



Hertsmere Borough Council
Annual Financial Report & Statement of Accounts
For the Year Ended 31 March 2012

Annual Financial Report & Statement of Accounts: 2011/12

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A message from the Leader of the Council, Councillor Morris Bright

As Leader of the Council, I am once again pleased to contribute to the annual Financial Report and Statement of Accounts.

The Council plays a leading role in improving the quality of life for its residents. We are committed to delivering the Local Strategic Partnership's Community Strategy (Hertsmere Together) and our Corporate Plan. A recent survey of quality of life by the Halifax, which drew data from over 400 local authorities nationwide, ranked Hertsmere in 21st position in the country.

In this report, I would like to share some of our achievements with you; these have come about against the backdrop of a severe cut in the resources available to us, yet on page 39 the Director of Resources shows that all the necessary savings have been delivered with an operating surplus against budget of £387,000.

The year 2011-12 was the first of the coalition Government's four-year spending review. By the end of 2012-13, Hertsmere will have seen a reduction in its grant settlement of 27%, or some £2 million, compared with two years ago. It is possible that further reductions will be made in the third and fourth years but essentially the cuts were 'front-loaded', that is, they occurred in the early years of the settlement period. We started 2011-12 having reduced our workforce by 15% in order to achieve the greater part of the savings required. You will read more later in this report about the borough's readiness to deal with the financial challenges set by the settlement.

Feedback from our residents

We continue to value the views of our residents which help shape our services and priorities.

At the end of 2011 we undertook our regular independent survey to see what residents thought about our services and where we can improve. The results were published in early 2012 and it is pleasing to note that nine out of ten Hertsmere residents are satisfied with the area as a place to live and satisfaction overall is on the increase in the borough. More residents than ever before report satisfaction with the way the Council runs the authority, rising from 66% in 2008 to 74% in 2011, and when asked about the area as a place to live, 91% of respondents were satisfied, compared to 84% in 2008 – an increase of seven percentage points.

We also invited views from local people on our proposed planning and infrastructure core strategy, which will guide the development of the borough over the next fifteen years and, once adopted, will become an important document for assessing planning applications. It has been examined by the Secretary of State and we are now responding to the inspector's findings, with a view to further consultation with the public and the borough's partners.

We held a 'Get Connected' month to encourage people to interact with us online and a number of improvements were made to our website as a result of feedback from users. This work continues with further improvements underway which will make it as easy as possible for our residents to get in touch with us and access our services online.

Maintaining low levels of council tax

Once again, our members and officers were able to identify significant efficiencies that in conjunction with a Government grant of £164,000 allowed the Council to freeze the level of council tax that it collects for its own purposes in 2011/12; indeed, despite the reduction in funding from central Government, Hertsmere's council tax remains frozen in 2012/13 at the level set in 2009/10.

In 2012/13 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 (a three-bedroom terraced house) without a town or parish council, this equates to £157 per year, which pays for dozens of services provided by the Council such as waste and recycling, environmental health inspections, cemeteries, police community support officers, grants to community groups, housing, museums, parks, planning services and leisure activities for all ages.

The contribution made to the authority's finances by the Council-owned Elstree Studios is over £1 million a year in licence fees (i.e. rental charges) from its profits to the Council, the equivalent of subsidising council tax to every home in the Borough by more than 15% (expressed as a proportion of the average council tax charge).

This is as well as providing jobs and businesses to the communities of Elstree and Borehamwood. The success of the Studios is one of the reasons we were able to keep our council tax frozen for the third year running.

The council's aim for service provision

The Council works hard to achieve the promises it has made to the community to support the key areas of work and our vision of '*working with you, for you, improving our communities, our places*'.

In delivering this vision, the council has five corporate priorities which reflect those set by the Local Strategic Partnership (LSP), Hertsmere Together, in its Community Strategy. The members of the LSP represent the public, private, voluntary and community sectors within Hertsmere.

These priorities inform the performance targets of all officers of the council.

The council's five corporate priorities are:

- **Safer communities**
Contribute to reducing crime levels, combat anti-social behaviour and improve people's feelings of safety.
- **Quality environments**
Protect and enhance both the natural and the built environments to ensure clean, green and sustainable places for our residents.
- **Healthy, thriving communities**
Improve the health and wellbeing of our communities through the promotion of healthy living initiatives and leisure, sport and cultural opportunities for everyone
- **Economic wellbeing**
Encourage and support activities and opportunities that strengthen the local economy and deliver economic well-being to our communities.
- **Decent homes**
Improve the quality of housing, promote a balanced housing market and tackle homelessness.

What have we achieved?

I would like to share with you our key achievements over the past year or so. To put them into context I have addressed each achievement under the relevant corporate priority.

Safer Communities

Reducing crime is naturally a key concern to our residents. Hertsmere is a partner agency in the Community Safety Partnership (CSP) which works to reduce crime and disorder and increase the feelings of safety in the borough. In the residents' survey conducted in 2011, we found that 99% of residents feel safe in their local area when outside during the day and 75% feel safe outside after dark. More than 66% of roads in the borough are covered by the Neighbourhood Watch Scheme, under which neighbours get together to help prevent crime in their local community.

The CSP monitors statistics on crime and anti-social behaviour on a regular basis. Overall, all crime in the borough fell by 3% in 2011-12 compared to 2010-11.

The council has been especially pleased to support projects which educate young people and encourage them to think about making their community a safer place, for example Local Intervention Fire Education ('LIFE'), an intensive fire training programme aimed at diverting young people away from crime and anti-social behaviour and 'Crash Bang' which involves Youth Offending Teams educating young people who have been involved in vehicle crime about the possible consequences of careless driving.

'Operation Bracken' was launched in June following a spate of criminal damage and anti-social behaviour incidents in Borehamwood. As part of it, the "Prison? Me, No Way Trust" were funded to run a unique one day workshop for 180 young people, including those at risk of offending or being excluded from school, to educate them about consequences of their behaviour. Whilst being treated as 'prisoners' for the day the young people saw a virtual prison cell in a van, met two prisoners who were serving life sentences for murder and took part in various activity based scenarios. This initiative won the Michael Fogarty Award at the Police Authority's Safer Neighbourhood Awards as the best example of problem-solving in Hertfordshire.

The police authority is of course under pressure to deliver more for less in common with other public sector bodies. We have continued to support local Police Community Support Officers by contributing £128,000, a sum matched by Hertfordshire Constabulary. In addition, we have agreed with the Police Authority that the police station should be re-located within the council's offices which will save money for the police and enable them to maintain a fully operational presence while allowing us to continue our great partnership working.

Finally, we await the outcome of the ballot in November 2012, when the Police Authority will be replaced by a directly elected Police Commissioner.

Quality Environments

As recycling rates continue to rise (46.8% in 2011/12 compared with 43.5% in the previous year) so does satisfaction amongst our residents which has risen to 82% as measured in the thrice yearly survey recently undertaken. Our performance has been recognised nationally; the council was a finalist in the Association of Public Service Excellence annual awards for 2012, in the category of Best Service Team Waste Management and Recycling.

We are committed to enhancing the appearance of Hertsmere's built and natural environment wherever we can. We were delighted when at last the legal arrangements for the redevelopment of 96 Shenley Road (the site of the former Borehamwood Village Hall) were completed and we look forward over the next year to the emergence of a multi-purpose community complex including a library, museum, hall for activities and meeting rooms for community groups.

The high quality of the borough's green spaces were once again recognised by the award of five Green Flag awards and (to Fishers Field Nature Reserve in Bushey) a Green Flag Community Award, which recognises high quality green spaces that are managed by voluntary and community groups. Bushey Rose Garden was awarded Green Heritage Site Accreditation as a site of local historic importance. I would like to thank the friends groups and volunteers who work so hard alongside our parks and maintenance teams to make the parks safe, clean and welcoming.

In January 2012, we were delighted to designate the Moatfield in Bushey a Queen Elizabeth II playing field as part of the preparations for the celebration of the Diamond Jubilee. The site will be permanently protected as a recreation field and we were awarded funding to install outdoor gym equipment for park users.

Our residents are able to bid for cash from the Ward Improvement Initiative Scheme to improve the area that they live in. Each councillor has access to £1,000 each to support local projects and schemes. Projects supported in the last year included wall panels at a school, flooring for a cricket club and picnic tables for King George Recreation Ground, marking its centenary in 2012.

Healthy, thriving communities

'Hertsmere Together', the local strategic partnership (LSP), includes representatives from the NHS and incorporates a Health and Wellbeing group which has responsibility for reviewing proposed changes to local service provision and assessing the impact on the local community. During the year the LSP continued to distribute NHS funds some of which have been match-funded from the borough's allocation of Performance Reward Grant. The focus of the funding is on projects which will contribute towards improving people's health and addressing health inequalities. Examples include work aimed at persuading young people to stop smoking and a programme which aims to reduce childhood obesity.

In February we launched a new deal with Hertsmere Leisure after the company won the contract to continue to manage the council's leisure portfolio, including activities at the council's arts and leisure centres and at Bushey Country Club and Three Ways Community Centre.

We have continued to encourage and support residents in participating in the community and its activities. The LSP rolled out the 'Take Part' initiative to areas in Potters Bar and Bushey for 18 months, to get people more involved in their local communities, raise awareness of services and gain valuable communication and confidence skills. The project will aim to involve over 400 people, and so far nearly 100 people have started to get involved with 50 attending visits to Hertsmere Borough Council and Hertfordshire County Council. In addition, the LSP has participated in 'Big Local', a community-driven ten year programme to help deprived areas across the country. At least £1 million will be made available to the Leeming Road & Aycliffe Road area in Borehamwood by the Big Lottery to fund activities to meet a community plan.

I was particularly pleased to announce the launch in March of Hertsmere's Timebank co-ordinated by Community Action Hertsmere (CAH) and based at The Big Local Community Shop, which will allow volunteers to donate their time and skills to the bank and then claim back their credit from other volunteers in return. Timebanks have already proven to be great ways to foster community engagement and create support networks across our communities.

Economic prosperity

The borough's economic prosperity will always be associated at least in part with the local film studios and to encourage more production companies to come to the borough, the council is supporting a private members bill for filming on the highway in Hertfordshire. If passed as an Act of Parliament, it will make it easier for road closures to be implemented and permission to be granted for film-making equipment to be located on the highway.

I was very proud to attend a ceremony to name a First Capital Connect train after Elstree Studios. The train travels on the Bedford to Brighton line and was named to commemorate a film-themed transport interchange at Elstree and Borehamwood Station and the studios' close links to London. The Studios continue to be very busy with both film and TV production and they make a considerable contribution to the borough's economy.

We have continued to take a keen interest in the work of the Local Enterprise Partnership (LEP) and in conjunction with that body we hosted a business breakfast to help local firms to network and learn more about opportunities to boost trade. The LEP's primary role is to provide strategic leadership for the local economy and two of its subsidiary programme boards focus on innovation and enterprise and on skills and employment. We see participation in the LEP as a way in which we can support business and new investment; our own resources are limited and this will be a way for local businesses to access advice and support. Indeed, through the LEP's Growing Places Fund, we were able to help secure a loan of £2 million for the redevelopment of Elstree Studios.

I am well aware, however, that unemployment continues to affect many of our residents as the recession continues. The heightened demand for services such as housing and council tax benefits, and particularly services provided by the Citizen's Advice Bureau (CAB), seen in 2010-11, continued in 2011-12. For a second year we provided funding of £251,000 to the CAB, including £37,000 to fund a specialist money advisor to support debt counselling. In addition, the CAB trains volunteers to help reduce the burden faced by those who fund the service and promotes and advises on grants for home insulation and energy efficiency measures with the aim of reducing fuel poverty. The Chair of CAB is a member of Hertsmere Together.

We know that the local library is a vital resource to local people studying and seeking work and we were happy to allocate funds, matched by Elstree and Borehamwood Town Council, to extend the library's opening hours after the County Council had felt obliged to reduce them in the face of budget cuts.

Decent homes

The council's key objectives are to meet the needs of vulnerable people, to improve private sector housing standards and to increase affordable housing. This is achieved through our strategic housing role, working with local housing associations (registered social landlords or RSLs), as the council does not hold its own housing stock. During the year we carried out a review of public sector housing in the borough in order to establish the general level of satisfaction with housing services offered by public sector housing providers operating in the borough. A number of recommendations for more effective working with our main RSL partners emerged from this review which we believe will further enhance our service to residents. Although the council does not directly provide housing itself it is the first port of call for vulnerable people in need of housing.

As in 2010/11, demand for housing support for the homeless rose and we approved additional funds over and above the original budgeted amount to help to pay for temporary accommodation such as bed and breakfast and private rented accommodation. Under our scheme known as PLACE, owners of empty properties enter into a leasing agreement for a period of three years with a registered social landlord during which time the property is refurbished and the owners receive no rental income. The properties are then ready for the letting market, and the council is able to nominate homeless families to live there - this innovative project featured in a Channel 4 documentary about the refurbishment of empty properties as part of the station's campaign to bring housing issues to the public's attention.

Conclusion

Hertsmere Borough Council is a public service organisation whose purpose is to deliver high quality, value for money services for our communities. We will continue to work effectively in challenging conditions and to strive to deliver high quality services over the next year, delivering what the community tells us is most important.

2012/13 and beyond

As I reported last year, the details of the government's spending review and grant allocation to local authorities for the two years 2011/12 and 2012/13 led to the council carrying out a programme of organisational change to deliver the savings required (in the order of £2 million or 27% of expenditure before the review) and to ensure that we balanced our budget within the required statutory timeframe. We now await the grant allocations for the third and fourth years of the spending review.

The Local Government Finance Bill, currently proceeding through the House of Lords, supports the Government's commitment to delivering economic growth, decentralising control over finance, and reducing the deficit. It introduces a rates retention scheme, enabling local authorities to retain a proportion of the business rates generated in their area, thus providing local authorities with a strong financial incentive to promote local economic growth. At the same time, the Bill provides a framework for the localisation of support for council tax in England. This is designed to provide continuing council tax support for the most vulnerable in society, including pensioners, whilst achieving overall savings in the cost of this benefit of around 10%. These two provisions provide a good illustration of the government's intention to encourage local authorities to provide an environment of economic growth in which their residents can find work and move away from dependency on benefits.

Hertsmere has been able to withstand the financial pressures of the settlement in part because it has healthy reserves including specifically earmarked reserves that have been set aside for future revenue and capital projects and will help safeguard services. However, the use of those reserves must be planned and a council must be able to look ahead to future years and try to determine how it can be protected against factors which are essentially outside its control, such as inflation, interest rates and indeed grant allocations and rates of take-up of benefit. The measures in the Local Government Finance Bill described above show that from next year local authorities will experience a new degree of self-funding. The changes announced in respect of non-domestic rates and support for council tax will bring a degree of risk and variability to local government funding that has not been experienced for decades. The council's medium-term financial strategy (covering the four years of the present spending review) is kept under review along with the annual budget. It takes into account the national and regional context and links those with the council's corporate goals and priorities. The balances and reserves policy highlights the possibility that the council may have to utilise some of its General Fund reserve as a last resort given the poor financial settlement and unprecedented economic conditions – but only as a last resort since reliance on reserves for on-going expenditure will place the council in financial jeopardy. The sound financial management of the council gives us room to consider our position and we will not be forced into any hasty decisions.

Of course Hertsmere is not alone in making financial savings and finding ways of providing services for less. Every council is facing this challenge but at the same time we are all able to welcome the chances offered by the Localism Act to take power back into the hands of the local community and council, be this in the area of planning, housing or local democracy.

The 2011/12 Statement of Accounts

It can be seen from my statement and the Statement of Accounts that even in the continuing difficult economic climate, the council has managed to deliver its objectives whilst achieving an operating surplus of £387,000 despite continuing increases in demand for the council's services, especially in the areas of housing benefit and help for the homeless. In the year under review, it was possible to increase our General Fund reserve by £652,000 thanks to an exceptional refund of VAT following a back-dated claim and to a refund of business rates following revaluation of certain council properties. This is a great achievement and demonstrates the commitment of our staff and the sound financial management at the council.

I would like to take this opportunity to thank the Director of Resources, as well as the Head of Finance and Business Services and his team, for all their hard work and dedication in producing the final set of accounts by the statutory deadline using the new accounting system installed during the year. The team's success in meeting the challenges facing local authority finance staff was recognised earlier this year when it was shortlisted as a finalist in the Local Government Chronicle's Finance Team of the Year award. I would also like to thank Councillor John Graham, as Finance and Property Portfolio Holder, for continuing his strong and successful leadership over council finances.

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



Councillor Morris Bright
Leader of the Council

Date: 27 September 2012

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 objectives:

- Safer communities
- Quality environments
- Healthy, thriving communities
- Economic wellbeing
- Decent homes

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 and determining council spending plans

The council's plan for spending on services looks forward at least three years based on the Corporate Plan. This plan, known as the Financial Strategy, has always been reviewed annually to reflect changes to the Community and other strategies. When the outcome of the government's comprehensive spending review (CSR) was announced in late 2010, the Financial Strategy covering the period 2011/12 - 2014/15 was completely revised and was approved by full council in February 2011.

The four year period covered by the Financial Strategy coincides with that covered by the CSR. The final grant settlement for the first two years of the period is known (a reduction of 15.2% in the first year, 2011/12, and 12.2% in the second) but whilst it is anticipated that there will be further cuts in the third and fourth years, the scale and quantum are not yet known.

