



Dacorum Borough Council

Statement of Accounts 2011/12

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Introduction – Councillor Andrew Williams, Leader of the Council

Welcome to Dacorum Borough Council's Statement of Accounts for the financial year 2011/12.

In 2010 the Council agreed a new vision for the Council and the Dacorum community to ensure we continue to meet the needs of the communities we serve. Our vision is to:

'Work in partnership to create a borough which enables the communities of Dacorum to thrive and prosper through our five main priorities.'

To enable us to deliver our vision, we have identified five key priorities which are the focus of our plans for further improvement, these priorities are:

- Building community capacity
- Affordable housing
- Regeneration
- Dacorum Delivers (internal operations)
- Safe and clean environment

Throughout 2011/12 we continued to achieve further successes which helped us to shape the future and realise our ambitions. These achievements reflect the Council's commitment to a High Performance Environment which focuses on helping our employees to unlock their full potential and serve Dacorum residents to the best of their ability. Notable achievements over the last year include:

- Successful transition to the new Self-Financing framework for management of the Council's housing stock. For the first time this allows the Council to develop a business plan over which it has complete control and which can take a long-term view of investment priorities. As a result, the level of resources available for investment in housing has increased dramatically – up by over 70% in year one alone.
- The Maylands Business Centre continues to go from strength to strength in providing accommodation for start-up business within the borough. Since its opening in June 2011, three additional offices have been provided, bringing the total number available to thirteen, all of which are now let. Fifteen of the eighteen light industrial units are also let.
- The Christmas 'pay-your-rent' campaign delivered an additional £100k, and was recently shortlisted for two prestigious national Chartered Institute of Public Relations awards. The campaign was recognized for its innovative approach and focus on partnership working across the Council and with the voluntary sector.
- The Council continued to increase the number of consultation events within the community including several 'Listening Days' held across the borough at which Councillors and officers were available to answer residents' questions. This was supported by the implementation of the Youchoose web-based budget consultation tool, which enabled residents to submit alternative Council budgets to reflect their own prioritization of Council services.
- The Clean Safe and Green service has given a makeover to several of the roundabouts situated on the gateways into and out of the borough. This work, coupled with the achievement of Green Flag status at two of the borough's award winning parks, has greatly improved the aesthetic nature of Dacorum.
- Investment in new equipment at the Recycling Depot has allowed Waste Services to expand the range of materials collected at the kerbside. This has resulted in environmental benefits

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through diverting waste away from landfill, as well as improving the Waste Collection Service we provide to our residents.

- The work undertaken by our back office teams continues to contribute to front-line delivery with the Financial Services Team shortlisted for the Local Government Chronicle's national Finance Team of the Year award, as well as our Legal Services Team achieving Lexcel accreditation for the frameworks it has put in place to develop greater operational efficiencies, manage risk effectively and offer maximum value for money for our residents.

As the economy continues to show no sign of recovery it is inevitable that our Council faces tough times ahead. However, the achievements listed above give me real confidence that by continuing to listen to our residents and to work together with our community, we can deliver the prosperous future our Borough deserves.

Councillor Andrew Williams
Leader of the Council

Introduction to the Statement of Accounts – Sally Marshall, Corporate Director (Finance and Governance)

As the Council's statutory Chief Finance Officer, I have pleasure in writing the Explanatory Foreword to Dacorum Borough Council's Statement of Accounts for 2011/12.

Throughout 2011/12 the Finance Team has continued to build on the sound standards of financial management established in previous years. Working towards the Council's ambition for a High Performance Environment, we have further developed the team's financial modelling and analytical capacity, which has enabled us to support a number of new service delivery initiatives across the Council.

In particular, close working between the Council's Finance and Housing teams enabled the successful transition to a Self-Financing regime for the Council's housing stock. Although this transition required the Council to take on its share of the national housing debt – the second highest in the country at £354m – it has unlocked a fantastic opportunity for the Council to significantly increase its investment levels in order to meet the borough's housing needs.

Other key objectives over the year were to:

- Proactively support service delivery initiatives and innovation across the Council
- Maintain sound financial management practices across the Council
- Financially plan for the medium to longer term
- Advise the Council to ensure that money raised from public taxation is used efficiently and effectively to meet local needs as reflected in the Council's priorities
- Enable financial management to play a key role in the performance management of the Council

I am proud that our successful achievement of these objectives culminated in our being shortlisted for the Local Government Chronicle's national Finance Team of the Year award.

In light of the ongoing economic problems facing the country, we have reviewed our Medium Term Financial Strategy during 2011/12 to plan for continued reductions in public funding. I believe that we have the financial governance structures in place that will enable the Council to continue adapting to future economic challenges as we have so far – by maximising value for money for our tax-payers and without impacting front-line service provision.

I hope that this explanatory foreword and the notes that follow give you a clear picture of how the figures make up our Statement of Accounts and show you how the cash you paid became the service you received. The Statement of Accounts is required by law and covers various statutory requirements and other relevant information.

The supporting notes are aimed at providing a more straightforward explanation of the often complicated local government financial arrangements. Please provide comments and feedback on the format of the statement of accounts to enable us to make them as user friendly as possible.

Sally Marshall M.B.A., C.P.F.A., M.C.I.H
Corporate Director (Finance and Governance)

Borough Profile

The Borough approximately has a population of 142,900 living in 61,000 homes and there are 110,000 residents on the Electoral Register.

The Council holds elections for all Members once every four years. The last election was held in May 2011. As at 31st March 2012 the Council was made up of 43 Conservatives, 6 Liberal Democrats and 2 Labour Councillors.

The Council operates with a Cabinet, three Overview and Scrutiny Committees and an Audit Committee responsible for corporate governance and approval of the Statement of Accounts. There are also a Development Control Committee, Licensing Committee and a Standards Committee.

The Cabinet is chaired by the Leader of the Council. The Cabinet has executive decision making powers and meets monthly. Each of the members of the Cabinet has a portfolio for which they have responsibility.

Although a number of areas of decision making are delegated to the Cabinet and Senior Officers, the full Council retains ultimate responsibility for the Policy and Budgetary Framework of Dacorum Borough Council.

Performance Management

Corporate Plan 2010/14

The Council's five priorities for the community were set during 2010 for the period 2010/14. The priorities drive the Council Improvement Plan and enable the Council and partners to deliver the Community Plan.

The five priorities are:-

Regeneration

- Deliver a Regeneration Plan for Dacorum
- Attract investment
- Drive value from Council owned assets

Affordable Housing

- Achieve good social housing
- Develop the private rented sector
- Design and enable a more varied housing offer

Safe and Clean Environment

- Support the creation of a high quality, low carbon environment
- Maintain a clean and safe environment
- Protect our green space

Building Community Capacity

- Enable all wards to move out of the lowest quartile of the indices of deprivation
- Support social enterprise
- Empower Local community action and delivery

Dacorum Delivers (internal operations)

- Efficiencies
- Value for Money
- Performance excellence
- Reputation and profile delivery

The Accounts that follow show how the cash you paid became the service you received in line with the Council's priorities.

The Statement of Accounts

The Dacorum Borough Council (the Council) Statement of Accounts (the Accounts) has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Corporate Director (Finance & Governance), is responsible for the proper administration of the Council's financial affairs, and is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. This confirmation is provided in the Statement of Responsibilities.

Explanatory Foreword

This foreword provides an explanation of the documents incorporated within the Council's Statement of Accounts together with guidance on how best to interpret them. This is followed by high-level analysis of the events which have had a significant impact on the Accounts.

Statements

The Accounts report the financial activity of the Council over financial year 2011/12, and the financial position of the Council as at 31 March 2012. In order to present this information clearly, the Statement of Accounts encompasses the following elements:

- **Statement of Responsibilities**
The Council is required to nominate an Officer with statutory responsibility for the proper administration of its financial affairs. For the Council this is the Corporate Director, Finance & Governance. This document explains the statutory responsibilities of this role.
- **Annual Governance Statement**
The Council is responsible for implementing and maintaining proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which include the management of risk. This document describes the Council's approach to these responsibilities.
- **Core Financial Statements**
These statements report the Council's performance for the year and financial position as at 31 March 2012. Detail of the individual statements grouped under this heading can be seen below.
- **Supplementary Financial Statements**
This section provides additional detail regarding significant elements of the Council's financial activity, e.g. the Housing Revenue Account and the Collection Fund.

The Core Financial Statements comprise the following elements:

- **Comprehensive Income and Expenditure Statement**
This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Balance Sheet**
The Balance Sheet shows the value as at 31 March 2012 of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council.

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- **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 used to fund expenditure or reduce local taxation) and 'other reserves'.
- **Cash Flow Statement**
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during 2011/12. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Operating cash flows are 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 Council services.

Investing cash flows represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Financing cash flows are useful in terms of predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Notes to the Core Financial Statements**
These notes provide additional information relevant to the understanding of the Core Financial Statements.

The Supplementary Financial Statements comprise the following elements:

- **Housing Revenue Account and Notes**
The Housing Revenue Account (HRA) reflects a statutory duty to maintain a separate account to measure the resources generated and consumed in the provision of council housing during 2011/12, and the cumulative HRA balance.
- **Collection Fund and Notes**
This note shows the income and expenditure transactions of the Council in respect of the collection and distribution of Council Tax and Non-Domestic (business) Rates.
- **Audit opinion**
The independent auditor's report to the Members of the Council.
- **Glossary**
A glossary is provided to provide definitions for the technical terms used throughout this Statement of Accounts.

Review of the Year

The review of the Council's performance in 2011/12 will consider the following three areas separately:

- **Revenue**
Revenue expenditure is generally incurred on items that are consumed within one year. Revenue expenditure is financed from a range of sources including; government grants, Council Tax, and income derived from fees and charges. All revenue expenditure which is not related to the provision of council housing is known as General Fund expenditure. In essence, the General Fund bears the net cost of providing day-to-day services.

Revenue expenditure incurred by the Council in the provision of social housing is dealt with separately from other Council services, within the Housing Revenue Account (HRA), and is financed by rental income. Rental income cannot be used to fund General Fund expenditure.

The General Fund and the HRA form two separate areas of in-year analysis.

- **Capital**
Capital expenditure is incurred through the acquisition or enhancement of assets from which the Council will derive benefit for a period in excess of one year. Capital expenditure is financed by proceeds from the sale of assets (capital receipts), capital grants and other contributions, the Major Repairs Reserve and direct revenue financing.
- Capital expenditure will form the third area of in-year analysis.

General Fund Analysis

Table 1, on page 11, shows the Council's General Fund service expenditure and other operating costs, together with income from grants, local taxpayers and other sources. This is compared in overall terms with the budget.

General Fund Service Expenditure

The directly attributable cost of running the Council's services for 2011/12 was £18.024m, or £2.825m less than the revised budget.

Around £2.1m of the underspend is attributable to year-end accounting adjustments that are required in order to comply with accounting regulations. It is important to note that these adjustments are 'reversed out' prior to the setting of Council Tax and have no impact on the tax-payer. Key contributors to the £2.1m accounting adjustments comprise:

- **Capital Entries**
The table reflects an impact of c£1.4m resulting from revaluations carried out on General Fund properties by the Council's valuers Wilkshead and Eve.
- **Employee Benefits**
The table reflects an impact of c£800k resulting primarily from adjustments made to the Council's pension liabilities, following the year-end report from the Council's actuaries, Hymans Robertson LLP. More detail on the Council's pension liabilities can be seen in Note 14 to the Accounts.

The remaining variance of c£1m comprises savings, additional income and underspends that have occurred since the setting of the Council's revised budget. Significant contributors to this variance are detailed below:

Premises £298k below budget

- £82k net underspend on Building Works arising from an increase in the number of statutory repairs diverting resources away from planned maintenance tasks.

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- £140k underspend on utilities and insurance due to savings following a retendering exercise.
- £35k saving on the project to update car park signs and machines to reflect new tariffs.
- Offset by £41k over budget on Homelessness, reflecting a dramatic increase in demand over the winter months for the Council's statutory obligation to provide temporary accommodation for homeless families.

Supplies & Services £609k below budget

- £231k under budget on the Local Development Framework (LDF) project. Primarily this is due to reprofiling of the work on the overall master planning process (£170k). In addition, a further £55k was saved as the Council opted not to print bound copies of the LDF plan, instead utilising discs.

These LDF project costs were to have been funded through reserves. However, the reserves will now be drawn down in future years to meet expenditure incurred in the delivery of the project as it occurs.

- £100k saving arising from budgeting amendments within Finance & Governance.
- £25k under budget on Financial Services reflecting reduced Audit Commission fees following their reassessment of the Council's audit risk.
- £90k various efficiencies and underspends within Revs & Bens relating to reduced bailiff usage for Housing Benefit overpayments cases, reduced court fees, and underspends on IT relating to Northgate.
- £87k over budget in Clean Safe & Green relating to higher than anticipated uninsured payouts, particularly around subsidence caused by tree roots.
- £120k under budget reflecting reprofiling of some aspects of the Improving Dacorum Programme relating to IT consultancy services in advance of the Aylesbury Vale District Council partnership, and the Facilitating Change programme.
- £200k over budget reflecting a provision for outstanding litigation claims against the Council at the end of the financial year.

Transfer payments £365k below budget

- The amount of benefit paid throughout 2011/12 was lower than anticipated at the time of the original claim. As benefits are funded through government subsidy paid to the Council, the reduced amount of benefit paid also affected the amount of income received by the Council, as referred to below.

Income £525k under recovery

- £362k reduced government grant income reflecting the reduced amount of benefits paid (see above).
- £328k reduction in income to reflect the audit opinion of the 2010/11 final benefit grant claim, which is likely to result in the Department for Work & Pensions (DWP) making a one-off reduction to future grant payments of £328k. This is an annual adjustment and reflects systemic timing issues between the claiming of grant by the Council and the payment being made by DWP. It is prudent to recognise this adjustment in the current year, though the final position will not be confirmed until DWP respond to the audit opinion.
- £66k increase in rental income relating to a retrospective rent reviews.

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- £74k increase in income relating to an increase in the number of Penalty Charge Notices (PCNs) issued.
- £120k increase in car-parking income reflecting the fact that there was less snow this year than last which meant that car parking income was not adversely affected as it has been in previous years.

More detailed explanations for these variances are provided in the report to the Cabinet meeting held on 29 May 2012, entitled 'Provisional Revenue and Capital Outturn 2012', which is available on the Council's website: www.dacorum.gov.uk.

These variances, together with additional savings and income forecast at the revised budget-setting exercise in November 2011 (approved by Council in February 2012), have been transferred to Earmarked Reserves. Decisions over Earmarked Reserves, and how best to plan for future challenges, are taken by Full Council following recommendation from Cabinet, in line with the Council's Medium Term Financial Strategy.

Earmarked Reserves

The Council voluntarily earmarks resources for future spending plans. A detailed breakdown of the movement to and from reserves can be seen in Note 20 to the Accounts.

Council Funding

The bottom section of the table identifies sources of finance for the Council, other than those generated through fees and charges. Revenue Support Grant and National Non-Domestic Rates Grant are both paid to the Council by Central Government.

The difference between Central Government funding and the 'Budget Requirement Including Parishes' (£10.571m in 2011/12) represents the amount the Council needs to raise through Council Tax. For 2011/12, the Band D Council Tax rate was £170.37, which was the same as in 2010/11.

Explanatory Foreword

Table 1

	Revised Budget £'000	Actual £'000	Variance £'000
Finance and Governance	5,780	2,324	(3,456)
Housing and Regeneration	3,472	4,783	1,311
Performance, Improvement and Transformation	11,597	10,917	(680)
General Fund Service Expenditure	20,849	18,024	(2,825)
Less:			
Interest (Receipts)/Payments	(528)	(520)	8
Reversal of Capital Entries	(4,298)	(2,940)	1,358
IAS19 Adjustments	0	796	796
Extraordinary Items	(1,227)	(1,227)	0
Other Government Grants	(571)	(672)	(101)
Revenue Contributions to Capital	1,205	1,174	(31)
Contributions to/(from) Earmarked Reserves	(987)	2,274	3,261
Net Expenditure Prior to use of General Fund Working Balance	14,443	16,909	2,466
Contributions to/(from) Working Balance	2,165	(301)	(2,466)
Budget Requirement (General Fund)	16,608	16,608	0
Parish Precepts	595	595	0
Budget Requirement Including Parishes	17,203	17,203	0
Revenue Support Grant	(1,576)	(1,576)	0
National Non-Domestic Rate Grant	(5,098)	(5,098)	0
Collection Fund Deficit/(Surplus)	42	42	0
Net Expenditure Including Parishes	10,571	10,571	0

Housing Revenue Account Analysis

The Housing Revenue Account (HRA) is a 'ringfenced' account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred.

Each year's underspend or overspend within the HRA contributes to a cumulative balance which is rolled forward from one year to the next. The 2011/12 year-end position was £816k below budget, which contributed to a closing balance of £4.014m. This is in line with the minimum target balance of 5% of income stated in the Medium Term Financial Strategy.

The introduction of self-financing in April 2012 saw each Local Authority with a housing function take on a share of the national housing debt in return for greater autonomy over the way it operates its Housing Revenue Account (HRA). The Dacorum share of the national debt was £354m, which has been financed by a series of fixed term loans from the Public Works Loan Board (PWLB) that will be fully repaid within 30 years.

Among other benefits, the move away from an annual subsidy system of funding means that the Council now has full control over income and expenditure within the HRA, and is therefore able to take a longer-term view of investment in the housing stock.

Further detail on the HRA can be seen in the Supplementary Financial Statements.

Capital Analysis

The capital account shows the income and expenditure transactions the Council makes when:

- buying or selling land or property
- building new property
- carrying out major repairs to our properties
- improving our properties
- providing grants for the above type of activity

The Council's revised estimate of investment for capital purposes in 2011/12 was £17.4m. Actual investment at year-end was £12.1m. Significant contributors to the £5.3m underspend were:

- Acquisition of Investment Property - £999k. This amount is the balance of the payment for 41 The Marlowes that will be paid following completion of the sale in 2012/13.
- Housing Development Fund - £1.6m provision for general housing development that has been reprofiled for application over the next five years.
- Maylands Business Centre - £290k. £50k of this represents an outstanding retention payment that will be paid in 2012/13. The remaining £240k represents a saving. Funding for this project came from the Growth Area Fund (GAF), and any subsequent use of the underspend will need to relate to regeneration, and meet the restrictions attached to GAF funding.
- Improvement Grants - £181k underspend. The improvement grant scheme is currently under review as Officers work on alternatives to the current system that offer improved value for money for Council Tax payers.
- Car Park Refurbishment Programme - £133k. This project has been rescheduled for 2012/13.
- Lifts - £214k. Unanticipated problems with footings for the structural works resulted in slippage to the project, which will be completed in 2012/13.

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- Fire alarms - £156k underspend. The design work has been completed, but a decision was taken to delay the delivery of this project to align it with the fire risk assessment scheduled for 2012/13.
- Pelham Court structural repairs - £480k underspend. This project was delayed due to a complex consultation process with tenants and leaseholders.
- Roofs: flat to pitch - £396k underspend. This relates to work on flats in Queens Square, Hemel Hempstead, which were delayed due to the resolution of outstanding planning matters.

Council Tax Collection

The net collectable amount in respect of 2011/12 Council Tax was £75.1m. The Council achieved a collection rate of 98% (2010/11 97.9%). Council Tax arrears (for all years) amounted to £6m as at 31 March 2012.

Further Information

Further information about the Statement of Accounts is available from the Financial Services section at Dacorum Borough Council, Civic Centre, Marlowes, Hemel Hempstead, Hertfordshire, HP1 1HH. In addition, interested members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press.

