenance, street lighting, traffic management and road safety, public parking services and public transport including concessionary bus fares.	992	841	151	Estimated reduction in concessionary bus fare based on usage. Reduction in net parking income due to fall in activity.
Housing: Housing strategy, private sector housing renewal, homelessness, housing benefits, administration costs and other housing property.	694	465	229	Additional housing benefit receipts following finalisation of grant claim.
Social: Service strategy, elderly people, etc.	74	72	2	Reduced demand for service.
Net cost of services	14,370	14,492	(122)	

Details:	Spending 2008/09			Explanation for Variance: Favourable / (Adverse)
	Budget	Actual	Variance	
	£'000	£'000	£'000	
Net cost of services	14,370	14,492	(122)	
Less:				
Transfer from reserves	(250)	(250)	-	
Mortgage interest receivable	(6)	(4)	(2)	
Net deficit before final adjustments	14,114	14,238	(124)	

Reconciliation from the Financial Monitoring Report to the Statement of Accounts

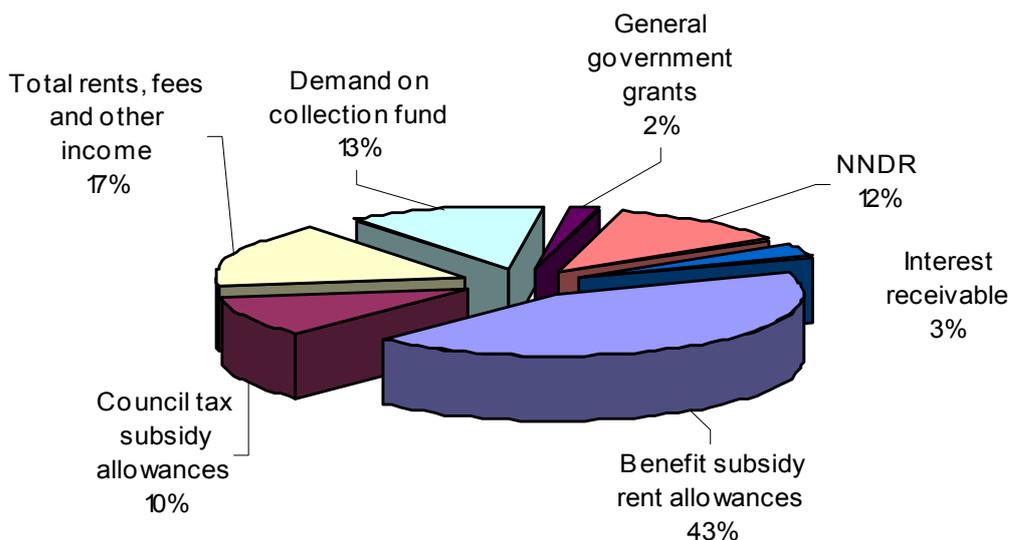
In order to arrive at the increase in council fund reported in the final Statement of Accounts there have been a number of adjustments made to the year end financial monitoring report previously reported:

	2008/09
	£'000
Surplus / (Deficit) per Financial Monitoring Report	(124)
Final year end adjustments:	
Surplus investment income received during the year	773
Impairment of investment in Heritable Bank	(230)
Transfer to investment equalisation account	(296)
Revenue costs accrued in respect of pending legal claim	(109)
	138
Increase in the Council fund for the year	14

Illustrative Review of the Key Components of 2008/09
Actual performance as per the Statement of Accounts

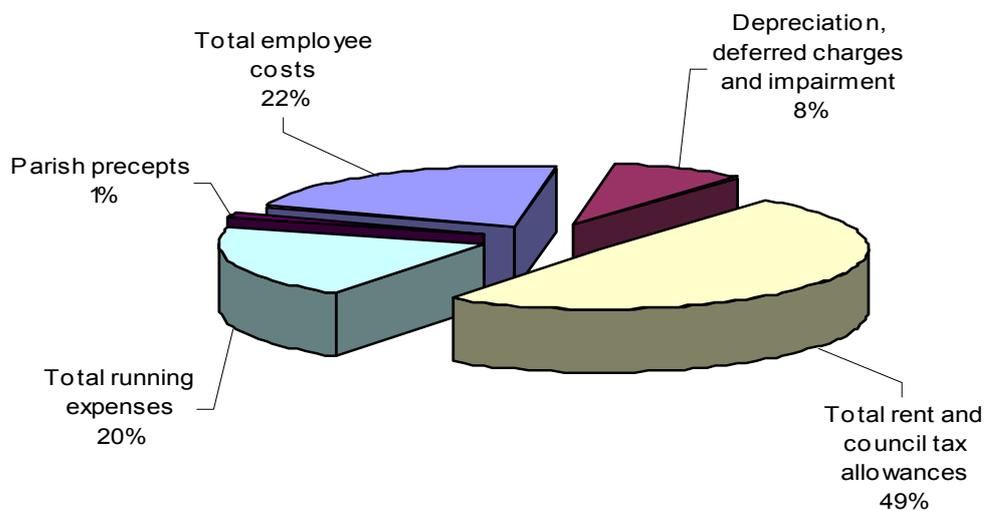
Revenue Funding

The Council's revenue spending is funded from various sources as illustrated below. Other income includes fees, charges for services, bank interest and recharges between Council services.



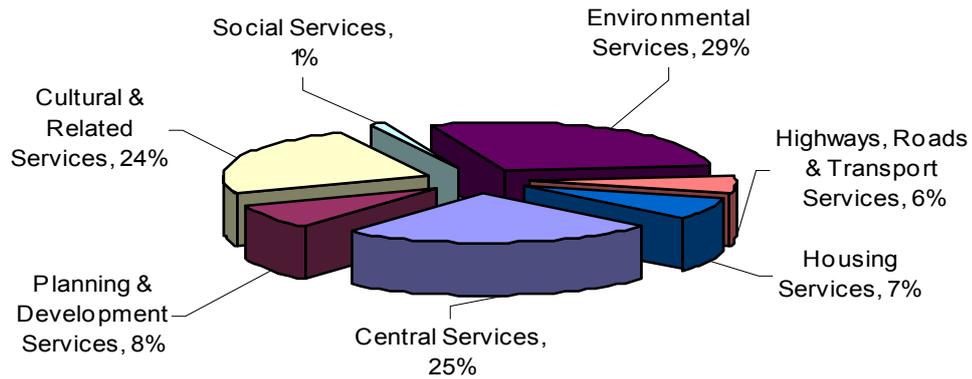
Revenue Expenditure

This chart shows the main categories of expenditure over all Council fund services. Running expenses include maintenance of buildings, purchases of supplies and services and gross recharges between Council services. Employee costs account for 22% of total expenditure.



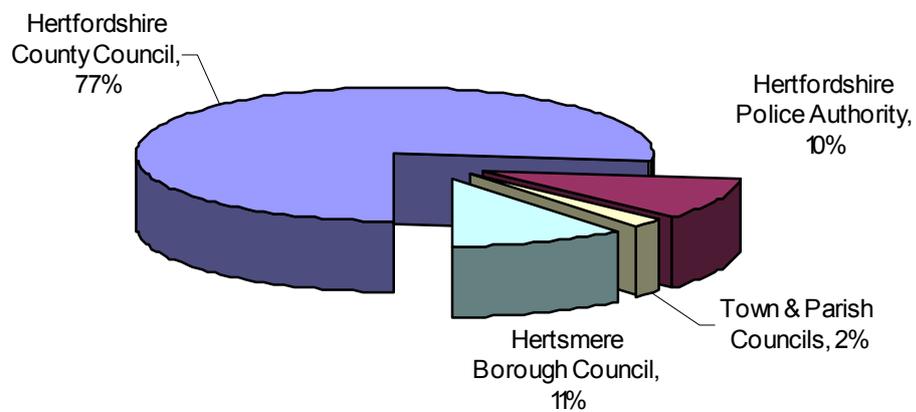
Services Provided

The chart in this section shows the proportion of Council's actual expenditure (including depreciation) on the different service areas during the year. Please see the table on page 50 for a description of the areas covered under each service.



Council Tax – Where the Money Goes

Hertsmere collects Council Tax on behalf of other precepting authorities. The chart below depicts how the amounts collected are split between these authorities.



Investment with Icelandic Banks

It has been well publicised about the collapse of the Icelandic banks as a result of the credit crunch and financial turmoil that hit the global economy over the past year. Despite complying with its rigorous treasury management policies, the Council found itself in the position of holding a £1m investment with Heritable Bank at the time the bank entered administration. The Council has made a claim to the banks administrators and has played an active role, along with other local government representatives, in securing the return of the investment. In their most recent report issued in April 2009 the Bank's administrators, Ernst and Young, issued a statement advising creditors that they project a return of 80% of the Council's investment plus accrued interest up to the date the bank entered administration. For the Council, the potential irrecoverable amount is £229k, which has been fully provided for in the year and is disclosed further in notes 15 and 16 to the Statement of Accounts.

Council Fund

The Council's financial strategy and its policy on level of reserves recommend maintaining its general fund by adding an inflationary increase annually. The increase in the general fund prior to the provision for the impairment loss in Heritable Bank was £243k which is equivalent to an increase of 3.5% on the prior years balance. Given the current recession and financial crisis, the Council has taken a prudent approach by providing for the whole impairment in the current year rather than deferring the impact of the impairment until 2010/11 as permitted by local government regulation. As a result of this decision the Council's overall surplus for the year was £14k.

The current recession is set to have a significant impact on the Council's finances in the foreseeable future. Whilst evidence of the economic down turn is apparent within the Statement of Accounts, with the reduction in fees and charges and the impairment of the Council's investment with Heritable Bank, the Council did generate significant investment income, over and above its budget, which has enabled it to end the financial year with a small surplus. With interest rates now at a record low, the Council faces a challenging few years as it tries to maximise its investment income and fund the projects it has committed itself to. With this in mind, these accounts also include a sum of £296k, again from investment income, which has been earmarked to help bridge the shortfall expected from future years investment income, to ensure these projects can go ahead as planned.

Capital Receipts

During the year the Council generated capital receipts amounting £241k following a sale of a long lease and issue of various deeds of variation. All of these receipts, by their nature, are placed in the "usable capital receipts" fund. In accordance with the Council's financial strategy, these funds will be used to fund future capital projects, of which 80% will be revenue generating.

Capital Expenditure Programme

During the year the Council incurred £2,550k on capital projects, which can include anything from the purchase or replacement of equipment to the refurbishment of existing assets. Significant projects undertaken during the year include the development of the Hertswood Community Centre at a cost of £718k, replacement of leisure equipment at a cost of £257k, and refurbishment of the Bushey Grove leisure centre at a cost of £246k. The Council also spent £226k on the further development of transformational government and £350k for grants awarded for the implementation of disability access throughout the borough.

At the Balance Sheet date Council is committed to spending a further £5,065k (after external funding) on capital projects, of which £3,216k is budgeted to be spent in 2009/10. Significant work will continue on a wide range of leisure facilities, including the development of the Hertswood Community Theatre, with a further cost of £1,102k, over the next few years. Funds have also been committed for the structural repairs and refurbishment of the Council's many properties including its civic offices in Borehamwood.

Further analysis of the projects carried out during the year and those committed for the future can be seen in note 12 to the accounts.

Earmarked Reserves

Earmarked reserves are funds generated through the revenue account that have been specifically set aside for future revenue and capital projects. During the year £1,551k was transferred from the council fund for future projects whilst £1,408k was spent on previously earmarked projects, including works to land drainage. Total funds earmarked for future use at 31 March 2009 was £12,375k.