The council has to plan its finances with a view to protecting frontline services and establishing priorities for other services. Since the council has been a financially lean organisation for a number of years the task of

funding significant savings, in effect achieving 'more for less' is a challenging one. Naturally the council will seek maximisation of income generation and reductions in expenditure via a number of means but has had no alternative but to implement a reduction in staffing levels. The re-organisational change programme is delivering £1.4 million ongoing revenue savings from 2011/12. During that year, the council successfully retendered its contract for leisure facilities management which generated combined ongoing income and savings in the region of £0.5 million. This contributed to total net savings of £0.7 million achieved in the 2012/13 budget in addition to the sum of £1.4 million already identified for 2011/12.

The balancing of the budget for 2012/13 was achieved taking into account the outcome of the participatory budgeting process to which the council's key stakeholders such as residents, elected members and staff contributed their preferences and priorities in making savings. The preparation of the budget for 2013/14 will continue to build on this process.

The council of course raises a substantial proportion of its resources through council tax. Following the award in 2011/12 of a government grant of £164,000, equivalent to a council tax increase of 2.5% to assist with freezing the council tax demand at 2010/11 levels, the council has been awarded an additional sum of £165,000 for 2012/13 for the same purpose. In awarding such grants to local authorities, the government announced that any rises in excess of 3.5% would be subject to the approval of the local electorate in a referendum.

The Local Government Finance Bill is currently proceeding through the House of Lords. It introduces a rates retention scheme, enabling local authorities to retain a proportion of the business rates generated in their area, and provides a framework for the localisation of support for council tax in England. This is designed to provide continuing council tax support for the most vulnerable in society, including pensioners, whilst achieving overall savings in the cost of this benefit of around 10%. The potential impact of these provisions on the council has been assessed and the local electorate is being consulted on proposals to protect the most vulnerable recipients of council tax support whilst requiring other benefit claimants who are in work to pay more towards their council tax liability.

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. Two areas of which members are particularly aware are, first, expenditure on providing accommodation for the homeless and, second, expenditure on administering housing benefit, both of which are continuing to rise in 2012/13. The council will also try where possible to support the voluntary sector in increased levels of activity in the current economic climate and, for a second year, has provided additional funding to the Citizens Advice Bureau for a debt counsellor.

Reductions in income other than grants and council tax

The council receives income from many sources other than grants and council tax. Officers and members take the required steps to safeguard the council's income but in light of the economic climate and given that some sources of income are outside the direct control of the council, the income targets in the 2012/13 budget have been reduced in the following areas:

- Reduction in income generated by the council's design and print service, reflecting decreased demand as the use of electronic means of communication continues to rise.
- Reduction in the funding available from investment income as the council seeks to reduce its reliance on this funding source.

These reductions are partially offset by increased income from rental charges on garages, the civic offices, residential and commercial properties.

Trends influencing spending plans

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 supply of, and demand for, affordable housing will continue, resulting in local employment difficulties. The continuing difficulty of obtaining 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, spurring demand for improvements in leisure, recreation, health and social services and the infrastructure needed to support these.
- 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 or 'smart' 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

The council has a statutory duty to deliver 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).

The council's auditors are required to review the council's arrangements for keeping in place, measuring and reporting on the 'three E's' and have been able to issue an unqualified audit report in this area.

The continuing drive for efficiency

The following activities have long been recognised as the drivers of Value for Money and hence efficiency:

- 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.

All such activities illustrate the coalition government's stated aim to see councils achieve 'more for less'. The council seeks to put this concept into practice in the following areas:

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.
- Entering into post- or function-sharing arrangements with other authorities in order to minimise staffing costs.
- 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.

Spending plans for 2012/13

The following tables set out the council's plans for expenditure in each of the main areas in which it provides services. These plans have been achieved without any increase in the council tax attributable to Hertsmere Borough Council and its associated town and parish councils, with the exception of Aldenham Parish Council.

The council's spending plan for 2012/13

2011/12 Approved Budget £'000		2012/13 Approved Budget £'000
	Gross Expenditure:	
1,644	Planning & building control	1,552
1,977	Housing and health services	1,958
5,894	Waste management & street scene	5,744
603	Asset management	193
2,460	Corporate support	2,237
712	Finance, revenues & benefits and IS	686
2,062	Legal & democratic services	2,023
754	Human resources & customer services	814
705	Corporate management	675
-	Audit & assurance	96
592	Other income / expenditure	723
17,403	Gross requirement	16,701
	Less:	
4,277	Depreciation & capital charges	4,277
13,126	Total net requirement	12,424

Analysis of 2012/13 Budgets

	Gross Cost £'000	Less: Income £'000	Gross Requirements £'000	Less: Depreciation £'000	Total Net Requirements £'000
Services:					
Planning & building control	2,395	843	1,552	-	1,552
Housing and health services	2,539	581	1,958	108	1,850
Waste management and street scene	8,637	2,893	5,744	770	4,974
Asset management	4,867	4,674	193	3,282	(3,089)
Corporate support	2,243	6	2,237	12	2,225
Finance, revenues & benefits and IS *	44,274	43,588	686	-	686
Legal & democratic services	2,129	106	2,023	97	1,926
Human resources & customer services	816	2	814	8	806
Corporate management	675	-	675	-	675
Audit & assurance	96	-	96	-	96
Other income / expenditure	805	82	723	-	723
Total	69,476	52,775	16,701	4,277	12,424

** includes the payment of housing and council tax benefits and the receipt of associated government subsidies*

Implications of the 2012/13 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.
-

2011/12 £'000		2012/13 £'000
17,403	Budgeted net cost of services	16,701
(4,277)	Capital charges component	(4,277)
(6,330)	Income from central government grants	(5,463)
(164)	Council tax freeze grant	(329)
6,632	Net funds required by Hertsmere Borough Council	6,632
948	Funds required by town and parish councils	952
(48)	Collection fund surplus	(26)
7,532	Amount to be raised from Council Tax	7,558

The average Council Tax levy for Band D for the prior year was £180.01. This was calculated by dividing the council tax requirement of £7,531,798 by the equivalent number of Band D households of 41,841.

Using the new tax base of 41,982 and dividing it into the requirements of £7,557,608, the average levy for 2012/13 is £180.02. The Council has increased the Band D levy for Hertsmere by 0%. The fractional increase is attributable to town and parish precepts.

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 2012/13 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	No
Tax Base: (number of households)	5,108	13,704	99	1,825	357	20,889	41,982
							AVERAGE
	£	£	£	£	£	£	£
General Expenses (before government grants)	281.28	281.28	281.28	281.28	281.28	281.28	281.28
Special expenses	0.16	15.99	16.15	15.99	17.21	17.21	14.66
Parish / town council charge	107.70	24.12	-	33.32	27.93	-	22.66
Gross charge at band D	389.14	321.39	297.43	330.59	326.42	298.49	318.60
Less:							
Revenue support grant/NNDR grant	130.12	130.12	130.12	130.12	130.12	130.12	130.12
Council tax freeze grant	7.84	7.84	7.84	7.84	7.84	7.84	7.84
Collection fund surplus	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Funding available	138.58	138.58	138.58	138.58	138.58	138.58	138.58
Net precept requirement	250.56	182.81	158.85	192.01	187.84	159.91	180.02
Prior year charge	249.49	182.81	167.18	192.01	187.84	159.91	180.01
Increase/(decrease) including Parish/ Town*	1.07	-	(8.33)	-	-	-	0.01
	0.43%	0.00%	(4.98%)	0.00%	0.00%	0.00%	0.01%

*Minor variations are due to an increase in Aldenham precept and to Ridge no longer making a precept

Annual Governance Statement

This Annual Governance Statement covers the 2011/12 financial year and up to the date of the approval of the audited accounts.

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 2011/12 and also how the Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework, which has been in place for the financial year 2011/12, 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.

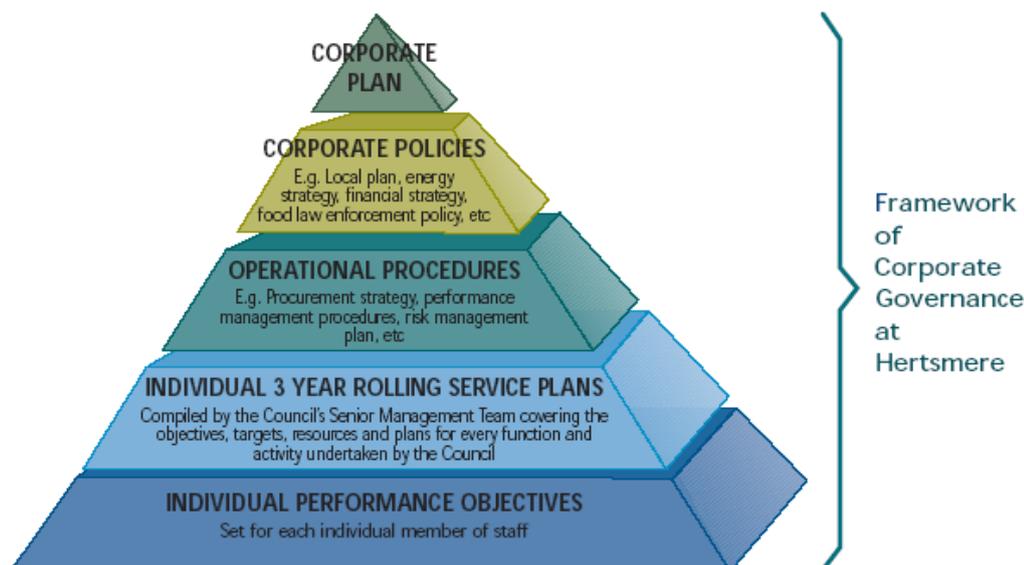
The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

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

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 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 Chief Officers' Board and the Senior Management Team are aware of the financial and other procedures and controls outlined in the Constitution, and each Director and each Head of Service is required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

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) Hertsmere Together have prepared a refreshed Sustainable Community Strategy which is underpinned by the Council's Corporate Plan. The Community Strategy 2010-2021 was launched at the LSP in March 2010 and adopted by the Council in April 2010.

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 2009-2013 was approved in November 2009 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
Feeling and Being Safe Create a safer environment and increase feelings of safety	Safer Communities Contribute to reducing crime levels, combat anti-social behaviour and improve people's feelings of safety
Health and Wellbeing Promote and provide opportunities for healthier lifestyles and improve the quality of life for older people Children and young people Deliver and promote quality activities for young people	Healthy Thriving Communities Improve the health and wellbeing of our communities through the promotion of healthy living initiatives and leisure, sport and cultural opportunities for everyone
Prosperity and the economy Combat poverty and narrow the gap	Economic Wellbeing Encourage and support activities and opportunities that strengthen the local economy and deliver economic wellbeing to our communities
Where we live Create better living conditions for Hertsmere residents	Decent Homes Improve the quality of housing, promote a balanced housing market and tackle homelessness
	Quality Environments Protect and enhance both the natural and the built environments to ensure clean, green and sustainable places for our residents

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 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. The fully revised Corporate Plan was 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, eg 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 Management Panel, and has sound systems to provide management and financial information. Where performance does not meet the planned levels, the Panel requests that a remedial action plan is produced and monitors progress with the improvement work.

The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (i.e., 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.

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, e.g., with Hertfordshire County Council, Stevenage Borough Council, Broxbourne Borough Council, and Welwyn Hatfield Borough Council as well as the Hertfordshire Constabulary. As part of one such initiative, Welwyn Hatfield Borough Council's Procurement Manager spends approximately two days per week at Hertsmere.

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:

Planning, Audit, Environment Scrutiny, Licensing, Overview & Performance, Personnel, Resources Scrutiny & Standards. Each has 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 have been used to determine items for scrutiny. The Council's Forward Plan provides the Overview and Scrutiny Committees with information on proposed key decisions, which is used to determine items for scrutiny.

In addition the Council has created a list of policies and strategies, identifying the responsible officer and when the policy is due for review. This document is used by councillors wishing to raise items on the scrutiny agenda.

The Constitution includes roles and responsibilities of the three statutory officers, and the Chief Officers, as well as Proper Officer Functions. In addition each Head of Service has an up to date Scheme of Delegation which is reviewed annually. 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 advised 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 Duties, Disclosure of Information, Political Neutrality, Outside Commitments, Personal Interests, Interests of Officers in Contracts, Gifts and Hospitality, Appointment and other employment matters, Use of Financial Resources and Disciplinary Rules. Officers are regularly reminded to record any offers of gifts and hospitality.
- 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.

Copies of the Council's Constitution are available to all on the Council's Website and at Council Offices (including the Members' Room), libraries and other appropriate locations.

In addition, Induction Training is provided to all newly elected Members and new employees and the Council is working towards the Elected 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 includes at Article 4 the following plans and policies:

- Community Strategy
- Corporate Plan
- Crime and Disorder Reduction Strategy
- Cultural Strategy
- Energy Strategy
- Financial Strategy
- Housing Strategy
- Development Plan documents which includes the core strategies, site allocations and development control policies
- Environmental Policy
- Risk Management Strategy
- Local Code of Governance

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 comprises three elements:

- (a) an introduction to the Register, definitions and how the Register was compiled
- (b) a full schedule of the Strategic and Operational Risks that have been identified and assessed
- (c) a schedule of those Strategic and Operational Risks that have been assessed as either "High" or "Bubbling Under"

Undertaking the core functions of an Audit Committee

The Audit Committee has Terms of Reference, which are included in the Council's Constitution and is regularly reviewed to ensure compliance with recognised best practice - the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities".

It is recognised that, in order to discharge these responsibilities, the Audit Committee may require any officer to attend meetings of the Committee so it may receive explanations regarding any matter that it is considering.

At the beginning of each financial year, the Committee establishes a Work Programme as well as a Training & Development Programme and, at the end of each financial year, it receives a report from officers setting out its performance against both Programmes.

The Audit Committee Chairman presents a report on the work of the Committee to the Council.

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 of their work for the Council

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 comprehensive 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 Committee (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 Elected 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. Overall the result was very positive for the Council, showing improvements in key areas. The chart below shows the response to key questions from each year the survey was carried out since 1999.

	1999	2002	2005	2008	2011
% Satisfaction with the area as a place to live	82	82	82	84	91
% Satisfaction with the way the Council is run	62	64	66	65	74
% Agree the Council provides value for money	45	45	39	52	60
% Agree treats all areas of the borough fairly	29	31	28	35	65

The Council's official magazine "Hertsmere News" is published three times a year 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.

Meetings of the Council and the Executive are web-cast.

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.

Participatory Budgeting consultation was completed early autumn 2010 to formulate the Council's budget based on the community needs and priorities.

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.

The Council has established clear channels of communication with its staff, eg regular briefings from the Leader and the Chief Executive, Cascade briefings every four weeks, weekly 'All Staff' e-mails and a staff magazine "Hertshire" is regularly published.

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

The Council can confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government.

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. All Service Level Agreements are subject to an annual review.

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, Cabinet, Overview & Scrutiny Committees, the Audit Committee and the Standards Committee
- the work of the Governance Group
- the annual Management Assurance Statements prepared by the Directors and Heads of Service relating to internal controls, performance and risk management within their areas of activity
- the Head of Internal Audit's Annual Report as well as the individual Audit Reports
- Reports made by the Council's External Auditors and any other review agencies and inspectorates.

The Council

The Council comprises 39 Members and, as a whole, takes decisions on budget and policy framework items as defined by the Constitution.

At the Annual Meeting (held in May 2011), the Council elected a Mayor, appointed the Leader of the Council and other Members of the Cabinet, agreed Committee membership and representation from the Council on local organisations (known as Outside Bodies) for the forthcoming year.

Each Council meeting has been open to the public, who can submit a question or petition to these meetings.

The Council met eight times during the financial year – Agendas, Supporting Papers and Minutes are available on the Council's Website.

The Executive

The Executive comprises seven Members from the majority political group throughout the municipal year, is chaired by the Leader of the Council and provides leadership at a top level.

Each Member of the Executive has looked after an individual area of responsibility known as a portfolio of services; they have worked closely with Directors and Heads of Service and developed an in-depth knowledge of their portfolio area.

All Executive decisions have been taken in public apart from exceptions (such as personnel matters, commercially sensitive information or confidential legal advice). The public have been welcome to attend meetings of the Executive.

Agendas, Supporting Papers and Minutes are available on the Council's Website.

Officers are not able to put key decisions into practice until the ten day 'call-in' period has elapsed – except for those decisions taken under emergency procedures.

The Overview & Performance and Scrutiny Committees

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

The Environment Scrutiny Committee has met seven times during the financial year. The Committee's specific responsibilities have included 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 has met eight times during the financial year. The Committee's specific responsibilities have included 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.

Member Panels

There has been a number of cross-party Member Panels to scrutinise the various areas of Council activity, eg Asset Management Panel, Financial Monitoring Panel, Housing Services Panel and Performance Management Panel.

Ad-hoc Member Panels have also been established for specific projects, eg Design & Print Services Panel, Information Services Panel and Leisure Services Procurement.

The Audit Committee

The Audit Committee's Terms of Reference have been 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 has comprised five non-Executive Members (as required) and has met four times during the financial year – Agendas, Supporting Papers and Minutes are available on the Council's Website.

It substantially completed its Planned Work Programme, regularly receiving reports from:

- The Council's External Auditors – Progress Reports, Annual Governance Report, Annual Audit Letter, Audit Plan and Value for Money Report
- The Anti-Fraud Unit – Progress Reports and Annual Report
- The Internal Audit Team – Progress Reports, Draft Annual Governance Statement, Annual Report, and Annual Audit Plan
- The Risk Manager – Progress Reports
- The Head of Finance – Statement of Accounts and Heritage Assets

The Committee also completed its Training & Development Programme receiving a training session before each of its meetings.

The Standards Committee

The Standards Committee's Terms of Reference have recently been amended to take account of the revised purpose of this Committee following the enactment of the Localism Act 2011. One of its functions remains the promotion and maintenance of high standards of conduct by Members and co-opted Members.

The Committee comprises five Borough Councillors, two representatives of the Town and Parish Councils, and an Independent Person.