Sally Marshall

Corporate Director (Finance and Governance)

19 September 2012

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 Corporate Director (Finance and Governance).
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts by 30 September 2012. Approval of the Statement of Accounts has been delegated to the Audit Committee.

In accordance with the requirements of regulation 10 of the Accounts and Audit Regulations 2011, I confirm that the Statement of Accounts for the year ended 31 March 2012 was approved by resolution of the Audit Committee of Dacorum Borough Council on 19 September 2012.

Councillor Roger Taylor

Audit Committee Chairman

19 September 2012

The Corporate Director (Finance and Governance)'s responsibilities:

The Corporate Director (Finance and Governance) 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 Corporate Director (Finance and Governance) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

The Corporate Director (Finance and Governance) has also:

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

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2012, and its income and expenditure for the year ending 31 March 2012.

Sally Marshall

Corporate Director (Finance and Governance)

19 September 2012

Annual Governance Statement

Annual Governance Statement 2011/12

Introduction

Dacorum Borough Council is committed to ensuring that good governance principles and management practices are adopted. This Annual Governance Statement has been produced in accordance with the CIPFA/SOLACE¹ framework *Delivering Good Governance in Local Government (2007)* and meets the statutory requirement set out in Regulation 4(3) of the Accounts and Audit Regulations 2011, which requires authorities to prepare the statement in accordance with proper practices.

The statement is an open and honest self-assessment of the Council's performance across all of its activities and contains a statement of the actions being taken or required in the future to address areas of concern. It is inevitable that, during a rigorous review of the Council's operations, issues will be identified to be addressed and a key element of good governance is to ensure that there is a clear action plan for addressing these issues.

The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities. The statement includes details of how the Council:

- implements its policies;
- delivers high quality services efficiently and effectively;
- meets its values and ethical standards;
- complies with laws and regulations;
- adheres to required processes;
- ensures financial statements and other published performance information are accurate and reliable;
- manages human, financial, environmental and other resources efficiently and effectively.

The self-assessment contained within this statement has been undertaken taking account of assurance statements provided by managers from across the organisation together with regular reviews of risk management. It has also taken account of Internal Audit reports. In preparing this statement, account has been taken of both the statutory codes and the ethical governance tool-kit produced by the IDEA² and the CIPFA Financial Advisory Network.

The importance of Governance

Good governance leads to good management, good performance, good stewardship of public money, good public involvement and, ultimately, good results for residents and other service users. Good governance enables the Council to pursue its 'vision' (as defined in its corporate planning documents) as well as underpinning that vision with mechanisms for control and management of risk.

Whatever our successes in the past, we can make no assumptions about the future. In a fast-changing world the maintenance of high standards of good governance requires constant vigilance.

Good governance means:

- focusing on the purpose of the authority and results for the community and creating and implementing a vision for the local area;
- members and officers working together to achieve a common purpose with clearly defined functions and roles;
- promoting the values of the Council and upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- developing the capacity and capability of members and officers to be effective;
- involving local people and other stakeholders to ensure strong public accountability.

¹ CIPFA – Chartered Institute of Public Finance and Accountancy
SOLACE – Society of Local Authority Chief Executives and Senior Managers

² IDEA - Improvement and Development Agency

Annual Governance Statement

Scope of responsibility

Dacorum 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 including the management of risk.

Whilst the Cabinet and senior management are responsible for delivering the Council's services and activities within these arrangements, the Audit Committee is responsible for reviewing the effectiveness of these arrangements on behalf of the Council. The Committee is also responsible for making any recommendation necessary as a result of its review or of any issue it identifies as a result of reports from external agencies such as the Audit Commission or the Local Government Ombudsman.

Purpose of the Governance Framework

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

The Council's system of internal control is a key element of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies and objectives. It evaluates the likelihood of those risks coming to fruition and their impact should they do so and identifies ways to manage them efficiently, effectively and economically.

The governance framework has been in place throughout the financial year which ended on 31 March 2012 and continues to be in place up to the date of the approval of the statement of accounts.

In drawing together this Statement the Governance Framework has been examined by reviewing the Council's arrangements for the following issues:

- The arrangements for identifying and communicating Dacorum Borough Council's 'vision' and intended outcomes
- Reviewing the 'vision' and its implications for governance arrangements
- Measuring the quality of services for users, ensuring that they are delivered in accordance with our objectives and represent best value for money
- Defining and documenting the roles and responsibilities of members and officers
- Developing, communicating and embedding codes of conduct and defining standards of behaviour for members and staff
- Reviewing and updating the Constitution, Financial Regulations, Scheme of Delegation and Contract Procedure Rules which clearly define how decisions are taken and the processes and controls to manage risks
- Undertaking the core functions of an Audit Committee
- Ensuring that laws and regulations and internal policies and procedures are complied with and that expenditure is lawful
- Whistle-blowing and investigating complaints from the public
- Identifying the development needs of Members and Senior Officers and providing appropriate training
- Establishing clear channels of communication with all sections of the community and stakeholders and encouraging open consultation

Annual Governance Statement

- Incorporating good governance arrangements in respect of Partnerships

The Governance Framework

The arrangements for identifying and communicating Dacorum Borough Council's vision and intended outcomes.

The Council has worked with its partners in the Dacorum Local Strategic Partnership (LSP) to develop the *Community Strategy Towards 2021 – the Dacorum Sustainable Community Strategy*. This provides long-term ambitions for the Borough through to 2021.

Within this context, during 2010/11 the Council reviewed its overall vision and priorities for its local communities. The Council's aims are captured within its Corporate Plan which sets out local community priorities. The six priorities that were included in the 2010/14 Corporate Plan were:

- Our Community
- Our Environment
- Resources & Value for Money
- Economic Development and Regeneration
- Affordable Housing
- Our Profile & Reputation

These priorities promoted the Council's "Vision" and determined improvement plans that were set at the beginning of the financial year. In October 2010 a new vision was set for Dacorum:

"Working in partnership to create a Borough which enables the communities of Dacorum to thrive and prosper" through the delivery of five priorities:

- Building Community Capacity
- Safe and Clean Environment
- Affordable Housing
- Regeneration
- Dacorum Delivers.

To help engage communities in setting and achieving this vision and priorities, Dacorum Borough Council is committed to reviewing and improving services to make sure it is providing the services needed by local people. The comments we receive from the Citizens Panel are valued and used as part of this process. The Panel consists of over one thousand Dacorum residents and is representative of the profile of the Borough in terms of gender, age, ethnic origin and geographical location. Panel members are asked to complete surveys during the year on a variety of topics.

The Council has also taken steps to improve communications with service users through the website to improve accessibility, the corporate complaints procedure, 'GovMetric' to obtain customer satisfaction information and the use of social media such as Facebook and Twitter.

To support the overall vision and aims, the Council has continued to review its Medium Term Financial Strategy and 5 year Capital Programme. Reviews were undertaken during 2011/12 and also as part of the budget preparation for 2012/13. With regard to the Capital Programme, this has included aligning resources to priorities through an appraisal and scoring of new schemes based on the Council's key priorities. Budget consultation has taken place with participants drawn from the Citizens Panel and facilitated by Opinion Research Services of the University of Wales and by use of the 'You Choose' consultation tool on the Council's website and other social media.

The Improving Dacorum Programme (IDP) is the framework employed by the Council to organise a large number of projects that are in place to deliver the Council's vision and priorities. Every IDP project is defined and resourced with named individuals responsible for project and programme delivery.

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Reviewing the 'vision' and its implications for governance arrangements

The Council's Corporate Plan is reviewed by Cabinet and then Council. The plan was last reviewed during 2009/10 to ensure that it was fit for purpose and is designed to cover the five-year period 2010-14. The updated plan was considered by Cabinet in September 2009 for referral to Council for approval. Council approved the updated plan which was published on the Council's website www.Dacorum.gov.uk. In 2011/12 a supplementary version was developed to incorporate key priorities and projects following a review of member priorities post elections in May 2011.

Cabinet and the Corporate Management Team also review performance indicators. In October 2010, existing performance indicators were realigned to the new vision and proposed performance targets were identified when the Council considered the review of priorities. All objectives included in business plans were aligned to the vision and priorities and were reviewed corporately by CMT and all senior managers to test completeness and consistency. A corporate review of 2012/13 performance objectives was undertaken by Assistant Directors in March 2012.

The 'Improving Dacorum Programme' (IDP) forms part of the Council's governance framework. The IDP framework comprises the Performance Board and the IDP officer team who lead and advise on the project management discipline adopted by the Council which is used for key projects to bring about change and improvement. The IDP is also integral to the Dacorum Delivers Programme.

The Performance Board sets the direction of the IDP. The Board has an advisory role and makes recommendation on the types of project and how they are to be resourced to the Cabinet or Portfolio Holder (as appropriate), so that the Board's recommendations can be carried forward into formal decisions. Projects that require capital expenditure are considered in the first instance by the Capital Strategy Steering Group (CSSG). This is largely an officer group which also includes the Finance and Resources Portfolio Holder to represent Cabinet. The CSSG appraises the projects and makes recommendations to Cabinet for referral to Council (as required).

Measuring the quality of services for users, ensuring that they are delivered in accordance with our objectives and represent best value for money

The Council specifies service standards for those aspects of service delivery which are reflected in Service Plans. Satisfaction surveys are undertaken by key services following the provision of services.

In the preparation of their service plans, managers are required to consider a number of items including measuring the value for money provided by their service and to set out measures for improving it in the future.

Cabinet resolved on 31 March 2009 to refer the Value for Money Strategy and Policy to Council for approval. This was subsequently approved by Council on 22 April 2009. The Value for Money (VFM) Strategy and Policy sets out the Council's aims and objectives for VFM, the method of evaluating the effectiveness of approach together with an explanation of roles and responsibilities for both Members and officers. In 2010/11 this strategy was used to provide the framework for challenge to establish whether services provided represent best value for money. In September 2011 a draft revised VFM strategy was discussed by CMT and a final revised version is to be incorporated into future corporate plans.

In the External Auditor's Annual Audit Letter for 2010/11, reported to the Audit Committee on 8 February 2012, the Auditor reported that:-

"My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources."

It also stated that:

"The Council has in place strong leadership and the capacity to deliver the scale of the spending reductions required of it. The Council uses suitable information on which to base decisions, and there is strong challenge on service delivery – for example, on a quarterly basis, Cabinet consider financial

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and operational performance against a range of key performance indicators linked to the Council's corporate priorities."

The District Auditor also stated that "I have not identified any significant weakness in the design or operation of an internal control". The Letter identified no weaknesses that the council was not already aware of.

The Council has implemented an electronic performance management system – Corvu, this has been used to manage a range of performance issues, including the transition from a system of national indicators to the use of locally developed indicators. Further uses have been developed including the reporting of risk assessment and risk management, project management of key projects and reporting progress against quarterly business milestones.

Project management has been strengthened through IDP. All projects are linked to the 'vision' and follow the corporate project management methodology. All are now reviewed through monthly meetings of the Performance Board attended by the Leader, the Portfolio Holder for Finance and Resources, the Portfolio Holder for Housing, the Portfolio Holder for Residents and Regulatory Services, the Chief Executive and the Corporate Directors.

Defining and documenting the roles and responsibilities of Members and officers.

The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. During 2010/11 the Council approved new and comprehensive role descriptions for the Leader, Cabinet Members, Chairmen of the Overview and Scrutiny, Regulatory and Audit Committees, and Ward Councillor, and these have been included in the Council's Constitution. In November 2010 the Council adopted the new Leader and Cabinet Executive (England) model which came into effect at the Annual Meeting in May 2011.

The Council appoints the Mayor, Deputy Mayor and the Leader of the Council. The Leader appoints the Deputy Leader and the Cabinet Members and allocates to them responsibility for the various executive functions or "Portfolios".

Additionally, the Council appoints a number of Committees to discharge the Council's regulatory and scrutiny responsibilities. These responsibilities, together with the delegated responsibilities of officers, are set out in Part 3 of the Council's Constitution 'Responsibility for Functions'.

These have been communicated to both Members and officers through training and development sessions during the year, resulting in the "Member Charter" being retained.

All Committees and the various internal corporate officer groups supporting the Council's governance framework also have defined terms of reference. The officer groups include the Capital Strategy Steering Group, and four Corporate Working Groups. These were established in January 2012 to oversee strategic and operational management of the Council's developing business and are: the Regeneration Corporate Working Group, the Environment Corporate Working Group, The Organisational Transformation Corporate Working Group and the Localism Corporate Working Group. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements and internal control environment.

The Council's Chief Executive, as the Council's Head of Paid Service, has overall corporate policy management and operational responsibility and chairs the Corporate Management Team. Cross-organisational management groups were also created in 2011/12 for Assistant Directors and Group Managers to address cross-directorate operational issues.

All staff have clear conditions of employment and job descriptions which set out their roles and responsibilities. Job descriptions are reviewed as part of the annual performance appraisal.

A realignment of the senior management tier concluded in December 2010 and the Council implemented a new senior structure below the Chief Executive, comprising of three tiers as follows:

- Corporate Directors

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- Assistant Directors
- Group Managers

The Corporate Director (Finance & Governance), as the Council's Section 151 Officer, has overall responsibility for the administration of the financial affairs of the Council, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control. The finance function provides support for, the budget preparation and financial monitoring process. The Corporate Director (Finance & Governance) is the lead officer for the Audit Committee. The Corporate Director (Finance & Governance) has appointed the Assistant Director (Finance & Resources) as the Deputy Section 151 Officer in her absence.

The Assistant Director (Legal, Democratic & Regulatory), as the Council's Monitoring Officer, has overall responsibility for legal compliance and has appointed the Group Manager (Legal Governance) as the Deputy Monitoring Officer. All Legal Services staff work closely with departments to advise on legal requirements. The Assistant Director (Legal, Democratic & Regulatory) is also the lead officer on Member and employee conduct and supports the Standards Committee and its Sub-Committees.

Developing, communicating and embedding codes of conduct and defining standards of behaviour for members and staff

The Council has adopted a Code of Conduct for Members which includes the mandatory provisions of the statutory Model Code of Conduct.

All elected and co-opted Members have signed a declaration of acceptance of office and an undertaking to observe the Code. The Council has also provided general training on the Code for Members and specific training on complaint handling for the members of the Standards Committee.

The statutory Model Code of Conduct for Members is to be abolished with effect from 1st July 2012, and all local authorities will be required to adopt their own 'local' Code of Conduct in its place. The Council adopted its own Members' Code of Conduct at its Annual Meeting on 16 May 2012, and the new Code will come into effect on 1st July. The Council also re-appointed the Standards Committee, which will continue to oversee the promotion of high standards among Members and will deal with allegations of breaches of the Members' Code.

Part 5 of the Constitution contains the codes and protocols. The newly adopted Members' Code of Conduct sets out seven general principles: Selflessness; Honesty; Integrity; Objectivity; Accountability; Openness; and Leadership. The Code itself requires Members to show respect for others and to uphold the law. Compliance with the Members' Code of Conduct is monitored by the Standards Committee. Part 5 of the Constitution also contains sections on:

- Interests
- Registration of Members' Interests
- Code of Conduct for Employees
- Protocol for Member/Officer relations
- Planning Code of Practice
- Whistle Blowing Policy.

Training on the Employees' Code of Conduct as well as governance issues, has been provided during the year. The Employees' Code of Conduct is included within the officer Induction training programme.

Reviewing and Updating the Constitution, Financial Regulations, Scheme of Delegation and Procurement Standing Orders which clearly define how decisions are taken and the processes and controls to manage risks

The Council's Constitution sets out how the Council operates and the processes for policy and decision making. Various amendments were made to the Constitution and approved by Council during 2010/11 to enable the Constitution to remain fit for purpose. During 2011/12 the Scheme of Delegation has been amended in order to ensure that it is up to date. It has not been necessary to make more substantial changes to the Constitution during 2011/12.

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During 2011/12 Financial Regulations were subject to full review and in September 2011 the Council adopted a revised set of regulations designed to simplify the regulations themselves, affirm responsibilities for financial management across the Council and to specify key financial thresholds. The draft regulations were reviewed by Finance & Resources Overview and Scrutiny Committee and the Audit Committee before being presented to Cabinet for recommendation to Council.

The Council has overall responsibility for the approval of the financial and policy framework, namely: the Council's Budget, Medium Term Financial Strategy, the Corporate Plan, the Development Plan and other plans and strategies that have a borough-wide application.

The Cabinet is responsible for the discharge of most of the main functions of the authority that are not the responsibility of full Council. As such, the Cabinet is the main decision-making body of the Council and its decisions, whilst subject to scrutiny, are ultimately not capable of being overturned, other than through legal proceedings. The Cabinet also makes recommendations to Council for approval on financial and policy framework matters.

The decision-making process is reviewed by a scrutiny function which has the power to call in decisions made, but which also undertakes some pre-decision scrutiny and some policy development work.

Authority to make day-to-day operational decisions is detailed in Part 3 of the Council's Constitution 'Responsibility for Functions'.

Procedures governing the Council's operations include Financial Regulations, Procurement Standing Orders and the Risk Management Strategy. Ensuring compliance with these procedures is the responsibility of managers across the Council. Internal Audit checks procedures are complied with as part of the Annual Audit Plan. In addition key corporate strategies provide the framework for key decisions: these include the Corporate Plan, Medium Term Financial Strategy, Capital Strategy and Asset Management Plan.

The Finance & Resources Overview and Scrutiny Committee oversees the effectiveness of the risk management arrangements.

The Procurement Governance Framework includes the Procurement Standing Orders, Procurement Strategy, Selling to the Council Guide, Small and Medium Entity Protocol and Terms of Reference for the Procurement Group.

The Council's Corporate Business Continuity Plan is in place. The Plan was tested during 2009/10 and was due to be tested again in 2011/12. However, it was not possible to carry out a test in 2011/12 due to the implementation of a programme of Information and Communications Technology (ICT) infrastructure improvements. The Corporate Business Continuity Plan is being reviewed in conjunction with a proposed ICT shared service arrangement with Aylesbury Vale District. The Council also has a number of service-specific business continuity plans in place which are updated annually as part of the service plan process.

Undertaking the core functions of an Audit Committee

The Audit Committee has been established by the Council. When the Committee was established its terms of reference were prepared to ensure that it complies fully with the advice provided by CIPFA³. The key areas covered by the terms of reference of the Committee are Audit Activity, Regulatory Framework, Accounts and Ombudsman.

Ensuring that laws and regulations and internal policies and procedures are complied with and that expenditure is lawful.

³ Audit Committee – Practical Guidance for Local Authorities published 2005.

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All reports going to Cabinet or Portfolio Holders are properly scrutinised for governance issues by the Statutory Officers. Reports to Council, Cabinet and Portfolio holders for Portfolio Holder decisions contain comments from the Monitoring Officer and the Section 151 Officer.

All Cabinet draft reports are made available for the Statutory Officers to review and comment upon prior to submission to Member Support for publication. Any legal or financial issues arising out of the draft reports are discussed with the report author and resolved prior to the report being issued to Member Support who then compile the agenda and publish the reports.

The Report Template requires the report author to consider and provide the following information:

- Whether the report is part I or part II (part II items contain confidential or exempt information from which the general public are excluded – when an item is classified as part II then a reason has to be provided)
- Purpose of the report
- Recommendations
- Link to Corporate Objectives
- Financial and Value For Money Implications
- Risk Implications
- Equalities Implications
- Health and Safety Implications
- Monitoring Officer Comments
- S151 Officer Comments
- Consultees
- Background papers

Statutory Officers, Directors and Assistant Directors provide further representations and assurances in the form of signed assurance statements, that sound systems of internal control and processes for managing risk have been implemented within the service areas for which they are responsible and that the Council's own internal controls have been complied with. Assurance statements have to be submitted to the Assistant Director (Legal, Democratic & Regulatory).