Pension Fund Liability

As a result of current economic climate, and following the sharp reduction in interest rates and equity prices, the Council's pension fund assets have been significantly reduced resulting in the net liability increasing by £9,426k to £22,968k. Whilst it is impossible to predict the duration of the current recession, pension funds are operated on a long term basis and any scheme assets affected by the current economy are expected to make a full recovery over the medium to long term.

During the year the pension fund actuary also identified an error in the method used to calculate the schemes liabilities which resulted in the schemes net liability at 31 March 2008 being overstated by £4,139k. This error has been corrected in the 2008/09 Statement of Accounts with the 2007/08 comparatives being restated to reflect the correct position as at 31 March 2008. See note 22 for further details.

Group Accounts

The Council wholly owns the following two subsidiaries which have been included within the Group Statement of Accounts:

Elstree Film Studios Limited

The company commenced trading on 1 April 2007 and was setup to operate the Elstree Film and Television Studios on behalf of the Council under a license agreement. During the year the company's turnover amounted to £3,526k of which £4k was retained as profit. Included within the company's expenditure for the year was £748k payable to the Council under the license agreement.

Bushey Country Club Limited

The company manages Bushey Golf and Country Club on behalf of the Council. During the year the company's turnover amounted to £1,250k of which £1k was retained as profit. Included within the company's expenditure for the year was £37k payable to the Council for rent.

Statement of Accounts

The Council's financial statements for the year ended 31 March 2009, including the statement of accounting policies, are set out following the explanatory foreword. Where appropriate, figures for 2007/08 are also shown to enable comparisons between the two years.

Under provisions contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003, the Statement of Accounts for 2008/09 have been made available for inspection.

In addition to this report, the Council is required to meet certain statutory requirements. Details of these responsibilities and the officer responsible for the task are disclosed on the Statement of Responsibilities.

The core statements included within the Statement of Accounts consists of:

Income & Expenditure Account

Reports expenditure and income relating to all the services provided by the Council in accordance with UK GAAP and demonstrating how the net expenditure has been financed from council tax and central government grants.

Statement of Movement in the Council Fund

Reconciles the surplus / deficit (net expenditure) as reported under UK GAAP in the Income & Expenditure account with the basis required under local authority statute.

Statement of Total Recognised Gains and Losses

Reports all gains and losses not reported within the Income & Expenditure Account.

Balance Sheet

Sets out the Council's financial position as at 31 March with the balances of reserves at the Council's disposal and the assets employed in its operations.

Cash Flow Statement

Summarises the inflows and outflows of cash made by the Council with third parties for both revenue and capital purposes.

The Collection Fund

Summarises the precepts requested by the main precepting bodies (Hertfordshire County Council, Hertfordshire Police Constabulary and Hertsmere Borough Council including Parishes) along with the amount of business rate income collected on behalf of the government and paid over to them. In addition, residual community charge adjustments are shown with all income from this source being transferred to the council fund.

Group Accounts

Reports the consolidated main financial statements and notes of the Council and its subsidiary entities.

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Statement of Accounting Policies

Basis of Preparation

The Statement of Accounts summarises the Council's performance for the financial year 2008/09 and its position as at 31 March 2009. The accounts have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets and in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SoRP) and guidance notes on the application of UK Generally Accepted Accounting Principles (UK GAAP), as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies have been drawn up in line with recommended accounting principles as specified in the SoRP and are reviewed regularly to ensure that they remain the most appropriate to the Council's particular circumstances. Any change to the accounting policies will be made if it is judged more appropriate to the Council's circumstances.

Revenue Recognition

Revenue is accounted for on an accruals basis in the period in which the supply or service is delivered by the Council. Revenue includes fees, charges, rents and any other income receivable by the Council for services provided; and excludes any discounts, refunds and value added tax.

Fixed Assets

Basis of Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on the Balance Sheet, on an accruals basis, provided that the asset yields benefits to the Council and the service it provides is for a period of more than one year. However, due to the high administrative burden that would be required if all 'fixed assets' were included on the asset register, a de-minimus level has been set to determine which assets will be capitalised and which will be expensed on the Income & Expenditure account. The de-minimus level is applied against the collective total of project costs except for items of Vehicles, Plant & Equipment which are measured on an individual item basis.

Asset Category:	De-minimus level:
Council dwellings	£5,000
Other land & buildings	£5,000
Vehicles, plant, furniture & equipment	£5,000
Infrastructure assets	£1,000
Community assets	£1,000
Investment Properties	£5,000

Measurement

Fixed assets are initially measured at cost, which comprises all expenditure directly attributable to bring the asset into working condition for its intended use. Assets are subsequently valued using the following basis:

Asset Category:	Basis of Valuation:
Council dwellings	Existing use
Other land & buildings	Lower of net current replacement cost and net realisable value, net of accumulated depreciation
Vehicles, plant & equipment	Lower of net current replacement cost and net realisable value, net of accumulated depreciation
Infrastructure assets	Historical cost, net of depreciation
Community assets	Historical cost, net of depreciation
Assets under construction	Historical cost
Investment Properties	Lower of net current replacement cost and net realisable value

All land and property is revalued every five years. The Council operates a five year rolling programme, with a proportion of its land and buildings being revalued each year. All gains resulting from a revaluation are credited to the revaluation reserve and all losses are accounted for as an impairment loss as detailed below.

The valuation at the year end is carried out by the Council's estates valuer, Mr Neville Thompson, a qualified member of the Royal Institution of Chartered Surveyors.

Impairment

Each category of fixed asset is reviewed periodically for evidence of a material reduction in current value. A reduction in value may be attributable to a decline in the particular fixed asset's market or through the clear consumption of economic benefit.

Where impairment has been caused through consumption of economic benefit the loss is charged to the relevant service account on the Income & Expenditure account. All other impairment losses are written off against any accumulated gains attributable to the specific asset with any excess being charged to the relevant service expense on the Income & Expenditure account.

Disposals

On disposal of assets the net sale proceeds, after any fees and repayment of secured debt, are credited to *useable capital receipts* to fund future capital expenditure. The difference between the proceeds received and net book value of the asset is charged to the Income & Expenditure account.

Depreciation

Fixed assets, other than land and non-operational properties, are depreciated over their expected useful economic lives on a straight line basis over the following number of years:

Infrastructure Assets	Up to 20 Years
Other Land & Buildings	Up to 30 Years
Leisure Centres	Up to 30 Years
Council Dwellings	20 Years
Council Garages	20 Years
Car Parks & Depots	20 Years
Vehicles, Plant & Other Equipment	3 to 8 Years

Charges to the Income & Expenditure Account for the Use of Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the real cost of utilising fixed assets through depreciation and impairment losses as disclosed above. However local government statute does not require the Council to raise council tax to cover these charges and they are subsequently reallocated to the capital adjustment account through the Statement of Movement on the Council Fund.

Revenue Expenses Funded by Capital under Statute

Revenue expenses funded by capital under statute arise when the Council incurs expenditure financed by the capital adjustment account that is not capitalised on the Balance Sheet. Expenditure is initially expensed through net cost of services and is then allocated to the capital adjustment account through the Statement of Movement on the Council Tax Fund balance, so that there is no impact on council tax. In previous years, "Revenue Expenses Funded by Capital under Statute" was referred to as "deferred expenses". Although the description has been changed under the SoRP issued in 2008, the accounting treatment has remained unchanged from previous years.

Government and Other Grants

There are several instances whereby the Council may receive a central government grant. The accounting policy for each instance is as follows

Specific Revenue Grants:

Specific revenue grants are matched against expenditure it relates and are recognised within net cost of services in the same period as the related expenditure.

General Revenue Grants:

General revenue grants, such as the revenue support grant, are recognised in the Income & Expenditure Account in the period in which they relate and are credited after net operating expenses.

Capital Grants:

Capital grants relate to specific capital expenditure. Where assets are capitalised, the grants are deferred and released to net cost of services within the Income & Expenditure Account over the assets expected useful economic life in order to match depreciation. Where the grant relates to revenue expenses funded by capital under statute, the grant is deferred and released in full to net cost of services, when the expense is recognised in the Income & Expenditure Account.

Section 106

Capital contributions received under Section 106 are credited to the deferred contributions account and are released, as the monies are utilised, leaving the surplus amounts repayable by the Council following the completion or termination of the project. The accumulated costs are deferred until successful completion of the capital project when they are capitalised and the corresponding amount credited to the Useable Capital Receipts. The cost of the asset is subsequently financed through the capital adjustment account.

The Council currently has no Section 106 funding from revenue projects.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets with a fixed or determinable payments but not quoted in an active market (i.e. trade debtors, fixed term investments)
- Available for sale assets – assets with a quoted market price and no fixed determinable payments (i.e. equity investments)

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Council has the following loans and receivables:

Debtors

Debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified. Debtors falling due after more than one year are classified as long-term assets, which also include council house mortgages.

Cash and Equivalents

Cash and equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash.

Due to their nature and short term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

Investments

The Council has both long and short-term investments with various financial institutions. Investments are carried at their amortised cost, which comprise their principle amount plus accrued interest at the Balance Sheet date.

The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the Balance Sheet date.

The Council currently has no available for sale assets.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Council has the following liabilities measured at amortised cost:

Creditors

Creditors are carried at their original invoice amount.

Bank Overdrafts

Bank overdrafts comprise amounts owed to banks and similar institutions, and are repayable on demand.

Due to their nature and short term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.

Short Term Loans

Short term borrowings are carried at their amortised cost, which comprise their principle amount plus accrued interest as the Balance Sheet date.

The fair value of short term borrowings is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same loan to a comparable institution, available at the Balance Sheet date.

Stocks

Stocks are valued at the lower of cost or net realisable value, using the first-in, first-out (FIFO) method.

Cost of Support Services

All management, administration and central support services have been fully charged to services using appropriate apportionments as prescribed by Best Value Accounting Code of Practice (BVACOP). Costs of the corporate and democratic core are not re-allocated. These include all executive decision processes that determine Council policies and the cost of running various executive committees.

Contingent Assets & Liabilities

Contingent assets and liabilities arise from past events but where the future asset or obligation are uncertain and cannot be reliably ascertained. Material contingent assets and liabilities are disclosed in the Notes to the Accounts but are not provided for in the core financial statements.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the Council Fund. When expenditure is financed from a reserve, it is charged to the appropriate service revenue account in that year, including it in the surplus or deficit for the year as required under the SoRP. The amounts are subsequently charged to the appropriate reserve on the Statement of Movement on the Council Fund. All other movements in reserves, such as revaluation gains and losses are recognised in the Statement of Total Recognised Gains and Losses.

Certain reserves are maintained to manage the accounting process for fixed assets and retirement benefits and do not represent resources available to the Council. Specific details relating to these reserves are included elsewhere in these accounting policies and details on all reserves are included within the reserves note to the accounts.

Pensions

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

The expected costs of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the Income & Expenditure account in order to spread the cost over the service lives of employees in the schemes. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The Council's share of the schemes assets and liabilities are included at fair value, as calculated annually by the actuary, which in turn gives rise to actuarial gains or losses. Liabilities are discounted to their current price using a discount rate of 6.9%, which has been based on gross redemption yield for the *iboxx sterling corporate index*, AA over 15 years. The schemes assets have been valued using the following methods:

Quoted securities	- Current bid price
Unquoted securities	- Professional estimate
Unitised securities	- Current bid price
Property	- Market value

In previous years quoted securities were valued using the current mid price. The change in accounting policy has given rise to an adjustment which management consider to have a material effect on the prior years financial statements, and the 2007/08 accounts have been restated accordingly.