The Standards Committee holds four meetings during the year. These are supplemented by further meetings to consider complaints about individual Councillors, if necessary. Agendas, Supporting Papers and Minutes are available on the Council's Website.

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 Democratic Services Manager 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, HR & Customer Services, Legal Services, Engineering & Property Services, Planning & Building Control and Street Scene Services as well as the Audit Manager, Democratic Services Manager, Housing Services Manager and the Chief Environmental Health Officer comprise the Senior Management Team, which meets on a monthly basis.

Each Director and Head of Service has completed and signed off a Management Assurance Statement. 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 Governance Group has been chaired by the Chief Executive, in his capacity as the Council's Head of Corporate Governance.

The Group has met during the financial year and received reports covering Ethics & Standards, Internal Control, Partnerships & Performance Management and Risk Management.

The Group has co-ordinated the preparation of this Annual Governance Statement – as part of this process. The Group has also monitored the progress of the Action Plan which was put in place to address the Significant Governance Issues identified in the Annual Governance Statement (see table below).

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.

On 1st July 2011 the Council joined four other districts (East Herts DC, North Herts DC, Stevenage BC, and Welwyn Hatfield BC) and Hertfordshire County Council to deliver a shared internal audit service to provide efficiency and resilience.

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 (at its meeting in July 2012), 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 Annual Report is a key source document to the Council's Annual Governance Statement. The Head of Internal Audit's overall opinion on the internal control environment for 2011/12 is Substantial for Key Financial Systems and Moderate for non Key Financial Systems.

Individual Internal Audit Reports state whether or not there are any implications for the Annual Governance Statement. All reports issued have stated that there are no implications for the Annual Governance Statement.

All 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.

The Council's External Auditors regularly review the work of the Internal Audit Team and, to date, have placed reliance on their work.

Performance Management

The Performance Strategy remains a key link between the Community Strategy, the Corporate Plan, Service Plans and individual Key Result Areas – "the golden thread".

Local Performance Indicators have been regularly collected, analysed, risk managed 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, has met regularly to consider National and selected Local Performance Indicators and where the performance of any indicator was deteriorating or below target, the Panel called the relevant Head of Service and Portfolio Holder to account.

The Financial Monitoring Panel, the members of which also sit on the Performance Management Panel, has met on a monthly basis to scrutinise the Council's financial performance. The financial performance is reported and scrutinised in detail on quarterly basis by the Panel and reported back to the Overview and Performance Committee.

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 and where possible non-compliance is highlighted.

This "non-compliance" list is presented to and discussed by the Procurement Group, which consists of senior officers from all service areas. Officers are required to provide an explanation and, if necessary, to put an action plan into place

The Council has a full e-tendering package that provides a secure and auditable method of issuing and receiving tenders

Risk Management

In 2011/12, the responsibility and accountability for Risk Management was placed with the Heads of Service. Post year end Hertsmere have agreed a shared service support with Stevenage Borough Council in relation to Risk Management.

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 who are assisted by 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's External Auditors

The Annual Audit Letter 2010/11 was presented to the Audit Committee in January 2012 and the main audit conclusions for the year were:

- The 2010/11 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.
- The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

SIGNIFICANT GOVERNANCE ISSUES

The table below provides information on the Significant Governance Issues that were identified within the Council's governance framework during the year. Significant issues from the previous year are either no longer significant or have been carried forward into 2011-12.

No.	Significant Governance Issue	Action
1.	<p>IT Disaster Recovery Arrangements</p> <p>Major and prolonged failure of Hertsmere's IT systems as a result of disaster is likely to result in a failure in the Council's ability to fully provide its services. The implementation of effective disaster recovery arrangements is a form of insurance policy against such an outcome.</p> <p>In March 2012, Internal Audit issued a report that was agreed with Management recommending that the Council should develop and implement a formal corporate IT Disaster Recovery Plan, including off-site recovery arrangements.</p>	<p>Development, implementation and testing of a Corporate IT Disaster Recovery Plan.</p> <p>Target Date – October 2012</p>
2.	<p>Financial Uncertainty</p> <p>Local Government Financing is facing unprecedented challenges with the planned changes to localise Council Tax and Business Rates, Community Infrastructure Levy and Welfare Reform Act.</p> <p>Another wave of austerity is likely to cut Local Authorities funding grants from Government. The Council faces difficult decisions to ensure it balances its books.</p>	<p>1) The Treasury Management strategy is being kept under review in response to the current economic climate in order to safeguard the Council's investments.</p> <p>2) A balanced budget has been set for 2012/13 and will be monitored throughout the year.</p> <p>3) The Council is exploring a Hertfordshire wide solution in relation to the localisation of Council Tax and Business Rates Retention.</p>
3.	<p>Planning Appeals</p> <p>There are ongoing challenges being made by the way of Planning Appeals and/or Ombudsman complaints that may result in substantial costs/compensation being awarded against the Council.</p>	<p>Strengthen the Planning decision making process.</p> <p>Target Date – 30 September 2012</p>

4.	<p>Planning Services</p> <p>In December 2011, the Council's external auditors issued a Planning Services Review report which made eight recommendations to improve the performance of the Council's Planning Services.</p> <p>A presentation was made to the Council's Overview and Performance Scrutiny committee in June 2012.</p>	<p>There is an action plan in place to address the external audit recommendations, including the procurement and implementation of a new planning system.</p> <p>Target Date – January 2013</p>
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CERTIFICATION

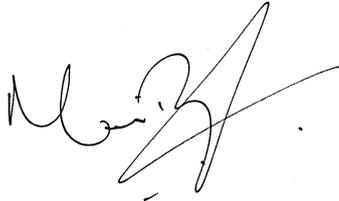
We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive, the Audit Committee and the Governance Group and the plan to address the identified weaknesses and to ensure continuous improvement of the system is in place.

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

Date: 27 September 2012

Hertsmere Borough Council
Statement of Accounts
For the Year Ended 31 March 2012

Statement of Accounts: 2011/12

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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).

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

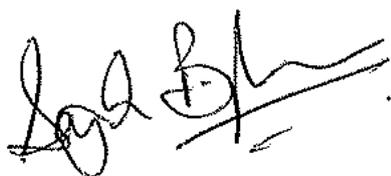
- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates which were reasonable and prudent.
- Complied with the local authority Code.

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 a true and fair view of the financial position of Hertsmere Borough Council at 31 March 2012 and its Income & Expenditure for the year then ended.



Sajida Bijle
Director of Resources

Date: 27 September 2012

Independent Auditors' Report to the Members of Hertsmere Borough Council

Opinion on the Authority financial statements

We have audited the financial statements of Hertsmere Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hertsmere Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Hertsmere Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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



Philip R Westerman
Senior Statutory Auditor,

for and on behalf of Grant Thornton UK LLP

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 September 2012

Explanatory Foreword

Overview from the Director of Resources

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2011/12. Compared to metropolitan boroughs, Hertsmere Borough Council is a small council with a population just over 100,000 and is made up of distinctly individual communities and several smaller settlements. Although the Council is located within Hertfordshire, it faces many similar challenges to those faced by its neighbouring London boroughs. Its close proximity to the city also brings its own challenges, particularly when the Council competes for highly skilled labour in an area paying London weighted salaries that can only be offered by the larger London Boroughs.

The Council is continuing with its programme of continuous improvement in performance and service delivery. Key to this is the maintenance of the Corporate Governance framework. The Council's Annual Governance Statement provides further details of the strategies to achieve this which have been developed and reviewed during the year. The Audit Committee, which meets quarterly and is attended by the external auditors, works to promote and safeguard financial probity throughout the Council.

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 (England) 2011 require the Statement of Accounts to be certified as true and fair by the Chief Financial Officer by 30 June and approved, audited and published by 30 September each year. The Annual Governance Statement, which is also included earlier in this report, has been approved by each of the Executive, Audit and Standards committees.

Once again I would like to take this opportunity to thank formally the Head of Finance and Business 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 (www.hertsmere.gov.uk).

How we have managed the Council's resources in 2011/12

Managing Resources

In 2011/12 the budget for the Council's cost of services was set at £13,126k after funding from reserves. The actual spend for the year is £12,715k, which has resulted in an overall favourable variance of £411k as follows:

How the Council's Resources have been Managed in 2011/12				
Services:	Spending 2011/12			Explanation for Variance: Favourable / (Adverse)
	Budget	Actual	Variance	
	£'000	£'000	£'000	
Cultural & related: Museums & galleries, theatres, recreation and sport facilities, allotments, community centres, tourism, parks and open spaces.	2,516	2,532	(16)	Higher than expected costs associated with community centres.
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.	4,877	4,780	97	Increases in recycling and licensing income plus savings in staff costs, offset by increasing price of diesel prices and costs of vehicle hire.
Planning & development: Building regulations & control, development control, local & regional planning, environmental initiatives, economic and community development.	885	733	152	Increase in income from asset management plus savings in staff costs, offset by decrease in planning application fees and one-off costs in respect of planning appeals.
Highways, roads and transport: Routine highways & roads maintenance, street lighting, traffic management, road safety and public parking services.	171	125	46	Introduction of new scales of fees and charges for parking.
Housing: Housing strategy, private sector housing renewal, homelessness, housing benefits, administration costs and other housing property.	484	564	(80)	Net increase in cost of temporary accommodation after applying contingency funding.
Central: Democratic representation & corporate management, collection of local taxes, registration of electors, conducting elections, emergency planning, and local land charges.	4,224	4,012	212	Reductions in members' costs, staff costs and audit fees, offset by decreased demand for design & print services and continued reduction in council tax court costs awarded.

	Spending 2011/12			
	Budget	Actual	Variance	
	£'000	£'000	£'000	
Net cost of services	13,157	12,746	411	
Less: Transfer from reserves	(31)	(31)	-	
Surplus before final adjustments	13,126	12,715	411	

Reconciliation from the Financial Monitoring Report to the Statement of Accounts

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

	£'000	2011/12 £'000
Surplus per Financial Monitoring Report above		411
Monitoring adjustments:		
Shortfall in housing and council tax benefit grant claim	(104)	
Accrued settlement costs in respect of a planning case	(137)	
Investment income in excess of budget for one-off projects	234	
Other minor adjustments	(17)	
		(24)
Adjusted Financial Monitoring Report surplus		387
Final year end adjustments:		
Refund of over-declared VAT for previous years (the 'Fleming case')	665	
Refund of business rates resulting from revaluation of Council properties	408	
Applied to fund capital expenditure	(408)	
Provision for support for Bushey Country Club as a going concern prior to transfer to Hertsmere Leisure Trust	(400)	
		265
Increase in the Council fund for the year		652

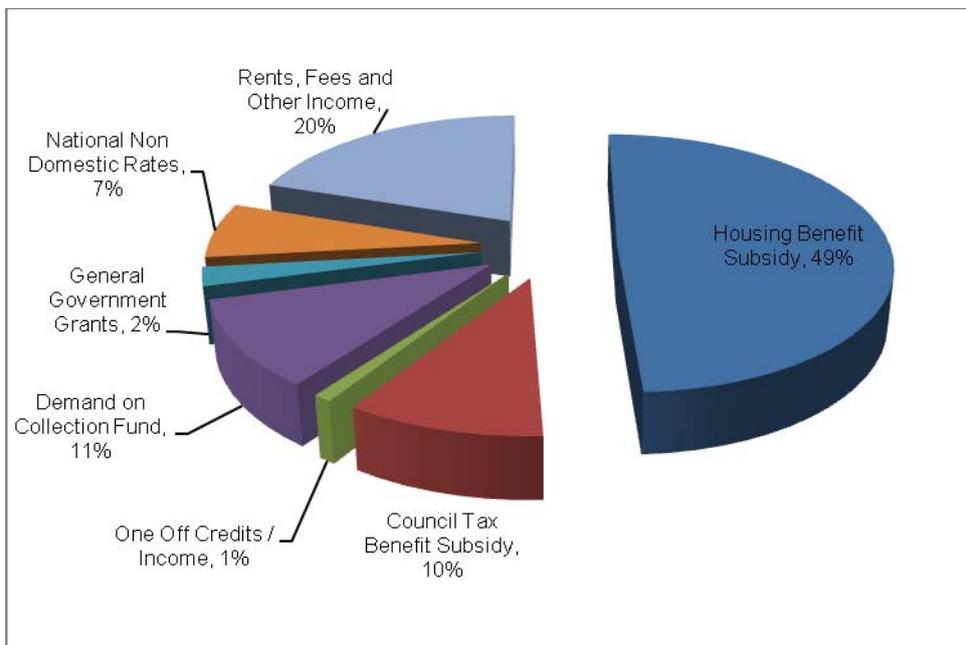
Illustrative Review of the Key Components of 2011/12

Actual performance as per the Statement of Accounts

This information relates to the contents of the accounts which follow this explanatory foreword. In addition to the income and expenditure referred to on the previous two pages, the accounts include charges for such items as depreciation of the Council's assets and income that were not included as part of the budget at the beginning of the year.

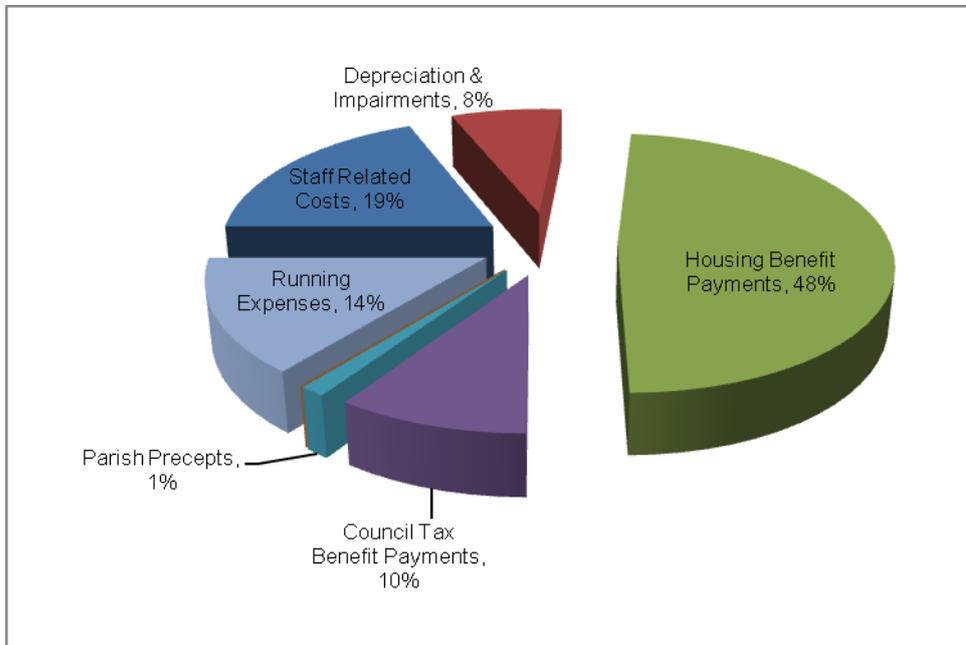
Revenue Funding

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. There are two large one-off credits in the Council's accounts this year: a refund of VAT overpaid of £665k and a refund of £408k in respect of business rates. These items are explained more fully at note 5 to the accounts on page 66.



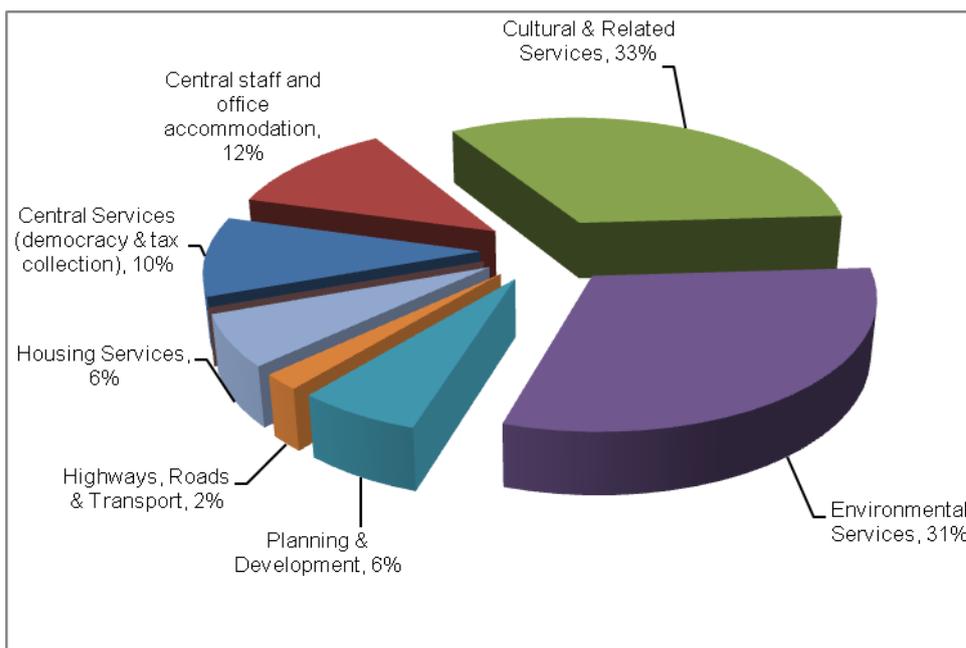
Revenue Expenditure

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 19% of total expenditure.