Compliance with the Regulation of Investigatory Powers Act (RIPA)

The Council is required to monitor its use of covert surveillance under RIPA. The Assistant Director (Legal, Democratic & Regulatory) submits an annual statistical return to the Office of the Surveillance Commissioner (OSC) on the use of covert surveillance.

In compliance with the revised Home Office Codes of Practice the Assistant Director (Legal, Democratic & Regulatory) has been designated as the Council's Senior Responsible Officer with overall responsibility for ensuring that the Council complies with RIPA and with the Council's own policy and procedures on the use of covert surveillance. In May 2011 an on-site inspection was carried out by HH Dr Colin Kolbert, Assistant Commissioner for the OSC, on the Council's RIPA Policies and Procedures, its use of covert surveillance operations and applications for RIPA authorisations. The inspection was conducted with the assistance of the Assistant Director (Legal, Democratic & Regulatory) and the Group Manager (Regulatory Services). In his inspection report, Dr Kolbert concluded:-

"The Council remains a sparing user of directed surveillance, but when it is used, the case is carefully considered and well presented. Applications are of a high standard, but the Authorising Officers' statements need more attention to detail and must take into account the issues which were discussed and are noted in paragraphs 9 and 10 above"

Paragraphs 9 and 10 were concerned with the need for Authorising Officers to be more precise about what steps are being authorised and why the action being authorised is both *necessary* and *proportionate*. These issues were addressed at a training session for Authorising Officers held by the Assistant Director (Legal, Democratic & Regulatory) in August 2011.

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During 2011/12 no applications were made for authorisations under RIPA to carry out covert surveillance.

Whistle-blowing and investigating complaints from the public.

The Council takes fraud, corruption and maladministration very seriously and has the following policies that aim to prevent or deal with such occurrences:

- Anti-fraud Policy
- Whistle-blowing Policy
- Human resources policies regarding the disciplining of staff involved in such incidents.

Training is provided as part of the induction programme for new employees on Counter Fraud and Whistle-blowing. In 2011/12 a review of these arrangements began, including an assessment of understanding of these arrangements across all council staff. A survey of staff and Members undertaken by the Council's Internal Auditors indicated a high level of awareness. However, the returns were used to develop a programme of counter-fraud awareness raising activities to further increase assurance.

A corporate complaints procedure is in place for the Council to receive and investigate any complaint made against it, or against a member of staff. Complaints against Members relating to alleged breaches of the Members Code of Conduct are subject to a separate complaints process for which the Monitoring Officer and Standards Committee are responsible for dealing with, as referred to above.

Identifying the development needs of Members and Senior Officers and providing appropriate training.

The Council aims to ensure that Members and employees have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new Members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council.

In July 2009 the Council endorsed the commitment to the East of England Charter for Elected Member Development. The Member Charter is a statement of commitment to develop and support elected Members. The Charter enables the Council to adopt a structured approach to councillor development and to build elected Member capacity. In 2010/11 the Council was awarded the Member Charter and this status was retained in 2011/12 following independent assessment.

As part of the commitment to the Member Charter, Member training attendance is registered and monitored. During 2011/12, Members attended 17 specific events and also attended additional courses and conferences. Details of the events and attendance levels are set out in the table below:

Member Development Sessions/Courses 2011/12	Date	Attendance
Member Induction	24/05/11 (daytime)	25
Member Induction	01/06/11 (evening)	32
Development Control Committee	09/06/11	17
Chairing skills	13/06/11	6
Licensing	04/07/11	10
Appeals	06/07/11	12
Self Financing	14/07/11	11
Audit	27/07/11	14
Effective Scrutiny	28/07/11	22
Final Accounts	05/09/11	10
Civil Society Partnership	07/09/11	16
Customer Insight and Mosaic	12/10/11	17

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Safeguarding	09/11/11	13
Media	07/12/11	6
Environmental Management	11/01/12	20
Managing Debt under Self Financing	22/02/12	28
Planning Rural England	15/03/12	3
Additional Conference/courses		6

Annual Performance Appraisals of staff are carried out which identify competencies and any training needs. These competencies have been developed to reflect skills and abilities needed to deliver services throughout the organisation and are in the context of the National Skills Framework for Local Government. All Council employees have individual training records, held on the Council's Employee Information System providing details of the courses attended.

During 2011/12 the Performance Appraisals system was developed to incorporate the Council's competency system designed to develop a 'High Performance Environment'. The High Performance Environment approach sets standards of behaviour and performance for all staff and assessments of these standards are undertaken as part of annual performance reviews undertaken at year-end and interim reviews carried out during the year.

The Council has retained the Investors in People accreditation following a reassessment in 2011/12.

Establishing clear channels of communication with all sections of the community and stakeholders and encouraging open consultation

The Council's planning and decision-making processes are designed to include consultation with and the submission of views by, local people and stakeholders.

Arrangements for consultation and gauging local views include consultation with the Town and Parish Councils, the Tenant and Leaseholder Committee, Citizens Panel and resident associations.

The Council works extensively in partnership. The Local Strategic Partnership, known as the 'Dacorum Partnership' shapes the Sustainable Community Strategy which links closely to the Council's Vision and Priorities. In June 2011 a paper was taken to the LSP Board consulting about change to the structure and function of Dacorum Partnership. The changing political, financial and partnership environment necessitates a fundamental re-think about the function and form that the Local Strategic Partnership should take. The Partnership's Executive have recommended a restructure which will be implemented in 2012/13. The Sustainable Community Strategy will be refreshed once the new structure is in place.

During 2011/12 the Council operated a Local Petition Scheme which assists members of the public, or community and voluntary organisations, to communicate their needs and concerns through petitions. We have also been working with a number of neighbourhood action groups to set the agenda for future improvements to local areas. The Council's magazine *Dacorum Digest* and the Dacorum Borough Council website are the principal methods for communicating with the Borough's 141,600 residents on the roles and responsibilities of the Council together with its plans for the future. The use of social media has also been developed through Facebook and Twitter.

Incorporating good governance arrangements in respect of Partnerships

The Council has participated in a number of partnerships aimed at improving the services it provides to the community, such as the Dacorum Partnership and various Community Safety Partnerships.

When drawing together different partners with varying organisational cultures and methodologies for handling governance issues, it is important that clear protocols are established at an early stage to minimise and manage risk.

In order to ensure optimal benefits are realised from partnerships, the Council approved a Partnership Framework in 2009. As part of this framework a partnerships register was established in mid 2009. The partnerships register was reviewed in November 2011 ensuring that up to date partnership assessment forms were held and that any expired partnerships were removed from the register. This

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annual review also identified new partnerships which were added to the register. The partnerships register will continue to be reviewed annually and from 2012 a partnerships status report will be taken to Cabinet to ensure that Council formally approves the list of partnerships that the Council is committed to.

A Review of the Effectiveness of the Governance Framework and System of Internal Control

Dacorum Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of governance systems, the Internal Audit Annual Report, and also recommendations and comments made by the External Auditors and other review agencies and inspectorates.

The Internal Audit function is undertaken under contract by Deloitte Public Sector Internal Audit Limited who provide an independent opinion on the adequacy and effectiveness of the system of internal control, based on an internal audit methodology that complies with international auditing standards.

The process applied in maintaining and reviewing the effectiveness of the governance framework

The key elements of the process are summarised in the following table:

Key element	Role and Activity during the year
Council	<ul style="list-style-type: none"> ○ Approve Constitution including: Financial Regulations; Codes of Conduct; Procurement Standing Orders; Scheme of Delegation. ○ Set budget and policy framework
Cabinet	<ul style="list-style-type: none"> ○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council – quarterly reports ○ Responsibility for key decisions and initiating corrective action in relation to risk and internal control issues ○ Monthly public meetings (excluding any summer recess) ○ Regular briefings with Chief Officers
Audit Committee	<ul style="list-style-type: none"> ○ Five scheduled meetings per annum ○ Review and scrutinise the outcome of Internal and External audit reports and those of other external agencies such as the Ombudsman ○ Monitor the Governance arrangements within the Council ○ Delegated responsibility to scrutinise and approve the Financial Statements on behalf of the Council ○ To consider the External Auditor's report to those charged with Governance on issues arising from the audit of the accounts
Overview and Scrutiny Committees: <ul style="list-style-type: none"> ○ Housing & Community ○ Strategic Planning & Environment ○ Finance & Resources 	<ul style="list-style-type: none"> ○ To provide overview and scrutiny and policy development role in relation to business associated with the Cabinet Portfolios ○ To monitor the performance of relevant Council services, including services which are provided under contract or agreement by external organisations or private sector companies
Standards Committee	<ul style="list-style-type: none"> ○ Consider allegations of breaches of the Code of Conduct ○ Undertake the statutory functions of the Standards Committee

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	as set out in the Local Government Act 2000 (as amended)
Internal Audit – (outsourced service provided by Deloitte)	<ul style="list-style-type: none"> ○ Set overall internal audit strategy to meet the Council’s overall direction ○ Undertake an annual programme of audits ○ Present audit reports to Management and Audit Committee ○ Present progress reports to Audit Committee measuring performance against the Audit Plan
Chief Executive (Head of Paid Service)	<ul style="list-style-type: none"> ○ Overall corporate policy management and operational responsibility ○ Chairman of Corporate Management Team
Monitoring Officer (Assistant Director (Legal, Democratic & Regulatory))	<ul style="list-style-type: none"> ○ Maintain the Constitution ○ Ensure lawfulness and fairness of decision making ○ Supporting the Standards Committee ○ Receive complaints, report them to the Standards Committee and take action in accordance with the Committee’s initial decision, e.g. instigate an investigation and ensure the correct procedural steps are followed and appropriate assistance is given to the Committee throughout the process ○ Proper officer for access to information ○ Advise whether Cabinet and Portfolio Holder decisions are within the Council’s budget and policy framework ○ Provide advice and contribute to corporate management as a member of Corporate Management Team
Section 151 Officer (Corporate Director (Finance & Governance))	<ul style="list-style-type: none"> ○ Ensure lawfulness and financial prudence of decision making ○ Responsibility for administration of financial affairs of the Council and keep proper financial records and accounts for maintaining an effective system of internal financial controls ○ Contribute to corporate management as a member of Corporate Management Team ○ Provide professional financial advice to Members including the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues ○ Provide financial information to the media, members of the public and community
Statutory Officers Comments – Monitoring Officer and Section 151 Officer	<ul style="list-style-type: none"> ○ Statutory officers review all Cabinet and Portfolio Holder Decision reports to consider and comment within the report on legal and financial implications arising out of the report ○ Review of governance issues arising out of day to day working practices ○ Consider issues arising out of the quarterly assurance statements
Corporate Directors	<ul style="list-style-type: none"> ○ Overall strategic and operational management of those services falling within each individual directorate ○ Contribute to corporate management as a member of Corporate Management Team
Corporate Management Team	<ul style="list-style-type: none"> ○ Monthly review of budget, performance and Improving Dacorum Programme ○ Quarterly review of strategic risk management
Performance Board	<ul style="list-style-type: none"> ○ Review performance against Council Vision and Priorities ○ Review Dacorum Delivers improvement programme projects

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Capital Strategy Steering Group	<ul style="list-style-type: none"> ○ Representation from all directorates and Cabinet (Finance and Resources Portfolio Holder) ○ Monthly monitoring of the delivery of capital programme ○ Detailed appraisal and scoring of new schemes for recommendation to Cabinet/consideration for recommendation to Council
Corporate Working Groups	<ul style="list-style-type: none"> ○ Officer/Member groups drawn from service directorates and including relevant Portfolio Holders as appropriate ○ Oversee and review delivery of all relevant operational matters and establish and receive reports from sub-groups as necessary ○ Consider options appraisals and make recommendations for CMT and Cabinet consideration
Corporate Risk Management Group (subsumed within Assistant Directors Group)	<ul style="list-style-type: none"> ○ Officer meetings (membership drawn from all directorates at Assistant Director Level, the Council's Risk Manager and Internal Audit) to review operational risks and business continuity
Assistant Directors and Group Managers	<ul style="list-style-type: none"> ○ Operational management for the services falling within each individual service area ○ Assurance Statements covering all of the Council's key internal controls, including: Financial Regulations; Procurement Standing Orders; Employees Code of Conduct; Corporate Policies; and risk management.

Statement by Leading Member (Leader of the Council) and Leading Officer (Chief Executive) of the Council

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address the weaknesses and ensure continuous improvement of the system is in place. We have identified the significant governance issues below.

Significant governance issues

Deloitte Public Sector Internal Audit Limited was appointed as Internal Auditors with effect from October 2008. The Internal Auditors have completed the programme of internal audit work for the year ended 31 March 2012.

As a result of planned audit work carried out by Deloitte Public Sector Internal Audit Ltd during the financial year, specific issues have been identified. These are set out in the following paragraphs.

Deloitte Public Sector Internal Audit Ltd undertook a total of 27 reviews in 2011/12, of which 23 (85%) were rated as providing a full or substantial level of assurance. Four reviews (15%) provided limited assurance. Consequently the Internal Auditor has obtained satisfactory assurance that the system of internal control in place at the Council for the year ended 31 March 2012 accords with proper practice. Further details of the reviews undertaken by Internal Audit during 2011/12 are available upon request and are summarised within the Internal Auditor's draft Annual Report presented to the Audit Committee on 25 April 2012 and published on the Council's website.

The Internal Auditor noted in his annual report that "as in previous years, we have noted areas of improvement throughout the Authority, including better control over key financial systems resulting in fewer recommendations being raised." Four limited assurance reports were issued, three of which included priority 1 recommendations. These three relate to issues that are deemed to be fundamental to the systems concerned and upon which immediate action has been taken. These relate to:

- 1) **Partnerships – Sports Trust delivery plan and funding approval.** The existing funding agreement has expired and a new set of arrangements have been drafted and are subject to

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legal review processes. Formal confirmation of the Sports Trust's acceptance of the revised funding agreement is awaited.

- 2) **Information Management – business continuity and disaster recovery.** Some elements of the Council's IT infrastructure are nearing the end of their operational effectiveness and systems for securing data need to be revised. A process for migrating data to a remote data storage facility at Buckinghamshire County Council has been introduced which will provide increased security and enable business continuity.
- 3) **Information Management – information security.** A theft of computer equipment from one of the Council's adventure playgrounds highlighted weaknesses in data security in relation to computer equipment at remote sites. The Chief Executive has provided a Statement of Assurance to the Information Commissioner that steps have been taken to address information security control weaknesses and that the operation of these controls will be kept under review.
- 4) **Project Management** Controls relating to project management were not consistently implemented, particularly where the IDP methodology was not adopted within service departments. This has been addressed by ensuring that all key projects are controlled through the IDP approach.

Action plans have been prepared for all the areas reviewed and the Internal Audit plan for 2012/13 includes a follow-up process to provide assurance that officers have implemented all agreed recommendations. Progress against previous recommendations is reviewed by the Audit Committee.

Where this Governance Statement has identified other areas for improvement we propose to take steps to enhance our governance arrangements further. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

We give our assurance that the Council as a whole is committed to continuous improvement and believe that we have established the relevant foundations on which to create further capacity to continue to develop our governance arrangements.

We give our further assurance that the Council's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the role of the Chief Financial Officer in Local Government* (2010).

Signed
(Councillor Andrew Williams – Leader of the Council)

Signed
(Daniel Zammit – Chief Executive)

Comprehensive Income & Expenditure Statement

	Note	2011/12			2010/11		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services to the Public		3,226	(876)	2,350	3,363	(928)	2,435
Cultural and Related Services		8,684	(3,539)	5,145	7,368	(3,356)	4,012
Environmental and Regulatory Services		10,964	(4,737)	6,227	10,970	(4,512)	6,458
Planning Services		6,171	(1,358)	4,813	5,992	(1,829)	4,163
Highways, Roads & Transport Services		1,581	(1,987)	(406)	2,032	(1,925)	107
Local Authority Housing (HRA)		65,727	(48,528)	17,199	22,714	(45,656)	(22,942)
Exceptional item – Local Authority Housing (HRA) Change in Dwelling Factor	6	0	0	0	112,164	0	112,164
Exceptional item – Local Authority Housing (HRA) Self Financing Payment	6	354,015	0	354,015	0	0	0
Other Housing Services		58,464	(56,456)	2,008	56,093	(53,652)	2,441
Adult Social Care		(6)	0	(6)	2	0	2
Corporate and Democratic Core		2,309	(221)	2,088	2,674	(303)	2,371
Non Distributed Costs		1,499	0	1,499	1,352	0	1,352
Exceptional Item - Non Distributed Costs – Change from RPI to CPI	6	0	0	0	(17,189)	0	(17,189)
Exceptional item – VAT refunds	6	307	(1,534)	(1,227)	227	(1,155)	(928)
Cost of Services		512,941	(119,236)	393,705	207,762	(113,316)	94,446
Transferred Services (Bus Passes)		0	0	0	1,735	(333)	1,402
Total Cost of Services		512,741	(119,236)	393,705	209,497	(113,649)	95,848
Other Operating Expenditure	7			975			1,740
Financing and Investment Income and Expenditure	8			(4,649)			(1,832)
Taxation and Non Specific Grant Income	9			(18,840)			(23,208)
(Surplus)/Deficit on Provision of Services				371,191			72,548
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment	21			3,422			(2,459)
Actuarial (Gains)/Losses on Pension Asset / Liabilities	14			14,255			(28,865)
Other Comprehensive Income and Expenditure				17,677			(31,324)
Total Comprehensive Income and Expenditure				388,868			41,224

Movement in Reserves Statement

	Note	General Fund £'000	Earmarked Reserves General Fund £'000	Housing Revenue Account £'000	Earmarked Reserves HRA £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2011	39	2,981	11,567	3,512	989	1,366	729	27	21,171	751,844	773,015
Movement in Reserves During 2011/12:											
Surplus or (Deficit) on Provision of Services		21	0	(371,212)	0	0	0	0	(371,191)	(82)	(371,273)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	(17,594)	(17,594)
Total Comprehensive Income and Expenditure		21	0	(371,212)	0	0	0	0	(371,191)	(17,676)	(388,867)
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	19	1,952	0	370,852	0	970	(8)	176	373,942	(373,942)	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves		1,973	0	(360)	0	970	(8)	176	2,751	(391,618)	(388,867)
Transfer (to)/from Earmarked Reserves	20	(2,274)	2,274	862	(862)	0	0	0	0	0	0
Increase/(Decrease) in Year		(301)	2,274	502	(862)	970	(8)	176	2,751	(391,618)	(388,867)
Balance at 31 March 2012		2,680	13,841	4,014	127	2,336	721	203	23,922	360,226	384,148

	Note	General Fund £'000	Earmarked Reserves General Fund £'000	Housing Revenue Account £'000	Earmarked Reserves HRA £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2010	39	2,896	8,303	2,637	112	1,067	662	14	15,691	798,649	814,344
Movement in Reserves During 2010/11:											
Surplus or (Deficit) on Provision of Services		12,729	0	(85,277)	0	0	0	0	(72,548)	(98)	(72,646)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	31,321	31,321
Total Comprehensive Income and Expenditure		12,729	0	(85,277)	0	0	0	0	(72,548)	31,223	(41,325)
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	19	(9,380)	0	87,029	0	299	67	13	78,028	(78,028)	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves		3,349	0	1,752	0	299	67	13	5,480	(46,805)	(41,325)
Transfer (to)/from Earmarked Reserves	20	(3,264)	3,264	(877)	877	0	0	0	0	0	0
Increase/(Decrease) in Year		85	3,264	875	877	299	67	13	5,480	(46,805)	(41,325)
Balance at 31 March 2011		2,981	11,567	3,512	989	1,366	729	27	21,171	751,844	773,015