Statutory provisions restrict the amount that the Council can fund through council tax to the amounts actually payable each year, and as a result all other movements are funded by the pension reserve, through appropriations on the Statement of Movement on the Council Fund and movements in the Statement of Total Recognised Gains and Losses.

Leases

Rentals paid under operating leases are charged on an accruals basis to the Income & Expenditure account over the term of the lease.

Interests in Companies and Other Entities

The Council has material interests in companies that have the nature of subsidiaries and requires it to prepare group accounts. In the Council's own single entity accounts, the interests in companies are recorded as investments.

Income & Expenditure Account

2007/08 Net (Income) / Expenditure £'000	Continuing Operations	Gross Expenditure £'000	Less: Gross Income £'000	2008/09 Net (Income) / Expenditure £'000
<i>Restated</i>				
	Central Services:			
696	Democratic representation & management	720	14	706
2,837	Corporate management	2,979	47	2,932
409	Local tax collection	7,593	6,985	608
148	Registration of electors	163	8	155
101	Conducting elections	126	2	124
87	Emergency planning	131	-	131
(107)	Local land charges	167	140	27
4,171		11,879	7,196	4,683
	Cultural & Related Services:			
500	Culture & heritage	1,655	1,133	522
174	Elstree film & TV studios	217	429	(212)
4,009	Recreation & sport	4,714	332	4,382
4,683		6,586	1,894	4,692
	Environmental Services:			
1,263	Environmental health	1,806	373	1,433
276	Community safety	346	67	279
533	Flood defence & land drainage	875	358	517
1,214	Street cleansing (not chargeable to Highways)	1,356	21	1,335
2,242	Waste collection	2,890	734	2,156
5,528		7,273	1,553	5,720
	Planning & Development Services:			
130	Building control	141	3	138
1,221	Planning policy	1,814	487	1,327
5	Environmental initiatives	6	1	5
201	Economic development	2,104	2,137	(33)
1,557		4,065	2,628	1,437
	Highways, Roads & Transport Services:			
231	Highways / roads (routine)	213	-	213
2	Traffic management & road safety	-	1	(1)
595	Parking services	1,134	786	348
715	Public transport	679	1	678
1,543		2,026	788	1,238
	Housing Services:			
842	Housing strategy	870	-	870
145	Private sector housing renewal	282	7	275
(293)	Other council housing property	864	727	137
65	Homelessness	77	34	43
(13)	Housing benefits payments	24,686	24,606	80
746		26,779	25,374	1,405
	Social Services:			
35	Service strategy	42	-	42
234	Older people (aged 65 or over including mentally ill)	134	1	133
269		176	1	175
18,497	Net cost of services – carried forward	58,784	39,434	19,350

Income & Expenditure Account (*continued*)

2007/08 Net (Income) / Expenditure £'000	Continuing Operations	Note	2008/09 Net (Income) / Expenditure £'000
<i>Restated</i>			
18,497	Net cost of services – brought forward		19,350
(7)	Deficit / (surplus) on sale of fixed assets		17
(308)	Other capital receipts		(241)
866	Parish precepts		908
68	Deficits on trading undertakings not included in net cost of services	3	141
-	Impairment to financial assets		315
86	Interest payable		128
(1,755)	Interest & investment income		(1,825)
218	Pensions interest cost & expected return on pensions assets	22	(98)
17,665	Net operating expenditure		18,695
(6,861)	Demand on the Collection Fund		(7,192)
(8,209)	General government grants & Non-domestic rates redistribution	4	(8,123)
2,595	Deficit / (surplus) for the year	<i>See note (a) below</i>	3,380

The accompanying notes from an integral part of the Statement of Accounts.

Statement of Movement on the Council Fund

2007/08 £'000	Note	2008/09 £'000
<i>Restated</i>		
2,595	Deficit for the year on the Income & Expenditure account	3,380
(2,736)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council fund (<i>see note (b) below</i>)	(3,394)
(141)	Increase in the council fund for the year	(14)
(6,749)	Council fund as at 1 April	(6,890)
(6,890)	Council fund as at 31 March	(6,904)

- (a) The net operating expenses represents the true cost to the Council for the year before financing from capital grants and reserves. From the total operating expenses, only the government grant income has been allocated on the Income & Expenditure account to leave an apparent deficit for the year.
- (b) To determine the Council fund balance, capital financing is allocated and other adjustments made on the Statement of Movement on the Council Fund to leave the true surplus or deficit on the Council fund for the year. **THE ACTUAL SURPLUS IN THE COUNCIL FUND FOR THE YEAR IS £14K (2007/08: £141k).**

Statement of Total Recognised Gains and Losses

2007/08 £'000		Note	2008/09 £'000
<i>Restated</i>			
2,595	Deficit for the year on the Income & Expenditure account	24	3,380
(2,715)	Surplus arising on the revaluation of fixed assets	11	(4,835)
(8,504)	Actuarial gains / (losses) on pension fund assets & liabilities	22	10,079
(25)	Surplus arising from the Collection Fund		(47)
(11,244)		24	5,197
(8,649)	Total recognised (gains) / losses for the year		8,577
773	Prior year adjustment	23	-
(7,876)	Total recognised (gains) / losses since last annual report		8,577

Balance Sheet

31 March 2008 £'000 <i>Restated</i>	Note	31 March 2009 £'000	
101,584	Fixed Assets	11	103,894
141	Debtors receivable after one year	13	121
7,303	Long term investments	15	2,711
109,028	Total long term assets		106,726
	Current Assets:		
25	Stock & work in progress	14	67
7,595	Debtors	13	6,296
16,610	Short term investments	15	22,388
1,646	Cash & bank		354
25,876	Total current assets		29,105
134,904	Total assets		135,831
	Current Liabilities:		
6,883	Creditors	17	7,901
966	Short term borrowing	18	-
7,849	Total current liabilities		7,901
127,055	Total assets less current liabilities		127,930
	Long Term Liabilities:		
875	Deferred capital grants & credits	19	979
1,197	Deferred contributions	20	1,119
13,542	Liability related to defined benefit pension scheme	22	22,968
15,614	Total long term liabilities		25,066
111,441	Total assets less liabilities		102,864
	Financed By:		
2,162	Revaluation reserve	24	6,786
88,472	Capital adjustment account	24	86,049
15,092	Usable capital receipts reserve	24	13,621
(13,542)	Pensions reserve	24	(22,968)
-	Financial instrument adjustment account	24	(85)
6,890	Council fund	24	6,904
12,232	Earmarked reserves	24	12,375
135	Collection fund	24	182
111,441	Total net worth		102,864

The Statement of Accounts were approved on 29 September 2009 by:



Sajida Bijle
Chief Finance Officer



Councillor John Graham
Chairman of the Accounts Approval Committee

The Cash Flow Statement

2007/08 £'000	Note	2008/09 £'000	
(1,283)	Net cash inflow / (outflow) from revenue activities	25	1,198
	Returns on Investments and Servicing of Finance:		
(40)	Interest paid		(35)
1,298	Interest received		2,325
1,258	Net cash inflow from returns on investments and servicing of finance		2,290
	Capital Activities:		
(984)	Purchase of fixed assets		(2,276)
(40)	Issue of short term loans		-
(107,635)	Purchase of long-term investments		(96,765)
557	Sale of fixed assets		-
500	Repayment of short term loans		-
108,635	Sale of long-term investments		94,765
265	Capital grants		456
1,298	Net cash inflow from capital activities		(3,820)
1,273	Net cash inflow / (outflow) before financing		(332)
	Financing:		
-	Repayment of amounts borrowed		(960)
175	New short-term loans		-
175	Net cash inflow/ (outflow) from financing		(960)
1,448	Net increase / (decrease) in cash & equivalents		(1,292)
198	Opening cash & cash equivalents		1,646
1,646	Closing cash & cash equivalents		354
	Cash & cash equivalents comprise:		
1,646	Cash at bank and in hand	25	354
-	Bank overdrafts	25	-
1,646	Closing cash & cash equivalents	25	354

3. Trading Operations

The Council has established the following three trading units which the service manager is required to operate in a commercial environment and balance the unit's budget by generating income from other parts of the Council or other organisations:

2007/08 Deficit / (Surplus) £'000	Expenditure £'000	Less: Income £'000	2008/09 Deficit / (Surplus) £'000
(13) Building Control: The Regulations require Local Authorities to break even in their BRFE trading account over a three-year rolling period. The cumulative (surplus) / deficit is transferred to a separate holding account.	411	378	33
119 Cemeteries / Burial Grounds: The Council maintains two closed cemeteries (not available for burials) and one lawn cemetery that incurs expenditure – the trading objective is to minimise the subsidy funded from council tax.	203	63	140
(38) Trade Refuse: The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	385	417	(32)
68 Net deficit on trading accounts	999	858	141

4. General Government Grants & Non-domestic Rates Redistribution

During the year the following government grants were receivable:

2007/08 £'000	2008/09 £'000
General Government Grants:	
1,106 Revenue support grants	957
511 Local authority business growth incentive grant	179
- Area based grants	115
1,617	1,251
6,592 Non-domestic rates redistribution	6,872
8,209 Total	8,123

5. Member Allowances & Expenses

The following allowances and expenses were paid to members during the year:

2007/08 £'000		2008/09 £'000
	Allowance / Expense:	
199	Basic allowance	206
114	Special responsibility allowance	106
1	Attendance allowance	1
5	Travel allowance	6
8	Other	12
327	Total	331

6. Employees' Remuneration in Excess of £50,000

Under the Accounts and Audit Regulations 2003, Local Authorities are required to disclose the number of employees in the accounting period whose remuneration was £50k or more in bands of £10k. For this purpose, remuneration means all amounts paid to or receivable by an employee and includes sums due by way of taxable expenses and the estimated money value of any other benefits. Pension contributions payable by either employee or employer are excluded.

2007/08 Employees No.		2008/09 Employees No.
	Remuneration Band:	
9	£50,000 - £59,999	8
2	£60,000 - £69,999	7
-	£70,000 - £79,999	2
1	£80,000 - £89,999	-
1	£90,000 - £99,999	2
-	£100,000 - £109,999	-
1	£110,000 - £120,000	-
14	Total	19

7. Operating Leases

The Council uses parks patrol vehicles, photocopiers, printing equipment, kitchen and fitness equipment financed under the terms of individual operating leases. At 31 March 2009 the Council had annual commitments amounting to £40k (2008: £47k) under non-cancellable operating leases as set out below:

2007/08 Other £'000		2008/09 Other £'000
	Operating Leases Expiring:	
13	Within one year	4
34	More than one year but within five years	36
47	Total	40

8. Audit Fees

During the year the Council incurred the following fees relating to external audit and inspection:

2007/08 £'000	2008/09 £'000	
Audit Fees:		
109	External audit services carried out	125
12	Statutory inspection	8
21	Certification of grant claims and returns	20
-	Other services	4
142	Total	157

The audit fees includes CPA inspection costs carried out by the Audit Commission. Other services include fees for the national fraud incentive and data quality audit.

9. Discontinued Operations

All of the Council's operations were regarded as continuing activities.

10. Note to the Statement of Movement on the Council Fund

The Income & Expenditure account shows the Council's actual financial performance for the year and is measured in terms of resources consumed and generated. However, the Council is required to raise council tax on a different accounting basis with the two main differences being as follows:

- Capital investment is accounted for as it is financed rather than when the fixed asset is consumed; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The council fund compares the Council's spending against the council tax it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future specific expenditure.