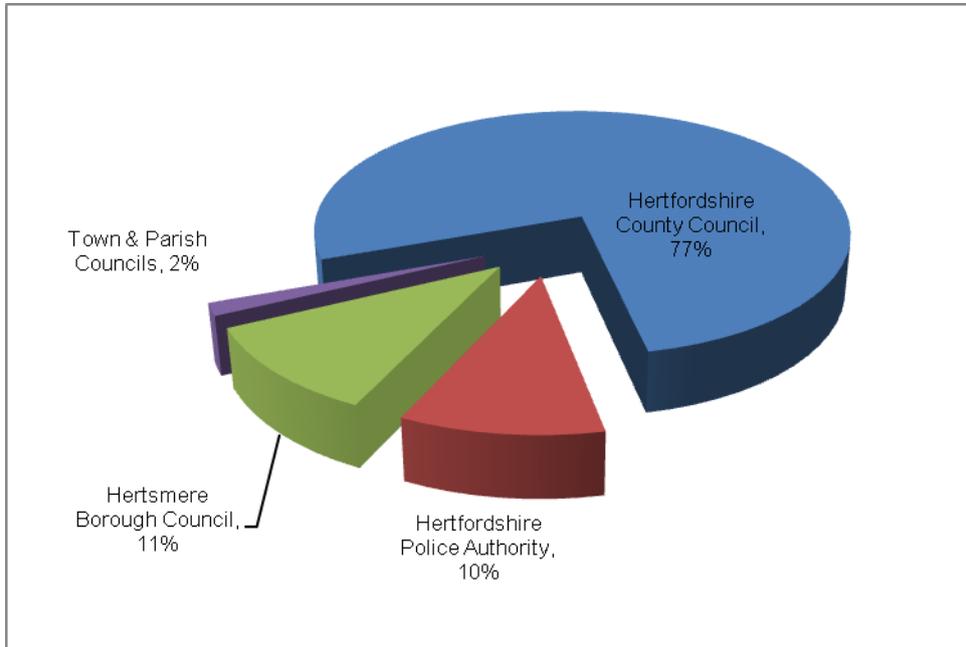
Services Provided

The chart in this section shows the proportion of Council's actual expenditure (including depreciation and impairment) on the different service areas during the year. Please see the table on page 38 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.



The Council Fund and the Council’s services

2011/12 was the first year of the coalition government’s four-year spending review and the first in which a reduction in core funding was experienced. In 2010/11, the Management Team and Members of the Council had already prepared for a significant reduction in future grant settlements; the principal step that had been taken was the re-organisational change programme under which some forty members of staff were made redundant or redeployed. Members of the Council are mindful that the services provided to the community will be needed more than ever by many residents of the borough and will make every effort to maintain current levels, retaining grant funding to the voluntary sector and taking note of the increase in demand for housing for the homeless.

In addition to experiencing reductions in grant funding, in the uncertain economic climate the Council can no longer rely on historic levels of fees, charges and investment income so it is vital that robust levels of reserves are maintained in order to safeguard services. The Council’s financial strategy and its policy on level of reserves recommend maintaining its General Fund (‘the Council Fund’) by adding an inflationary increase annually. In fact, despite all the challenges faced the Council recorded an operating surplus of £387k, as shown on page 39 above. The Council was fortunate to receive refunds of VAT and business rates totalling £1,073k during the year (details of which are shown in note 5 to the accounts) and after setting aside funding of £408K for capital expenditure and £400k to provide support for its subsidiary Bushey Country Club was able to add £652k to the balance on the General Fund, which stood at £8,258k at 31 March 2012.

The Council has also been able to make good use of its earmarked reserves during the year by using them to help pay for the shortfalls in income, and redirecting those that were reserved for projects no longer required or considered a priority.

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 £2,844k was transferred from the General Fund for future projects, including the replacement of waste vehicles, and £2,643k was spent on previously earmarked projects, including works to land drainage and the completion of key stages of the project to replace the Council's Finance, Revenues and Benefits systems. Total funds earmarked for future use at 31 March 2012 were £13,066k. The breakdown of this sum is given at note 33 on page 96.

Capital Receipts

During the year the Council generated capital receipts of £362k by disposing of a plot of land for development which was surplus to requirements and a further £68k by virtue of mortgage repayments and sundry receipts. Capital receipts (except those from sales of housing which are placed in the 'Housing enabling fund') are placed in the 'Usable capital receipts' fund, and in accordance with the Council's financial strategy, will be used to fund future capital projects, of which 80% will be revenue generating. Accordingly, the sum of £365k from the sale of land will be placed in the 'Housing enabling fund' and the remaining £68k of capital receipts will be used for future capital projects. All useable capital receipts are currently earmarked for projects but the Council estimates that it could generate £100k in 2012/13 from the sale of assets.

Capital Expenditure Programme

During the year the Council incurred expenditure of £1,940k on capital projects, which can include anything from the purchase or replacement of vehicles and equipment to the refurbishment of existing assets. Significant projects undertaken during the year included the replacement of the Council's Finance, Revenue and Benefits systems (£405k), replacement of leisure centre equipment (£291K) and facilitating projects funded by disability access grants (£325k).

At the Balance Sheet date Council was committed to spending a further £3,259k (after external funding) on capital projects, of which £2,408k is budgeted to be spent in 2012/13. Significant work will continue on a wide range of community facilities, including the development of the Radlett Café, the Wyllyotts Centre and Borehamwood Village Hall. Funds have also been committed for further structural repairs and refurbishment of the Council's many properties including the civic offices.

Further analysis of the projects carried out during the year and those committed for the future can be seen in note 18 to the accounts.

Heritage Assets

This year, the Council has accounted for heritage assets as a separate category on the balance sheet for the first time. These are assets which have cultural, environmental or historical associations which make their preservation or future generations important. They were previously included in the category 'community assets'. The best example of this is the Bushey Rose Garden which was restored over a number of years to its original appearance. Further details of these assets are given at note 20 to the Statement of Accounts.

Pension Fund Liability

The Council's net pension fund deficit has increased over the last year, from £25,923k to £33,370k. The value of assets held within the scheme remained stable, increasing from £52,105k to £52,475k and the deterioration in the deficit was therefore attributable to an increase in liabilities from £78,028k to £85,845k. The financial assumptions at 31 March 2012 are in general less favourable than they were at 31 March 2011 and investment returns for the past year were lower than expected.

It should be noted that movements on the pension fund liability are not taken to the Council Fund, which is only charged with pension fund contributions actually paid by the Council. Instead they are charged or credited to the Pensions Reserve (see note 34 to the accounts) which absorbs the differences between accounting adjustments and actual charges in accordance with statute.

It is important to recognise that the pension fund liability reflects the outlook using assumptions which cover an extremely long term. The net liability reflects the valuation of assets which themselves can be subject to wide fluctuations over the long term. In common with other employers who participate in the scheme, the Council will continue to fund the scheme at the rate recommended by the actuary to enable the scheme to meet its obligations.

The triennial valuation of the fund was carried out as at 31 March 2010 and the results were incorporated in the actuary's report, with assumptions updated where appropriate.

Investment with Icelandic Banks

Reports in previous years have referred to the £1 million held with Heritable Bank (an Icelandic Bank subsidiary registered in the UK) which went into administration in October 2008.

The administration process continued throughout 2011/12 and the Council has now received a total of 68% (£684k) of its initial deposit. The administrators, Ernst and Young, are of the view that the final settlement will be between 85% and 90% of the Council's initial deposit plus accrued interest.

Full disclosure of the Council's investment in Heritable Bank can be found in note 26 to the Statement of Accounts.

Details of significant contingencies

As explained at note 38 to the accounts, the Council has committed itself to providing lending if required to its wholly-owned subsidiary, Elstree Film Studios Limited, so that the company does not have to borrow from external financial institutions. Working capital support of £500k has been extended to Elstree Film Studios in accordance with the Council's agreed procedures and any further financial commitment would need to be approved by full Council.

In addition, the Council is aware that its former insurer Municipal Mutual Insurance Limited, may not be able to meet its liabilities in future and, as a consequence, the Council may be called upon to contribute to the cost of settlement of past claims. It is not possible to quantify such a contribution at this stage.

Furthermore, the Council is liable for the costs relating to a small number of planning issues but the sums involved are not considered material to the Council's accounts and have not been provided.

Statement of Accounts

The Council's financial statements for the year ended 31 March 2012 are set out following the explanatory foreword. Where appropriate, figures for 2010/11 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 2011, the Statement of Accounts for 2011/12 has 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 in the Statement of Responsibilities.

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

Movement in Reserves Statement

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

Comprehensive Income & Expenditure Statement

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

Balance Sheet

The Balance Sheet shows the values as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.) The second category of reserves comprises those that the Council is not able to use to provide services. This category of reserves includes reserves that holds unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to fund services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

Cash Flow Statement

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

The Collection Fund

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

Group Accounts

The Council does not produce group accounts on the grounds that the results of the subsidiaries in which it holds investments are not material to an understanding of the Council's results. A summary of the balance sheets and trading results of the Council's subsidiaries is set out at note 38.

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MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2010/11

	Council Fund Balance £'000	Earmarked Reserves (Note 32) £'000	Usable Capital Receipts (Note 32) £'000	Capital Grants Unapplied (Note 32) £'000	Total Usable Reserves (Note 32) £'000	Unusable Reserves (Note 33) £'000	Total Reserves £'000
Balance at 31 March 2010	6,914	12,212	11,374	826	31,326	45,302	76,628
Deficit on provision of services	(8,731)	-	-	-	(8,731)	-	(8,731)
Other comprehensive income and expenditure	-	-	-	-	-	23,256	23,256
Total comprehensive income and expenditure	(8,731)	-	-	-	(8,731)	23,256	14,525
Adjustments between accounting basis and funding basis under regulations (note 15)	10,076	-	(446)	(35)	9,595	(9,595)	-
Net increase/(decrease) before transfers to earmarked reserves	1,345	-	(446)	(35)	864	13,661	14,525
Transfers to/from earmarked reserves (note 33)	(653)	653	-	-	-	-	-
Total Increase / (decrease) during the year	692	653	(446)	(35)	864	13,661	14,525
Balance at 31 March 2011	7,606	12,865	10,928	791	32,190	58,963	91,153

MOVEMENT IN RESERVES STATEMENT (continued)

Movement in Reserves during 2011/12

	Council Fund Balance £'000	Earmarked Reserves (Note 32) £'000	Usable Capital Receipts (Note 32) £'000	Capital Grants Unapplied (Note 32) £'000	Total Usable Reserves (Note 32) £'000	Unusable Reserves (Note 33) £'000	Total Reserves £'000
Balance at 31 March 2011	7,606	12,865	10,928	791	32,190	58,963	91,153
Deficit on provision of services	(2,849)	-	-	-	(2,849)	-	(2,849)
Other comprehensive income and expenditure	-	-	-	-	-	698	698
Total comprehensive income and expenditure	(2,849)	-	-	-	(2,849)	698	(2,151)
Adjustments between accounting basis and funding basis under regulations (note 15)	3,702	-	427	(147)	3,982	(3,982)	-
Net increase/(decrease) before transfers to earmarked reserves	853	-	427	(147)	1,133	(3,284)	(2,151)
Transfers to/from earmarked reserves (note 33)	(201)	201	-	-	-	-	-
Total Increase / (decrease) during the year	652	201	427	(147)	1,133	(3,284)	(2,151)
Balance at 31 March 2012	8,258	13,066	11,355	644	33,323	55,679	89,002

Comprehensive Income & Expenditure Statement

2010/11 Net (Income) / Expenditure £'000	Continuing Operations	Gross Expenditure £'000	Less: Gross Income £'000	2011/12 Net (Income) / Expenditure £'000
<i>(Restated: note 12)</i>				
	Central Services:			
637	Democratic representation & management	618	7	611
2,841	Corporate management	2,681	573	2,108
757	Local tax collection	8,928	8,140	788
216	Registration of electors	170	2	168
102	Conducting elections	227	115	112
85	Emergency planning	75	-	75
11	Local land charges	160	112	48
4,649		12,859	8,949	3,910
	Cultural & Related Services:			
605	Culture & heritage	1,442	780	662
(316)	Elstree film & TV studios	27	299	(272)
3,692	Recreation & sport	3,748	189	3,559
14,168	Impairment charge:leisure centres <i>(note 12)</i>	-	-	-
1,703	Open spaces	1,955	188	1,767
19,852		7,172	1,456	5,716
	Environmental Services:			
1,202	Environmental health	1,412	408	1,004
434	Community safety	680	129	551
531	Flood defence & land drainage	1,052	365	687
	Street cleansing (not chargeable to			
1,376	Highways)	1,300	22	1,278
2,040	Waste collection	2,920	1,050	1,870
5,583		7,364	1,974	5,390
	Planning & Development Services:			
170	Building control	186	38	148
972	Development control	1,744	747	997
790	Planning policy	428	47	381
4	Environmental initiatives	5	17	(12)
675	Economic development	1,306	1,916	(610)
504	Community development	221	9	212
3,115		3,890	2,774	1,116
	Highways, Roads & Transport Services:			
224	Highways / roads (routine)	294	-	294
263	Parking services	1,170	1,011	159
451	Public transport	1	-	1
938		1,465	1,011	454
	Housing Services:			
1,234	Housing strategy	795	44	751
493	Private sector housing renewal	330	12	318
(212)	Other council housing property	609	848	(239)
55	Homelessness	617	509	108
286	Housing benefits payments	35,101	34,892	209
1,856		37,452	36,305	1,147
	Social Services:			
81	Older people (aged 65 or over including mentally ill)	-	-	-
81		-	-	-
36,074	Net cost of services before exceptional items	70,202	52,469	17,733

Comprehensive Income & Expenditure Statement (*continued*)

2010/11 Net (Income) / Expenditure £'000	Continuing Operations	Note	2011/12 Net (Income) / Expenditure £'000
<i>(Restated: note 12)</i>			
	Exceptional items:		
(2,478)	Repayments of VAT	5	(665)
-	Refund of business rates	5	(408)
(9,182)	Credit from pension fund in respect of past service gains	5	-
24,414	Net cost of services	16	16,660
	Other operating expenditure:		
(396)	(Surplus)/deficit on disposal of property, plant and equipment	17	163
(4)	Other capital receipts		(65)
948	Parish precepts		948
548			1,046
	Finance and investment income and expenditure:		
5	Interest payable and similar charges		5
(324)	Interest receivable and similar income		(474)
-	(Increase)/decrease in the fair value of investment property	21	(247)
-	(Surplus)/deficit on sale of investment property		38
(358)	Rental income from investment property	21	(363)
-	Reversal of impairment to financial assets	26	(26)
78	Deficits on trading undertakings not included in net cost of services	7	56
1,375	Pensions interest costs & expected return on pensions assets	32	720
776			(291)
	Taxation and non-specific grant income:		
(7,558)	Demand on the Collection Fund		(7,556)
(8,213)	General government grants & non-domestic rates redistribution	8	(6,494)
(1,236)	Recognised capital grants and contributions	8	(516)
(17,007)			(14,566)
8,731	Deficit for the year on the provision of services -note (a)		2,849
(11,536)	(Surplus)/deficit arising on the revaluation of property, plant and equipment	17/34	(8,319)
(11,720)	Actuarial (gains) / losses on pension fund assets & liabilities	32	7,621
(14,525)	Total comprehensive (income) / expenditure since last annual report		2,151

The accompanying notes form an integral part of the Statement of Accounts

- (a) The deficit for the year on provision of services represents the true cost to the Council for the year after taking into account income from council tax and government grants.
- (b) To determine the Council fund balance, capital financing is allocated and other adjustments made on the Movement in Reserves Statement 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 £652k (2010/11: £692k).**

Balance Sheet

1 April 2010 £'000	31 March 2011 £'000		Note	31 March 2012 £'000
(Restated)	(Restated)	Non-Current Assets:		
95,260	88,223	Property, plant and equipment	17	92,702
1,001	1,310	Heritage assets	20	1,288
5,965	5,852	Investment property	21	5,436
-	287	Intangible assets	22	559
-	-	Assets held for sale	23	80
674	563	Debtors receivable after one year	25	58
2,327	137	Investments	26	60
105,227	96,372	Total non-current assets		100,183
		Current Assets:		
38	52	Inventories	24	59
7,339	9,525	Debtors	25	3,459
12,596	16,327	Investments	26	17,236
5,845	5,003	Cash and cash equivalents	27	9,480
25,818	30,907	Total current assets		30,234
131,045	127,279	Total assets		130,417
		Current Liabilities:		
6,087	7,268	Creditors	28	6,414
1,748	1,679	Bank overdraft		-
-	243	Provisions	29	429
7,835	9,190	Total current liabilities		6,843
123,210	118,089	Total assets less current liabilities		123,574
		Non-Current Liabilities:		
691	998	Capital grants received in advance	30	1,191
45,869	25,923	Liability related to defined benefit pension scheme	32	33,370
22	15	Other liabilities	28	11
46,582	26,936	Total non-current liabilities		34,572
76,628	91,153	Net assets		89,002

Balance Sheet (continued)

1 April 2010 £'000	31 March 2011 £'000		Note	31 March 2012 £'000
		Financed by:		
		Usable Reserves		
6,914	7,606	Council fund	33	8,258
12,212	12,865	Earmarked reserves	33	13,066
11,374	10,928	Usable capital receipts reserve	33	11,355
826	791	Capital grants unapplied account	33	644
31,326	32,190	Total usable reserves		33,323
		Unusable Reserves		
6,750	17,784	Revaluation reserve	34	25,473
84,547	66,955	Capital adjustment account	34	63,661
(39)	(16)	Financial instruments adjustment account	34	(7)
(45,869)	(25,677)	Pension reserve	34	(33,370)
(87)	(83)	Accumulated absences account	34	(78)
45,302	58,963	Total unusable reserves		55,679
76,628	91,153	Total reserves		89,002

This Statement of Accounts, which replaces the unaudited Statement of Accounts issued on 29 June 2012, was authorised for issue on 27 September 2012.