Balance Sheet

	Note	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Long-term Assets				
Property, Plant & Equipment	21/39	704,606	730,536	821,098
Investment Property	18	39,832	36,650	35,426
Heritage Assets	40/39	1,649	1,649	1,649
Intangible Assets	23	976	938	910
Long-term Investments	38	0	0	0
Long-term Debtors	25	185	208	282
Total Long Term Assets		747,248	769,981	859,365
Current Assets				
Short-term Investments	38	26,668	28,656	28,177
Assets Held for Sale	24	0	0	0
Inventories		150	130	225
Short-term Debtors	26	10,969	11,687	19,264
Cash and Cash Equivalents	27	35,162	38,091	20,863
Total Current Assets		72,949	78,565	68,529
Current Liabilities				
Short-term Creditors	28	(14,085)	(14,677)	(10,399)
Short-term Borrowing	38	(127)	0	0
Capital Grants and Contributions	30	(5,102)	(5,752)	(4,715)
Provisions	31	(1,642)	(1,172)	(835)
Total Current Liabilities		(20,956)	(21,600)	(15,949)
Long-term Liabilities				
Long-term Creditors	29/39	(7,238)	(7,289)	(7,345)
Long-term Borrowing	38	(346,739)	0	0
Net Pension Liability	14	(61,116)	(46,642)	(90,256)
Total Long-term Liabilities		(415,093)	(53,931)	(97,601)
Net Assets (Assets Less Liabilities)		384,148	773,015	814,344
Usable Reserves				
General Fund		2,680	2,981	2,897
Earmarked Reserves – General Fund	20	13,841	11,567	8,303
Housing Revenue Account		4,014	3,512	2,637
Earmarked Reserves – Housing Revenue Account	20	127	989	111
Major Repairs Reserve		2,336	1,366	1,067
Capital Grants Unapplied Account		721	729	662
Capital Receipts Reserve		203	27	10
Total Usable Reserves		23,922	21,171	15,687
Unusable Reserves				
Revaluation Reserve	32	32,578	37,945	36,892
Capital Adjustment Account	33	388,944	760,553	851,964
Deferred Capital Receipts	34/39	70	110	152
Collection Fund Adjustment Account	35	(89)	(51)	(24)
Pension Reserve	14	(61,116)	(46,642)	(90,256)
Accumulated Absences Account	36	(161)	(71)	(71)
Total Unusable Reserves		360,226	751,844	798,657
Total Reserves		384,148	773,015	814,344

Cash Flow Statement

	2011/12 £'000	2010/11 £'000
Cash Flows from Operating Activities		
Net Surplus/(Deficit) on Provision of Services	(371,191)	(72,506)
<i>Adjustments to Net Surplus/(Deficit) on Provision of Services for Non-Cash Movements:</i>		
Depreciation & Impairment	12,923	12,475
Changes in Market Value of Property, Plant & Equipment	18,632	90,790
Revaluation Reserve Movements to CI&E	0	(98)
Amortisation of Intangible Assets	400	302
Changes in Fair Value of Investment Properties	(3,107)	(1,775)
Disposal of Assets	1,738	2,094
<i>Adjustments for Items Included in the Net Surplus/(Deficit) on Provision of Services that are Investing/Financing Activities</i>		
Capital Grants Recognised	(1,004)	(2,942)
Proceeds on Disposal of Property, Plant & Equipment	(2,275)	(3,588)
Changes in Inventory	(20)	85
Changes in Debtors	1,087	(864)
Changes in Creditors	142	108
Changes in Provisions	471	337
Changes in Deferred Capital Receipts	(40)	(42)
Changes in Net Pension Liability	219	(14,749)
Net Cash Flows from Operating Activities	(342,025)	9,627
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment	(11,052)	(11,787)
Purchase of Investment Property	(52)	0
Purchase of Intangible Assets	(195)	(330)
Proceeds from the Disposal of Property, Plant and Equipment	2,316	3,588
Net Changes in Short-term and Long-term Investments	1,989	(478)
Net Cash Flows from Investing Activities	(6,994)	(9,007)
Cash Flows from Financing Activities		
Changes in Capital Grants and Contributions	(650)	1,037
Capital Grants and Contributions Recognised	1,004	2,942
Cash Receipts of Short-term and Long-term Borrowing	346,739	0
Changes in Council Tax and NNDR Collected for Third Parties	(1,003)	12,629
Net Cash Flows from Financing Activities	346,090	16,608
Net Increase/Decrease in Cash and Cash Equivalents in the Period	(2,929)	17,228
Cash and Cash Equivalents at the Beginning of the Period	38,091	20,863
Cash and Cash Equivalents at the End of the Period	35,162	38,091

The cash flows for operating activities include the following items:

	2011/12 £'000	2010/11 £'000
Interest Receivable and Similar Income	725	578
Interest Payable and Other Similar Charges	269	20

Notes to the Core Financial Statements

1. Accounting Policies

Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Statement of Accounts (the Accounts) are set out below.

Basis of Preparation

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2011/12 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The functional and presentation currency of Dacorum Borough Council (the Council) is the pound sterling.

The accounting convention adopted in the Accounts is principally historical cost, modified by the revaluation of Property, Plant and Equipment and Investment Property.

The preparation of the Accounts in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

Going Concern

The Accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future.

Income Policy

Council Tax is recognised as income in the reporting period levied.

Government Grants and Other Contributions are recognised as income when the associated conditions have been satisfied. Further details of the accounting for government grants and other contributions are presented below.

Fees and charges for goods or services delivered by the Council to the public are recognised as income at the date the Council delivers the relevant goods or services.

Rents for the occupation of investment properties are recognised on a straight-line basis over the lease term.

Where Council Tax, fees and charges, and rents have been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet.

Exceptional Items

Items are presented as exceptional when that degree of prominence is necessary in order to give a fair presentation of the financial statements. A description of each exceptional item is given within the notes to the Accounts.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events

Notes to the Core Financial Statements

and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. When grant conditions have been satisfied, but expenditure has yet to be incurred, income is debited through the Movement in Reserves Statement and credited to an Earmarked Reserve, which is subsequently released to match expenditure as it is incurred.

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

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

Revenue Support Grant

This is a grant paid by Central Government in support of local authorities' general net revenue expenditure. This sum is calculated to make up the difference between a local council's standard spending assessment and the sum of resources obtained from National Non-Domestic Rates and the Council Tax.

Distribution from Non-Domestic Rates Pool

Non-Domestic Rates Income is "pooled" by Central Government and then redistributed to councils on a pro-rata basis to population.

Area Based Grant/Local Services Support Grant

Area Based Grant (ABG) and Local Services Support Grant (LSSG) are general grants allocated by Central Government directly to local councils as additional revenue funding. ABG and LSSG are non-ringfenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support service are shared between users in proportion to the benefits received with the exception of:

Notes to the Core Financial Statements

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

These two costs categories are defined in SeRCOP and accounted for as separate headings on the Comprehensive Income and Expenditure Statement, as part of the Surplus or Deficit on the Provision of Services.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. It is not required to make a minimum revenue provision (MRP) for the repayment of debt as its only debt arises from Housing Self Financing for which there is no requirement to make a MRP. Depreciation, revaluations, impairment losses and amortisations are therefore reversed by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Property, Plant and Equipment

Expenditure on Property, Plant and Equipment is capitalised at cost when it will bring benefits to the Council for more than one reporting period, subject to a de-minimis capitalisation threshold of £10,000 per scheme. Items below this limit are charged to the Comprehensive Income and Expenditure Statement. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Comprehensive Income and Expenditure Statement during the financial period in which they are incurred.

Land and buildings are subsequently measured at fair value. Fair value is primarily based on the amount that would be paid for the asset in its existing use. Fair value is estimated using a depreciated replacement cost approach when the asset is specialised and/or rarely sold.

Council dwellings are subsequently measured at fair value determined using the Existing Use Value for Social Housing (EUV-SH) method. Fair value is primarily based on the amount that would be paid for the asset in its existing use.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

When an asset’s carrying amount increases as a result of a revaluation, the increase is recognised in the Comprehensive Income and Expenditure Statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Comprehensive Income and Expenditure Statement. Any remaining increase is credited directly to Revaluation Reserve. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Notes to the Core Financial Statements

When an asset's carrying amount decreases as a result of a revaluation, the decrease is debited directly to the Revaluation Reserve to the extent of any credit balance existing in respect of that asset. Any remaining decrease is recognised against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Infrastructure, community assets, and assets under construction, are measured at depreciated historical cost.

Non-property assets are measured at depreciated historical cost basis, which is deemed to be a proxy for fair value as the assets have short useful lives and/or low values.

Revenue Expenditure Funded From Capital Under Statute

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is calculated using the straight-line method to allocate an asset's carrying value to its residual values over its estimated useful lives. Estimated useful lives are as follows:

Buildings	Shorter of remaining life or 35 years
Community Assets	Shorter of remaining life or 30 years
Infrastructure Assets	Shorter of remaining life or 30 years
Council Dwellings	Shorter of remaining life or 60 years
Vehicles, Plant and Equipment	Shorter of remaining lease period, remaining life or 10 years

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. The requirement for componentisation for depreciation purposes is only applicable to enhancement, purchases, or revaluations after 1 April 2010.

Notes to the Core Financial Statements

No depreciation is charged on land or assets under construction.

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Comprehensive Income and Expenditure Statement and depreciation based on the asset's historic cost is transferred from the Revaluation Reserves to the Capital Adjustment Account.

Heritage Assets

The Council holds various items classified as Heritage Assets. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses, acquisitions and disposals) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets. The groups of Heritage Assets along with the measurement basis are as follows:

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, e.g. where the item has suffered physical deterioration or breakage, or where doubt arises to its authenticity. Impairments are recognised and measured in accordance with the Council's general policies on impairment. Disposals are dealt with in line with the accounting policies relating to the disposal of Property, Plant and Equipment.

Land

The Council holds three areas of land which form part of the Borough's history. Within these areas of land various sculptures and other cultural assets are on display. These assets are valued at fair value. Fair value is primarily based on the amount that would be paid for the asset in its existing use. As with Property, Plant and Equipment, assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Civic Regalia/Treasuries

The Council holds various items of Regalia and Treasuries, many of which are on display at The Civic Centre, Hemel Hempstead. These include the Mayoral Chain, Badges, Silver Mace and the Charters. These items are reported in the Balance Sheet at insurance valuation which is based on market values. Valuations are reviewed sufficiently regularly to ensure that their carrying amount is not materially different from their valuation at the year-end, but as a minimum every five years.

Sculptures/Statues/Artwork

The Council holds numerous sculptures and pieces of artwork located throughout the Borough. Those that are deemed to have historical, artistic or cultural significance are valued, and carried on the Balance Sheet. Where possible, these valuations are based on cost when acquired. For those items where cost information is unavailable, no value is reported in the Balance Sheet as it would involve incurring a disproportionate cost to value the assets in comparison to the benefits of the users of the accounts.

Other Heritage Assets

In addition to the previous groups, the Council holds a range of miscellaneous assets. The majority of these assets are held and managed by the Dacorum Heritage Trust (DHT), which makes them available for public viewing on request. These assets are held on the Balance Sheet at insurance valuation. Valuations are reviewed sufficiently regularly to ensure that their carrying amount is not materially different from their valuation at the year-end, but as a minimum every five years. The remaining miscellaneous assets not managed by the DHT are not reported on the Balance Sheet as the cost of valuation would be disproportionate to the benefits of the users of the accounts.

Notes to the Core Financial Statements

Memorials are also included within this group of which there are 31 in the Borough. Given that the value of these could never adequately reflect the emotional value vested in them by the community and would not materially affect the accounts, it would be inappropriate and misleading to present a value based on purely material costs

Lease Classification

Leases are classified as either finance leases or operating leases based on the substance of the arrangement. The lease of land and building is split at inception of the lease into a separate lease of land and a lease of buildings which are independently classified. Unless title is expected to pass to the lessee at the end of the lease term, leases of land have been classified as operating leases.

Arrangements that do not have the legal status of a lease but convey a right to use a specific asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Operating Leases (Council as Lessee)

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged on a straight-line basis over the term of the lease to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Contingent rent is recognised in the period in which it arises.

Finance Leases (Council as Lessee)

Leases of Property, Plant and Equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leased assets are capitalised at the commencement of the lease at the lower of the fair value of the leased Property, Plant and Equipment and the present value of the minimum lease payments. Up-front payments for a leasehold interest classified as a finance lease are capitalised as part of the asset.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The corresponding lease obligations, net of finance charges, are included in Creditors. Interest is charged to the Comprehensive Income and Expenditure Statement over the lease period at a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rent is recognised as an expense in the period in which it arises.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been

Notes to the Core Financial Statements

recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Investment Property

Investment Property comprises land and/or buildings held to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Property is measured initially at cost and subsequently at fair value, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Investment properties are not depreciated.

Leases are classified as either finance leases or operating leases based on the substance of the arrangement. The lease of land and building is split at inception of the lease into a separate lease of land and a lease of buildings which are independently classified. Unless title is expected to pass to the lessee at the end of the lease term, leases of land have been classified as operating leases.

Operating Leases (Council as Lessor)

Where the Council grants an operating lease over an Investment Property, the leased asset remains within Investment Property on the Balance Sheet. The lease income is recognised over the term of the lease on a straight-line basis in the Income and Expenditure in Relation to Investment Properties line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. Contingent rent is recognised in the period in which it arises.

Notes to the Core Financial Statements

Up-front payments received on the granting of a leasehold interest classified as an operating lease are recognised as a Creditor in the Balance Sheet and amortised over the lease term.

Finance Leases (Council as Lessor)

Where the Council grants a finance lease over an Investment Property, the leased asset is derecognised from Investment Property and a lease receivable is recognised for any leases with rental payments in excess of peppercorn rent. Peppercorn rents are recognised in the Income and Expenditure in Relation to Investment Properties line in the Comprehensive Income and Expenditure Statement.

Intangible Assets

The Council accounts for its purchased software licences as intangible assets, to the extent it will bring benefits to the Council for more than one reporting period and the software is not an integral part of a particular IT system and included as part of Property, Plant and Equipment in the Balance Sheet. Expenditure on the development of websites is not capitalised as the websites are primarily intended to promote or advertise the Council's goods or services.

The intangible assets held by the Council are measured at amortised historical cost as readily ascertainable market values are not available.

Intangible assets are amortised on a straight-line basis over the shorter of remaining useful life or 5 years to the relevant service line in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Inventory

Inventory is measured at the lower of cost and net realisable value using first-in first-out method.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Accounts Payable and Accrued Expenditure

A creditor is recognised in the Balance Sheet when goods and services are received prior to the reporting date and payment occurs after the reporting date.

Leave Accrual

Notes to the Core Financial Statements

The accrual represents leave earned as of the reporting date that will be utilised in the next reporting period. The leave accrual is measured at the amount of the benefit earned by the employees of the Council. The accrual is charged to Surplus or Deficit on the Provision of Services so that leave benefits are charged to expense in the financial year in which the leave absence occurs. To remove any impact on Council Tax Payers it is then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Pensions

The Council provides retirement benefits as part of the terms and conditions of employment through the Local Government Pension Scheme, administered by Hertfordshire County Council. The benefits (retirement lump sums and pensions), which are based on pay and service, are earned over the term of employment.

The Local Government Scheme is accounted for as a defined benefits scheme as follows:

- The liabilities of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate annually reviewed and recommended by the Actuary;
- The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price; and
 - property – market value.
- The change in the net pensions liability is analysed into seven components as follows:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the

Notes to the Core Financial Statements

Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve; and
- contributions paid to the Hertfordshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as the benefits are earned by employees.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the policies above.

Provisions

Provisions are recognised when:

- the Council has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Where the effect is material, the estimated cash flows are discounted. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than

Notes to the Core Financial Statements

probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Provisions are not recognised for future operating losses.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes which represent unusable resources for the Council. These are the Revaluation Reserve, Capital Adjustment Account, Short-term Accumulating Compensated Absences Account, Collection Fund Adjustment Account and Pension Reserve, all of which are explained in the relevant policies and notes to the Accounts.

Financial Instruments

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with the Council's normal purchase, sale or usage requirement, are recognised when, and to the extent which, performance occurs. All other financial assets and liabilities are recognised when the Council becomes party to the contractual provisions to receive or make cash payments.

Classification and Measurement

Financial assets, other than cash and cash equivalents, are classified as loans and receivables, initially measured at fair value and subsequently measured at amortised cost.

Financial liabilities are classified as creditors, initially measured at fair value and subsequently measured at amortised cost.

Notes to the Core Financial Statements

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at fair value and then measured at amortised cost using the effective interest rate method. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest income to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement over the relevant period using the estimated future cash flows.

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is:

- objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the end of the reporting period ('a loss event');
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and
- a reliable estimate of the amount can be made.

Financial assets are recorded in the Balance Sheet net of any impairment. The asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

A financial asset is considered for de-recognition when the contractual rights to the cash flows from the financial asset expire, or the Council has either transferred the contractual right to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. The Council de-recognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Liabilities

All financial liabilities are recognised initially at fair value, net of any material transaction costs incurred, and then measured at amortised cost using the effective interest rate method. They are included in Short-term Creditors except for the amounts payable more than twelve months after the end of the reporting period, which are classified as Long-term Creditors.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest rate method and is charged to the Comprehensive Income and Expenditure Statement.

The Councils borrowings, are presented in the Balance Sheet as the outstanding principal repayable (plus any accrued interest); and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year. Exceptions to this would be where material costs are incurred when the liability is initially recognised.

Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is not recoverable. VAT receivable is excluded from income.

Notes to the Core Financial Statements

Events After the Balance Sheet Date

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

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

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

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

In 2011/12, the only accounting policy that needs to be reported relates to amendments to IFRS 7, Financial Instrument Disclosures (transfers of financial assets). Appendix C of the 2012/13 code will provide details of the disclosures required.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are as follows:

Lease Accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases. Where a lease is taken out for land and buildings combined, the buildings element of the lease may be capitalised as a finance lease if it meets the criteria for a finance lease, but the land element will be classed as an operating lease by the Council unless title transfers at the end of the lease. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease. The accounting policy for leases is set out in Note 1.

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 other 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:

Valuation of Property, Plant and Equipment

Notes to the Core Financial Statements

Council dwellings are shown at fair value, based on professional valuations. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book".

The value of the council dwellings fluctuates with changes in the current market value of residential properties. A 5% increase in property prices would increase the carrying value of the council dwellings by £31.3m in the Balance Sheet and increase the annual depreciation charge by £0.5m in the Comprehensive Income and Expenditure Statement. A 5% decrease in property prices would decrease the carrying value of the council dwellings by £31.3m in the Balance Sheet and decrease the annual depreciation charge by £0.5m in the Comprehensive Income and Expenditure Statement.

The accounting policy for council dwellings is set out in Note 1 and information on council dwellings is set out in Note 21.

Measurement of Pension Liability

The present value of the pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual liability of the Council will continue to be subject to volatility, as a result of a number of factors.

The estimated effects of the changes in the key individual assumptions in determining the net pension liability would increase the Council's pension liability as of 31 March 2012 as follows:

	£'m
0.5% decrease in the real discount rate	14.7
1 year increase in member life expectancy	4.8
0.5% increase in the salary increase rate	3.2
0.5% increase in the pension increase rate	11.5
Total	34.2

The above table presents the changes in key assumptions in isolation. The information is only indicative of the estimated impact as the assumptions interact in complex ways. The accounting policy for pensions is set out in Note 1 and further information on the pension liability is set out in Note 14.

5. 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 in a format specified by the *Service Reporting Code of Practice*. In practice, decisions about resource allocation are taken within the Council on the basis of budget reports analysed across directorates.

The tables that follow provide reconciliations between the figures used for decision-making, and the figures presented on the Comprehensive Income and Expenditure Statement.