The following reconciliation statement summarises the differences between the outturn on the Income & Expenditure account and the council fund:

2007/08 £'000	Notes	2008/09 £'000	
<i>Restated</i>			
Amounts Included in the Income and Expenditure Account but Required by Statute to be Excluded when Determining the Movement on the Council Fund:			
(4,451)	Depreciation and impairment of fixed assets	11/24	(4,375)
7	Net surplus / (deficit) on disposal of fixed assets	11/24	(17)
(128)	Amortisation of government grants deferred	19/24	294
(226)	Revenue expenditure funded by capital under statute	12/24	(682)
-	Adjustments to financial instruments	15/24	(85)
308	Other capital receipts credited to revenue	24	241
(1,660)	Net charges made for retirement benefits in accordance with FRS 17	22/24	(1,289)
(6,150)			(5,913)
Amounts not Included in the Income and Expenditure Account but Required to be included by Statute when Determining the Movement on the Council Fund for the Year:			
446	Capital expenditure charged during the year to the council fund balance	24	434
1,916	Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	22/24	1,942
2,362			2,376
Transfers to / (from) the Council Fund that are Required to be Taken in to Account when Determining the Movement on the Council Fund:			
1,052	Net transfers (to) / from earmarked reserves	24	143
(2,736)	Net Additional Amount Required by Statute and Non-statutory Proper Practices to be Debited or (Credited) to the Council Fund		(3,394)

11. Fixed Assets

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Community £'000	Investment Properties £'000	Construction £'000	Assets Under £'000	Total £'000
Cost or Valuation:									
At 1 April 2008	561	84,615	8,974	5,110	7,034	13,711	199	120,204	
Additions	-	320	668	20	32	65	763	1,868	
Disposals	-	(21)	(2,752)	(744)	-	-	-	(3,517)	
Revaluation	85	1,057	(594)	-	(1,409)	179	-	(682)	
At 31 March 2009	646	85,971	6,296	4,386	5,657	13,955	962	117,873	
Depreciation & Impairment:									
At 1 April 2008	51	5,409	7,629	2,441	2,862	228	-	18,620	
Charge in year	15	2,733	846	214	131	18	-	3,957	
Impairments	-	229	-	-	-	190	-	419	
Disposals	-	(4)	(2,752)	(744)	-	-	-	(3,500)	
Revaluation	(51)	(1,191)	(1,485)	-	(2,600)	(190)	-	(5,517)	
At 31 March 2009	15	7,176	4,238	1,911	393	246	-	13,979	
Net Book Value:									
At 31 March 2009	631	78,795	2,058	2,475	5,264	13,709	962	103,894	
At 31 March 2008	510	79,206	1,345	2,669	4,172	13,483	199	101,584	

Investment properties and assets under construction are classed as non-operational assets.

As at 31 March 2009 the Council completed the third year of its five year rolling revaluation programme. The assets included in this valuation comprised: sports grounds, scout and club houses, garages, industrial land and certain houses.

In addition certain items of plant and equipment were revalued to reflect their current useful economic life. The net accumulated gains detailed below represent the balance held in the revaluation reserve:

Net book value:									
Historical cost	497	75,824	1,278	2,475	3,785	12,287	962	97,108	
Current value	631	78,795	2,058	2,475	5,264	13,709	962	103,894	
Accumulated gains	134	2,971	780	-	1,479	1,422	-	6,786	

Analysis of Fixed Assets

31 March 2008 No.		31 March 2009 No.
6	Allotments	6
18	Car parks	18
1	Caravan site	1
3	Cemetery	3
1	Civic offices	1
5	Council dwellings	5
4	Depots	4
1	Film studio	1
112	Garages	111
1	Golf & country club	1
82	Ground rents	82
9	Industrial estate units	9
9	Investment properties	9
11	Leisure centres & community halls	11
1	Museum	1
45	Parks, fields & open spaces	45
6	Pavilions	6
20	Playing fields & sports fields	20
4	Public conveniences	4
89	Shops & flats	90
132	Land sites	134

Certain freehold and leasehold properties, community assets and non-operational assets have been valued as at 31 March 2009 by the Council's internal Estates Valuer (Neville Thomson M.R.I.C.S) in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. Only certain Council's properties have been re-valued in accordance with the rolling revaluation programme. Properties regarded by the Council as non-operational have been valued on the basis of open market value.

12. Capital Financing Statement

2007/08 £'000		2008/09 £'000
	Capital Expenditure During the Year:	
-	Other land & buildings	320
538	Vehicles plant & equipment	668
-	Roads & infrastructure	20
79	Community assets	32
-	Non-operational assets	65
71	Assets under construction	763
688	Total expenditure capitalised during the year	1,868
226	Revenue expenditure funded by capital under statute	682
914	Total Capital Expenditure	2,550
	Financed as Follows:	
446	Revenue contribution	434
* (128)	Government grants	404
596	Capital receipt allocations	1,712
914	Total	2,550

* Amount includes a reversal of prior year funding resulting in a negative balance.

	2008/09 £'000
Significant Projects Undertaken During the Year:	
Land purchases	165
Refurbishment of Worknet offices	77
Berwick road scout hut contribution	147
Hertswood community theatre	718
Replacement of leisure centre equipment	257
Refurbishment of Bushey Grove leisure centre	246
Renewal of cleansing vehicles	135
Development of e-government	226
Disability access grants	350
Other	229
Total	2,550

Commitments under Capital Contracts

	2009/10 Onwards £'000
Remaining Budget on Commitments:	
Borehamwood village hall	588
Hertswood Community Theatre	1,102
Wyllyots Centre - improvements	995
Civic offices – new windows	300
Rose garden	1,205
All other less than £300k	1,999
Less external funding	(1,124)
Total	5,065

13. Debtors

31 March 2008		31 March 2009
£'000		£'000
Amounts Receivable Within One Year:		
<i>Financial assets</i>		
3,366	Sundry debtors & accrued income	1,960
23	Council house mortgages	19
35	Employee car loans	54
-	Loan to voluntary organisations	20
55	Customs and Excise	127
4,024	NNDR and council tax	2,246
-	Due from government departments	1,739
7,503	Total financial assets	6,165
<i>Non-financial assets</i>		
92	Prepayments	131
7,595	Total amounts receivable within one year	6,296
Amounts Receivable After One Year:		
<i>Financial assets</i>		
40	Loans to voluntary organisations	20
45	Employee car loans	68
56	Council house mortgages	33
141	Total amounts receivable after one year	121

Credit Risk

Included in the above debtors were the following balances which the Council considers impaired and which have been provided upon:

31 March 2008		31 March 2009	
Debtor	Provision	Debtor	Provision
£'000	£'000	£'000	£'000
Impaired Financial Assets:			
490	335	732	359
3,115	1,080	3,256	1,010
3,605	1,415	3,988	1,369

The debtors included on the Balance Sheet are net of the above provisions.

Concentration of credit risk on these balances is limited due to the Council's large and unrelated customer base. On this basis the Council believes there is no further credit risk provision required in addition to the provisions already made.

14. Stock and Work in Progress

As at 31 March 2009 the Council held stock amounting to £67k (2008: £25k).

15. Investments

Investments held as at 31 March 2009 were as follows:

31 March 2008 £'000		31 March 2009 £'000
<i>Amortised Cost</i>		<i>Amortised Cost</i>
	Long Term Investments:	
-	Investments in subsidiaries & related parties	-
4,137	Building societies	-
3,166	Banks and local authorities	2,711
7,303	Total long term investments	2,711
	Short Term Investments:	
9,387	Building societies	10,154
7,223	Banks and local authorities	12,234
16,610	Total short term investments	22,388

All investments are financial assets.

The average interest rate received on core investments during the year was 5.28% (2007/08: 5.61%).

Investments in subsidiaries & related parties represents a £2 share holding in Bushey Golf and Country Club, a £1 share holding in Elstree Film Studios Limited, and a £1 preference share holding in Elstree Film & Television Studios Limited.

Short-term investments are held for periods of one year or less.

Credit Risk

Credit risk arises from deposits with banks and financial institutions. The risk is minimised through the Council's Treasury Management Strategy, which sets out the minimum credit criteria required for the Council to invest with a financial institution as well as the maximum amount allowed to be invested with each institution. The current credit criteria used is based on ratings supplied by Fitch Rating Services and are stated, together with the maximum investment amounts, below:

Deposits with Banks and Rated Building Societies

Short Term	Long Term	Individual	Support	Maximum Investment
F1+	AAA	A A/B B	1 1/2 2	£8m
F1	AA+ AA	A A/B B E	1 1/2 2	£6m
F1	AA-	A A/B B B/C	1 1/2 2	£3m
F1	A+ A	A A/B B	1 1/2 2	£1m

Deposits with Unrated Building Societies

Where Building Societies are not rated by Fitch Rating Services, the Council's Treasury Management permits it to invest up to £2m with those with total assets in excess of £1 billion.

Debt Management Office and Local & Public Authorities

Although not rated by Fitch Rating Services, the Governments Debt Management Office and other local and public authorities meet the criteria for the highest counterparty credit limit which permits the council to invest with them up to £10m.

The Council's Treasury Management Strategy reduces credit risk further by limiting the term of investments depending on the credit criteria of the financial institution.

The Council's only historic experience of default on its investments is in respect of Heritable Bank plc (see below), which is currently in administration. The banks administrators estimate the Council will be unable to recover 20% of the initial deposit which equates to 0.6% of the average investments held during the year. Following revisions made to its Treasury Management Strategy to further mitigate credit risk, the Council considers 0.6% of its total portfolio to be a fair estimate of its maximum exposure to default which based on its investments at 31 March 2009 equates to £160k.

Impairment of Investments

Included in the above is the following investment in Heritable Bank plc (see note 16) which has been impaired due to the financial difficulties being experienced by Icelandic banks:

Date invested	15 August 2008
Original maturity date	24 November 2008
Interest rate	5.83%
Principal invested	1,000,000
Accrued interest to 31 March 2009	36,417
Amortised cost as at 31 March 2009	1,036,417
Carrying value <i>(see below)</i>	721,860
Impairment recognised in the Income & Expenditure Account	314,557
Amount transferred to the Financial Instrument Adjustment Account	(84,912)
Net impact on the Council Fund Balance	229,645

The carrying value of the impaired investment included in the balance sheet has been calculated using the present value of the expected future payments, discounted using the investments original interest rate. The expected repayments have been estimated using the assumptions set out in Note 16:

Month	Rate	Amount	Discounted @ 5.83% per annum
July 2009	15%	151,270	148,366
July 2010	30%	302,540	279,966
July 2011	15%	151,270	132,074
July 2012	10%	100,846	83,074
July 2013	10%	100,846	78,380
Total	80%	806,772	721,860

Interest amounting to £36k has been credited to the Income & Expenditure Account in respect of the impaired investment.

In March 2009, changes were made to the Capital Finance Regulations which permits local authorities to defer the impact of the impairments resulting from the collapse of Icelandic banks on the council fund until March 2011. The Council has decided to recognise only the net impairment during 2008/09 with future investment income on the investment being offset against the Financial Instrument Adjustment Account.

16. Heritable Bank

Following the collapse of the Icelandic bank Landsbanki in early October 2008, Heritable Bank plc, its UK subsidiary, entered into administration on 6 October 2008. At this time the council had £1m invested with Heritable Bank plc which was due to mature on 24 November 2008 with a return of 5.83% per annum.