The Statement of Accounts was approved on 27 September 2012 by:



Sajida Bijle

Chief Finance Officer



Councillor Paul Hodgson-Jones

Chairman of the Audit Committee

Cash Flow Statement

2010/11 £'000	Note	2011/12 £'000
(8,731)	Deficit for the year on the provision of services	(2,849)
11,905	Adjustments to deficit on the provision of services for non-cash movements	5,940
(527)	Adjustments for items included in the deficit on the provision of services that are investing and financing activities	(427)
2,647	Net cash inflow from operating activities	2,664
	Investing Activities:	
(3,168)	Purchase of property plant and equipment, investment property and intangible assets	(1,893)
(19,700)	Purchase of short-term and long-term investments	(22,000)
	Proceeds from the sale of non current assets:	
295	Investment property	362
229	Property plant and equipment	-
(7)	Other payments for investing activities	(5)
18,252	Proceeds from the redemption of short-term and long-term investments	21,180
865	Grants received towards the purchase of property plant and equipment	667
377	Other receipts from investing activities	506
(2,857)	Net cash outflow from investing activities	(1,183)
	Financing Activities:	
(2,301)	Other payments for financing activities	(3,553)
(1,890)	Cash inflow/(outflow) from agency arrangements for the collection of NNDR and council tax	8,217
3,628	Other receipts from financing activities	11
(563)	Net cash inflow/(outflow) from financing activities	4,675
(773)	Net increase/decrease in cash and cash equivalents	6,156
4,097	Cash and cash equivalents at the beginning of the reporting period	3,324
3,324	Cash and cash equivalents at the end of the reporting period	9,480

2010/11 £'000	Note	2011/12 £'000
	Cash & cash equivalents comprise:	
5,003	Cash at bank and in hand and call deposits	9,480
(1,679)	Bank overdraft	-
3,324	Cash and cash equivalents at the end of the reporting period	9,480

Notes to the Accounts

1. Accounting Policies

Basis of Preparation

The Statement of Accounts summarises the Council's performance for the financial year 2011/12 and its position as at 31 March 2012. The principal accounting policies applied in the preparation of the Council's accounts are set out below.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 ('the Code') and its associated guidance notes, as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), except where these are inconsistent with specific statutory requirements.

The accounts have been prepared under the historical cost convention, as modified for the revaluation of certain non-current assets.

The accounting policies are reviewed regularly to ensure that they remain the most appropriate to the Council's particular circumstances. Any change to the accounting policies will only be made if it is judged that the new policy will result in the accounts providing reliable and more relevant information about the Council's financial position or if the change is required by the Code.

Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable 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.

Council tax is measured at the full amount receivable (net of any impairment losses).

Property, Plant and Equipment

Basis of Recognition

The cost of an item of property, plant and equipment is recognised (and hence capitalised) on the Council's Balance Sheet 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 such items were included on the asset register, a de-minimis level has been set to determine which items will be capitalised and which will be expensed in the Surplus or Deficit on the Provision of Services. The de-minimis 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-minimis level:
Council dwellings	£5,000
Other land & buildings	£5,000
Vehicles, plant, furniture & equipment	£5,000
Infrastructure assets	£1,000
Community assets	£1,000

Where a large asset includes a number of components with significantly different asset lives, the components are recognised as separate assets and depreciated over their own useful economic lives. Where a component is replaced or restored (i.e., enhancements) the carrying amount of the old component is derecognised and the cost of the new component is reflected in the carrying amount of the asset.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost and capitalised on an accruals basis. The cost of an asset comprises all expenditure directly attributable to bring the asset into working condition for its intended use. Assets are subsequently valued using the following basis and are carried net of accumulated depreciation and impairment.

Asset Category:	Basis of Valuation:
Council dwellings	Fair value (Existing use)
Other land & buildings	Fair value (Existing use) except in the case of specialised assets where depreciated replacement cost may be used
Vehicles, plant & equipment	Historical cost
Infrastructure assets	Historical cost
Community assets	Historical cost
Assets under construction	Historical cost

In the case of specialised assets, depreciated replacement cost is established using the modern equivalent asset methodology, which provides the current cost of replacing an asset with its modern equivalent, less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Items of property (council dwellings and other land and buildings) are revalued every five years. The Council operates a five year rolling programme, with a proportion of its property being revalued each year.

Increases and decreases on revaluation

An increase in the carrying amount of an asset arising on revaluation is credited to the Revaluation Reserve unless the increase is reversing a previous revaluation decrease charged to the Surplus or Deficit on the Provision of Services on the same asset or reversing a previous impairment loss (see below) charged to the Surplus or Deficit on the Provision of Services on the same asset.

A decrease in the carrying amount of an asset arising on revaluation is charged to the Revaluation Reserve up to the value of the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

Depreciation

Items of property, plant and equipment other than land, community assets to be held in perpetuity and having no determinable useful life and assets under construction, 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 14 Years

Impairment

The council's assets are reviewed for any evidence of impairment (e.g., a significant decline in the asset's carrying amount which is specific to the asset, obsolescence or damage) at each balance sheet date. Any impairment loss is charged to the Revaluation Reserve up to the value of the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

Disposals

On disposal of assets the difference between the net disposal proceeds after any fees and repayment of secured debt and the carrying amount of the asset is included in the Comprehensive Income & Expenditure Statement. However such a gain or loss on derecognition is not a proper credit or charge in the Council Fund and is subsequently reported in the Movement in Reserves Statement with an amount equal to the net disposal proceeds being credited to the Capital Receipts Reserve and an amount equal to the carrying amount of the asset being charged to the Capital Adjustment Account.

Charges to the Comprehensive Income & Expenditure Statement for the Use of Assets

Service revenue accounts, support services and trading accounts are charged with the real cost of utilising assets through depreciation, revaluation 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 transferred from the Council Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Heritage assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Such assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for property, plant and equipment. However, some of the measurement rules are relaxed when the Council is of the view that to obtain a valuation of the asset would involve a cost disproportionate to the benefit of the user of the accounts.

Heritage assets are not subject to depreciation except where it has been determined that they have a finite useful life. The carrying amounts of such assets are reviewed when there is evidence of impairment and any such impairment is recognised and measured in accordance with the Council's accounting policies for property, plant and equipment.

The proceeds of disposal of heritage assets are accounted for in accordance with the Council's accounting policies for property, plant and equipment.

The adoption of this accounting policy for the first time has resulted in the restatement of the carrying values for property, plant and equipment in the Council's Balance Sheets at 1 April 2010 and 31 March 2011. Details of the differences between the amounts presented in the 2010/11 Statement of Accounts and the equivalent figures presented as comparatives in the 2011/12 Statement of Accounts are set out at note 20. The adoption of this accounting policy has not resulted in any amendment to the Council's net assets in total.

Investment Property

Properties that are held for the purpose of earning rentals, for capital appreciation or for both purposes are classified as investment properties. The de-minimus level applied for the purpose of considering such assets for recognition in the council's Balance Sheet is £5,000. Where part of an investment property is replaced, the carrying amount of the part which is replaced is derecognised and the cost of the new part is reflected in the carrying amount of the asset.

Investment properties are initially recognised at cost and are subsequently measured at fair value (market value) at the balance sheet date. A gain or loss arising from a change in the fair value of an investment property is recognised in the Comprehensive Income & Expenditure Statement. On disposal of an investment property the difference between the net disposal proceeds and the carrying amount of the property is included in the Comprehensive Income & Expenditure Statement. However such a gain or loss on derecognition is not a proper credit or charge in the Council Fund and is subsequently reported in the Movement in Reserves Statement with an amount equal to the net disposal proceeds being credited to the Capital Receipts Reserve and an amount equal to the carrying amount of the asset being charged to the Capital Adjustment Account.

Investment properties are not subject to depreciation.

Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only where it is probable that expected future benefits attributable to the asset will flow to the council. They are measured initially at cost. Subsequent expenditure is charged to Surplus or Deficit on the Provision of Services when incurred.

The depreciable amount of an intangible asset with a finite useful life is amortised on a systematic basis over its useful life, beginning when the intangible asset is available for use.

Internally generated intangible assets

Internally generated assets are recognised only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or for sale
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Software

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

Assets Held for Sale

Properties which meet the following criteria are classified as assets held for sale:

- management is committed to the disposal and the property is being actively marketed
- the property is available for sale immediately in its present condition
- the sale is highly probable.

Such assets are measured at the lower of fair value (market value less costs to sell) and carrying value at the time the asset is classified as held for sale and are not subject to depreciation.

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 the Surplus or Deficit on the Provision of Services and is then allocated to the Capital Adjustment account through the Movement in Reserves Statement, so that there is no impact on council tax.

Grants and Other Contributions

There are several instances whereby the Council may receive a grant or contribution towards expenditure from central government or other bodies. Where there is reasonable assurance that the grants or contributions will be received and that the Council will comply with the conditions attached to them, grants and contributions which relate to both revenue and capital expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income as follows:

Specific Revenue Grants

Specific revenue grants are credited to service revenue accounts, support services, trading accounts and corporate accounts.

General Revenue Grants

General revenue grants, such as the Revenue Support Grant (RSG), are credited after net operating expenses.

Capital Grants and Contributions

Capital grants and contributions relate to specific capital expenditure. Where assets are capitalised, the associated grants and contributions are credited to the Comprehensive Income and Expenditure Statement

The receipt of a capital grant or contribution is not a proper credit to the Council Fund and where a such a grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the Council Fund to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement.

Section 106

Capital contributions received under Section 106 are recognised on receipt as a liability and are released to the Comprehensive Income and Expenditure Statement following the completion of off-site facilities related to the development in question.

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

Financial Assets

Recognition

Financial assets are recognised in the Balance Sheet when the council becomes party to the financial instrument contract or, in the case of debtors, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred

Measurement

Financial assets are classified into two types:

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

Impairment

Where the future receipt deriving from a debtor is uncertain, allowance is made for the impairment of the asset. The Council bases such allowances on a review of all outstanding amounts at the year end, taking into account known disputes in respect of invoices, previous experience of the collection of debts, the age of any outstanding invoices and the categories of debtors.

Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours.

Cash equivalents include investments that mature in 3 months or less from the date of acquisition, are readily convertible to known amounts of cash with insignificant risk of change in value and are held for the purpose of meeting short-term cash commitments and not for investment purposes.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Council's cash management.

Due to their nature and short term maturity, the fair values for debtors and cash and cash 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 principal 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

Recognition

Financial liabilities are recognised on the statement of financial position when the Council becomes party to the contractual provisions of the financial instrument or, in the case of creditors, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Measurement

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 principal 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.

Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of a past event, it is probable that the Council will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

Inventories

Inventories 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

Usable reserves

Usable reserves are those reserves that can be applied to fund revenue or capital expenditure or reduce local taxation.

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts from the Council Fund; such transfers are reported in the Movement in Reserves Statement. 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 on the Provision of Services as required under the Code. The amounts are subsequently charged to the appropriate reserve as reported in the Movement in Reserves Statement.

All other movements in usable reserves, including adjustments between accounting basis and funding basis under regulations, are reported in the Movement in Reserves Statement.

Unusable reserves

Certain reserves are maintained to manage the accounting process for property, plant and equipment, financial instruments, retirement and other employee benefits and the collection of council tax 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 Comprehensive Income and Expenditure Statement 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 4.8%, which has been based on gross redemption yield for the *iboxx sterling corporate index*, AA over 15 years. The scheme's assets are valued using the following methods:

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

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, by means of transfers which are reported in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

Short Term Employee Benefits

Salaries, wages and employment related payments are recognised in the period in which the service is received from employees. The cost of annual and flexible leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period. The estimation of such costs is based on records of annual and flexible leave taken and contractual entitlements to payment.

Leases

The determination of whether an arrangement is, or contains, a lease is based upon the substance of the arrangement at inception date.

Finance leases, which transfer to the council substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are classified as operating leases. Payments under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of the lease.

Interests in Companies and Other Entities

The Council has interests in companies that have the nature of subsidiaries but does not prepare group accounts on the grounds that the results of the subsidiaries in which it holds investments are not material to an understanding of the Council's results. In the Council's accounts, the interests in companies are recorded as investments.

2. Accounting Standards that have been Issued but have not yet been adopted

Amendments to IFRS 7 *Financial Instrument Disclosures: (transfers of financial assets)* have been issued by the International Accounting Standards Board and are mandatory for the Council's accounting period beginning 1 April 2012 but have not yet been adopted.

The amendments to the standard are not expected to have a material impact on the Council's accounts.

3. Critical Accounting Estimates and Judgements

The preparation of accounts in accordance with the Code requires management to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The key areas of judgement and estimation uncertainty routinely applied by management are set out in the accounting policies above and in individual notes to the accounts which support the amounts disclosed in the Council's Balance Sheet. In addition, the following critical judgements have been applied in preparing the Statement of Accounts:

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council had £1 million on deposit with the UK subsidiary of an Icelandic bank, Heritable Bank PLC when it went into administration in October 2008. The Council has taken into account the returns to creditors projected by the bank's administrators in determining the amount by which the investment should be impaired.
- The Council is not represented on the board of Hertsmere Leisure Trust, a charitable organisation that operates the leisure facilities owned by the Council and formerly operated by the Council. Accordingly it has been determined that the Council does not have control of the Trust and that the Trust is not a subsidiary of the Council.
- As part of the programme of regular revaluation of the Council's assets, the carrying value of the properties which comprise the Elstree Film Studios estate has been determined on the basis of fair value. This value has been assessed on a market value basis by reference to the income stream to the Council produced by the property. The site is a large one with some 5.6 hectares of land and 30,000 square metres of buildings. The components of the site have been identified as the individual buildings which have been assigned a proportion of the overall value together with an expected remaining economic life.

Alternative methods considered would have been to value each of the component buildings as a separate building or to undertake a more conventional componentisation by reference to constructional elements. The first of these was rejected on the basis that it was not easy to identify the proportion of overall income relating to each building and by their nature the individual buildings are incapable of having a viable use on their own. The second of these was rejected on the basis that this would have required the asset to be valued on the basis of the depreciated replacement cost of a modern equivalent asset and to do so when a market value basis was available contravenes the guidance in the RICS Valuation Standards manual. The Council is therefore of the view that the method adopted represents the best judgement for inclusion within the Statement of Accounts.

- The Council has considered its relationships with other entities and has concluded that the inclusion of such interests in a set of group financial statements should only be made where there is a material effect on the Council's financial position and its obligations and therefore material for an understanding of its financial affairs.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's balance sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £134k for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in mortality rates and expected returns on pension fund assets. The Council is reliant on the assumptions to be applied by the independent actuary to the Hertfordshire Local Government Pension Scheme.	<p>The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a increase in the pension liability of £7.5 million.</p> <p>However, the assumptions interact in complex ways. Note 32 sets out details of the assumptions made by the independent actuary to the Hertfordshire Local Government Pension Scheme. For example, the actuary advised the Council that the net pensions liability had increased by £7.4 million, including an experience adjustment of £5.2 million in respect of scheme liabilities.</p>

5. Exceptional Items

The Council received a refund (net of professional fees) of output VAT amounting to £665k (2010/11:£2,478k) following a claim made as a result of the "Fleming Case". The Council had in previous years accounted for output tax in accordance with statutory requirements; however, the requirement to account for output tax on activities associated with education and training was successfully challenged in the courts and in common with other authorities who had preserved accounting records for earlier years, the Council successfully applied for a refund.

In addition, as a result of the revaluation for the purposes of business rates (NNDR) of certain properties owned by the Council, refunds totalling £408K (net of professional fees) were received.

In view of the materiality of these items they have been disclosed as exceptional items and have not been allocated to individual services in order to avoid distortion of the results of each service.

In the prior year, a non-recurring credit of £9,182K in respect of past service costs arose in the Comprehensive Income and Expenditure account as a result of Chancellor's announcement in the emergency Budget of June 2010 concerning public sector pensions increases.

6. Events after the Balance Sheet Date

No adjustment to the Statement of Accounts is required in respect of transactions which took place after the balance sheet date.

7. 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:

2010/11 Deficit/ (Surplus) £'000		Expenditure £'000	Less: Income £'000	2011/12 Deficit/ (Surplus) £'000
(2)	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.	376	(386)	(10)
103	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.	171	(84)	87
(23)	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.	468	(489)	(21)
78	Net deficit on trading accounts	1,015	(959)	56

8. Grant Income

During the year, the Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

2010/11 £'000		2011/12 £'000
	<i>Credited to taxation and non-specific grant income:</i>	
	General Government Grants and Non-domestic rates redistribution:	
1,003	Revenue support grants	1,659
228	Area based grants	-
77	Performance reward grant	-
6,905	Non-domestic rates redistribution	4,835
8,213		6,494
	<i>Other grants and contributions credited to taxation and non-specific grant income:</i>	
	Recognised capital grants and contributions:	
101	Performance reward grant	-
237	Disabled facilities grant	266
400	Recycling grant	-
300	Lottery funding	-
121	Other capital grants	-
77	Section 106 monies utilised (note 30)	250
1,236		516
	<i>Principal government grants credited to services:</i>	
	<i>Central services</i>	
7,023	Council tax benefit subsidy	6,974
	<i>Environmental Services:</i>	
177	Recycling grant	305
	<i>Planning & Development services:</i>	
-	New Homes Bonus	305
	<i>Housing services:</i>	
-	Local Services Support Grant	101
32,241	Housing benefit subsidy	34,874
852	Grant for the administration of housing benefits	754
40,293		43,313

9. Members' Allowances & Expenses

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

2010/11 £'000		2011/12 £'000
	Allowance / Expense:	
207	Basic allowance	211
113	Special responsibility allowance	109
2	Attendance allowance	2
4	Travel allowance	4
8	Other	7
334	Total	333

10. Employees' Remuneration

Under the Accounts and Audit Regulations 2011, Local Authorities are required to disclose:

(i) the remuneration of the council's senior employees, analysed over the following categories:

2010/11 (note c)		Salary (note a)	Benefits in kind (note b)	Compensation for loss of office	Pension contri- butions made by the Council	2011/12
£'000		£'000	£'000	£'000	£'000	£'000
Total	Post					Total
187	Chief Executive	145	2	-	39	186
122	Director of Resources/ Section 151	96	-	-	26	122
124	Director of Environment	96	2	-	26	124
42	Monitoring Officer	-	-	-	-	-
40	Monitoring Officer (note c)	11	-	26	3	40
515	Total	348	4	26	94	472

Notes:

- (a) Salary includes fees paid to officers in their capacity as returning officers
- (b) Benefits in kind are those emoluments chargeable to UK income tax
- (c) The first post-holder left the service in August 2010 and was replaced in October 2010. The second post-holder left the service in May 2011. The role of Monitoring Officer is currently held by an officer whose remuneration does not meet the criteria for disclosure set out in the above regulations.