The 2010/11 figures have been restated from previous published account to reconcile to the Total Comprehensive Income & Expenditure where they had previously reconciled to (Surplus)/Deficit on the Provision of Services.

Notes to the Core Financial Statements

2011/12 Directorate Income & Expenditure	Corporate Management	Finance & Governance	Performance, Improvement & Transformation	Housing & Regeneration	Housing Revenue Account	Corporate Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	160	8,337	9,751	2,885	4,279	0	25,411
Premises	10	2,972	2,892	1,490	19,162	0	26,525
Transport	1	106	3,058	19	96	0	3,280
Supplies & Services	10	3,143	3,419	627	3,498	307	11,004
Contributions to Provisions	0	410	24	244	290	0	967
Third Party Payments	0	335	33	62	19,942	0	20,372
Transfer Payments	0	52,641	0	2	0	0	52,643
Support Services	74	6,505	5,405	2,054	2,597	0	16,635
Capital Charges/Revaluations	0	(2,406)	2,681	2,713	26,184	0	29,172
Interest Payments	0	0	0	0	128	20	148
Total Expenditure	254	72,042	27,263	10,095	76,177	327	186,157
Fees, Charges & Other Service Income	0	(7,893)	(3,723)	(3,791)	(48,494)	0	(63,902)
Recharge Income	(254)	(8,275)	(12,593)	(1,388)	(10,494)	0	(33,005)
Interest & Investment Income	0	0	0	0	0	(728)	(728)
Income from Council Tax	0	0	0	0	0	(9,934)	(9,934)
Government Grants & Other Contributions	0	(53,550)	(30)	(132)	0	(7,346)	(61,057)
Payments to Housing Capital Receipts Pool	0	0	0	0	0	917	917
Other Items	0	0	0	0	0	(18,414)	(18,414)
Gains/Losses on Disposal of Assets	0	0	0	0	0	(537)	(537)
Total Income	(254)	(69,718)	(16,346)	(5,311)	(58,988)	(36,042)	(186,659)
Net Income/Expenditure	0	2,324	10,917	4,783	17,188	(35,715)	(502)

Reconciliation of Directorate Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement:

	£'000
Net Expenditure in the Directorate Analysis	(502)
Items Included in the Analysis not Included in the CI&E	394,207
Comprehensive Income & Expenditure Net Cost of Services	393,705

Reconciliation to Subjective Analysis 2011/12

	Directorate Analysis	Amounts not included in the CI&E	Amounts in CI&E not in Subjective	Total
	£'000	£'000	£'000	£'000
Employees	25,411	0	0	25,411
Premises	26,525	0	0	26,525
Transport	3,280	0	0	3,280
Supplies & Services	11,010	0	0	11,010
Contributions to Provisions	967	0	0	967
Third Party Payments	20,372	0	0	20,372
Transfer Payments	52,643	0	0	52,643
Support Services	16,635	0	0	16,635
Capital Charges/Revaluations	28,151	0	0	28,151
Income	(97,099)	0	0	(97,099)

Notes to the Core Financial Statements

Interest & Investment Income	(728)	0	0	(728)
Income from Council Tax	(9,934)	0	0	(9,934)
Government Grants & Other Contributions	(62,347)	0	0	(62,347)
Interest Payments	141	0	0	141
Payments to Housing Capital Receipts Pool	917	0	0	917
Below the Line Entries	(15,910)	371,854	17,516	373,460
Gains/Losses on Disposal of Assets	(537)	0	0	(537)
Total	(502)	371,854	17,516	388,868

2010/11 Directorate Income & Expenditure	Corporate Management	Finance & Governance	Performance, Improvement & Transformation	Housing & Regeneration	Housing Revenue Account	Corporate Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	165	(5,763)	10,548	3,184	1,308	0	9,442
Premises	22	4,223	2,926	1,831	18,425	0	27,427
Transport	1	110	2,995	27	201	0	3,334
Supplies & Services	14	3,241	3,981	817	2,973	0	11,026
Contributions to Provisions	0	103	-1	17	260	0	379
Third Party Payments	0	1,842	12	42	17,883	0	19,779
Transfer Payments	0	49,784	0	7	0	0	49,791
Support Services	111	7,293	5,588	1,921	2,342	0	17,255
Capital Charges/Revaluations	0	412	1,409	1,797	100,069	0	103,687
Interest Payments	0	0	0	0	0	20	20
Total Expenditure	313	61,245	27,458	9,643	143,461	20	242,140
Fees, Charges & Other Service Income	0	(9,812)	(3,721)	(3,873)	(44,910)	0	(62,317)
Recharge Income	(312)	(8,533)	(13,206)	(1,158)	(10,929)	0	(34,138)
Interest & Investment Income	0	0	0	0	0	(403)	(403)
Income from Council Tax	0	0	0	0	0	(9,838)	(9,838)
Government Grants & Other Contributions	0	(50,657)	(369)	(452)	(648)	(12,804)	(64,929)
Payments to Housing Capital Receipts Pool	0	0	0	0	0	2,599	2,599
Other Items	0	0	0	0	0	(72,494)	(72,494)
Gains/Losses on Disposal of Assets	0	0	0	0	0	(1,494)	(1,494)
Total Income	(312)	(69,002)	(17,296)	(5,483)	(56,487)	(94,434)	(243,015)
Net Income/Expenditure	1	(7,757)	10,162	4,160	86,974	(94,414)	(875)

Reconciliation of Directorate Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement:

	£'000
Net Expenditure in the Directorate Analysis	(875)
Items Included in the Analysis not Included in the CI&E	96,723
Comprehensive Income & Expenditure Net Cost of Services	95,848

Reconciliation to Subjective Analysis 2010/11	Directorate Analysis	Amounts not Included in the CI&E	Amounts in CI&E not in Subjective	Total
	£'000	£'000	£'000	£'000
Employees	9,444	0	0	9,444
Premises	26,526	0	0	26,526
Transport	3,333	0	0	3,333
Supplies & Services	11,028	0	0	11,028
Contributions to Provisions	377	0	0	377
Third Party Payments	19,779	0	0	19,779
Transfer Payments	49,791	0	0	49,791
Support Services	17,255	0	0	17,255
Capital Charges/Revaluations	(90,028)	0	0	(90,028)

Notes to the Core Financial Statements

Income	(96,204)	0	0	(96,204)
Interest & Investment Income	(403)	0	0	(403)
Income from Council Tax	(9,838)	0	0	(9,838)
Government Grants & Other Contributions	(64,281)	0	0	(64,281)
Interest Payments	20	0	0	20
Payments to Housing Capital Receipts Pool	2,599	0	0	2,599
Below the Line Entries	121,221	73,423	(31,324)	163,320
Gains/Losses on Disposal of Assets	(1,494)	0	0	(1,494)
Total	(875)	73,423	(31,32)	41,224

6. Exceptional Items

Exceptional Items are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly.

Exceptional item – Local Authority Housing (HRA) Self Financing Payment

Under the Localism Bill, English councils have taken control of their housing rental income enabling them to plan effectively for the long term management of these key assets. In return councils have taken on a share of the £28bn national housing debt through the self financing settlement. Dacorum Borough Council's share of this debt was £354m, which is reflected in the Comprehensive Income and Expenditure Statement.

Exceptional item (2010/11) – Local Authority Housing (HRA) Change in Dwelling Factor

The vacant possession adjustment factor applied to the Council Dwellings was reduced from 46% to 39% as of 1 April 2010 in accordance with The Stock Valuation for Resource Accounting Guidance for Valuers – 2010. The Council incurred a charge of £112.3m to the Comprehensive Income and Expenditure Statement as a result of this change shown in the 2010/11 comparators.

Exceptional item (2010/11) – Non Distributed Costs Change from RPI to CPI

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index (CPI) rather than the retail prices index (RPI) would be the basis for future public sector pension increases, with effect from April 2011. Historically the CPI has usually been lower than the RPI. This change decreased the Council's pension liability by £17.2m as at 31 March 2011. This resulted in an exceptional credit to the Comprehensive Income and Expenditure Statement shown in the 2010/11 comparators.

Exceptional item – VAT refunds

Dacorum Borough Council lodged a claim for overpaid VAT and related interest with Her Majesty's Revenue and Customs (HMRC) at the end of the 2008/09 financial year. The claim was submitted on a 'no-win, no fee basis' with some elements of this claim dating back to 1973. The claim was successful and HMRC have now paid the Council for agreed claims and interest. After taking account of the fees payable the Council received a net amount of £1.3m during 2009/10 and £0.9m during 2010/11. A further net amount of £1.2m was received during 2011/12.

The £3.48m received thus far will be held within an earmarked reserve pending the final outcome of the further claim. Once the chance of any appeal has been evaluated, the re-designation and utilisation of this reserve will be reviewed. A partial review of this reserve took place during 2011/12 and £1m has been budgeted to be utilised during 2012/13.

7. Other Operating Expenditure

Notes to the Core Financial Statements

	Note	2011/12 £'000	2010/11 £'000
Parish Council Precepts		595	593
Payments to the Government Housing Capital Receipts Pool		917	2,599
(Gains)/Losses on the Disposal of Non Current Assets	19	(537)	(1,452)
Total		975	1,740

8. Financing and Investment Income & Expenditure

	Note	2011/12 £'000	2010/11 £'000
Interest Payable and Other Similar Charges		269	20
Interest Receivable and Similar Income		(725)	(578)
Pensions Interest Cost and Expected Return on Pension Assets	14	1,244	2,792
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	18	(5,437)	(4,066)
Total		(4,649)	(1,832)

9. Taxation and Non Specific Grant Income

	Note	2011/12 £'000	2010/11 £'000
Council Tax Income		(10,490)	(10,404)
Non Domestic Rates		(5,098)	(8,487)
Non Specific Government Grants	10	(2,248)	(1,375)
Capital Grants and Contributions		(1,004)	(2,942)
Total		(18,840)	(23,208)

10. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

Non Specific Grant Income	2011/12 £'000	2010/11 £'000
Revenue Support Grant	(1,576)	(1,232)
Area Based Grants/Local Area Agreements	(68)	(143)
New Homes Bonus	(325)	0
Council Tax Freeze Grant	(249)	0
Homelessness Prevention	(30)	0
Total	(2,248)	(1,375)

Grants Credited to Services	2011/12 £'000	2010/11 £'000
Travel Concessions	0	(331)
Lottery Funding – Children's Services	0	(70)
Planning Delivery Grant	0	(73)

Notes to the Core Financial Statements

Growth Area Funding	0	(124)
Benefits Subsidy and Administration	(53,149)	(50,089)
Performance Reward Grant	0	(72)
Supporting People	(502)	(648)
Improvement and Efficiencies Grants	0	(181)
Elections	(142)	0
Local Sustainable Transport Fund	(88)	0
Other	(168)	(538)
Total	(54,049)	(52,126)

11. Members Allowances

The Council paid the following amounts to 61 (2010/11 51) elected Members of the Council during the year. There was a maximum of 51 elected members at any point during 2011/12.

	2011/12 £'000	2010/11 £'000
Salaries	387	379
Allowances	4	5
Expenses	2	2
Total	393	386

Salaries include basic and special allowances. Allowances include broadband, office equipment and care allowances. Expenses include travel and subsistence.

12. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims by the Council's external auditors (the Audit Commission):

	2011/12 £'000	2010/11 £'000
External audit services carried out by the appointed auditor for the year	149	170
External audit services carried out by the appointed auditor for an earlier year	0	17
Certification of grant claims and returns for the year	39	58
Total	188	245

Notes to the Core Financial Statements

13. Remuneration of Employees

The following table shows the number of employees whose remuneration, excluding pension costs, exceeded £50,000 for the year, excluding those that have been disclosed individually in the following table of Senior Employees

Total Remuneration	Number of Employees 2011/12	Number of Employees 2010/11
£50,000 - £54,999	5	7
£55,000 - £59,999	5	2
£60,000 - £64,999	3	0
£65,000 - £69,999	0	0
Over £70,000	0	0
Total	13	9

The remuneration paid to the Council's senior employees was as follows:

	Salary (Including Fees & Allowances)	Expenses Reimbursed	Benefits in Kind (e.g. Lease Car)	Termination Benefits	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration
2011/12	£	£	£	£	£	£	£
Chief Executive	132,630	154	0	0	132,784	20,453	153,237
Corporate Director - Finance & Governance	100,936	521	0	0	101,457	15,414	116,871
Corporate Director - Performance, Improvement & Transformation	94,318	845	2,356	0	97,519	14,867	112,386
Corporate Director - Housing & Regeneration	96,062	0	1,463	0	97,524	15,010	112,534
Assistant Director - Planning, Development & Regeneration	64,147	403	2,081	0	66,631	10,223	76,854
Assistant Director - Legal, Democratic & Regulatory	71,853	187	4,107	0	76,147	12,154	88,301
Assistant Director - Strategy & Transformation	64,176	242	0	0	64,418	9,668	74,086
Assistant Director - Neighbourhood Delivery	67,644	535	0	0	68,179	10,223	78,402
Assistant Director - Housing Landlord	67,547	1,052	2,316	0	70,915	10,807	81,722
Assistant Director - Finance & Resources	67,755	312	2,404	0	70,471	10,841	81,312

Notes to the Core Financial Statements

During 2010/11, the Cabinet instructed that Dacorum Borough Council implement new staff structures more suited to delivering the Council's priorities. This had the effect of reducing the number of senior employees from 13 to 10, and further reductions at lower levels of management.

	Salary (Including Fees & Allowances)	Expense Reimbursed	Benefits in Kind (e.g. Lease Car)	Termination Benefits	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£	£
2010/11							
<u>Post Employed for Full Year</u>							
Chief Executive	132,630	317	0	0	132,947	20,581	153,528
Corporate Director - Finance & Governance	100,936	696	0	0	101,632	15,510	117,142
Corporate Director - Performance Improvement & Transformation	95,949	568	0	0	96,517	14,707	111,224
Assistant Director - Planning, Development and Regeneration	65,857	652	173	0	66,682	10,046	76,728
Assistant Director - Legal, Democratic & Regulatory	70,270	652	5,105	0	76,027	12,131	88,158
<u>Posts Employed for Part Year</u>							
Corporate Director - Housing & Regeneration	38,842	0	0	0	38,842	5,959	44,801
Assistant Director - Strategy & Transformation	47,401	74	0	0	47,475	7,179	54,654
Assistant Director - Neighbourhood Delivery	49,810	222	0	0	50,032	7,567	57,599
Assistant Director - Housing Landlord	25,100	0	862	0	25,962	4,041	30,003
Assistant Director - Finance & Resources	27,798	0	2,001	0	29,799	4,457	34,256
<u>Posts Removed from the Establishment During the Year</u>							
Director of Environment & Regeneration	1,318	0	0	0	1,318	0	1,318
Head of Policy & Performance Improvement	28,861	0	809	57,921	85,591	4,287	89,878
Head of Housing, Community & Customer Services	28,250	0	0	33,098	61,348	4,287	65,635
Head of Street Care	28,250	108	0	82,745	111,103	4,548	115,651
Head of Finance	26,689	70	1,814	83,571	112,144	83,421	195,565
Head of Resources	28,250	220	0	35,856	64,326	4,287	68,613
Head of Public Protection	26,668	43	2,145	84,708	113,564	4,632	118,196

The annualised salary for posts employed during part of the year are Director - Housing & Regeneration - £96,519, Assistant Director - Strategy & Transformation - £63,153, Assistant Director - Neighbourhood Delivery - £66,405, Assistant Director - Housing Landlord - £68,756, and Assistant Director - Finance & Resources - £68,845. The annualised salary for posts removed from establishment during the year are Director of Environment & Regeneration - £96,211, Head of Policy & Performance Improvement - £64,176, Head of Housing, Customer & Community Services - £64,176, Head of Street Care - £65,193, Head of Finance - £65,193, Head of Resources - £64,176, and Head of Public Protection - £65,193

Notes to the Core Financial Statements

The number of exit packages, with total cost per band and total cost of compulsory/other redundancies are set out in the table below.

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £'000	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
£0 - £20,000	8	3	1	1	9	4	58	35
£20,001 - £40,000	3	4	0	0	3	4	83	134
£40,001 - £60,000	0	6	0	1	0	7	0	337
£60,001 - £80,000	0	2	0	0	0	2	0	131
£80,000 - £100,000	0	2	0	0	0	2	0	167
£100,000 - £120,000	2	1	0	0	2	1	225	134
£150,000<	0	1	0	0	0	1	0	163
Total	13	19	1	2	14	21	366	1,101

14. Pensions

Local Government Pension Scheme

As part of the terms and conditions of employment for employees, the Council offers retirement benefits. The Council participates in the Local Government Pension Scheme (LGPS) administered by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The General Fund is charged with the amount payable by the Council to the pension fund in the year. It is not charged with the current service costs and interest cost. The Movement in Reserves Statement includes an appropriation to and from the Pensions Reserve to adjust the pension charges within the Comprehensive Income and Expenditure Statement to the amount paid and/or payable to the pension fund in the reporting period.

The following costs have been recognised in the Comprehensive Income and Expenditure Statement and Statement of Movement on the General Fund Balance during the year:

Comprehensive Income & Expenditure Statement	2011/12 £'000	2010/11 £'000
Cost of Services:		
Current Service Cost	2,926	3,369
Past Service Cost/(Gain)	36	(17,164)
Settlements and Curtailments	196	217
Financing and Investment Income and Expenditure:		
Interest Cost	8,007	9,482
Expected Return on Scheme Assets	(6,763)	(6,690)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,402	(10,786)

2011/12 2010/11

Notes to the Core Financial Statements

Movement in Reserves Statement	£'000	£'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(219)	14,749
Total	(219)	14,749

Actual Amount Charged Against the General Fund for Pensions in the Year	2011/12 £'000	2010/11 £'000
Employer's Contributions Payable to the Pension Scheme	4,183	3,963
Total	4,183	3,963

The cumulative amount of net actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £49.4m (2010/11 £35.2m).

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of scheme liabilities:

Reconciliation of Present Value of Scheme Liabilities	2011/12 £'000	2010/11 £'000
Liabilities as of the Beginning of the Period	(146,964)	(186,523)
Current Service Cost	(2,926)	(3,369)
Interest Cost	(8,007)	(9,482)
Contributions by Scheme Participants	(992)	(1,024)
Actuarial (Losses)/Gains	(9,539)	30,235
Losses on Curtailments	(196)	(217)
Benefits Paid	6,933	6,252
Past Service Costs	(36)	17,164
Liabilities as of the End of the Period	(161,727)	(146,964)

Reconciliation of Fair Value of Scheme Assets	2011/12 £'000	2010/11 £'000
Assets as of the Beginning of the Period	100,322	96,267
Expected Rate of Return	6,763	6,690
Actuarial Gains/(Losses)	(4,716)	(1,370)
Employer Contributions	4,183	3,963
Contributions by Scheme Participants	992	1,024
Benefits Paid	(6,933)	(6,252)
Assets as of the End of the Period	100,611	100,322

The expected return on scheme assets is 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. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £2.1m (£8.5m in 2010/11).

Notes to the Core Financial Statements

Scheme History	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Defined Benefit Liability	(161,727)	(146,964)	(186,523)	(116,312)	(118,181)
Scheme Assets	100,611	100,322	96,267	71,870	92,034
Surplus/(Deficit)	(61,116)	(46,642)	(90,256)	(44,442)	(26,147)

The liabilities show the underlying commitments that the Council has to pay retirement benefits. The total liability of £61.1m has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the LGPS will be funded by improved investment returns or increased contributions over the remaining working lives of employees, as assessed by the scheme's actuary.

The total value of contributions expected to be made by the Council in 2012/13 is £4.2m.