Heritable Bank plc is a UK registered bank under Scottish law. The creditor progress report issued by the banks administrators, Ernst & Young LLP, on 17 April 2009 outlined that the return to creditors was projected to be 80p in the pound by the end of 2012, with the first dividend of 15p in the pound due in the summer of 2009. On this basis the Council decided to recognise an impairment based on it recovering 80p in the pound. It is expected that future payments will be front loaded and that a final sale of assets will take place after the books have been run down to the end of 2012. In calculating the impairment the Council has made the following assumptions regarding timing of recoveries:

Month:	Recovery:
July 2009	15%
July 2010	30%
July 2011	15%
July 2012	10%
July 2013	10%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

17. Creditors

31 March 2008 £'000	31 March 2009 £'000
Amounts Payable Within One Year:	
<i>Financial Liabilities</i>	
8 Mortgage overpayments	5
2,996 Sundry creditors	5,393
216 Due to government departments	-
3,220 <i>Total financial liabilities</i>	5,398
<i>Non-financial assets</i>	
3,663 Receipts in advance	2,503
6,883 Total	7,901

18. Short Term Borrowings

As at 31 March 2009 the Council had loans falling due within one year amounting to £nil (2008: £966k), the prior year total being payable to Bushey Country Club Limited, a related party.

19. Deferred Capital Grants & Credits

Deferred capital grants & credits as at 31 March 2009 were as follows:

31 March 2008 Total £'000		Grants £'000	Credits £'000	31 March 2009 Total £'000
565	As at 1 April	797	78	875
264	Received: Grants received	456	-	456
128	Charged / (Released): Charged / (released) to the capital adjustment account	(294)	-	(294)
(34)	Released to Income & Expenditure	(31)	-	(31)
(48)	Released to useable capital receipts	-	(27)	(27)
46		(325)	(27)	(352)
875	As at 31 March	928	51	979

Deferred credits are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of former council houses, which form part of the council house mortgages balance shown on the Balance Sheet.

Deferred grants as at 31 March 2009 were made up as follows:

31 March 2008 £'000		31 March 2009 £'000
	Capital Grants:	
362	Housing capital grants	476
388	E-Government	275
20	Other	25
	Revenue Grants:	
	- Area based grants	66
27	Safer Stronger Communities grant	23
	- Play ranger scheme	29
	- Community sports network	26
	- Other	8
797	Total	928

20. Deferred Contributions

Deferred contributions represents Section 106 monies received from developers. Section 106 receipts are amounts paid to the Council by developers as a result of the granting of planning permission where improvement or new facility works are required as part of the condition of granting the planning permission. The responsibility to carry out the works is with the Council, however the monies are restricted to being spent only in accordance with agreement concluded with the developer and is repayable in the event that there are surplus funds remaining following completion of the contract or that the project is ceased following the agreement of both parties.

A summary of the major Section 106 balances held as at 31 March 2009 are as follows:

31 March 2008 £'000	Receipts £'000	Utilised £'000	31 March 2009 £'000
Section 106 Receipts > £100k:			
143 Melrose Avenue	1	(27)	117
214 Aldenham Road, Bushey	1	-	215
183 Gate Studios	6	(136)	53
107 Brent Timber, Bushey	-	(12)	95
123 Maxwell Park	1	-	124
427 Other	220	(132)	515
1,197 Total	229	(307)	1,119

Receipts include interest payable by the Council of £5k.

21. Financial Instruments

Financial Instruments by Category

The financial assets and liabilities included on the Balance Sheet comprise the following categories of financial instruments:

31 March 2008 £'000	31 March 2009 £'000
Financial Assets by Class:	
<i>Loans and Receivables</i>	
7,503 Debtors due within one year (<i>note 13</i>)	6,165
141 Debtors due after one year (<i>note 13</i>)	121
7,303 Long term investment (<i>note 15</i>)	2,711
16,610 Short term investments (<i>note 15</i>)	22,388
1,646 Cash and equivalents	354
33,203 <i>Total loans and receivables</i>	31,739
33,203 Total financial assets	31,739
Financial Liabilities by Class:	
<i>Other liabilities at amortised cost</i>	
3,220 Creditors payable within one year (<i>note 17</i>)	5,398
966 Short term borrowing (<i>note 18</i>)	-
4,186 <i>Total other liabilities at amortised cost</i>	5,398
4,186 Total financial liabilities	5,398

Fair Value of Financial Assets and Liabilities

Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. The fair value can be assessed by calculating the present value of their future cash flows.

The fair values of the Council's financial instruments, together with the carrying amounts included on the Balance Sheet are analysed as follows:

31 March 2008			31 March 2009	
Carrying Value	Fair Value		Carrying Value	Fair Value
£'000	£'000		£'000	£'000
Financial Assets:				
<i>Loans and receivables</i>				
7,644	7,644	Total debtors	6,286	6,286
23,913	23,913	Total investments	25,099	25,212
1,646	1,646	Cash and equivalents	354	354
33,203	33,203	Total	31,739	31,852
Financial Liabilities:				
<i>Other liabilities at amortised cost</i>				
3,220	3,220	Total creditors	5,398	5,398
966	960	Short term borrowing	-	-
4,186	4,180	Total	5,398	5,398

Assumptions in Calculating Fair Values

Debtors / Creditors / Cash and Equivalents

Due to their nature and short term maturity, fair values have been estimated to approximate their carrying value.

Investments / Short Term Loans

Fair values have been determined by discounting future cash flows using a relevant market rate of interest comparable to the rate for the same instrument from a comparable institution. The relevant market rate used was obtained from the market as at 31 March 2009.

Financial Instruments Gains and Losses

During the year the total investment income receivable relating to financial assets amounted to £1,825k (2007/08: £1,756k).

During the year impairment losses relating to financial assets amounted to £314k (2007/08: £nil). See note 15 for further details.

During the year the total interest payable relating to financial liabilities amounted to £123k (2007/08: £40k).

Liquidity Risk

As the majority of its investments are short term deposits, which are available at relatively short notice, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. All financial liabilities are payable within one year.

Interest Rate Risk

The Council only invests in fixed rate investment products. This, together with the Council being debt free minimises its exposure to interest rate risk.

22. Defined Benefit Pension Scheme

Participation in Pension Schemes

The Council participates in the Hertfordshire Local Government Pension Scheme, which is administered by Hertfordshire County Council, to provide members with defined benefit pension scheme related to pay and service.

Prior Year Adjustments

Under the 2008 SoRP the Council has adopted the amendment to FRS17 (Retirement Benefits). As a result, quoted securities held as assets in the Local Government Pension Scheme are now valued at their bid price rather than the mid market value. The change in accounting policy has resulted in the value of the schemes assets being decreased by £166k to £49,547k as at 31 March 2008, and the 2007/08 statement of accounts have been restated accordingly.

During the year the Council's actuary identified an error in the valuation method used to calculate its defined benefit obligation. This error arose in the recording of "Compulsory Added Years" pensions which has resulted the obligation being recorded twice under "Funded Liabilities" as well as "Unfunded Liabilities". As a result of this error the Council's Local Government Pension Schemes defined benefit obligations reported as at 31 March 2008 were overstated by £4,139k. Officers consider the error to be material, and the 2007/08 statement of accounts have been restated accordingly.

Transactions Relating to Retirement Benefits

The Council has recognised the cost of retirement benefits in net cost of services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the Council fund.

The following transactions have been included within the Income and Expenditure Account and Statement of Movement in the Council Fund during the year:

2007/08 £'000	Income and Expenditure Account	2008/09 £'000
	Net Cost of Services:	
1,330	Current service cost	1,013
8	Past service cost	374
104	Gains / (losses) on settlements and curtailments	-
1,442	Charge to net cost of services	1,387
	Net Operating Expenditure:	
4,071	Interest costs	4,322
(3,853)	Expected return on assets in the scheme	(4,420)
218	Charge to other operating expenses	(98)
1,660	Total charge to the Income & Expenditure account	1,289
2007/08 £'000	Statement of Movement in the Council Fund:	2008/09 £'000
<i>Restated</i>		
(1,660)	Reversal on net charges made for retirement benefits in accordance with FRS 17	(1,289)
	<i>Actual amount charged against the Council fund for pensions for the year:</i>	
1,916	Employer's contributions payable to the scheme	1,942

In addition to the recognised gains and losses included in the Income & Expenditure account, the following actuarial gains and losses have been included in the Statement of Total Recognised Gains and Losses:

31 March 2008 £'000	Statement of Total Recognised Gains and Losses:	31 March 2009 £'000
8,504	Gains / (losses) recognised during the year	(10,079)
2,421	Accumulated gains / losses recognised	(7,658)

Assets and Liabilities Relating to Retirement Benefits

The following table reconciles the present value of the Local Government Pension Scheme's defined benefit obligations and fair value of employer assets as at 31 March 2009:

31 March 2008 £'000		31 March 2009 £'000
<i>Restated</i>		
	Present Value of Defined Benefit Obligations:	
(76,200)	As at 1 April	(63,089)
(1,330)	Current cost of services	(1,013)
(8)	Past service cost	(374)
(4,071)	Interest cost	(4,322)
(412)	Contributions by scheme members	(499)
(104)	Gains / (losses) on curtailments	-
16,089	Actuarial gains and (losses)	5,212
2,947	Benefits paid	2,794
(63,089)	As at 31 March	(61,291)
	Fair Value of Employer Assets:	
53,898	As at 1 April	49,547
3,853	Expected return on assets	4,420
412	Contributions by scheme members	499
1,916	Contributions by employer	1,942
(7,585)	Actuarial gains and (losses)	(15,291)
(2,947)	Benefits paid	(2,794)
49,547	As at 31 March	38,323
(13,542)	Surplus / (deficit) in the scheme	(22,968)

The expected return on schemes assets are determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Returns on equity investments reflect long-term real rates experienced in the respective markets.

Pension Scheme History

2005 £'000	2006 £'000	2007 £'000	2008 £'000	As at 31 March	2009 £'000
<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>		
(67,889)	(77,376)	(76,200)	(63,089)	Present value of defined benefit obligations	(61,291)
39,506	50,500	53,898	49,547	Fair value of employer assets	38,323
(28,383)	(26,876)	(22,302)	(13,542)	Surplus / (deficit) in the scheme	(22,968)

The defined benefit obligations show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability has a substantial negative impact on the net worth of the Council as recorded in the Balance Sheet, however the short term effect of this liability will be minimal as statutory arrangements permit the Council to reduce the deficit by making increased contributions over the remaining working life of employees, as assessed by the schemes Actuary.

It is estimated that the Council will contribute approximately £2,245k to the Local Government Pension Scheme during the year ended 31 March 2010.

Basis for Estimating Employers Assets and Defined Benefit Obligations

Defined benefit obligations have been assessed on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The estimated liabilities are based on a valuation as at 31 March 2007 and are updated to the current year by Hymans Robertson, the independent actuary to Hertfordshire Local Government Pension Scheme.