(ii) the number of employees in the accounting period, in addition to senior employees included at (i) above, whose remuneration was £50k or more in bands of £5k. 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 the Council are excluded.

2010/11 Employees No.		2011/12 Employees No.
	Remuneration band:	
7	£50,000-£54,999	5
4	£55,000-£59,999	2
-	£60,000-£64,999	1
5	£65,000-£69,999	5
16		13

11. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12 incurring liabilities of £245k (2010/11: £969k).

The number of contracts terminated ('exit packages') with total cost per band and total cost of compulsory and other redundancies are set out in the table below.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £'000	2011/12 £'000
£0-£20,000	10	2	8	9	18	11	142	34
£20,001- £40,000	1	2	8	4	9	6	260	166
£40,001- £60,000	4	-	6	1	10	1	501	45
£60,001- £80,000	1	-	-	-	1	-	66	-
Total	16	4	22	14	38	18	969	245

12. Prior year comparative figures

(i) In the presentation of comparative figures for 2010/11, certain items of income and expenditure within net cost of services before exceptional items have been re-analysed to provide a more accurate allocation of the net cost of individual services.

(ii) In the prior year, the Council recognised impairment losses of £14,168k in respect of its leisure centres.

The adoption of appropriate estimates of the current values and remaining useful lives of the leisure centres and the principal components of the buildings demonstrated that the asset values previously reported on the balance sheet were overstated.

In the absence of any revaluation reserve associated with these assets, the impairment losses were charged to the deficit for the year on the provision of services.

The valuation of the assets in question has been reviewed in the current year and no further impairment is required.

13. Audit Fees

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

2010/11 £'000		2011/12 £'000
	Audit Fees:	
108	External audit services carried out	101
2	Statutory inspection	-
22	Certification of grant claims and returns	24
1	Other services	1
133	Total	126

Other services include fees for the national fraud incentive and data quality audit.

14. Discontinued Operations

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

15. Adjustments Between Accounting Basis and Funding Basis under Regulation

The Comprehensive Income and 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 note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Movements in earmarked reserves are set out in note 33.

Year ended 31 March 2012	Movement in Usable Reserves (note 33)			Movement in Unusable Reserves (note 34) £'000
	Council Fund Balance £'000	Usable Capital Receipts £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation, impairment and amortisation of non-current assets:				
Property, plant and equipment	4,129			(4,129)
Heritage assets	22			(22)
Intangible assets	93	-	-	(93)
Capital grants and contributions applied	(515)	-	-	515
Revenue expenditure funded from capital under statute: incurred in year	1,126	-	-	(1,126)
Revenue expenditure funded from capital under statute: reclassified from additions to property, plant and equipment in prior years	175	-	-	(175)
<i>Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement:</i>				
Property, plant and equipment	163			(163)
Investment property	400	-	-	(400)
Movement in the market value of investment property credited to the Comprehensive Income and Expenditure Statement	(247)	-	-	247
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the Council Fund balance	(1,275)	-	-	1,275
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the capital adjustment account	-	-	(147)	147
Adjustments primarily involving the Usable Capital Receipts Reserve:				
<i>Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</i>				
Investment property	(362)	362	-	-
Transfer of other capital receipts not relating to the sale of assets	(68)	68	-	-
Contribution from the usable capital receipts reserve to finance the payments to the Government capital receipts pool	3	(3)	-	-

Year ended 31 March 2012	Movement in Usable Reserves (note 33)			Movement in Unusable Reserves (note 34) £'000
	Council Fund Balance £'000	Usable Capital Receipts £'000	Capital Grants Unapplied £'000	
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(9)	-	-	9
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement:	2,293	-	-	(2,293)
Employers' pension contributions payable in the year	(2,221)	-	-	2,221
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(5)	-	-	5
Total adjustments	3,702	427	(147)	(3,982)

Year ended 31 March 2011	Movement in Usable Reserves (note 33)			Movement in Unusable Reserves (note 34) £'000
	Council Fund Balance £'000	Usable Capital Receipts £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation, impairment and amortisation of non-current assets:				
Property, plant and equipment	18,961			(18,961)
Heritage assets	22	-	-	(22)
Capital grants and contributions applied	(1,207)	-	-	1,207
Revenue expenditure funded from capital under statute: incurred in year	1,744	-	-	(1,744)
Revenue expenditure funded from capital under statute: reclassified from additions to property, plant and equipment in prior years	386	-	-	(386)
<i>Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement:</i>				
Property, plant and equipment	15			(15)
Investment property	113	-	-	(113)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the Council Fund balance	(903)	-	-	903
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(28)	-	28	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	(63)	63
Adjustments primarily involving the Usable Capital Receipts Reserve:				
<i>Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</i>				
Property, plant and equipment	(229)	229		
Investment property	(295)	295		
Transfer of other capital receipts not relating to the sale of assets	(9)	9		
Use of the usable capital receipts reserve to finance new capital expenditure	-	(974)		974

Year ended 31 March 2011	Movement in Usable Reserves (note 33)			Movement in Unusable Reserves (note 34) £'000
	Council Fund Balance £'000	Usable Capital Receipts £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:				
Contribution from the usable capital receipts reserve to finance the payments to the Government capital receipts pool	5	(5)	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(23)	-	-	23
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement:	(5,929)	-	-	5,929
Employers' pension contributions payable in the year	(2,543)	-	-	2,543
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(4)	-	-	4
Total adjustments	10,076	(446)	(35)	(9,595)

16. Amounts Reported for Resource Allocation Decisions

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

- No charges are made in relation to capital expenditure (whereas depreciation, amortisation and revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement.
- The cost of retirement benefits is based on the payment of the employer's pension contributions rather than the current service cost of benefits accrued in the year.
- Expenditure on certain support services is budgeted for centrally and not charged to services.

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

The income and expenditure of the Council's principal services recorded in the budget report for the year are as follows:

Year ended 31 March 2012

	Planning & building control	Housing & environmental health	Street scene & engineering	Corporate support	Finance, revenues, benefits, IS	Legal & democratic services	Central services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(2,031)	(679)	(1,822)	(116)	(392)	(5,365)	(368)	(10,773)
Government grants	-	(301)	-	-	*(43,061)	-	-	(43,362)
Reserve contributions	-	(48)	(546)	(11)	-	-	(31)	(636)
Total income	(2,031)	(1,028)	(2,368)	(127)	(43,453)	(5,365)	(399)	(54,771)
Employee expenses	1,990	1,326	2,737	510	1,144	560	696	8,963
Other service expenses	896	1,104	3,284	1,735	*42,546	2,346	1,142	53,053
Support services recharges	773	569	1,255	319	598	1,561	324	5,399
Total operating expenses	3,659	2,999	7,276	2,564	44,288	4,467	2,162	67,415
Net expenditure	1,628	1,971	4,908	2,437	835	(898)	1,763	12,644

* includes £41.6m received from DWP for council tax and housing benefit payments.

Reconciliation of service income and expenditure to cost of services in Comprehensive Income and Expenditure Statement

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

	£'000
Net expenditure in service analysis	12,644
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	6,293
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(2,277)
Net cost of services in Comprehensive Income and Expenditure Statement	16,660

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the included in the deficit on the provision of services included in the Comprehensive Income and Expenditure Statement:

Year ended 31 March 2012

	Service Analysis £'000	Services not in Analysis £'000	Amounts not reported to management £'000	Amounts not included in I&E £'000	Allocation of recharges £'000	Cost of services £000	Corporate amounts £000	Total £'000
Fees, charges and other service income	(10,773)	-	(1,073)	-	-	(11,846)	-	(11,846)
Interest and income from investment property	-	-	-	-	-	-	(1,110)	(1,110)
Income from council tax	-	-	-	-	-	-	(7,556)	(7,556)
Reserve contributions	(636)	-	-	-	-	(636)	-	(636)
Capital grants & contributions	-	-	-	-	-	-	(516)	(516)
Government grants and contributions	(43,362)	-	-	-	-	(43,362)	(6,494)	(49,856)
Total income	(54,771)	-	(1,073)	-	-	(55,844)	(15,676)	(71,520)
Employee expenses	8,963	-	1,573	(2,221)	-	8,315	-	8,315
Other service expenses	53,053	-	1,523	(56)	-	54,520	56	54,576
Support services recharges	5,399	-	-	-	-	5,399	-	5,399
Depreciation, amortisation and impairment	-	-	4,270	-	-	4,270	-	4,270
Interest payments	-	-	-	-	-	-	725	725
Precepts & levies	-	-	-	-	-	-	948	948
Gain or loss on disposal of property, plant & equipment	-	-	-	-	-	-	136	136
Total expenditure	67,415	-	7,366	(2,277)	-	72,504	1,865	74,369
Deficit on the provision of services	12,644	-	6,293	(2,277)	-	16,660	(13,811)	2,849

The income and expenditure of the Council's principal services recorded in the budget report for the year are as follows:

Year ended 31 March 2011

	Planning & building control	Housing & environmental health	Street scene & engineering	Corporate support	Finance, revenues, benefits, IS	Legal & democratic services	Central services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(1,904)	(466)	(1,871)	(287)	(220)	(5,310)	(438)	(10,496)
Government grants	(68)	(268)	-	-	* (40,358)	-	-	(40,694)
Reserve contributions	-	(208)	(500)	(55)	-	(24)	(239)	(1,026)
Total income	(1,972)	(942)	(2,371)	(342)	(40,578)	(5,334)	(677)	(52,216)
Employee expenses	2,113	1,605	2,730	739	1,052	659	956	9,854
Other service expenses	757	905	3,975	1,893	* 40,138	3,283	783	51,734
Support services recharges	847	651	725	281	655	815	1,112	5,086
Total operating expenses	3,717	3,161	7,430	2,913	41,845	4,757	2,851	66,674
Net expenditure	1,745	2,219	5,059	2,571	1,267	(577)	2,174	14,458

* includes £39.2m received from DWP for council tax and housing benefit payments.

Reconciliation of service income and expenditure to cost of services in Comprehensive Income and Expenditure Statement

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

	£'000
Net expenditure in service analysis	14,458
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	12,577
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(2,621)
Net cost of services in Comprehensive Income and Expenditure Statement	24,414

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the included in the deficit on the provision of services included in the Comprehensive Income and Expenditure Statement

Year ended 31 March 2011

	Service Analysis £'000	Services not in Analysis £'000	Amounts not reported to management £'000	Amounts not included in I&E £'000	Allocation of recharges £'000	Cost of services £000	Corporate amounts £000	Total £'000
Fees, charges and other service income	(10,496)	-	(2,478)	-	-	(12,974)	-	(12,974)
Interest and income from investment property	-	-	-	-	-	-	(682)	(682)
Income from council tax	-	-	-	-	-	-	(7,558)	(7,558)
Reserve contributions	(1,026)	-	-	-	-	(1,026)	-	(1,026)
Capital grants & contributions	-	-	-	-	-	-	(1,236)	(1,236)
Government grants and contributions	(40,694)	-	-	-	-	(40,694)	(8,213)	(48,907)
Total income	(52,216)	-	(2,478)	-	-	(54,694)	(17,689)	(72,383)
Employee expenses	9,854	-	(6,327)	(2,543)	-	984	-	984
Other service expenses	51,734	-	347	(78)	-	52,003	78	52,081
Support services recharges	5,086	-	-	-	-	5,086	-	5,086
Depreciation, amortisation and impairment	-	-	21,035	-	-	21,035	-	21,035
Interest payments	-	-	-	-	-	-	1,380	1,380
Precepts & levies	-	-	-	-	-	-	948	948
Gain or loss on disposal of property, plant & equipment	-	-	-	-	-	-	(400)	(400)
Total expenditure	66,674	-	15,055	(2,621)	-	79,108	2,006	81,114
Deficit on the provision of services	14,458	-	12,577	(2,621)	-	24,414	(15,683)	8,731

17. Property, Plant and Equipment

Year ended 31 March 2012

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Community £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation:							
					(Restated)		
At 1 April 2011	646	105,232	7,918	4,430	3,782	178	122,186
Additions	-	-	262	15	169	3	449
Disposals	-	(582)	(4,049)	(40)	(71)	-	(4,742)
Asset reclassified from investment properties	-	263	-	-	-	-	263
Asset reclassified to Held for Sale	-	(80)	-	-	-	-	(80)
Reclassification as revenue funded by capital under statute	-	-	(5)	-	-	(178)	(183)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(4)	6,150	-	-	-	-	6,146
At 31 March 2012	642	110,983	4,126	4,405	3,880	3	124,039
Depreciation & Impairment:							
					(Restated)		
At 1 April 2011	45	25,435	5,971	2,349	163	-	33,963
Charge in year	15	3,297	474	217	38	-	4,041
Impairment losses recognised in the Surplus/Deficit on Provision of Services	-	88	-	-	-	-	88
Disposals	-	(671)	(3,797)	(40)	(71)	-	(4,579)
Depreciation written out on assets reclassified as revenue funded by capital under statute	-	-	(3)	-	-	-	(3)
Depreciation written out to the Revaluation Reserve	(3)	(2,170)	-	-	-	-	(2,173)
At 31 March 2012	57	25,979	2,645	2,526	130	-	31,337
Net Book Value:							
At 31 March 2012	585	85,004	1,481	1,879	3,750	3	92,702
At 31 March 2011	601	79,797	1,947	2,081	3,619	178	88,223

17. Property, Plant and Equipment (continued)

Year ended 31 March 2011

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Community £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation:					<i>(Restated)</i>	<i>(Restated)</i>	
At 1 April 2010	646	96,346	7,387	4,430	3,732	118	112,659
Additions	-	35	531	-	50	169	785
Disposals	-	(16)	-	-	-	-	(16)
Transfers	-	-	-	-	-	-	-
Reclassification as revenue funded by capital under statute	-	(348)	-	-	-	(109)	(457)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	9,215	-	-	-	-	9,215
At 31 March 2011	646	105,232	7,918	4,430	3,782	178	122,186
Depreciation & Impairment:					<i>(Restated)</i>		
At 1 April 2010	30	9,857	5,237	2,133	142	-	17,399
Charge in year	15	3,259	734	216	21	-	4,245
Impairment losses recognised in the Surplus/Deficit on Provision of Services	-	14,716	-	-	-	-	14,716
Disposals	-	(1)	-	-	-	-	(1)
Depreciation written out on assets reclassified as revenue funded by capital under statute	-	(75)	-	-	-	-	(75)
Depreciation written out to the Revaluation Reserve	-	(2,321)	-	-	-	-	(2,321)
At 31 March 2011	45	25,435	5,971	2,349	163	-	33,963
Net Book Value:							
At 31 March 2011	601	79,797	1,947	2,081	3,619	178	88,223
At 31 March 2010	616	86,489	2,150	2,297	3,590	118	95,260

Analysis of property, plant and equipment

31 March 2011 No.		31 March 2012 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
110	Garages	110
1	Golf & country club	1
81	Ground rents	81
9	Industrial estate units	9
12	Leisure centres & community halls	13
1	Museum	1
46	Parks, fields & open spaces	46
6	Pavilions	6
17	Playing fields & sports fields	17
4	Public conveniences	4
110	Shops & flats	110
137	Land sites	137

Revaluations

The Council carries out a rolling programme which ensures that all property, plant and equipment required to be measured at fair value or at depreciated replacement cost is revalued at least every five years. All valuations are carried out by the Council's professionally qualified valuation staff in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS) and are certified by an external valuer registered to do so by RICS. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Restatement of carrying value of property, plant and equipment

As a result of the implementation of a change in accounting policy for heritage assets, the carrying values of community assets and assets under construction, previously disclosed within property, plant and equipment on the balance sheets of prior years, have been restated. Further details are provided at note 20.

Disposal of plant and equipment

Under the terms of the new contract for the management of the Council's leisure services (see note 38), the plant and equipment in the Council's leisure centres was transferred to Hertsmere Leisure Trust for nil consideration and a deficit on disposal of £163k arose. At the end of the contract, the plant and equipment will be returned to the Council in the same condition.