Basis for Estimating Asset and Liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Credit Method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full revaluation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary in the calculations are:

Principal Assumptions	2011/12 %	2010/11 %
Rate of inflation	2.5	2.8
Rate of increase in salaries	4.8	5.1
Expected return on assets	5.5	6.8
Rate of discounting scheme liabilities	4.8	5.5
Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits	50	50
Allowance for future retirees to elect to take additional tax-free cash post April 2008 Service	75	75

Mortality Assumptions	2011/12 Age	2010/11 Age
Longevity at 65 for current pensioners		
Men	21.0	21.0
Women	23.8	23.8
Longevity at 65 for future pensioners		
Men	22.9	22.9
Women	25.7	25.7

Notes to the Core Financial Statements

Assets in the Pension Fund are measured at fair value, principally the current bid price for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	Long Term Expected Return as of 31 March 2012 %	Long Term Expected Return as of 31 March 2011 %	Assets Held as of 31 March 2012 %	Assets Held as of 31 March 2011 %
Equity Investments	6.2	7.5	69.0	73.0
Bonds	4.0	4.9	18.0	19.0
Property	4.4	5.5	6.0	4.0
Cash	3.5	4.6	7.0	4.0
Total			100	100

History of Experience Gains and Loans

The actuarial gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories as at 31 March annually:

Scheme History	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Experience Gains/(Losses) on Scheme Assets	(4,716)	(1,370)	19,068	(28,616)	(12,861)
Experience Gains/(Losses) on Scheme Liabilities	(2,330)	14,559	0	0	4,618

Pensions Reserve

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

Reconciliation of Fair Value of Scheme Assets	Year to 31 March 2012 £'000	Year to 31 March 2011 £'000
Surplus /(Deficit) as of Beginning of the Period	(46,642)	(90,256)
Actuarial Gains/(Losses) on Pension Assets and Liabilities	(14,255)	28,865
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,402)	10,786
Employer's Pension Contributions	4,183	3,963
Surplus/(Deficit) as of End of the Period	(61,116)	(46,642)

Notes to the Core Financial Statements

15. Agency Services

The Council entered into a Landscape Agency agreement with Hertfordshire County Council (HCC) in 2003. This includes public footpath maintenance, verge cutting, and hedge maintenance. Below is a summary of the total cost of the services and the income received from HCC. The Council is reimbursed for this work including a contribution towards administrative costs. The gross income and expenditure for each service has been included in the Cultural and Related Services line in the Comprehensive Income and Expenditure Statement.

Agency Services 2011/12	Expenditure £'000	Income £'000	Net Expenditure £'000
Rights of Way - Projects	40	(40)	0
Rights of Way	62	(62)	0
Rights of Way – Highways	235	(235)	0
Other - Weed spraying	42	(42)	0
Total	379	(379)	0

Agency Services 2010/11	Expenditure £'000	Income £'000	Net Expenditure £'000
Rights of Way - Projects	56	(56)	0
Rights of Way	85	(90)	(5)
Rights of Way – Highways	228	(228)	0
Other - Weed spraying	41	(41)	0
Total	410	415	(5)

16. Building Control

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the Building Control function. The Council sets charges for work carried out in relation to Building Regulations, with the aim of recovering all costs incurred over a three year cycle. The cumulative deficit for the three year period as at 31 March 2012 was £184,652, compared with a deficit of £70,569 for the three year period to 31 March 2011. The statement below shows the total cost of operating the Building Control unit divided between the chargeable and non chargeable activities for 2011/12.

Building Control 2011/12	2011/12 Chargeable £'000	2011/12 Non Chargeable £'000	2011/12 Total £'000	2010/11 Total £'000
Employees	359	107	466	678
Premises	16	5	21	20
Transport	6	2	8	9
Supplies & Services	18	5	23	22
Support Services	105	31	136	106
Total Expenditure	504	150	654	835
Building Regulation Charges	(351)	0	(351)	(415)
Other Income	0	(9)	(9)	(31)
Total Income	(351)	(9)	(360)	(446)
Building Control (Surplus)/Deficit	153	141	294	389

17. Leases

Notes to the Core Financial Statements

Operating Leases - Council as Lessee

The Council leases various land and/or buildings under non-cancellable operating lease agreements. The lease terms range between 3 and 999 years. The operating leases do not have purchase options, although some have rent escalation clauses. The Council paid no contingent rent during the year 2011/12 (2010/11 no contingent rent paid).

The total future minimum lease payments under non-cancellable operating leases for each of the following periods are as follows:

Operating Lease Commitments	2011/12 £'000	2010/11 £'000
Not later than one year	2	2
Later than one year but not later than five years	4	5
Later than five years	7	8
Total Commitments under Operating Leases	13	15

Operating Leases - Council as Lessor

The Council leases various land and/or buildings under non-cancellable operating lease agreements. The lease terms range between 1 and 399 years. The operating leases do not have purchase options, although most have rent escalation clauses. The total future minimum lease payments receivable under non-cancellable operating leases for each of the following periods are as follows:

Operating Lease Income – Other Land & Buildings	2011/12 £'000	2010/11 £'000
Not later than one year	190	137
Later than one year but not later than five years	456	334
Later than five years	786	528
Total Minimum Lease Income under Operating Leases	1,432	999

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £14k contingent rents were receivable by the Council (2010/11 £0)

The Council leases its Investment Properties to lessees under non-cancellable operating lease agreements. The lease terms are between 1 and 200 years. The leases do not have purchase options, although most have escalation clauses.

The total future minimum lease payments to be received by the Council for investment properties under non-cancellable operating leases for each of the following periods as of 31 March are as follows:

Operating Lease Income – Investment Property	2011/12 £'000	2010/11 £'000
Not later than one year	2,440	2,337
Later than one year but not later than five years	7,987	7,872
Later than five years	38,528	38,836
Total Minimum Lease Income under Operating Leases	48,955	49,045

Notes to the Core Financial Statements

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year of £0.6m (2010/11 £0.4m).

Finance Leases - Council as Lessee

The Council leases three properties under non-cancellable finance lease agreements. The property lease terms range between 125 and 899 years. The leases do not have purchase options, although the lease payments under one of the leases are tied to the sub-lease rental income.

The assets acquired under these leases are carried as Investment Property in the Balance Sheet at the following net amounts:

Finance Lease Assets	2011/12 £'000	2010/11 £'000
Investment Property	188	188
Finance Lease Assets (Council as Lessee)	188	188

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

Finance Lease Minimum Payments	2011/12 £'000	2010/11 (Restated) £'000
Current	0	0
Non-current	188	188
Finance Costs Payable in Future Years	1,752	1,772
Minimum Lease Payments	1,940	1,960

The total future minimum lease payments to be paid under non-cancellable finance leases for each of the following periods are as follows:

Commitments Under Finance Leases	2011/12 £'000	2010/11 (Restated) £'000
Not later than one year	20	20
Later than one year but not later than five years	80	80
Later than five years	1,840	1,860
Total Commitments Under Finance Leases	1,940	1,960

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council paid contingent rent during the year of £0.017m (2010/11 £0.018m). The Council has sub-let these properties held under finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable agreements was £492k (£519k at 31 March 2011).

18. Investment Property

Investment Property – Balance Sheet	2011/12 £'000	2010/11 £'000
As of the beginning of the period	36,650	35,426
Additions (Purchases/Construction)	0	0
Additions (Subsequent Expenditure)	52	0
Reclassifications	23	(519)
Disposals	0	(32)

Notes to the Core Financial Statements

Net gains/(losses) from fair value movements	3,107	1,775
As at the End of the Period	39,832	36,650

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 a contractual obligation to repair and maintain its investment properties. The properties were valued by an independent external valuer using market information to determine the values of the properties as of 31 March 2012 and 2011.

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

	2011/12 £'000	2010/11 £'000
Investment Property – Comprehensive Income & Expenditure Account		
Rental Income From Investment Property	(3,511)	(3,362)
Direct Operating Expenses Arising From Investment Property	1,181	1,071
Changes in Fair Value of Investment Property	(3,107)	(1,775)
Net Gain	(5,437)	(4,066)

19. Usable Reserves

This note details the adjustments that are made to the comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice. These adjustments are made through the usable and unusable reserves as set out by statutory provisions. Descriptions of each of the reserves are set out below:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and from which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. The balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at year end.

Useable Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to

Notes to the Core Financial Statements

finance historic capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the appropriate conditions but has yet to be spent. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Core Financial Statements

2010/11	General Fund Balance	Major Repairs Reserve	Holding the Revenue Account	Capital Grants in Applied	Capital Receipts Reserve	Total Impact on Usable Reserves
2011/12	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Adjustments primarily involving the Capital Adjustment Account						
Adjustments primarily involving the Capital Adjustment Reserve						
Reversal of Items debited or credited to the Comprehensive Income & Expenditure Account credited to the Comprehensive Income & Expenditure Account						
Capital Grants Applied	(3,155)	0	(11)	67	0	3,099
Amortisation of grants applied	(1,004)	0	0	(8)	0	(1,012)
Change in depreciation on Assets	3,730	0	54	0	0	(3,836)
Revaluation of property plant and equipment (Current Assets)	4,916	0	90,570	0	0	(90,570)
Revaluation of property plant and equipment (HRA)	0	0	17,471	0	0	17,471
Revaluation of property plant and equipment (Funded From Capital Under Statute)	1,304	0	0	0	0	(1,304)
Movements in expenditure from the Capital Receipts Reserve	(1,775)	0	62	0	0	1,713
Movements in market value of investments	(3,165)	0	2,020	0	0	(1,145)
Gain on disposal of investments	905	0	833	0	0	1,738
Payments on finance leases	(260)	0	0	0	0	260
Lease payments on finance leases	(51)	0	0	0	0	51
Insertion of items debited or credited to the Comprehensive Income & Expenditure Statement:	(372)	(7,626)	0	0	(976)	8,974
Adjustments primarily involving the Capital Receipts Reserve:	0	0	354,015	0	0	354,015
Transfer of expenditure proceeds to the Capital Receipts Reserve	(1,864)	(7,315)	(3,460)	0	(8,238)	(10,822)
Adjustments primarily involving the Capital Receipts Reserve:	2,599	0	0	0	(2,599)	0
Payments to the Capital Receipts Reserve	(922)	0	(1,353)	0	2,316	41
Adjustments primarily involving the Major Repairs Reserve:						
HRA Depreciation	0	8,854	0	0	0	(8,854)
Contribution from the Capital Receipts Reserve to finance the HRA Depreciation in excess of MRA	910	(789)	789	0	(910)	0
Transitional contributions to General Fund from MRA	420	(140)	(280)	0	0	0
Adjustments primarily involving the Major Repairs Reserve:	(8,835)	9,138	(1,951)	0	0	9,138
HRA Depreciation	(8,835)	(853)	853	0	0	10,780
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,246)	0	(717)	0	0	3,963
Employer's pension contributions to pension fund payable in the year						
Adjustments primarily involving the Pensions Reserve:	3,704	0	698	0	0	4,402
Adjustments primarily involving the Pension Fund or Pension Reserve	27	0	0	0	0	(27)
Employer's pension contributions to pension fund payable in the year	(3,519)	0	(664)	0	0	(4,183)
Adjustments primarily involving the Collection Fund						
Adjustments primarily involving the Revaluation Reserve:	(98)	0	0	0	0	98
Amount by which council tax income credited to the Revaluation Reserve written off to the Comprehensive Income and Expenditure Statement						
from council tax income calculated for the year in accordance with statutory requirements	(9,380)	299	87,029	67	13	78,028
Adjustments primarily involving the Revaluation Reserve Under Regulations	0	0	0	0	0	0
Revaluation Reserve written off to the Comprehensive Income and Expenditure Statement						
Adjustments primarily involving the Accumulated Absences Reserve:	66	0	24	0	0	90
Employee Absences Accrual transferred to the Accumulated Absences Account						
Adjustments Between Accounting Basis & Funding Basis Under Regulations	1,952	970	370,852	(8)	176	373,942

20. Earmarked Reserves

The Council voluntarily earmarks resources for future spending plans. This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future

Notes to the Core Financial Statements

expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure. The following sums have been earmarked as of the reporting date.

	Balance at 1 April 2011 £'000	Transfers Out £'000	Transfers In £'000	Transfers to Other Reserves £'000	Balance at 31 March 2012 £'000
General Fund Reserves:					
Management of Change	1,662	(76)	0	0	1,586
Local Development Framework	359	0	78	0	437
Car Park Commuted Sums	288	0	0	0	288
Redundancy	650	(375)	500	0	775
VAT	2,257	0	1,227	0	3,484
Vehicle Replacement	1,265	(1,174)	620	0	711
Training & Development	250	(60)	0	0	190
Project Implementation	281	0	0	0	281
Commutated Sums	631	(9)	0	0	622
Civic Centre Repairs	470	(122)	0	0	348
Uninsured Loss	500	0	200	0	700
Technology	500	(35)	250	0	715
CSR Transitional	750	0	0	0	750
Earmarked Grants	141	0	122	0	263
Public Service Quarter (PSQ) Transition	0	0	1,000	0	1,000
LG Resource Review	0	0	250	0	250
Other Reserves (Under £250k)	1,563	(698)	576	0	1,441
Total General Fund Reserves	11,567	(2,549)	4,823	0	13,841
Housing Revenue Account Reserves:					
HRA reserves	989	(862)	0	0	127
Total HRA Reserves	989	(862)	0	0	127
Total Earmarked Reserves	12,555	(3,411)	4,823	0	13,968

	Balance at 1 April 2010 £'000	Transfers Out £'000	Transfers In £'000	Transfers to Other Reserves £'000	Balance at 31 March 2011 £'000
General Fund Reserves:					
Management of Change	1,304	(290)	110	538	1,662
LABGI	538	0	0	(538)	0
Local Development Framework	538	(179)	0	0	359
Car Park Commuted Sums	288	0	0	0	288
Revenue Commitments	394	(128)	125	(241)	150
Redundancy	786	(764)	628	0	650
VAT	1,329	0	928	0	2,257
Vehicle Replacement	540	(332)	1,057	0	1,265
Training & Development	250	0	0	0	250
Project Implementation	127	0	0	154	281
S106 Commuted Sums	665	(34)	0	0	631
Civic Centre Repairs	75	0	395	0	470
Uninsured Loss	150	0	350	0	500
Technology	0	0	500	0	500
CSR Transitional	0	0	750	0	750
Other GF Reserves (under £250)	1,319	(533)	681	87	1,554
Total General Fund Reserves	8,303	(2,260)	5,524	0	11,567
Housing Revenue Account Reserves:					

Notes to the Core Financial Statements

HRA reserves	111	0	878	0	989
Total HRA Reserves	111	0	878	0	989
Total Earmarked Reserves	8,413	(2,260)	6,402	877	12,555

Notes to the Core Financial Statements

21. Property, Plant & Equipment

2011/12	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost/Valuation (Note 22)							
As of the beginning of the period	645,589	82,019	9,118	595	0	2,995	740,316
Revaluation increases recognised in the Revaluation Reserve	38	302	0	0	0	0	340
Revaluation decreases recognised in the Revaluation Reserve	(2,156)	(3,539)	0	0	0	0	(5,695)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(17,181)	(1,313)	0	0	0	0	(18,494)
Additions	8,389	724	1,588	141	0	210	11,052
Impairment recognised in the Surplus/Deficit on the Provision of Services	(8,389)	0	(27)	0	0	0	(8,416)
Reclassifications	0	2,548	149	23	0	(2,986)	(266)
Disposals (to Assets Held for Sale)	(555)	(635)	(42)	0	0	0	(1,232)
Disposals (Other)	(282)	(324)	(685)	0	0	0	(1,291)
As of the end of the period	625,453	79,782	10,101	759	0	219	716,314
Accumulated Depreciation							
As of the beginning of the period	0	(3,409)	(6,005)	(366)	0	0	(9,780)
Depreciation charge	(9,138)	(2,424)	(1,301)	(60)	0	0	(12,923)
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	1,035	898	0	0	0	0	1,933
Depreciation written out to the Surplus/Deficit on the Provision of Services	8099	179	0	0	0	0	8,278
Disposals (to Assets Held for Sale)	4	0	37	0	0	0	41
Disposals (Other)	0	58	685	0	0	0	743
As of the end of the period	0	(4,698)	(6,584)	(426)	0	0	(11,708)
Net Book Value at 31 March 2012	625,453	75,084	3,517	333	0	219	704,606
Nature of Asset Holding							
Owned	625,453	75,084	3,517	333	0	219	704,606
Finance Lease	0	0	0	0	0	0	0
Net Book Value as of 31 March 2012	625,453	75,084	3,517	333	0	219	704,606

Notes to the Core Financial Statements

2010/11	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets (Restated) £'000	Assets Under Construction £'000	Total Property, Plant and Equipment (Restated) £'000
Cost/Valuation (Note 22)							
As of the beginning of the period	738,545	80,517	8,061	596	0	593	828,312
Change in HRA Valuation Percentage	(112,387)	0	0	0	0	0	(112,387)
Revaluation increases recognised in the Revaluation Reserve	1,054	928	0	0	0	0	1,982
Revaluation decreases recognised in the Revaluation Reserve	0	(194)	0	0	0	0	(194)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	20,372	(318)	(1)	0	0	0	20,053
Additions	7,626	136	1,083	0	0	2,942	11,787
Impairment recognised in the Surplus/Deficit on the Provision of Services	(7,626)	0	0	0	0	(51)	(7,677)
Reclassifications	0	1,011	0	0	0	(492)	519
Transfer to Assets Held For Sale (Disposals)	(1,993)	(61)	(25)	0	0	0	(2,079)
As of the end of the period	645,591	82,019	9,118	596	0	2,992	740,316
Accumulated Depreciation							
As of the beginning of the period	0	(2,083)	(4,825)	(306)	0	0	(7,214)
Depreciation charge	(8,854)	(2,377)	(1,184)	(60)	0	0	(12,475)
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	0	894	0	0	0	0	894
Depreciation written out to the Surplus/Deficit on the Provision of Services	8,842	156	0	0	0	0	8,998
Transfer to Assets Held For Sale (Disposals)	12	1	4	0	0	0	17
As of the end of the period	0	(3,409)	(6,005)	(366)	0	0	(9,780)
Net Book Value at 31 March 2011	645,591	78,610	3,113	230	0	2,992	730,536
Nature of Asset Holding							
Owned	645,591	78,610	3,113	230	0	2,992	730,536
Finance Lease	0	0	0	0	0	0	0
Net Book Value as of 31 March 2011	645,591	78,610	3,113	230	0	2,992	730,536

The Social Housing factor applied to the Council Dwellings has been reduced from 46% to 39% as of 1 April 2010 in accordance with The Stock Valuation for Resource Accounting Guidance for Valuers – 2010. The Council incurred a charge of £112.3m to the Comprehensive Income and Expenditure Statement as a result of this change.

Notes to the Core Financial Statements

22. Property, Plant and Equipment Valuations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The independent external valuer uses market information to determine the values of the properties. The basis for valuation is set out in Note 1.

The following statement shows the progress of the Council's rolling programme for the revaluation of Property, Plant and Equipment.

	Council Dwellings	Other Land & Buildings (Restated)	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'00 0	£'0 00	£'0 00	£'0 00	£'000
Carried at Historic Cost	0	0	10,1 01	759	0	219	11,079
Valued at fair value as at:							
2011/12	625,4 53	43,42 8	0	0	0	0	668,881
2010/11	0	602	0	0	0	0	602
2009/10	0	18,26 2	0	0	0	0	18,262
2008/09	0	17,35 0	0	0	0	0	17,350
2007/08	0	140	0	0	0	0	140
Total Cost or Valuation	625,4 53	79,78 2	10,1 01	759	0	219	716,314

23. Intangible Assets

Intangible assets consist of purchased software licenses which are measured at historical amortised cost.