The principal assumptions used by the actuary are as follows:

31 March 2008	31 March 2009
Long term expected rate of return on assets in the scheme:	
7.7% Equity investments	7.0%
5.7% Bonds	5.4%
5.7% Property	4.9%
4.8% Cash	4.0%
Mortality assumptions:	
Longevity at 65 for current pensioners	
21.4 Men	21.4
24.3 Women	24.3
Longevity at 65 for future pensioners	
22.5 Men	22.5
25.4 Women	25.4
Financial assumptions:	
3.6% Rate of increase in inflation / pension cost	3.1%
5.1% Rate of increase in salaries	4.6%
7.1% Expected return on investments	6.3%
6.9% Rate for discounting scheme obligations	6.9%
50.0% Take up of option to receive lump sum on retirement	50.0%

The fair values of employer's assets are made up of the following types of investments, by proportion of total assets held:

31 March 2008	31 March 2009
Employers assets by investment:	
73.2% Equity investments	67.0%
13.1% Bonds	19.0%
5.3% Property	4.0%
8.4% Cash	10.0%
100.0%	100.0%

History of Gains and Losses

The actuarial gains identified as movements on the pension reserve in 2008/09 can be analysed into the following categories, measured as a percentage of employer assets or defined benefit obligations:

2004/05	2005/06	2006/07	2007/08		2008/09
£'000	£'000	£'000	£'000		£'000
<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>		
3.0%	14.6%	0.0%	(15.3%)	Differences between the expected & actual return on assets	(39.9%)
(3.4%)	2.5%	0.0%	11.4%	Experience gains and losses on obligations	0.0%

23. Prior Year Adjustments

As a result of the prior year adjustments made to the Council's defined benefit pension scheme (see note 22), the following table illustrates the impact on the 2007/08 statement of accounts:

Impact on 2007/08 Statement of Accounts	As Previously Reported £'000	Prior Year Adjustments £'000	As Restated £'000
Income & Expenditure Account:			
Net operating expenditure	18,199	298	18,497
Deficit / (surplus) for the year	2,297	298	2,595
Statement of Movement on Council Fund Balance:			
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	2,214	(298)	1,916
Statement of Total Recognised Gains and Losses:			
Deficit for the year on the income & expenditure account	2,297	298	2,595
Actuarial (gains) / losses on pension fund assets and liabilities	(3,460)	(5,044)	(8,504)
Prior year adjustment	-	773	773
Total recognised (gains) / losses since last report	(3,903)	(3,973)	(7,876)
Balance Sheet:			
Liability related to defined benefit pension scheme	(17,515)	3,973	(13,542)
Reserves:			
Pension reserve	17,515	(3,973)	13,542

24. Reserves

As at 1 April 2008 £'000		Transferred from / (to) Revenue £'000	Other Movements £'000	As at 31 March 2009 £'000
<i>Restated</i>				
2,162	Reserve:			
	Revaluation reserve	-	4,624	6,786
88,472	Capital adjustment account	(4,346)	1,923	86,049
15,092	Usable capital receipts			
(13,542)	reserve	241	(1,712)	13,621
	Pensions reserve	653	(10,079)	(22,968)
	Financial Instrument			
	Adjustment Account	(85)	-	(85)
6,890	Council fund	14	-	6,904
12,232	Earmarked reserves	143	-	12,375
135	Collection fund	-	47	182
111,441	Total	(3,380)	(5,197)	102,864

Revaluation Reserve

The revaluation reserve records accumulated unrealised gains resulting from the revaluation of fixed assets. The gains are retained in the account until such time they are reversed through the reduction in asset valuation or the asset is disposed, at which time the cumulated gains are realised through the Income & Expenditure Account.

A summary of the movement in the reserve during the year is as follows:

2007/08 £'000	2008/09 £'000
- As at 1 April	2,162
2,715 Revaluation gains during the year (<i>note 11</i>)	4,835
(9) Excess current value depreciation over historic cost depreciation	(211)
(544) Reverse accumulated gains on disposal of assets	-
2,162 As at 31 March	6,786

Capital Adjustment Account

The Capital Adjustment Account (CAA) contains amounts required by statute to be set aside from capital receipts for the repayment of external loans and the amount of expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The Council is debt free (provision for credit liabilities exceeds the outstanding external debt) and consequently makes no provision for set aside receipts or minimum revenue.

A summary of the movement in the account during the year is as follows:

2007/08 £'000	2008/09 £'000
92,233 As at 1 April	88,472
<i>Capital financing:</i>	
596 Usable capital receipts	1,712
446 Revenue financing and capital outlay (<i>note 10</i>)	434
(128) Released from capital grants and credits (<i>note 10</i>)	294
914	2,440
<i>Less: charges</i>	
(4,451) Depreciation and impairment losses (<i>note 10</i>)	(4,375)
9 Excess current value depreciation over historic cost depreciation	211
(226) Revenue expenditure funded by capital under statute (<i>note 10</i>)	(682)
(7) Disposal of fixed assets at historic net book value (<i>note 10</i>)	(17)
(4,675)	(4,863)
88,472 As at 31 March	86,049

Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents proceeds from the sale of fixed assets, which are restricted in order to finance future capital investment.

A summary of the movement in the reserve during the year is as follows:

2007/08 £'000	2008/09 £'000
Usable Capital Receipts Reserve:	
14,822 As at 1 April	15,092
558 Receipts during the year from sale of fixed assets	-
308 Other capital receipts (<i>note 10</i>)	241
(596) Receipts applied during the year	(1,712)
15,092 As at 31 March	13,621

Pension Reserve

The Pension Reserve is a balancing account, as required under FRS 17, to allow the inclusion of the liability arising from the Council's participation in the Hertfordshire Local Government Pension Scheme.

A summary of the movement in the reserve during the year is as follows:

2007/08 £'000	2008/09 £'000
<i>Restated</i>	
Pension Reserve:	
(22,302) As at 1 April	(13,542)
8,504 Actuarial gains (<i>note 22</i>)	(10,079)
(1,660) Net charge to the Income & Expenditure account (<i>note 10 & 22</i>)	(1,289)
1,916 Employers contribution payable to scheme (<i>note 10 & 22</i>)	1,942
(13,542) As at 31 March	(22,968)

Council Fund

The Council fund represents resources available to finance future running costs of the Council. Any surplus or deficit arising during the year from ordinary activities is transferred to the reserve, which subsequently may be used for future revenue or capital financing.

The movements in the reserve during the year are summarised on the Statement of Movement on the Council Fund.

Earmarked Reserves

Earmarked Reserves represents funds retained voluntarily for use on specific projects or causes.

A summary of the movement in the reserve during the year is as follows:

2007/08 £'000	2008/09 £'000
Earmarked Reserve (including non-HRA tenants reserve):	
11,180 As at 1 April	12,232
1,052 Net transfer from / (to) the Council fund (note 10)	143
12,232 Total earmarked reserves carried forward (see below)	12,375

The major project / cause balances held at 31 March 2009 are as follows:

2007/08 £'000	Increase £'000	Decrease £'000	Net £'000	2008/09 £'000
Project / Cause > £100k:				
400 Council Contribution to Pension Fund	-	-	-	400
4,538 Land Drainage	137	(450)	(313)	4,225
Information Services - Technology				
207 Replacement	-	(19)	(19)	188
Transportation				
111 Development	-	-	-	111
Parking Repairs & Renewals	25	-	25	197
172 Leisure Sinking Fund	242	-	242	2,867
Local Authority Business Growth Incentive	179	(325)	(146)	1,246
1,392 Housing & Council Tax Benefit Equalisation Account	-	-	-	203
203 E-government Revenue Funding				
82 Reserves	50	-	50	132
Waste Services Vehicles Replacement Reserve	291	-	291	1,254
963 Investment Income				
- Equalisation Reserve	296	-	296	296
Non-recurring Items				
808 Reserves	299	(381)	(82)	726
731 Other < £100k	32	(233)	(201)	530
12,232 Total	1,551	(1,408)	143	12,375

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) records adjustments made in respect of financial instruments which are not required to be charged to the council fund as permitted by local government regulations.

Financial Reserves

The ability to establish "funds" was changed under the Local Government and Housing Act 1989. The power to raise financial reserves replaces the former provisions on special funds. Financial reserves now fulfil the same function as revenue balances and special funds under the former legislation.

Use of Reserves

The revaluation reserve and capital adjustment account cannot be called upon to support spending. However, the usable capital receipts reserve can be used to meet expenditure designated as expenditure for capital purposes and the council fund may be used to meet both capital and revenue expenditure.

25. Notes to the Cash Flow Statement

Reconciliation of Deficit for the Year to Net Cash Inflow / (Outflow) from Revenue Activities

2007/08 £'000		2008/09 £'000
<i>Restated</i>		
	Surplus / (Deficit) for the Year:	
(2,595)	Income and expenditure account (<i>Restated – note 23</i>)	(3,380)
25	Collection fund	47
(2,570)		(3,333)
	Adjustments for Non-cash Transactions:	
4,451	Depreciation & impairment of fixed assets	4,375
-	Impairment of investments	315
226	Revenue expenditure charged to capital under statute	682
93	Government grants deferred amortisation	(325)
(7)	Loss / (surplus) on disposal of fixed assets	17
803	Bad debts written off	566
(256)	Non cash pension costs	(653)
5,310		4,977
	Movement in Working Capital:	
28	Decrease / (Increase) in stock	(42)
(3,220)	Decrease / (Increase) in revenue debtors	724
838	Increase / (decrease) in revenue creditors	569
(2,354)		1,251
	Classification Adjustments:	
86	Interest payable	128
(1,755)	Interest receivable	(1,825)
(1,669)		(1,697)
(1,283)	Net cash inflow / (outflow) from revenue activities	1,198

Analysis of Other Government Grants Received in the Year

2007/08 £'000		2008/09 £'000
	Other:	
66	Local authority business growth incentive	179
5,778	Council tax benefit subsidy grant	5,130
735	Housing / council tax administration grant	714
6,579	Total	6,023

Reconciliation of Movement in Net Debt

As at 1 April 2008 £'000		Issue of Debt £'000	Repayment of Debt £'000	Other Movements £'000	As at 31 March 2009 £'000
	Cash & Equivalents:				
1,646	Cash and bank	-	(960)	(332)	354
-	Bank overdraft	-	-	-	-
1,646		-	(960)	(332)	354
	Debt:				
(966)	Due within 1 year	-	960	6	-
680	Net debt	-	-	(326)	354

26. Contingent Assets

In 1994, the Council sold its housing stock to two Housing Associations at below the market value as tenants were still occupying the homes. The agreement signed between the Council and the Housing Associations stipulated that any eventual sale of these properties (right to buy) would result in part of the proceeds reverting back to the Council. However, the quantum of any future revenue cannot be reasonably determined as the Council is not aware, at this stage, the number of properties that will be sold in the future.

27. Contingent Liabilities

There are currently the following two litigious actions in progress against the Council whereby more than nominal damages are sought, but the precise amounts cannot yet be quantified nor the date of resolution be determined:

- A claim for costs in relation to a planning appeal; and
- A claim for value enhancement on land purchased by the Council.

The information usually required under FRS12 (Provision, Contingent Liabilities and Contingent Assets) has not been disclosed on the grounds that it can be expected to prejudice seriously both the outcome of the claims, and the prospects for a settlement.

Financial Guarantee

As a result of the pension fund deficit reported in the accounts of Elstree Film Studios Limited, the Council has committed itself to providing financial support to the company to enable it to continue as a going concern.

There were no other contingent liabilities at the date of approval of the Statement of Accounts.

28. Related Party Transactions

The Council is required to disclose all material related party transactions included within these Statement of Accounts. Related parties of the Council include:

- Central Government
- Other Local Authorities and other bodies precepting or levying demands on the council tax
- Subsidiary and associated companies
- Joint ventures and joint venture partners
- Its Members and Chief Officers

Central Government

Central Government has the 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. housing benefits). Details of transactions with government departments are set out in notes 4 and 25.

Members & Chief Officers

Chief officers are entitled to receive car loans from the Council. During the year loans amounting to £17k (2007/08: £nil) were made to chief officers, repayments of £13k (2006/07: £31k) were received and £21k was receivable at 31 March 2009 (2008: £17k).