18. Capital Financing Statement

2010/11 £'000		2011/12 £'000
	Capital Investment:	
785	Property plant and equipment	449
331	Heritage assets	-
287	Intangible assets	365
1,744	Revenue expenditure funded by capital under statute	1,126
3,147	Total Capital Investment	1,940
	Financed as Follows:	
903	Revenue contribution	1,275
1,270	Government grants and other contributions	665
974	Capital receipt allocations	-
3,147	Total Sources of Finance	1,940

Analysis of expenditure

	2011/12 £'000
Significant Projects Undertaken During the Year:	
Community Partnership Projects	166
Replacement of leisure centre equipment	291
Replacement and refurbishment of sports pitches	169
Disability access grants	325
Replacement of finance and Revenues & Benefits systems	405
Replacement of IT equipment	125
Other	459
Total	1,940

Commitments under Capital Contracts

	2012/13 Onwards £'000
Remaining Budget on Commitments:	
Borehamwood village hall	588
Enhance sports pitches and pavilions	238
Wyllyotts Centre improvements	995
Radlett Cafe	222
Purchase of Street Scene vehicles	1,046
Disability Access Grants	516
Replacement of finance and Revenues & Benefits systems	215
Civic offices windows, lifts and heating refurbishment	681
Others	888
	5,389
Less: funding	(2,130)
Total	3,259

19. Leases

The Council as Lessee

Operating Leases

The Council uses printing and webcasting equipment financed under the terms of individual operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2011 £'000	31 March 2012 £'000
- Not later than one year	21
14 Later than one year and not later than five years	-
- Later than five years	
14 Total	21

Minimum lease payments totalling £27k (2010/11:£30k) in respect of these leases have been charged to the Central Services line in the Comprehensive Income and Expenditure Statement.

20. Heritage assets

Heritage assets held by the authority

Heritage assets comprise the restored Grade II listed Rose Garden in Herkomer Road, Bushey and the Borough's war memorials.

In addition, the Council holds a small number of paintings and other artefacts and four sets of civic regalia. The collective value of these assets is not considered to be material.

The Council holds no intangible heritage assets.

Valuation

Heritage assets have been valued at cost.

Acquisition, preservation and disposal of heritage assets

The Council gives consideration to acquiring heritage assets where they have cultural, environmental or historical associations which make their preservation for future generations important. The majority of the Council's heritage assets are properties which are easily accessible to the public; a comprehensive list of such assets is maintained within the Council's fixed asset register.

Such assets are preserved and maintained as necessary having regard to budgetary resources. Disposals of such assets are expected to be rare and would take place only after a careful appraisal of all options for the preservation of the asset.

Carrying value

The following table summarises the movement in the carrying value of heritage assets over the year:

31 March 2011	31 March 2012
£'000	£'000
<i>(Restated)</i> Cost	
1,022 At 1 April	1,353
331 Additions in year	-
1,353 At 31 March	1,353
Depreciation	
(21) At 1 April	(43)
(22) Charged in year	(22)
(43) At 31 March	(65)
Net Book Value	
1,310 At 31 March	1,288

The above table includes the cost of restoring the Rose Garden in Bushey, work on which commenced in the year ending 31 March 2010.

Change in accounting policy

The following tables illustrate the impact on the Council's Balance Sheet at 1 April 2010 and 31 March 2011 made as a result of a change in policy for accounting for heritage assets. Such assets were previously recognised as community assets at cost net of depreciation within the property plant and equipment classification in the Balance Sheet. Details of the Council's accounting policy for heritage assets are set out in note 1 above.

Impact on Balance Sheet at 1 April 2010	As Previously Reported £'000	Prior Year Adjustments £'000	As Restated £'000
Balance Sheet			
Property plant and equipment	96,261	(1,001)	95,260
Heritage assets	-	1,001	1,001

Impact on Balance Sheet at 31 March 2011	As Previously Reported £'000	Prior Year Adjustments £'000	As Restated £'000
Balance Sheet			
Property plant and equipment	89,533	(1,310)	88,223
Heritage assets	-	1,310	1,310

21. Investment Property

Rental income from investment property of £363k (2010/11: £358k) has been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

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

31 March 2011	31 March 2012
£'000	£'000
5,965 At 1 April	5,852
- Asset reclassified to property, plant and equipment	(263)
(113) Disposals	(400)
- Net gains from fair value adjustments	247
5,852 At 31 March	5,436

22. Intangible Assets

31 March 2011	31 March 2012
£'000	£'000
Gross Carrying Amount	
- At 1 April	287
287 Additions in year	365
287 At 31 March	652
Amortisation	
- At 1 April	-
- Charged in year	(93)
- At 31 March	(93)
Net Carrying Amount	
287 At 31 March	559

Additions in the year comprise further stages in the installation of a replacement for the Council's financial and Revenues & Benefits systems which were brought into use on 1 April 2011 and 30 September 2011 respectively.

All software is given a useful life, based on an assessment of the period that the software is expected to be of use to the Council. The useful life assigned to the software acquired in this year and the prior year is seven years.

23. Assets held for sale

31 March 2011 £'000	31 March 2012 £'000
- At 1 April	-
- Reclassified as held for sale: property, plant and equipment	80
- At 31 March	80

24. Stock and Work in Progress

As at 31 March 2012 the Council held stock amounting to £59k (2011: £52k).

25. Debtors

31 March 2011 £'000	31 March 2012 £'000
Amounts Receivable Within One Year:	
<i>Financial assets</i>	
3,275 Sundry debtors & accrued income	2,143
5 Council house mortgages	2
41 Employee car loans	27
10 Loan to voluntary organisations	10
100 Loans to subsidiary undertakings	605
207 HM Revenue & Customs	99
5,451 Due from government departments	110
9,089 <i>Total financial assets</i>	2,996
<i>Non-financial assets and statutory debts</i>	
196 Council tax	245
240 Prepayments	218
9,525 Total amounts receivable within one year	3,459
Amounts Receivable After One Year:	
<i>Financial assets</i>	
11 Council house mortgages	9
49 Employee car loans	49
503 Loans to subsidiary undertakings	-
563 Total amounts receivable after one year	58

Credit Risk

Included in the above debtors are the following balances which the Council considers impaired and for which an allowance for impairment has been made:

Debtor £'000	31 March 2011 Allowance £'000		Debtor £'000	31 March 2012 Allowance £'000
		Impaired Financial Assets:		
2,111	1,096	Council fund	2,238	1,124
335	139	Collection fund	420	175
2,446	1,235	Total	2,658	1,299

The debtors included on the Balance Sheet are net of the above allowances for impairment.

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 recognition of credit risk required in addition to the allowances for impairment already made.

The ageing of the impaired balances due in respect of Council fund balances may be analysed as follows:

31 March 2011 £'000		31 March 2012 £'000
781	Less than three months	1,038
185	Three months to five months	298
1,145	Greater than five months	902
2,111	Total	2,238

26. Investments

Investments held as at 31 March 2012 were as follows:

31 March 2011 £'000		31 March 2012 £'000
<i>Amortised Cost</i>		<i>Amortised Cost</i>
	Long Term Investments:	
2	Investments in subsidiaries	2
135	Banks and local authorities	58
137	Total long term investments	60
	Short Term Investments:	
16,327	Banks and local authorities	17,236
16,327	Total short term investments	17,236

All investments are financial assets.

The average interest rate received on core investments during the year was 1.54% (2010/11: 1.18%).

Investments in subsidiaries represents the following:

31 March 2011 £		31 March 2012 £
	Bushey Country Club Limited (100%)	
2	2 ordinary shares of £1 each	2
	Elstree Film Studios Limited (100%)	
1	1 ordinary share of £1 each	1
	Elstree Film & Television Studios Limited (100%) (note 38)	
2,000	2,000 ordinary shares of £1 each	2,000
2	2 A and B shares of £1 each	2
2	2 special shares of £1 each	2
2,007	Total investments in subsidiaries and related parties	2,007

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. The Council has adopted the CIPFA Code of Practice on Treasury Management in Public Services. In assessing credit risk, the Council uses the creditworthiness service provided by Sector Treasury Services which combines assessments of credit ratings, credit watches, credit outlooks and credit default swap spreads to provide a weighted scoring system.

As well as using the matrix produced by Sector Treasury Services, the Council limits its exposure to any one particular institution or group of banks and uses Fitch long-term ratings (or equivalent) to determine the amount of funds placed with each institution as follows:

Long Term	Maximum Investment	Investments at 31 March 2012	Call deposits at 31 March 2012 (included in cash and cash equivalents)
AAA	£8m	-	2 deposits not exceeding £8 million
AA+	£8m	-	-
AA	£8m	1 deposit not exceeding £8 million	
AA-	£8m	-	-
A+,A1	£2m	-	-
DMO, UK Government and Local Authorities	£10m	2 deposits not exceeding £10 million	-
Part nationalised banks (50%+) and equivalents	£10m	4 deposits not exceeding £10 million	1 deposit not exceeding £10 million

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 and by limiting the amounts that may be invested in any one country (other than the UK) and in any one sector.

Debt Management Office and Local & Public Authorities

Although not rated by Fitch Rating Services, the Government's 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 £10 m.

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 bank's administrators have revised their estimate of the amount recoverable and it is now expected that the Council will be unlikely to recover 12% of the initial deposit which equates to 0.4% of the average investments held during the year, including amounts placed at call. The Council considers 0.4% of its total portfolio to be a fair estimate of its maximum exposure to default which based on its investments, including amounts placed at call at 31 March 2012 equates to £103k (2011: £126k)

Impairment of Investments: Heritable Bank plc

Included in the above is the following investment in Heritable Bank plc (a UK registered bank under Scottish law and a subsidiary of the Icelandic bank Landsbanki). The investment 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%

	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Principal invested	1,000	1,000	1,000	1,000
Principal repaid	-	(352)	(504)	(684)
Accrued interest to 31 March	36	70	92	105
Amortised cost as at 31 March	1,036	718	588	421
Impairment recognised in the Income & Expenditure Account (prior years)	-	(315)	(252)	(252)
Carrying value prior to impairment review	1,036	403	336	169
Carrying value after impairment review (see below)	721	466	336	195
Impairment recognised / (reversed) in the Income & Expenditure Account (current year)	315	(63)	-	(26)
Amount transferred from / (to) the Financial Instrument Adjustment Account (notes 15, 34)	(85)	46	23	9
Net impact on the Council Fund Balance	230	(17)	23	(17)

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 investment's original interest rate and using the assumed timing of repayments set out below. Interim payments amounting to 17.9p in the pound of the Council's claim in the administration were received during the year, bringing the total received to date to 67.9p in the pound. The creditor progress report issued by the bank's administrators, Ernst & Young LLP, on 28 July 2012 indicated that the total return to creditors is projected to be between 85p and 90p in the pound by April 2013. On this basis the Council has recognised an impairment based on a recovery of 88p in the pound.

Month	Rate (expressed as pence in the pound)	Amount £	Discounted @ 5.83% per annum £
April 2012	3.79p	38,221	38,036
July 2012	3.50p	35,296	34,619
October 2012	3.50p	35,296	34,119
January 2013	3.50p	35,296	33,626
April 2013	5.81p	58,592	55,014
Total	20.10p	202,701	195,414

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

Interest in respect of the impaired investment amounting to £13k has been credited to the Income & Expenditure Account in the year (2010/11: £22k).

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 decided to recognise only the net impairment during 2008/09, 2009/10, 2010/11 and 2011/12 with future investment income on the investment being offset against the Financial Instrument Adjustment Account.

27. Cash and Cash Equivalents

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

31 March 2011 £'000	31 March 2012 £'000
1 Cash held by the Council	1
97 Bank current accounts	1,055
4,905 Call deposit accounts and money market funds	8,424
5,003 Total	9,480

28. Creditors

31 March 2011 £'000	31 March 2012 £'000
Amounts payable within one year:	
<i>Financial Liabilities</i>	
6 Mortgage overpayments	5
2,319 Sundry creditors	2,511
4,530 Due to government departments and other authorities	3,671
6,855 Total financial liabilities	6,187
<i>Non-financial liabilities</i>	
83 Accrual for accumulated absences (note 34)	78
330 Receipts in advance	149
7,268 Total included in current liabilities	6,414
Included in non-current liabilities:	
<i>Non-financial liabilities</i>	
15 Deferred receipts	11
15 Total included in non-current liabilities	11

29. Provisions

31 March 2011 £'000	31 March 2012 £'000
Provision in respect of costs of redundancy incurred after balance sheet date	
- At 1 April	243
160 Contributions to provision	4
83 Termination benefits payable	-
83 Associated pension costs	-
243	
Use of provision	
- Termination benefits payable	(164)
- Associated pension costs	(50)
-	
Amounts reversed unused:	
- Termination benefits payable	-
- Associated pension costs	(4)
-	
243 At 31 March	29
- Provision in respect of support for Bushey Country Club as a going concern prior to transfer to Hertsmere Leisure Trust (note 38)	400
243 Total	429

30. Capital Grants Received in Advance

The Council has received a number of grants and contributions, known as Section 106, that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the giver in the event of non-compliance with the conditions. Pending application to the relevant projects, these grants are held on the balance sheet as capital grants received in advance.

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 are 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 2012 is as follows:

31 March 2011 £'000	Receipts £'000	Utilised £'000	31 March 2012 £'000
64 Gate Studios	-	(6)	58
53 Arsenal Training Ground	35	(30)	58
179 Oakland College	1	-	180
- Haydon Dell Farm	122	(1)	121
- Studio Plaza	133	-	133
702 Other balances below £50k	152	(213)	641
998 Total	443	(250)	1,191

Receipts include interest of £5k (2011: £4k) allocated to the balances whilst they are held on deposit by the Council.

31. 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 2011 £'000		31 March 2012 £'000
	Financial Assets by Class:	
	<i>Loans and Receivables</i>	
9,089	Debtors due within one year (note 25)	2,996
563	Debtors due after one year (note 25)	58
137	Long term investments (note 26)	60
16,327	Short term investments (note 26)	17,236
5,003	Cash and cash equivalents	9,480
31,119	<i>Total loans and receivables</i>	29,830
31,119	Total financial assets	29,830
	Financial Liabilities by Class:	
	<i>Other liabilities at amortised cost</i>	
6,855	Creditors payable within one year (note 28)	6,187
1,679	Bank overdraft	-
8,534	<i>Total other liabilities at amortised cost</i>	6,187
8,534	Total financial liabilities	6,187

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 2011		31 March 2012	
Carrying Value	Fair Value	Carrying Value	Fair Value
£'000	£'000	£'000	£'000
Financial Assets:			
<i>Loans and receivables</i>			
9,652	9,652	3,054	3,054
16,464	16,482	17,296	17,340
5,003	5,003	9,480	9,480
31,119	31,137	29,830	29,874
Financial Liabilities:			
<i>Other liabilities at amortised cost</i>			
6,855	6,855	6,187	6,187
1,679	1,679	-	-
8,534	8,534	6,187	6,187

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 2012.

Financial Instruments Gains and Losses

During the year the total investment income receivable relating to financial assets amounted to £474k (2010/11: £324k).

During the year impairment losses of £26k relating to financial assets were reversed (2010/11: £Nil). See note 26 for further details.

During the year the total interest payable relating to financial liabilities amounted to £5k (2010/11: £5k).

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's status as debt free minimises its exposure to interest rate risk.

32. 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 a defined benefit pension scheme related to pay and service.

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:

2010/11 £'000	Income and Expenditure Account	2011/12 £'000
	Net Cost of Services:	
1,660	Current service cost	1,376
(9,182)	Past service cost/(gain)	-
218	Losses on settlements and curtailments	197
(7,304)	Charge/(credit) to net cost of services	1,573
	Net Operating Expenditure:	
4,826	Interest costs	4,248
(3,451)	Expected return on assets in the scheme	(3,528)
1,375	Charge to finance and investment income and expenditure	720
(5,929)	Total charge/(credit) to the Income & Expenditure account	2,293
2010/11 £'000	Statement of Movement in the Council Fund:	2011/12 £'000
5,929	Reversal of net charges/(credit) made for retirement benefits in accordance with IAS 19	(2,293)
	<i>Actual amount charged against the Council Fund for pensions for the year:</i>	
2,543	Employer's contributions payable to the scheme	2,221

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 2011 £'000	Statement of Total Recognised Gains and Losses:	31 March 2012 £'000
11,720	Gains / (losses) recognised during the year	(7,621)
(17,452)	Accumulated gains / losses recognised	(25,073)

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 2012:

31 March 2011 £'000		31 March 2012 £'000
	Present Value of Defined Benefit Obligations:	
(95,414)	As at 1 April	(78,028)
(1,660)	Current cost of services	(1,376)
9,182	Past service gain	-
(4,826)	Interest cost	(4,248)
(537)	Contributions by scheme members	(477)
(218)	Gains / (losses) on curtailments	(197)
11,946	Actuarial gains / (losses)	(5,161)
3,499	Benefits paid	3,642
(78,028)	As at 31 March	(85,845)
	Fair Value of Employer Assets:	
49,545	As at 1 April	52,105
3,451	Expected return on assets	3,528
537	Contributions by scheme members	477
2,297	Contributions by employer	2,467
(226)	Actuarial gains / (losses)	(2,460)
(3,499)	Benefits paid	(3,642)
52,105	As at 31 March	52,475
(25,923)	Deficit in the scheme	(33,370)

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

2008 £'000	2009 £'000	2010 £'000	2011 £'000	As at 31 March	2012 £'000
(63,089)	(61,291)	(95,414)	(78,028)	Present value of defined benefit obligations	(85,845)
49,547	38,323	49,545	52,105	Fair value of employer assets	52,475
(13,542)	(22,968)	(45,869)	(25,923)	Deficit in the scheme	(33,370)

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 scheme's Actuary.

It is estimated that the Council will contribute approximately £2,134k to the Local Government Pension Scheme during the year ended 31 March 2013.