Intangible Assets	2011/12 £'000	2010/11 £'000
As of the beginning of the Period		
Gross Carrying Amounts	1,798	1,468
Accumulated Amortisation	(860)	(558)
Net Carrying Amount as of the Beginning of the Period	938	910
Purchases	195	330
Reclassifications	243	0
Amortisation for the Period	(400)	(302)
Net Carrying Amount as of the End of the Period	976	938

Comprising:

Notes to the Core Financial Statements

Gross Carry Amounts	2,236	1,798
Accumulated Amortisation	(1,260)	(860)
Net Carrying Amount as of the End of the Period	976	938

24. Assets Held For Sale

The Council sold surplus properties during 2011/12. The Council realised a net profit on disposal of £0.6m (2010/11 £1.5m) which is included in Profit on the Disposal of Non-current Assets in the Comprehensive Income and Expenditure Statement.

Assets Held For Sale	2011/12 £'000	2010/11 £'000
As of the Beginning of the Period	0	0
Assets Transferred	1,191	2,062
Sold to Other Entities and Individuals	(1,191)	(2,062)
As at the end of the Period	0	0

25. Long-term Debtors

The Council makes loans to a number of organisations.

Long-term Debtors	2011/12 £'000	2010/11 £'000
Central Government Bodies	0	0
Other Local Authorities	9	10
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	176	198
Total Long-term Debtors	185	208

26. Short-term Debtors

The following table shows the analysis of short term debtors, offset by the bad debt provisions held.

Short-term Debtors	2011/12 £'000	2010/11 £'000
Central Government Bodies	2,301	3,888
Other Local Authorities	3,729	3,031
NHS Bodies	2	1
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	4,937	4,767
Total Short-term Debtors	10,969	11,687

The following Bad Debts Provisions have been included in the above table:

Bad Debt Provisions	2011/12 £'000	2010/11 £'000
Sundry Debtors	398	349
Housing Rents	1,497	1,474
Council Tax/Summons Fees	328	324

Notes to the Core Financial Statements

Benefits Overpayments	1,555	1,436
Total Bad Debt Provisions	3,778	3,583

27. Cash and Cash Equivalents	2011/12	2010/11
	£'000	£'000
Investments with Original Maturities of 3 Months or Less	34,830	38,933
Cash held by the Council	2	2
Bank Account Balance/(Overdraft)	330	(844)
Total Cash and Cash Equivalents	35,162	38,091

28. Short-term Creditors	2011/12	2010/11
	£'000	£'000
Central Government Bodies	6,104	5,721
Other Local Authorities	891	767
NHS Bodies	1	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	7,089	8,189
Total Short-term Creditors	14,085	14,677

29. Long-term Creditors	2011/12	2010/11
	£'000	(Restated) £'000
Central Government Bodies	0	0
Other Local Authorities	0	0
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	7,238	7,289
Total Long-term Creditors	7,238	7,289

30. Capital Grants and Other Contributions

The Council has received a number of grants and other contributions that have yet to be recognised as income as they have conditions attached to them which have not been satisfied as of the Balance Sheet date. The in year movements on the account are as follows:

Capital Grants and Other Contributions	2011/12	2010/11
	£'000	£'000
As of the Beginning of the Period	5,752	4,715
Receipts	302	3,507
Conditions Satisfied	(952)	(2,452)
Amounts Repaid	0	(18)
Closing Balance	5,102	5,752

The balances of the grants are as follows:

Capital Grants Yet to be Recognised as Income	2011/12	2010/11
	£'000	£'000

Notes to the Core Financial Statements

Growth Area Fund	5,102	5,724
Community Safety LAA	0	1
Maylands Business Centre	0	5
Playbuilder Grant	0	22
Total	5,102	5,752

31. Provisions

The Council maintains the following provisions as of 31 March 2012:

	Balance as at 31 March 2011 £'000	Contribution to Provision £'000	Use of Provision £'000	Amounts Reversed Unused £'000	Balance as at 31 March 2012 £'000
General Fund Provisions					
Insurance	448	75	(67)	(50)	406
Litigation Provision	0	200	0	0	200
Pension Strain	7	0	0	0	7
Benefits Grants	307	328	0	0	635
Committed Redundancy	57	0	(57)	0	0
Total General Fund Provisions	819	603	(124)	(50)	1,248
HRA Provisions					
Insurance	352	94	(24)	(28)	394
Total HRA Provisions	352	94	(24)	(28)	394
Total Provisions	1,171	697	(148)	(78)	1,642

The Insurance provisions (General Fund and HRA) represent the Council's view as to liabilities that have been incurred, but have yet to be settled, for insurance excess payments relating to claims made against the Council.

The Litigation Provision represents an outstanding litigation claim against the council as at the end of the financial year.

The Benefits Grants provision represents the likely repayment of Benefits Subsidy Grant to the Department of Work and Pensions.

The Pension Strain provision relates to the additional payments required to be made into the pension fund in relation to early retirements granted or committed by the Balance Sheet date. The sums involved have been confirmed by the administrators of the pension scheme in which the Council participates and are payable within the next financial year.

The Committed Redundancy provisions work on a similar basis, making provision for redundancy costs committed, but not yet paid, by the balance sheet date. The sums involved are payable within the next financial year.

32. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 of the Capital Adjustment Account.

Notes to the Core Financial Statements

The vacant possession adjustment factor applied to the Council Dwellings was reduced from 46% to 39% as of 1 April 2010 in accordance with The Stock Valuation for Resource Accounting Guidance for Valuers – 2010. The Council incurred a credit of £0.2m to the Comprehensive Income and Expenditure Statement as a result of this change.

Revaluation Reserve	2011/12	2010/11
	£'000	(Restated)
		£'000
Balance as of the beginning of the period	37,945	36,891
Change in HRA valuation percentage	0	(223)
Adjusted balance as at beginning of the period	37,945	36,669
Upward revaluation of assets	2,273	2,876
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,695)	(194)
Surplus/(Deficit) on Revaluation of Non-Current Assets not posted to the Surplus/Deficit on the Provision of Services	(3,422)	2,682
Difference between fair value depreciation and historical cost depreciation	(1,117)	(1,308)
Amount written-off to Comprehensive Income and Expenditure Statement	(828)	(98)
Closing Balance	32,578	37,945

33. Capital Adjustment Account

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

Capital Adjustment Account	2011/12	2010/11
	£'000	£'000
As of the beginning of the period	760,553	851,953
Capital grants and contributions applied	1,012	3,099
Amortisation of intangible assets	(400)	(302)
Charges for depreciation and impairment of Non-current Assets	(4,945)	(3,835)
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	(17,471)	(90,576)
Difference between fair value depreciation and historical cost depreciation	1,117	1,308
HRA depreciation	(9,138)	(8,854)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(1,738)	(2,094)

Notes to the Core Financial Statements

Transfer from the Revaluation Reserve on Disposal of Assets	828	0
Revenue Expenditure Funded From Capital Under Statute	(846)	(1,304)
Movements in market value of Investment Properties	3,107	1,775
Capital Receipts applied to capital expenditure	1,223	976
Revenue contribution to capital	2,291	372
Use of MRR to finance capital expenditure	7,315	7,626
Revaluation reserve written-off to Income and Expenditure	0	98
Self Financing payment	(354,015)	0
Principle payment for finance leases	0	260
Lease prepayment amortisation	51	51
Closing Balance	388,944	760,553

Notes to the Core Financial Statements

34. Deferred Capital Receipts

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

Deferred Capital Receipts	2011/12 £'000	2010/11 £'000
As of the Beginning of the Period	110	152
Transfer to the Capital Receipts Reserve	(40)	(42)
Balance as at End of the Period	70	110

35. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2011/12 £'000	2010/11 £'000
As of the beginning of the period	(51)	(24)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(38)	(27)
Balance as at End of the Period	(89)	(51)

36. Accumulated Absences Account

The Accumulated Absences Account represents payments to be made to employees by the Council in the future years for leave earned prior to the reporting date. It absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	2011/12 £'000	2010/11 £'000
As of the Beginning of the Period	71	71
Net Charge During the Year	90	0
Balance as at End of the Period	161	71

37. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing

Notes to the Core Financial Statements

Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

The opening Capital Financing Requirement for 2010/11 has been restated due to a prior year error.

	2011/12 £'000	2010/11 (Restated) £'000
Capital Financing Requirement		
Opening Capital Financing Requirement	(35,830)	(37,167)
Capital Investment:		
Property, Plant and Equipment	11,052	11,776
Housing Self Financing	354,015	0
Investment Property	52	0
Intangible Assets	195	330
Revenue Expenditure Funded from Capital under Statute	846	1,304
Total Expenditure	366,160	13,421
Sources of Finance:		
Capital Receipts	(1,223)	(976)
Government Grants and Other Contributions	(1,012)	(3,099)
Sums Set Aside (MRR, Earmarked reserves etc)	(9,606)	(7,998)
Total Financing	(11,841)	(12,073)
Closing Capital Financing Requirement	318,489	(35,830)
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(346,739)	0
Use of Capital Receipts previously set-aside	(7,580)	(1,348)
Decrease in Capital Financing Requirement	(354,319)	(1,348)

38. Financial Instruments

The Council is obliged to analyse any Financial Instruments that it holds (whether liabilities such as borrowings or assets such as investments) into certain categories.

The Investments and Debtors disclosed in the Balance Sheet, as set out below, are all categorised as Loans and Receivables, and are carried in the Balance Sheet at amortised cost.

	2011/12 £'000	2010/11 £'000
Financial Assets – Amortised Cost		
Short-term Debtors	5,401	5,602
Long-term Debtors	185	208
Short-term Investments	26,668	28,656
Long-term Investments	0	0
Total	32,254	34,466

The investments, cash at bank and accrued interest are not yet due for repayment. No breaches of the Council's counterparty criteria occurred during the reporting period, and the Council does not expect to suffer any financial losses from default on its financial instruments. The Council's maximum potential exposure to credit risk is the carrying value of the financial assets in the Balance Sheet.

Amounts owed by customers represent sums which have been reviewed for impairment and are presented net of any impairment in the Balance Sheet.

Notes to the Core Financial Statements

The Short-term Creditors are carried at contract value, Long-term Creditors and Long-term Borrowings are carried at amortised cost in the Balance Sheet, as set out in the following table.

Financial Liabilities – Amortised Cost	2011/12 £'000	2010/11 £'000
Short-term Creditors	8,681	8,907
Long-term Creditors	188	188
Short-term Borrowings	127	0
Long-term Borrowings	346,739	0
Total	355,735	9,095

The fair value of can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the investments, using the following assumptions:

- Ranges of premature repayment discount rates as at 31 March 2012 between 1.07% and 3.27% for loans from the Public Works Loan Board (PWLB).
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value
- Trade and other receivables are taken to be the invoiced or billed amount.

The fair values are as follows:

Financial Liabilities – Fair Value	2011/12 £'000	2010/11 £'000
Short-term Creditors	8,681	8,907
Long-term Creditors	188	188
Short-term Borrowings	127	0
Long-term Borrowings	361,029	0
Total	370,025	9,095

Liquidity Risk

The Council has access to the money markets for short-term debt to cover revenue expenditure and to the money markets and PWLB for longer-term borrowing. The Council's short and medium term cash forecasting procedures are aimed at ensuring that sufficient funds mature at the right time to cover expenditure.

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is the medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

Trade creditors and debtors are due to be settled within one year. The long-term debtors principally comprise amounts owed by parish councils (under the Council's small loan scheme) and amounts due under council mortgages. These are considered to be low risk payments as local parish councils are traditionally accorded low risk of default on payments, while the mortgages are secured by first charges on the proceeds of the sale of the property concerned.

All current borrowing by the Council is fixed-term from PWLB in relation to Self Financing at a preferential rate. The repayment of these loans is factored into the Housing Revenue Account 30-year plan and as such there is minimal risk that the Council will need to refinance these loans at a time of unfavourable interest rates.

Notes to the Core Financial Statements

The following table sets out the maturity analysis of Long-term Borrowing by the Council:

Repayment Year	Repayment Type	Interest Frequency	Value £'000
2017 / 2018	On Maturity	Half Yearly	567
2018 / 2019	On Maturity	Half Yearly	2,069
2019 / 2020	On Maturity	Half Yearly	3,586
2020 / 2021	On Maturity	Half Yearly	4,590
2021 / 2022	On Maturity	Half Yearly	3,480
2022 / 2023	On Maturity	Half Yearly	1,370
2023 / 2024	On Maturity	Half Yearly	2,310
2024 / 2025	On Maturity	Half Yearly	3,335
2025 / 2026	On Maturity	Half Yearly	4,442
2026 / 2027	On Maturity	Half Yearly	5,637
2027 / 2028	On Maturity	Half Yearly	5,110
2028 / 2029	On Maturity	Half Yearly	6,340
2029 / 2030	On Maturity	Half Yearly	7,665
2030 / 2031	On Maturity	Half Yearly	9,090
2031 / 2032	On Maturity	Half Yearly	10,620
2032 / 2033	On Maturity	Half Yearly	12,546
2033 / 2034	On Maturity	Half Yearly	14,314
2034 / 2035	On Maturity	Half Yearly	16,205
2035 / 2036	On Maturity	Half Yearly	18,230
2036 / 2037	On Maturity	Half Yearly	20,394
2037 / 2038	On Maturity	Half Yearly	32,380
2038 / 2039	On Maturity	Half Yearly	35,524
2039 / 2040	On Maturity	Half Yearly	38,864
2040 / 2041	On Maturity	Half Yearly	42,417
2041 / 2042	On Maturity	Half Yearly	45,654
Total			346,739

Interest Rate/Credit Risk

The Council is exposed to interest rate movements on its investments, and has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. As part of this strategy, the Council sets the prudential indicators which provide maximum and minimum limits for fixed and variable interest rate exposure.

The in-house treasury team monitors market and forecast interest rate movements, and chooses the most advantageous investments allowed within the limits of the Council's treasury policies.

Price Risk

The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price valuations.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Gains and Losses on Financial Instruments

Gains and losses on financial instruments are limited to interest arising on Loans and Receivables (investments). The gain arising, as recorded in the Comprehensive Income and Expenditure Statement, was £0.7m (£0.6m 2010/11).

Notes to the Core Financial Statements

39. Adjustments to Opening Balances 1 April 2010

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the accounting treatment for Heritage Assets held by the Council. As set out in the Summary of Significant Accounting Policies (Note 1), the Council now requires Heritage Assets to be carried in the Balance Sheet at valuation.

Previously, Heritage Assets were either recognised as Community Assets at cost in the Property, Plant and Equipment classification in the Balance Sheet, or were not held in the Balance Sheet as it was not possible to obtain cost information.

In applying the new accounting policy, the Council has identified that the assets that were previously held as Community Assets within Property, Plant and Equipment at £358k should now be recognised as Heritage Assets. These assets relate to sculptures/artwork around the Borough. The Council will also recognise an additional £1.291m of Heritage Assets that were not previously recognised in the Balance Sheet. The corresponding entry for the additional assets will be an increase in the Revaluation Reserve.

The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects are as follows:

As at 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation of £1.649m. The element that was previously recognised as Property Plant and Equipment has been reclassified and written down by £358k. The Revaluation Reserve has been increased by £1.291m.

Deferred Capital Receipts

The Council previously held Deferred Capital Receipts within Long-term Creditors on the Balance Sheet. These relate to Capital Income due, but not yet received and so cannot be applied to finance Capital Expenditure until the cash has been received. The balances should be held within the Unusable Reserves Section of the Balance Sheet. The Council has adjusted for this in the 2011/12 Accounts.

The effects are as follows:

As at 1 April 2010, the balance of £152k for Deferred Capital Receipts has been deducted from Long-term Creditors, and a new line of Deferred Capital Receipts included in the Unusable Reserves Section of the Balance Sheet.

As at 31 March 2011, the balance of £110k for Deferred Capital Receipts has been deducted from Long-term Creditors, and a new line of Deferred Capital Receipts included in the Unusable Reserves Section of the Balance Sheet.

The following lines in prior year accounts and comparator figures have been adjusted to reflect the changes:

Notes to the Core Financial Statements

Adjustments to opening Balance Sheet 1 April 2010:

	Opening Balances as at 1 April 2010 £'000	Restatement Required to Opening Balances as at 1 April 2010 £'000	Restated Amount £'000
Property Plant & Equipment (Community Assets)	821,456	(358)	821,098
Heritage Assets	0	1,649	1,649
Total Long-term Assets	858,074	1,291	859,365
Long-term Creditors	(7,497)	152	(7,345)
Total Long-term Liabilities	(97,753)	152	(97,601)
Net Assets	812,901	1,443	814,344
Revaluation Reserve	35,601	1,291	36,892
Deferred Capital Receipts	0	152	152
Total Unusable Reserves	797,214	1,443	798,657
Total Reserves	812,901	1,443	814,344

Adjustments to opening Balance Sheet 31 March 2011:

	Opening Balances as at 31 March 2011 £'000	Restatement Required to Balances as at 31 March 2011 £'000	Restated Amount £'000
Property Plant & Equipment (Community Assets)	730,894	(358)	730,536
Heritage Assets	0	1,649	1,649
Total Long Term Assets	768,690	1,291	769,981
Long-term Creditors	(7,399)	110	(7,289)
Total Long-term Liabilities	(54,041)	110	(53,931)
Net Assets	771,614	1,401	773,015
Revaluation Reserve	36,654	1,291	37,945
Deferred Capital Receipts	0	110	110
Total Unusable Reserves	750,443	1,401	751,844
Total Reserves	771,614	1,401	773,015

Adjustments to Comprehensive Income & Expenditure Statement 31 March 2011:

	31 March 2011 £'000	Restatement Required to Balances as at 31 March 2011 £'000	Restated Amount £'000
Other Operating Expenditure	1,698	42	1,740
(Surplus)/Deficit on Provision of Services	72,506	42	72,548
Total Comprehensive Income & Expenditure	41,182	42	41,224

Notes to the Core Financial Statements

Adjustments to Cash Flow Statement 31 March 2011:

	31 March 2011 £'000	Restatement Required to Balances as at 31 March 2011 £'000	Restated Amount £'000
Changes in Creditors	66	42	108
Changes in Deferred Capital Receipts	0	(42)	(42)

Adjustments to Movement in Reserves Statement 31 March 2011:

	31 March 2011 £'000	Restatement Required to Balances as at 31 March 2011 £'000	Restated Amount £'000
Housing Revenue Account			
Surplus/(Deficit) on Provision of Services	(85,235)	(42)	(85,277)
Total Comprehensive Income & Expenditure	(85,235)	(42)	(85,277)
Adjustments Between Accounting Basis and Funding Basis under Regulations	86,987	42	87,029
Total Useable Reserves			
Surplus/(Deficit) on Provision of Services	(72,506)	(42)	(72,548)
Total Comprehensive Income & Expenditure	(72,506)	(42)	(72,548)
Adjustments Between Accounting Basis and Funding Basis under Regulations	77,986	42	78,028
Total Unuseable Reserves			
Balance at 31 March 2010	797,203	1,446	798,649
Adjustments Between Accounting Basis and Funding Basis under Regulations	(77,986)	(42)	(78,028)
Net Increase/(Decrease) before transfers to Earmarked Reserves	(46,763)	(42)	(46,805)
Increase/(Decrease) in year	(46,763)	(42)	(46,805)
Balance at 31 March 2011	750,440	1,404	751,844
Total Council Reserves			
Balance at 31 March 2010	812,894	1,450	814,344
Surplus/(Deficit) on Provision of Services	(72,604)	(42)	(72,646)
Total Comprehensive Income & Expenditure	(41,280)	42	(41,235)
Net Increase/(Decrease) before transfers to Earmarked Reserves	(41,280)	42	(41,235)
Increase/(Decrease) in year	(41,280)	42	(41,235)
Balance at 31 March 2011	771,611	1,404	773,015

Notes to the Core Financial Statements

Adjustments to Notes to the Accounts 31 March 2011:

	31 March 2011 £'000	Restatement Required to Balances as at 31 March 2011 £'000	Restated Amount £'000
Note 7 – (Gains)/Losses on the Disposal of Non Current Assets	(1,494)	42	(1,452)
Note 7 – Total Other Operating Expenditure	1,698	42	1,740
Note 19 – Transfer of Cash Sale Proceeds Credited as part of the gain/loss on disposals – Housing Revenue Account	(3,502)	42	(3,460)
Note 19 – Total Adjustments Between Accounting and Funding Basis – Housing Revenue Account	86,987	42	87,029
Note 19 – Transfer of Cash Sale Proceeds Credited as part of the gain/loss on disposals – Total	0	42	42
Note 19 – Total Adjustments Between Accounting and Funding Basis – Total	77,986	42	78,028

Adjustments to Housing Revenue Account – Income & Expenditure Account 31 March 2011:

	31 March 2011 £'000	Restatement Required to Balances as at 31 March 2011 £'000	Restated Amount £'000
(Gain)/Loss on Disposal of Fixed Assets	(1,475)	42	(1,433)
(Surplus)/Deficit for the Year On HRA Service	85,235	42	85,277

Adjustments to Statement of Movement on Housing Revenue Account 31 March 2011:

	31 March 2011 £'000	Restatement Required to Balances as at 31 March 2011 £'000	Restated Amount £'000
(Surplus)/Deficit for the Year On HRA Service	(85,235)	(42)	(85,277)
Total Comprehensive Income & Expenditure	(85,235)	(42)	(85,277)
Transfer of Cash Sale Proceeds Credited as part of the gain/loss on disposals	(3,502)	42	(3,460)

Adjustments to Notes to the Housing Revenue Account 31 March 2011:

	31 March 2011 £'000	Restatement Required to Balances as at 31 March 2011 £'000	Restated Amount £'000
Note 6 – Mortgage Repayments	40	(40)	0
Note 6 – Sale of HRA Dwellings	3,447	(2)	3,445
Note 6 – Total Capital Receipts	3,502	(42)	3,460

40. Heritage Assets

Notes to the Core Financial Statements

The Heritage Assets held by the Council and policy for recognition and measurement are outlined in the accounting policies of the note 1. The following table provides details of the valuations of the different groups of assets for 1 April 2010 onwards when the accounting policy takes effect from. There have been no disposals, revaluations or impairments of Heritage Assets.