Pension Fund

Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 22.

Bushey Country Club Limited

The entity is a wholly (100%) owned subsidiary of the Council, and is termed as a 'Controlled Company'.

The company manages the following activities on the site: Golf (inc. Driving Range), Health & Fitness Suite, Bars and Banqueting & General Catering. The Council owns the two allocated shares that have been appropriated from the Company's authorised share capital and, therefore, is committed to meet any future Company deficits should they occur.

A summary of the company's draft unaudited financial results for the year ended 31 March 2009 are as follows:

2007/08 £'000		2008/09 £'000
Financial Statements:		
-	Net profit for the year after taxation	-
66	Rent paid to Hertsmere Borough Council	37
66	Net profit for the year after taxation excluding rent paid	37
1	Net assets as at 31 March	1
1	Accumulated profit as at 31 March	1
1	Total shareholders funds	1
Other Disclosures:		
26	Other rents received by Council from company tenants	28
989	Due to Hertsmere Borough Council	247
966	Due from Hertsmere Borough Council	-

Elstree Film Studios Limited

Elstree Film Studios Limited is a wholly owned subsidiary of the Council which began trading on 1 April 2007. The arrangement with the Studios consist a license fee payable to the Council by the company for the use of the site. In addition to the license fee received, the Council also receives rental income from the tenants occupying the buildings on the site.

A summary of the company's audited financial results for the year ended 31 March 2009 were as follows:

2007/08 £'000		2008/09 £'000
Financial Statements:		
34	Net profit for the year after taxation	23
767	License fee paid to the Council	729
801	Net profit after taxation excluding license fees paid	752
34	Net Assets as at 31 March	(63)
34	Accumulated Profit as at 31 March	(63)
34	Total Shareholders Funds	(63)
Other Disclosures:		
233	Other rents received from company tenants	321
344	Due to Hertsmere Borough Council	134

Hertsmere Leisure

On 1 February 2002, the Council exercised its powers under section 19(3) of the Local Government (Miscellaneous Provisions) Act 1976 and Section 145 Local Government Act 1972 to set up a charitable trust ("Hertsmere Leisure") for the statutory provision of community arts and recreational services.

The trust is governed by a board of directors that is totally independent of the Council. The trust has also gained charitable status, which means that it is operating as a not-for-profit distributing organisation (NPDO).

In order to protect the interests of both parties to this arrangement, the following financial issues have been incorporated into the legal documents of the transfer:

(a) The Council does not grant any operating subsidy to Hertsmere Leisure Trust. The Council contributes towards landlords responsibility of building maintenance and any capital.

(b) The Council has agreed for Hertsmere Leisure to manage the leisure facilities until March 2012. The leases made provision to invoke a mutual break clause after two years and two months and on expiry of six monthly intervals thereafter.

(c) The building maintenance will be based on a landlord/tenant split, with the Council retaining the major structural responsibilities as the landlord, in accordance with a schedule, together with the items of equipment with a value, which exceeds £1,000 and Information Technology equipment with a value that exceeds £100. Hertsmere Leisure as a tenant will be responsible for internal repairs and responsive maintenance, and replacing minor items of equipment.

Hertsmere Leisure has been operating since February 2002. A summary of the Trust's draft unaudited financial results for the year ended 31 March 2009 is as follows:

2007/08 £'000		2008/09 £'000
	Financial Statements:	
800	Net surplus / (deficit) for the year	(110)
859	Net assets as at 31 March	749
1,264	Accumulated unrestricted income fund	1,154

29. Post Balance Sheet Events

The Council has an adjusting post Balance Sheet event which took place between 31 March 2009 and 29 September 2009. The event, which relates to a legal claim made against the Council, is currently being contested, however it is considered likely the claim will result in an obligation and a provision has been made within the Statement of Accounts. Due to its sensitive nature and to avoid prejudicing the claim, it has been deemed appropriate not to disclose any further details in the Statement of Accounts.

Hertfordshire Local Government Pension Scheme

As at 30 June 2009 (the latest available date for which information was available), the value of investments in the Hertfordshire Local Government Pension Scheme has not recorded significant change. The effect of any future changes on pension liabilities is being monitored by the scheme's actuary, who will advise the Council accordingly.

30. Authorisation to Issue

The audited Statement of Accounts were authorised for issue on 29 September 2009 by the Director of Resources, the date up to which any post balance sheet events have been considered.

The Collection Fund

2007/08 £'000	Note	2008/09 £'000
Income:		
49,546	Council tax	52,056
5,294	Council tax benefits	5,762
36,801	Income from non-domestic rates	41,759
91,641	Total income	99,577
Expenditure:		
54,315	Precept and demands	57,075
472	Provision for irrecoverable council tax debts	276
Non-domestic rates:		
36,659	Payment to national pool	41,614
143	Costs of collection	145
91,589	Total expenditure	99,110
52	Surplus for the year	467
(62)	Less: prior years surplus distributed	(102)
(10)	Net movement on fund	365
514	Collection fund brought forward	504
504	Collection fund carried forward	869
Fund movement allocation:		
25	Hertsmere Borough Council	47
(35)	Precepting authorities	318
(10)	Total surplus for the year	365
Fund balance carried forward allocation:		
135	Hertsmere Borough Council (included in reserves)	182
369	Precepting authorities (included in sundry creditors)	687
504	Total carried forward	869

Notes to the Collection Fund

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. It shows the transactions of the Council in relation to non-domestic rates and the council tax. It illustrates the way in which these have been distributed to preceptors and the council fund. The Collection Fund is consolidated with other accounts of the Council and is prepared on an accruals basis.

2. Precepts & Demands

During the year the following authorities made precepts or demands on the Collection Fund of the Council.

2007/08 £'000		2008/09 £'000
	Authority:	
42,132	Hertfordshire County Council	44,295
5,303	Hertfordshire Police Constabulary	5,599
6,014	Hertsmere Borough Council	6,273
502	Aldenham Parish Council	522
303	Elstree & Borehamwood Town Council	315
60	Shenley Parish Council	60
-	South Mimms	10
1	Ridge Parish Council	1
54,315	Total	57,075

3. Provision for Irrecoverable Council Tax Debts

During the year contributions were made to a provision for irrecoverable council tax amounting to £276k (2007/08: £472k) and £288k (2007/08: £407k) irrecoverable debts were written off.

4. Income from Business Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. During the year the rate with Small Business Relief was 45.8p (2007/08: 44.1p) and 46.2p (2007/08: 44.4p) with no relief. The total rateable value of properties at the year end amounted to £104.8m (2008: £102.6m). The total amount, less certain reliefs and other deductions, is paid to the central pool (the National Non Domestic Rate (NNDR) pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. This contribution is paid into the General Fund.

2007/08 £'000		2008/09 £'000
	Income from Business Rates:	
37,250	Gross rates payable	42,115
(591)	Less allowances and other adjustments	(501)
36,659	Net contribution to the national non-domestic rates pool	41,614

5. Contributions to Collection Fund Surpluses and Deficits

During the year the Council distributed accumulated surpluses and collected deficits relating to previous years to the following authorities:

2007/08 £'000		2008/09 £'000
	Authority:	
71	Hertfordshire County Council	81
9	Hertfordshire Police Constabulary	10
(18)	Hertsmere Borough Council	11
62	Net amount distributed	102

The Collection Fund surplus balance at the year-end will be distributed to authorities in subsequent years in proportion to the value of their respective precepts and demand on the Collection Fund.

6. Council Tax

This tax is a property-based tax and assumes that two adults are resident in the property. Discounts are available where less than two adults reside. The discount for second properties is 10% and no discount is allowed on long-term empty properties. Properties are placed into one of eight valuation bands. The base, upon which the council tax is calculated, is the total number of dwellings in each valuation band (after adjusting for discounted dwellings) and converted to an equivalent number of Band D dwellings. For 2008/09 the numbers as approved by full Council on 16th January 2008 (Ref: C/08/01) were as follows:

Band	Valuation £	Dwellings No.	Equivalent Band D Dwellings (incl discounts) No.
A	Up to 40,000	428	285
B	40,001 to 52,000	2,242	1,744
C	52,001 to 68,000	5,147	4,575
D	68,001 to 88,000	11,850	11,850
E	88,001 to 120,000	7,705	9,418
F	120,001 to 160,000	3,462	5,001
G	160,001 to 320,000	4,057	6,762
H	Over 320,000	771	1,542
Total number of equivalent band D dwellings			41,177
Assumption of 98.6% collection			40,601
Number of equivalent band D of contribution in lieu			370
Total tax base			40,971

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

2007/08 No		2008/09 No
40,742	Number of equivalent band D properties	40,971
£		
17,589,230	Gross requirement for the year:	18,033,720
	Less:	
(3,886,820)	Depreciation	(3,914,000)
(9,000)	Interest from mortgages	(6,000)
(1,106,270)	Revenue support grant	(956,690)
(6,591,960)	Contribution from NDR pool	(6,872,400)
5,995,180	Council demand from the collection fund	6,284,630
865,602	Add parish/town precepts	907,886
18,504	Collection fund adjustment	(11,529)
6,879,286	Total council tax for collection	7,180,987
168.85	'Average' band D council tax levy	175.27

The rates disclosed above are 'average' council tax levies based on the total tax base. When the actual tax liabilities are calculated, the amount payable is adjusted for special expenses applicable to each area and then divided by the number of Band D equivalent properties in each parish/town district.

Group Statement of Accounts

Contents:

Statement of Group Accounting Policies	102
Group Income & Expenditure Account	103
Reconciliation of the Single Entity Deficit to the Group Deficit.....	103
Group Statement of Total Recognised Gains and Losses	104
Group Balance Sheet.....	105
The Group Cash Flow Statement	106
Notes to the Group Accounts	107

Statement of Group Accounting Policies

The following accounting policies are supplement to those included in the Council's single entity statement of accounting policies.

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets, and represent the financial statements of the Council and the entities it controls.

On acquisition of a subsidiary undertaking, the assets and liabilities of the relevant subsidiary is measured at fair value at the date of acquisition. Where necessary, adjustments are made to the financial statement of the subsidiary to bring the accounting policies used in line with those used by other members of the Group.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and amortised on a systematic basis following an assessment of its foreseeable life of an asset subject to a maximum of 20 years.

All transactions between both entities have been eliminated as part of the consolidation process.

Group Accounting

- Subsidiary undertakings

Subsidiary undertakings, which are those undertakings in which the Group has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations have been consolidated.

- Co-terminous accounting periods

All entities have the same year-end (i.e. 31 March 2009).

Group Income & Expenditure Account

2007/08 Net (Income) / Expenditure £'000	Continuing Operations	2008/09 Net (income) / Expenditure £'000
<i>Restated</i>		
18,522	Net cost of services	19,389
	(7) Surplus / (Deficit) on disposal of fixed assets	17
	(308) Other capital receipts	(241)
	866 Parish precepts	908
	Deficits on trading undertakings not	
	68 included in net cost of services	141
	- Impairment to financial assets	315
	52 Interest payable	99
	(1,784) Interest & investment income	(1,839)
	Pensions interest cost & expected return	
	218 on pensions assets	(98)
17,627	Net operating expenditure	18,691
	(6,861) Demand on the Collection Fund	(7,192)
	(8,209) General government grants & non-domestic rates redistribution	(8,123)
2,557	Deficit for the year	3,376

The accompanying notes from an integral part of the Group Statement of Accounts.