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 formal valuation as at 31 March 2010 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 2011	31 March 2012
Long term expected rate of return on assets in the scheme:	
7.5% Equity investments	6.2%
4.9% Bonds	4.0%
5.5% Property	4.4%
4.6% Cash	3.5%
Mortality assumptions:	
Longevity at 65 for current pensioners	
21.0 Men	21.0
23.8 Women	23.8
Longevity at 65 for future pensioners	
22.9 Men	22.9
25.7 Women	25.7
Financial assumptions:	
2.8% Rate of increase in inflation / pension cost	2.5%
5.1% Rate of increase in salaries	4.8%
6.8% Expected return on investments	5.5%
5.5% Rate for discounting scheme obligations	4.8%
50% Take up of option to receive lump sum on retirement (service pre April 2008)	50%
75% Take up of option to receive lump sum on retirement (service post April 2008)	75%

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

31 March 2011	31 March 2012
Employers assets by investment:	
73% Equity investments	69%
19% Bonds	18%
4% Property	6%
4% Cash	7%
100%	100%

History of Gains and Losses

The actuarial gains identified as movements on the pension reserve in 2010/11 can be analysed into the following categories, measured as a percentage of employer assets or defined benefit obligations:

2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000		2011/12 £'000
(15.3%)	(39.9%)	19.9%	(0.4%)	Differences between the expected & actual return on assets	(4.7%)
11.4%	0.0%	0.0%	15.3%	Experience gains and losses on obligations	(6.0%)

33. Usable Reserves

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 Movement in Reserves Statement.

Earmarked Reserves

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

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

2010/11 £'000		2011/12 £'000
	Earmarked Reserves (including non-HRA tenants reserve):	
12,212	As at 1 April	12,865
653	Net transfer from the Council fund	201
12,865	Total earmarked reserves carried forward (see below)	13,066

The major project / cause balances held at 31 March 2012 and the amounts set aside from the Council Fund in order to meet future expenditure or posted to the Council Fund in order to meet current expenditure in the year then ended are as follows:

1 April 2011 £'000		Increase £'000	Decrease £'000	Net £'000	31 March 2012 £'000
Project / Cause > £100k:					
	Council Contribution to				
387	Pension Fund	-	-	-	387
3,308	Land Drainage	214	(771)	(557)	2,751
	Information Services -				
	Technology				
173	Replacement	172	(137)	35	208
	Public Transport				
	Development				
156		-	-	-	156
	Parking Repairs &				
	Renewals				
240		40	-	40	280
3,237	Leisure Sinking Fund	324	(361)	(37)	3,200
	Local Authority				
	Business Growth				
	Incentive				
623		-	(148)	(148)	475
	Performance Reward				
	Grant				
222		-	(46)	(46)	176
247	Area Based Grant	-	(34)	(34)	213
	Housing & Council Tax				
	Benefit Equalisation				
	Account				
300		-	-	-	300
	Housing Benefit new				
	schemes				
139		20	(52)	(32)	107
	E-government				
	Revenue Funding				
132		-	-	-	132
	Waste Services				
	Vehicles Replacement				
1,456		295	(131)	164	1,620
	Waste Services				
	Refuse Bin				
	Replacement				
-		148	-	148	148
	Investment Income				
	Equalisation				
167		-	-	-	167
	Human Resources				
	strategy				
151		142	(133)	9	160
393	Non-recurring Items	140	(82)	58	451
120	Parks Play Equipment	20	-	20	140
197	Local Plan Inquiry	29	-	29	226
	Finance, Revenue and				
	Benefits Systems				
	Project				
621		-	(405)	(405)	216
	Accumulated				
	surpluses on				
	Collection Fund				
132		24	(48)	(24)	108
	Initiatives for the				
	Prevention of				
	Homelessness				
-		119	-	119	119
	New Homes Bonus				
-		303	-	303	303
	Minor revenue grants				
-		131	-	131	131
	NNDR Refund				
-		408	(257)	151	151
464	Other < £100k	315	(38)	277	741
12,865	Total	2,844	(2,643)	201	13,066

Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents proceeds from the sale of property, plant and equipment, which are restricted in order to finance future capital investment.

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

2010/11 £'000	2011/12 £'000
11,374 As at 1 April	10,928
Receipts during the year from sale of non-current assets:	
524 Property, plant and equipment	-
- Investment property	362
9 Other capital receipts not related to the sale of assets	68
(974) Receipts applied during the year	-
Contribution to finance the payments to the Government capital	
(5) receipts pool	(3)
10,928 As at 31 March	11,355

Capital Grants Unapplied Account

The balance on the Capital Grants Unapplied Account represents grants and contributions received by the Council for the purpose of funding capital expenditure but not yet utilised. The grants in question have been recognised as income as they have no conditions attached to them that may require the monies to be returned to the giver.

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

2010/11 £'000	2011/12 £'000
826 As at 1 April	791
Capital grants and contributions unapplied credited to the	
28 Comprehensive income and Expenditure Statement	-
Application of grants to capital financing transferred to the Capital	
(63) Adjustment Account	(147)
791 As at 31 March	644

34. Unusable Reserves

Revaluation Reserve

The revaluation reserve records the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation
- disposed of and the gains are realised

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

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

2010/11 £'000	2011/12 £'000
6,750 As at 1 April	17,784
11,536 Upward revaluation of assets	8,319
(502) Difference between fair value depreciation over historic cost depreciation	(630)
17,784 As at 31 March	25,473

The balance on the reserve may be analysed as follows:

2010/11 £'000	2011/12 £'000
<i>Property, plant and equipment:</i>	
89,533 Net book value (current value) (note 17)	92,702
(71,749) Net book value (historical cost)	(67,309)
17,784 Accumulated gains held in reserve	25,393
<i>Assets held for sale:</i>	
- Net book value (current value) (note 20)	80
- Net book value (historical cost)	-
- Accumulated gains held in reserve	80
17,784 As at 31 March	25,473

Capital Adjustment Account

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

The account contains accumulated gains and losses on investment property and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 15 provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve.

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

2010/11 £'000	2011/12 £'000
84,547	66,955
<i>Reversal of items debited or credited to the comprehensive income and expenditure account:</i>	
Charges for depreciation, impairment and amortisation of non-current assets:	
(18,961)	(4,129)
Property, plant and equipment	
(22)	(22)
Heritage assets	
- Intangible assets	
	(93)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
1,207	515
Revenue expenditure funded from capital under statute:	
(1,744)	(1,126)
incurred in year	
Revenue expenditure funded from capital under statute:	
reclassified from additions to property, plant and equipment in prior year	
(386)	(175)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement:	
(128)	(163)
Property, plant and equipment	
- Investment property	
	(400)
Movements in the market value of investment property credited to the Comprehensive Income and Expenditure Statement	
	247
<i>Insertion of items not debited or credited to the comprehensive income and expenditure account</i>	
903	1,275
Capital expenditure charged against the Council Fund balance	
<i>Adjustments involving the capital grants unapplied account:</i>	
Application of grants to capital financing from the Capital Grants Unapplied Account	
63	147
<i>Adjustments involving the usable capital receipts reserve:</i>	
Use of the usable capital receipts reserve to finance new capital expenditure	
974	-
<i>Adjustments involving the revaluation reserve:</i>	
Difference between fair value depreciation over historic cost depreciation: property, plant and equipment	
502	630
<i>Other comprehensive income and expenditure:</i>	
66,955	63,661
As at 31 March	

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2010/11 £'000	2011/12 £'000
(39) As at 1 April	(16)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	9
(16) As at 31 March	(7)

Pension Reserve

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

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

2010/11 £'000	2011/12 £'000
(45,869) As at 1 April	(25,677)
11,720 Actuarial gains/(losses) on pensions assets and liabilities (note 32)	(7,621)
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (note 15 & 32)	(2,293)
5,929	
2,543 Employers contribution payable to scheme * (note 32)	2,221
(25,677) As at 31 March	(33,370)

* Unpaid employers contributions of £nil at 31 March 2012 (2011: £246k) have been charged to the reserve.

Accumulated Absences Account

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

2010/11 £'000	2011/12 £'000
(87) Settlement of accrual made at the end of the preceding year	(83)
4 Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	5
(83) Amounts accrued at the end of the current year	(78)

35. Cash Flow Statement - Operating Activities

2010/11 £'000	2011/12 £'000
Adjustments for Non-cash movements:	
Charges for depreciation, impairment and amortisation of non-current assets:	
18,961	4,129
22	22
-	93
2,130	1,301
(1,236)	(515)
-	(26)
(90)	9
-	(247)
Carrying amount of non-current assets sold:	
128	163
-	400
43	65
(8,472)	72
(5)	(1)
(14)	(7)
(25)	650
463	(168)
11,905	5,940
Adjustments for items that are investing or financing activities:	
Proceeds from the sale of non-current assets:	
(524)	-
-	(362)
(3)	(65)
(527)	(427)
The cash flows for operating activities include the following:	
248	500
(1)	-

36. 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, of the number of properties that will be sold in the future.

37. Contingent Liabilities

Financial Guarantees

The Council has committed itself to providing lending to its wholly-owned subsidiary, Elstree Film Studios Limited, if required.

Other contingent liabilities

(i) Prior to September 1992, the Council's insurance cover was provided by Municipal Mutual Insurance (MMI). At that date, that company's net assets fell below the minimum regulatory solvency requirement. A contingent Scheme of Arrangement under Section 425 of the Companies Act 1985 became effective on 21 January 1994, which allowed for clawback from local authorities previously insured with MMI to be introduced, should MMI not have sufficient funds available to pay remaining claims at any time in the future.

The outcome of recent litigation against MMI has put in doubt the company's ability to pay agreed claims in full and thus it is possible that the Scheme of Arrangement will be triggered later in 2012. It is not at present possible to establish the Council's liability under the scheme, if any. In the absence of certainty surrounding this liability, no provision has been made in the Council's accounts.

(ii) The Council is liable for the costs relating to a small number of planning issues. The precise amounts cannot be quantified nor the date of resolution determined but the sums involved are not considered material to the Council's accounts and have not been provided.

38. Related Party Transactions

The Council is required to disclose all material related party transactions included within this 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 principal transactions with government departments are set out in note 8.

Other local authorities and other bodies precepting or levying demands on the council tax

Details of the amounts precepted and demanded are set out in note 2 to the council's Collection Fund.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2011/12 is shown in note 9.

Thirty-five members represent the Council on the governing bodies of voluntary and community organisations. Grants totalling £130k (2010/11: £152k) were made to such organisations by the council in the year.

Details of the interests of members in external organisations are maintained in the Register of Members' Interests.

Chief Officers

Chief officers are entitled to receive car loans from the Council. During the year loans amounting to £11k (2010/11: £30k) were made to chief officers, repayments of £25k (2010/11: £17k) were received and £18k was receivable at 31 March 2012 (2010/11: £32k).

Pension Fund

Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 32.

Bushey Country Club Limited

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

Until 31 January 2012, the company managed the following activities on the site: Golf (inc. Driving Range), Health & Fitness Suite, Bars and Banqueting & General Catering. The company ceased to trade at that date and its trade and employees were transferred to Hertsmere Leisure Trust with effect from 1 February 2012.

A summary of the company's draft unaudited financial results (subject to adjustments for taxation) for the year ended 31 March 2012 is as follows:

2010/11 £'000	2011/12 £'000
Financial Statements:	
(163) Net loss for the year	(92)
- Rent paid to Hertsmere Borough Council	-
(163) Net loss for the year excluding rent paid	
(284) Net assets/(liabilities) as at 31 March	(376)
(284) Accumulated profit/(loss) as at 31 March	(376)
(284) Total shareholders funds	(376)
Other Disclosures:	
21 Other rents received by Council from company tenants	13
266 Due to Hertsmere Borough Council	408

The amount due to Hertsmere Borough Council includes a loan of £100,000 (2011: £100,000).

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 consists of 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 draft unaudited financial results (subject to adjustments for taxation and pension fund transactions) for the year ended 31 March 2012 is as follows:

2010/11 £'000		2011/12 £'000
	Financial Statements:	
197	Net profit for the year	400
758	License fee paid to the Council	800
955	Net profit excluding license fees paid	1,200
337	Actuarial gains (losses) on pension fund assets and liabilities	-
(55)	Pension surplus not recognised	-
(293)	Net assets/(liabilities) as at 31 March	56
(293)	Accumulated profit/(loss) as at 31 March	56
(293)	Total shareholders funds	56
	Other Disclosures:	
342	Other rents received by Council from company tenants	300
953	Due to Hertsmere Borough Council	628

The amount due to Hertsmere Borough Council includes a loan, together with accrued interest, of £505k (2011: £503k) repayable by 31 December 2012.

The Council owns the entire issued share capital of Elstree Film and Television Studios Limited. The company transferred its trade and employees to Elstree Film Studios Limited on 31 March 2007 and ceased to trade. The most recent accounts available show that the company's net assets at 30 March 2011 were £111k.

*Hertsmere Leisure*1. *1 February 2002 to 31 January 2012*

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).

Hertsmere Leisure has been operating since February 2002. The Trust's draft unaudited financial results for the ten months ended 31 January 2012 show that the activities carried out on behalf of the Council incurred a deficit for the period of £106k (2012: deficit for year: £30k).

2. *From 1 February 2012*

Hertsmere Leisure Trust was the successful bidder when the contract to manage the Council's leisure services was re-awarded in 2011. The contract included management of leisure centres and community centres as before and in addition took over the activities previously managed by the Council's subsidiary Bushey Country Club Limited, together with the delivery of the play, 50 plus and parks events programmes previously provided by the Council itself. The contract is for an initial 10 years from 1 February 2012 with an option to extend by a further five years.

The new contract ensures that the Council will receive income of £257,000 per annum over the next 10 years. Hertsmere Leisure Trust is also responsible for carrying out all repairs and maintenance during that period; this expenditure was previously budgeted at £254,000 per annum by the Council. The leisure contract has generated significant budget savings for the Council and is regarded as a contract which will deliver value for money for Hertsmere's residents.

At the end of the contract, the premises, plant and machinery will be returned to the Council in the same condition. This ensures that the service delivery capability of the facilities is maintained and enhanced throughout the 10 year period and possibly beyond.

The Collection Fund

2010/11 £'000		Note	2011/12 £'000
	Income:		
54,133	Council tax		54,280
6,954	Council tax benefits		6,970
37,861	Income from non-domestic rates		43,691
98,948	Total income		104,941
	Expenditure:		
60,172	Precept and demands	2	60,530
395	Provision for irrecoverable council tax debts	3	523
	Non-domestic rates:		
37,711	Payment to national pool	4	43,546
150	Costs of collection		145
98,428	Total expenditure		104,744
520	Surplus for the year		197
(581)	Less: prior years surplus distributed	5	(346)
(61)	Net movement on fund		(149)
1,150	Collection fund brought forward		1,089
1,089	Collection fund carried forward		940
	Fund movement allocation:		
(22)	Hertsmere Borough Council		(24)
(39)	Precepting authorities		(125)
(61)	Net movement for the year		(149)
	Fund balance carried forward allocation:		
132	Hertsmere Borough Council (included in reserves)		108
957	Precepting authorities (included in sundry creditors)		832
1,089	Total carried forward		940

Demand on the Collection Fund Credited to the Comprehensive Income and Expenditure Account

2010/11 £'000		2011/12 £'000
6,545	Amount collected from Council Tax	6,584
65	Share of surplus/(deficit) for the year	24
948	Amount collected on behalf of parishes	948
7,558	Total credited to the Income and Expenditure Account	7,556

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.

2010/11 £'000		2011/12 £'000
	Authority:	
46,531	Hertfordshire County Council	46,813
6,148	Hertfordshire Police Constabulary	6,185
6,545	Hertsmere Borough Council	6,584
545	Aldenham Parish Council	545
331	Elstree & Borehamwood Town Council	331
61	Shenley Parish Council	61
10	South Mimms	10
1	Ridge Parish Council	1
60,172	Total	60,530

3. Provision for Irrecoverable Council Tax Debts

During the year contributions were made to a provision for irrecoverable council tax amounting to £523k (2010/11: £395k) and £175k (2010/11: £273k) 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 42.6p (2010/11: 40.7p) and 43.3p (2010/11: 41.4p) with no relief. The total rateable value of properties at the year end amounted to £116.8m (2011: £114.8m). 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.

2010/11 £'000		2011/12 £'000
	Income from Business Rates:	
38,423	Gross rates payable	44,383
(712)	Less allowances and other adjustments	(837)
37,711	Net contribution to the national non-domestic rates pool	43,546

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:

2010/11 £'000		2011/12 £'000
	Authority:	
(439)	Hertfordshire County Council	(265)
(55)	Hertfordshire Police Constabulary	(33)
(87)	Hertsmere Borough Council	(48)
(581)	Net amount distributed/(collected)	(346)

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 with only one resident. 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 2011/12 the numbers as approved by full Council on 19 January 2011 (Ref: C/11/01) were as follows:

Band	Valuation £	Dwellings No.	Equivalent Band D Dwellings (incl discounts) No.
A	Up to 40,000	432	288
B	40,001 to 52,000	2,292	1,783
C	52,001 to 68,000	5,337	4,743
D	68,001 to 88,000	12,145	12,145
E	88,001 to 120,000	7,767	9,493
F	120,001 to 160,000	3,624	5,234
G	160,001 to 320,000	4,088	6,814
H	Over 320,000	826	1,653
Total number of equivalent band D dwellings			42,153
Assumption of 98.5% collection			41,521
Number of equivalent band D of contribution in lieu			320
Total tax base			41,841

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

2010/11 No		2011/12 No
41,589	Number of equivalent band D properties	41,841
<hr/>		
18,689,230	Gross requirement for the year:	17,275,220
<hr/>		
	Less:	
(4,149,070)	Depreciation	(4,149,070)
(1,003,000)	Revenue support grant	(1,494,525)
-	Council tax freeze grant	(164,000)
(6,904,580)	Contribution from NNDR pool	(4,835,045)
6,632,580	Council demand from the collection fund	6,632,580
947,566	Add parish/town precepts	947,553
(86,640)	Collection fund adjustment	(48,335)
7,493,506	Total council tax for collection	7,531,798
<hr/>		
180.18	'Average' band D council tax levy	180.01

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.

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 Fund

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

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.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- Termination of 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

Department for Communities & Local Government

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.

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.

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.