Reconciliation of the Single Entity Deficit to the Group Deficit

2007/08 £'000		2008/09 £'000
<i>Restated</i>		
2,595	Deficit for the year on the Council's Income & Expenditure account	3,380
793	Adjustments for inter-group transactions	737
3,388	Deficit included in the group Income & Expenditure account attributable to the Council	4,117
	Surplus in the group Income & Expenditure account attributable to group entities (adjusted for inter-group transactions):	
(831)	Subsidiaries	(741)
2,557	Deficit for the year on the Group Income & Expenditure Account	3,376

Group Statement of Total Recognised Gains and Losses

2007/08 £'000		2008/09 £'000
<i>Restated</i>		
2,557	Deficit for the year on the Income & Expenditure account	3,376
(2,715)	Surplus arising on the revaluation of fixed assets	(4,835)
(8,504)	Actuarial gains on pension fund assets & liabilities	10,079
(25)	Surplus arising from the Collection Fund	(47)
(11,244)		5,197
(8,687)	Total recognised gains for the year	8,573
773	Prior year adjustment	-
(7,914)	Total recognised gains since last annual report	8,573

Group Balance Sheet

31 March 2008 £'000		Note	31 March 2009 £'000
<i>Restated</i>			
101,747	Fixed Assets	1	104,242
141	Debtors		121
7,303	Long term investments		2,711
109,191	Total long term assets		107,074
	Current Assets:		
51	Stock & work in progress		92
6,645	Debtors		6,317
16,610	Short term investments		22,388
2,123	Cash & bank		779
25,429	Total current assets		29,576
134,620	Total assets		136,650
	Current Liabilities:		
-	Bank overdrafts		3
7,527	Creditors		8,675
7,527	Total current liabilities		8,678
127,093	Total assets less current liabilities		127,972
	Long Term Liabilities:		
875	Deferred government grants		979
1,197	Deferred contributions		1,119
13,542	Liability related to defined benefit pension scheme		22,968
15,614	Total long term liabilities		25,066
111,479	Total assets less liabilities		102,906
	Financed By:		
2,162	Revaluation reserve		6,786
88,472	Capital adjustment account		86,049
15,092	Usable capital receipts reserve		13,621
(13,542)	Pensions reserve		(22,968)
-	Financial Instruments Adjustment Account		(85)
6,928	Council fund		6,946
12,232	Earmarked reserves		12,375
135	Collection fund		182
111,479	Total net worth		102,906

The Group Statement of Accounts were approved on 29 September 2009 by:



Sajida Bijle
Chief Finance Officer



Councillor John Graham
Chairman of the Accounts Approval Committee

The Group Cash Flow Statement

2007/08 £'000	Note	2008/09 £'000
(829)	Net Cash Inflow / (Outflow) from Revenue Activities	367
	Returns on Investments and Servicing of Finance:	
(6)	Interest paid	(6)
1,327	Interest received	2,345
1,321	Net cash inflow from returns on investments and servicing of finance	2,339
	Capital Activities:	
(1,039)	Purchase of fixed assets	(2,509)
(107,635)	Purchase of long-term investments	(96,765)
(40)	Issue of short term debt	-
557	Sale of fixed assets	-
108,635	Sale of long-term investments	94,765
265	Capital grants	456
743	Net cash inflow from capital activities	(4,053)
1,235	Net increase / (decrease) in cash & equivalents	(1,347)
888	Opening cash & equivalents	2,123
2,123	Closing cash & equivalents	776
	Cash & equivalents comprise:	
2,123	Cash at bank and in hand	779
-	Bank overdrafts	(3)
2,123	Closing cash & equivalents	776

Notes to the Group Accounts

1. Fixed Assets

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Community £'000	Investment Properties £'000	Assets Under Construction £'000	Total £'000
Cost or Valuations:								
At 1 April 2008	561	84,615	9,299	5,110	7,034	13,711	199	120,529
Additions	-	320	936	20	32	65	763	2,136
Disposals	-	(21)	(2,771)	(744)	-	-	-	(3,536)
Revaluation	85	1,057	(594)	-	(1,409)	179	-	(682)
At 31 March 2009	646	85,971	6,870	4,386	5,657	13,955	962	118,447
Depreciation and Impairments:								
At 1 April 2008	51	5,409	7,791	2,441	2,862	228	-	18,782
Charge in year	15	2,733	929	214	131	18	-	4,040
Impairments	-	229	-	-	-	190	-	419
Disposals	-	(4)	(2,771)	(744)	-	-	-	(3,519)
Revaluation adjustments	(51)	(1,191)	(1,485)	-	(2,600)	(190)	-	(5,517)
At 31 March 2009	15	7,176	4,464	1,911	393	246	-	14,205
Net Book Value:								
At 31 March 2009	631	78,795	2,406	2,475	5,264	13,709	962	104,242
At 31 March 2008	510	79,206	1,508	2,669	4,172	13,483	199	101,747

Investment properties and assets under construction are classed as non-operational assets.

2. Investment in Subsidiaries

Company:	Country of Incorporation:	Principal Activity:	Class of Shares:	Interest:
Bushey Golf & Country Club Ltd	United Kingdom	Operation of golf, fitness and banqueting facilities	Ordinary	100%
Elstree Film Studios Limited	United Kingdom	Operation of film and television studio	Ordinary	100%

Bushey Golf & Country Club has been a fully owned subsidiary since 1st July 1996, prior to which the company was dormant from its date of incorporation on 8th May 1996.

Elstree Film Studio Limited was incorporated on 23 November 2003. The company remained dormant until 1 April 2007, from which date it commenced trading.

3. Elstree Film Studios Limited

The company's accounts which have been included in the consolidated accounts are draft and subject to final audit.

4. Bushey Golf and Country Club Limited

The company's accounts which have been included in the consolidated accounts are draft and subject to final audit.

Glossary of Terms

Accounting Policies

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

- Recognising.
- Selecting measuring bases for.
- Presenting.

Accruals

The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

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

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).
- The actuarial assumptions have changed.

Asset

Anything which somebody owns which can be given a monetary value, for example buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.

Agency Arrangements

Services which are performed by, or for, another Council or public body, where the agent is reimbursed for the cost of the work done.

Balances

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Housing Revenue Account etc.

Business Rates

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

Capital Expenditure

Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.

Capital Receipts

Monies received from the sale of assets, which may be used to finance capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government but they cannot be used to finance day-to-day spending. Additionally, they can be used to repay debt.

Collection Fund

A fund administered by charging authorities into which Council Tax income and Business Rates collected locally are paid. Payments to, or receipts from, the non-domestic rates pool also go through the fund. Precepts are paid from the fund as is charging the Council's own requirements

Community Assets

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

Community Charge

A uniform annual amount paid by all adults for the three financial years from 1990/91 to 1992/93 who were solely or mainly resident in the registration area of a charging Council. Replaced by Council Tax.

Consistency

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

Contingency

A condition that exists at the Balance Sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate & Democratic Core

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

Activities include:

- Corporate policy making.
- Representing local interests.
- Support to elected bodies.
- Duties arising from public accountability.

Council Tax

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

Council Tax Rebates

A reduction in the liability to pay Council Tax granted in accordance with the nationally determined scale of needs and resources.

Credit Approvals

Central Government issues local authorities with credit approvals. These give the Council permission to finance capital expenditure by borrowing or other forms of credit, up to the amount issued each year.

There are two types of credit approval:

- A basic credit approval, which can be used to finance any type of capital expenditure.
- Supplementary credit approvals, which may only be used for the purpose it is issued for.

Credit Arrangements

These are forms of credit entered into by the Council relating to leasing and contracts, which provide for extended credit.

Credit Ceiling

A measure of the difference between the Council's total liabilities in respect of capital expenditure financed by credit and the provision that has been made to meet these liabilities.

Credit Liabilities

These relate to liabilities of the Council in respect of money borrowed (principal only), or in respect of credit arrangements.

Creditor

An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period and for which payment has not been made at the Balance Sheet date.

Current Service Cost (Pensions)

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

Curtailement

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 employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business.
- 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.

DCLG

DCLG stands for Department for Communities & Local Government and replaces the Office of the Deputy Prime Minister (ODPM).

Debtor

Sums of money due to the Council but not received at the Balance Sheet date.

Deferred Charges

Capital expenditure that does not create a tangible asset e.g. improvement grants.

Defined Benefits 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 unfunded (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 and prior periods.

Depreciation

The measure of the cost or revalued amount of the benefit of the fixed assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time 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 which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

Exceptional Items

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

Expected Rate of Return on Pension Assets

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

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Finance and Operating Lease

A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Fixed Assets in the Balance Sheet. With an operating lease the ownership of the asset remains with the Leasing Company and the annual rent is charged to the relevant service account.

Fixed Assets

Tangible assets that yield benefits to the Council for a period of more than one year.

Council Fund

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

Government Grants

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

Housing Advances

Loans made by the Council to individuals towards the cost of acquiring or improving their homes.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances, and council tax rebates toward which central government pays a subsidy.

Housing Revenue Account

Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets aside the expenditure and income arising from the provision of housing.

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction or improvement to highways and footpaths.

Interest Cost (Pensions)

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

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 Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

Investments (Pension Fund)

The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities (other than town parish and community councils) are required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Liabilities

Money owed to somebody else.

Liquid resources

Liquid resources are current asset investments held as readily disposable stores of value.

Minimum Revenue Provision

This is the minimum amount that must be charged to the Council's revenue account each year should certain criteria be met. It is set aside as provision to repay debt.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

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

Net Realisable Value

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

Non-Operational Assets

Fixed assets held by a local Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are commercial and industrial properties.

ODPM

ODPM stands for Office of the Deputy Prime Minister, which is now known as the DCLG – Department for Communities & Local Government.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

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.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

Precepts

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

Prior Year Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Provisions

An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. The overall objective of this principle is not to overstate the net worth shown of the Statement of Accounts.

Related Parties

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

- One party has direct or indirect control of the other party.
- The parties are subject to common control from the same source.
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

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. Examples of related party transactions include:

- The purchase, sale lease, rental or hire of assets or loans, irrespective of any direct economic benefit to the pension fund.
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party.
- The provision of services to a related party, including the provision of pension fund administration services.
- Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or pension fund, such as council tax, rents and payments of benefits.

The materiality of related party transactions are judged not only in terms of their significance to the Council, but also in relation to its related party.

Rent Allowances

Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.

Rent Rebates

Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) 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.

Revenue Expenditure

Day to day expenses, mainly salaries and wages, general running costs and debt charges.

Revenue Support Grant

Central Government Grant towards the cost of Local Council Services.

Right to Buy

“Right to Buy” is an agreement whereby eligible Housing Association tenants may purchase the property at a reduced rate.

The Councils housing stock was sold to two Housing Associations in 1994 at a discounted rate. As part of the agreement, it was stipulated that any eventual sale of these properties under the “right to buy” scheme would result in part of the proceeds being paid to the Council.

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.
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

The amounts of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Subsidiary Company

A company is a subsidiary of a local Council if any of the following apply:

- The local Council holds a majority of the voting rights in the company.
- The local Council is a member of the company and has the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on most matters.
- The local Council has the right to exercise a dominant influence over the company.
- The local Council is a member of the company and controls alone a majority of the voting rights in the company.
- The local Council has a participating interest in the company and it actually exercises a dominant influence of the company or it and the company are managed on a unified basis.

Standard Spending Assessment

An assessment by Central Government of how much a Local Council should spend in providing a common level of service, having regard to its individual circumstances and responsibilities.

Usable Part of Capital Receipts

This is generally the balance of any capital receipt after deducting the reserved part and any repayment to the Central Government of grants made to the Council on disposal of the 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 or other dependants.