	2011/12 £'000	2010/11 £'000
Assets Valued at Cost – Sculptures/Artwork	483	483
Assets Valued on Existing Use – Land (Valued March 2012)	990	990
Assets Valued on Insurance Valuations – Assets managed by Dacorum Heritage Trust (Valued March 2012)	3	3
Assets Valued by Specialist Valuation - Civic Treasuries/Regalia (Valued May 2012)	173	173
Total	1,649	1,649

Further Information on Land Heritage Assets

The Council holds three areas of land which form part of the Borough's history. These are Gadebridge Park, Tring Park and The Water Gardens. These areas of land are constantly accessible by the public. Within these areas of land various sculptures and other cultural and historical assets are on display. These include the Walled Garden and a re-interred Roman archaeological site. These sites have been valued by a qualified external valuer using the Existing Use Valuation method as at 31 March 2012.

Tring Park is managed by the Woodland Trust. It is believed to date back to 1066. Wealthy banker Lionel de Rothschild bought the estate at auction in 1872 and his son Nathaniel – the first Lord Rothschild – made sweeping changes to the mansion, and surrounding farms and cottages. Lord Rothschild opened a zoological museum on the site as a gift to his son Walter, who was responsible for introducing numerous exotic animals to the park.

Gadebridge is managed and preserved by the Council. It is sited on the northern edges of Hemel Hempstead and is Dacorum's principal park, forming a green wedge of urban countryside running into the heart of the town. The history of the area dates back to the late iron age. Excavations in 1963 and 2000 on the field north of Galley Hill revealed a farmhouse which was extended after the Roman invasion of AD43 to include stone built wings around a courtyard, a bathhouse, heated rooms and unusually a large swimming pool. The Walled Garden is the location of the original Bury House. The first Bury was referred to in the 1289 Ashridge Charter where "Burymilne", the Mill near the Bury, was included. Prior to 1539 the Bury was the home of the Waterhouse family, whose name today is remembered by Waterhouse Street. The Walled Garden is sometimes also known as the Charter Gardens, after the stone porch-way leading to the gardens. The Charter Tower was originally the entrance into the second Bury House, which was rebuilt between 1540 and 1595.

The Water Gardens were designed by Geoffrey Jellicoe as an integral part of his master plan for Hemel Hempstead New Town and were placed on English Heritage's Register of Parks and Gardens of Special Historic Interest in 2010 as one of the very important post war urban landscapes. The Council manages and preserves the site. There are Council plans to restore the Water Gardens to reflect and reinforce their historical significance.

Further Information on Assets managed by The Dacorum Heritage Trust

The Dacorum Heritage Trust is the Accredited museum organisation for the borough of Dacorum, based at the Museum Store in Clarence Road, Berkhamsted. The Museum Store is the home of over 100,000 objects relating to Dacorum. Of these objects, 2,859 belong to the Council. All items are accessible to the public by appointment. In addition, some of these objects are displayed in the Reception at the Civic Centre Hemel Hempstead. These items have been valued based on the insured value as assessed by The Dacorum Heritage Trust.

Notes to the Core Financial Statements

Further Information on Civic Regalia and Treasuries

Dacorum holds, manages and preserves various items of Civic Regalia with historical relevance to the Borough. Most of these items are displayed in units outside the Council Chamber at the Civic Centre Hemel Hempstead, and are accessible for viewing by the public during office hours. These include objects such as a silver mace, silver candlesticks, silver cups, the Mayors badges and Chains of Office and various other smaller items. These were valued In May 2012 by external valuers that specialise in antiques and fine arts.

Further Information on Sculptures and Artwork Held at Cost

There are various sculptures and pieces of art work which hold historical and cultural value to the Borough. For five of these historical cost information is available, and so the assets are held on the balance sheet at cost. These are all preserved and managed by the Council, and are constantly accessible to the public.

The Residents' Rainbow is located in the centre of the Royal British Legion's Memorial Garden in Hemel Hempstead Town Centre. The 9ft x 18ft sculpture was originally created by artist Colin Lambert, and was installed in 1993. The piece symbolised the optimism and aspirations of the first people to settle in the New Town after the Second World War.

The Water Feature', by Michael Rizzello OBE, celebrates youth and sport with a bronze sculpture of three children playing in the water. The location of the water feature at the junction of Marlowes and Bank Court was chosen to provide views from both ends of Marlowes as well as from the water gardens.

The steel tree stands 6 metres (20 feet) high and is located near the Roundhouse in Hemel Hempstead Town Centre. The tree, named 'New Town Growth', was designed by Peter Parkinson and created by Richard Quinnell OBE. Each panel of the tree represents a different aspect of Hemel Hempstead's past and present.

The bronze relief map depicting Hemel Hempstead as it was in 1947 is another art feature representing the past. The designer was Graham Thompson and the sculptor was John Ravera. This is located in Hemel Hempstead Town Centre.

The Phoenix Sculpture was designed to reflect the recovery of Hemel Hempstead, and the Maylands business estate in particular, from the Buncefield oil depot explosion in 2005. It was designed by Jose Zavala. It is situated on the roundabout at the entrance to Hemel from the M1 Motorway at Junction 8, which is visible in the distance.

Further Information on Sculptures and Artwork not Held on Balance Sheet

The Council holds a further seventeen pieces of artwork and sculptures for which no historic cost information is available. These are managed and preserved by the Council. These include sculptures and artwork in Highfield, Adeyfield and the Town Centre. There are also seven posters depicting types of music hall acts framed and displayed at the Old Town Hall, Hemel Hempstead. The majority of these are constantly available to the public, the exceptions being the few held at the Old Town Hall which are on display during opening hours. As no historic cost is available, and these assets cannot be valued at a cost which is commensurate to the users of the accounts, these are not held on the Balance Sheet.

Further Information on Other Heritage Assets not Held on Balance Sheet

The Council manages and preserves 29 war memorials throughout the Borough and two stone carved memorials in Little Gaddesden. It also holds seven miscellaneous assets including Cranstone's Water Fountain in Boxmoor, Cranstone's Pump in the High Street and a Milestone in Little Gaddesden. These are managed and preserved by the Council. As no historic cost is available, and these assets cannot be valued at a cost which is commensurate to the users of the accounts, these are not held on the Balance Sheet.

Notes to the Core Financial Statements

41. Contingencies

Contingent Liabilities

Dacorum Sports Trust has identified an increase in its pension fund deficit for employees' service prior to transfer on 1 April 2004. This deficit of £0.2m, whilst a notional one based on actuarial assumptions, will be borne by the Council if it ever becomes a real cost to the Sports Trust.

The Council is involved in a number of court cases the outcome of which may require the payment of costs and/or the carrying out of works. Total liabilities in this area are not material to the Council. There is one legal case which may go to court, which could have a material impact of around £0.2m. Funds have been set aside in the Uninsured Losses reserve for the potential impact of this case.

A Municipal Mutual Insurance (MMI) Scheme of Arrangement was established in 1994 following the demise of MMI Limited. These scheme offered financial provision for claim settlements under policies incepted with MMI. Should a solvent run-off not be achieved, any payments made on behalf of Dacorum can be clawed back. The recent decision of the Supreme Court in the Employers Liability Policy Trigger Litigation has increased the likelihood of clawback. As at 31 March 2011 that amount liable to clawback was £491k.

Contingent Assets

In common with other councils, the Council submitted a claim to HM Revenue & Customs in respect of Value Added Tax accounted for in prior years. Whilst the majority of principal and simple interest payments have been concluded in 2009/10 and 2010/11, there are still open claims for specific areas totalling £0.57m. As such this represents a contingent asset.

42. Related Party Transactions

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in Notes 9 and 10. Grant receipts unapplied are set out in Note 30.

Dacorum Sports Trust

With effect from 1 April 2004 Dacorum Sports Trust, a registered charity and company limited by guarantee, was established to manage some of Dacorum Borough Council's leisure facilities including its leisure centres. The Trust is a separate legal entity and is not restricted from managing other facilities within Dacorum or elsewhere. The Trust uses Council support services (Legal Services, Insurance, and Landscape and Recreation services) paying for these under Service Level Agreements totalling £14k

The following councillors were nominated to serve on the board of the Sports Trust during the year:

- Councillor Alan Fantham
- Councillor Terence Douris

Notes to the Core Financial Statements

Dacorum Borough Council and the Sports Trust are obliged under the transfer to agree a Development Plan and Funding Agreement. Under the Funding Agreement the Council paid a grant of £0.52m to the Trust in 2011/12 towards managing those facilities (2010/11: £0.58m). This represented 5.3% of the Trust's income for the year. Under the transfer agreement the ownership of the Council assets, leased to the Trust at a peppercorn rent, remain with the Council. Thus, the capital charges for the Council-owned assets continue to be included in the Council's accounts. The assets also remain in the Council's Fixed Assets. Hertfordshire County Council owns Longdean and Tring Sports Centre; under a joint use agreement with the Borough Council, the Trust manages the leisure services at those venues.

The Trust's unaudited accounts show a net surplus for 2011/12 of £1.1m, and net assets of £5.1m. As there is no group relationship between the Council and the Trust, the Trust's accounts are not consolidated with the Council's own Accounts.

Members and Senior Officers of the Council

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. Disclosures of interest have been made in respect of the following organisations to which payments were made or from which payments were received (payments to major and local precepting authorities are excluded). The payments are not exclusively in respect of grants but where grants were given, they were made with proper consideration of declarations of interest and the relevant Members did not take part in any discussion or decision relating to the grants. In addition, two Members are trustees of the Dacorum Sports Trust (see above). The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and representation on various bodies. It is open to public inspection by appointment – email member.support@dacorum.gov.uk or telephone 01442 228222.

Organisation	Name	Payable £	Receivable £	Amount £	Nature of Payment
Suttons Envelopes	Cllr Graham Sutton	27	(4,800)	(4773)	Supplies & Services
Herts. Building Preservation Trust	Cllr David Lloyd	4,775	0	4,775	Supplies & Services
Stage Two	Cllr Terence Douris	3,092	0	3,092	Supplies & Services
South Hill Centre	Cllr Neil Harden	2,108	(313)	1,795	Supplies & Services
Global Pindd Community Group	Cllr Suqlain Mahmood	0	(1,800)	(1,800)	Supplies & Services
Tring Market Auctions	Cllr Penelope Hearn	0	(720)	(720)	Supplies & Services
M&T Partners	Chris Taylor (Group Manager Strategic Planning & Regeneration)	700	0	700	Supplies & Services

Notes to the Core Financial Statements

43. Commitments

Capital Commitments

The estimated maximum contractual commitments for capital expenditure for significant schemes (over £250k) that had started, or where legal contracts had been entered into, as of 31 March 2012 are as follows:

Contract	Contractor	End Date	Maximum Estimated Annual Value £'000
Planned Housing Repairs	Apollo Group	31/03/2014	7,500
Electrical Rewiring	Southern Electric Contracting	31/03/2014	750

The contract with Apollo Group is for the provision of major improvements and repairs programme to the Council's housing stock. The actual level of payment will depend upon the precise schedule of works undertaken. The contract has been extended to and including 2011/12 but is subject to annual reviews. Similar commitments were £8.3m as of 31 March 2011.

Other Long Term Contracts

The estimated maximum contractual commitments under the following major contracts (over £250k) as of 31 March 2013 are as follows:

Contract	Contractor	End Date	Maximum Estimated Annual Value £'000
Fuel Cards	Arval	22/08/2013	474
Responsive and Void Repairs	Mitie Property Services	27/01/2016	7,000
Computer Contracts	Aspen	31/12/2014	531
Gas Servicing & Water Testing	AFR	30/06/2014	785
Parking Enforcement & Management	Vinci Parking Services	12/03/2018	600

The contract with Mitie Property Services covers responsive repairs to the Council's housing stock. The actual level of payments will depend on the type of repairs and level of demand. Similar commitments were £9.8m as of 31 March 2011.

44. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director (Finance and Governance) on 28 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No events leading to adjustments have occurred as of 28 June 2012.

The financial statements have not been adjusted for the following event which took place after 31 March 2012. It provides information that is relevant to understanding the Council's financial position but does not relate to conditions at that date:

Notes to the Core Financial Statements

The Property, Plant and Equipment line contains a net book value of £5.625m for Hemel Hempstead Civic Centre. In April 2012, the decision was taken to sell this property and relocate the Council Offices. The decant of this building is planned to take place by March 2014. The buyer has been identified for the building. Once the conveyancing and planning applications have been completed, and the sale is likely to occur within one year, the building will be re-valued and reclassified as an Asset Held for Sale in line with the Accounting Policies (note 1).

Housing Revenue Account

Housing Revenue Account – Income & Expenditure Account

HRA Note	2011/12 £'000	2010/11 £'000
Income		
	(46,203)	(43,358)
Dwelling Rents (Gross)		
	(273)	(232)
Non Dwelling Rents (Gross)		
	(800)	(885)
Tenants Charges for Services & Facilities		
	(729)	(487)
Leaseholders Charges for Services & Facilities		
	(523)	(694)
Contributions Received Towards Expenditure		
	0	0
Sums Directed by Secretary of State that are Income in Accordance with the Code		
Total Income	(48,528)	(45,656)
Expenditure		
	9,624	7,990
Repairs and Maintenance		
	9,140	9,214
Supervision and Management		
	25	33
Rents, Rates, Taxes and Other Charges		
	20,009	17,905
Negative Subsidy – Payments to Secretary of State	9/10	
Increase in Provision for Bad and Doubtful Debts		
	290	252
Depreciation and Impairment of Fixed Assets	7	
Exceptional Item – Self Financing Payment		
	354,015	0
Sums Directed by Secretary of State that are Expenditure in Accordance with the Code		
	0	0
Total Expenditure	419,742	134,878
Net Cost of HRA Services as Included in the Comprehensive Income & Expenditure Statement	371,214	89,222
	37	(3,066)
Non-distributable Costs – Pensions Past Service Cost		
	220	229
HRA Share of Corporate and Democratic Core		
Net Cost of HRA Services	371,471	86,385
HRA Share of Operating Income and Expenditure Included in the Comprehensive Income & Expenditure Account		
	(520)	(1,434)
(Gain)/Loss on Disposal of Fixed Assets		
	(185)	(179)
Interest and Investment Income	8	
Interest Payments		
	249	0
Pensions Interest Cost and Expected Return on Assets	11	
	197	505
(Surplus)/Deficit for the Year on HRA Services	371,212	85,277

Housing Revenue Account

Statement of Movement on the Housing Revenue Account

HRA Note	2011/12 £'000	2010/11 £'000
Balance as at 1 April	3,512	2,637
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	(371,212)	(85,277)
Other Comprehensive Income & Expenditure	0	0
Total Comprehensive Income & Expenditure	(371,212)	(85,277)
Adjustments Between Accounting Basis and Funding Basis Under Regulations:		
Capital Grants and Contributions Applied	0	(11)
Revenue Expenditure Funded from Capital Under Statute	62	0
Depreciation and Impairment of Non-current Assets	30	54
Reversal of Employee Leave Accrual	24	0
Revaluation Losses on Property Plant & Equipment	17,471	90,576
HRA Depreciation in Excess of MRA	4 853	789
Transitional Contributions to the General Fund from the MRR	0	(280)
Self Financing Payment Transfer to CAA	354,015	0
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	833	2,029
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,353)	(3,460)
Revenue Contribution to Capital	(1,117)	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	11 698	(1,951)
Employer's Pension Contributions to Pension Fund Payable in the year	11 (664)	(717)
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	370,852	87,029
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(360)	1,752
Transfer (to)/from Earmarked Reserves	862	(877)
Increase/(Decrease) in Year	502	875
Balance as at 31 March	4,014	3,512

Housing Revenue Account

1. Balance Sheet Value of HRA Assets

	<u>Operational Assets</u>			<u>Non-Operational Assets</u>		Total Assets
	Council Dwellings	Vehicle Plant & Equipment	Other Land & Buildings	Shops	Assets Under Construction	
	£'000	£'000	£'000	£'000	£'000	£'000
Certified Value						
As at 1 April 2011	645,591	64	697	2,200	73	648,625
Additions	8,389	6	0	0	0	8,395
Disposals	(838)	0	0	0	0	(838)
Impairment	(8,389)	0	0	0	0	(8389)
Reclassifications	0	39	0	0	(73)	(34)
Revaluations to the Income & Expenditure Account	(17,181)	0	0	72	0	(17,109)
Revaluations to the Revaluation Reserve	(2,119)	0	0	0	0	(2,119)
As at 31 March 2012	625,453	109	697	2,272	0	628,531
Depreciation and Other Impairment						
As at 1 April 2011	0	(12)	(18)	0	0	(30)
Charge for the Year	(9,138)	(17)	(13)	0	0	(9168)
Disposals	4	0	0	0	0	4
Other Impairment	0	0	0	0	0	
Reclassifications	0	0	0	0	0	
Revaluations to the Income & Expenditure Account	9,134	0	0	0	0	9,134
As at 31 March 2012	0	(29)	(31)	0	0	(60)
Net Book Value as at 31 March 2012	625,453	80	666	2,272	0	628,471
Net Book Value as at 1 April 2011	645,591	52	679	2,200	73	648,595

Housing Revenue Account

2. Vacant Possession Value of HRA Dwellings

Council dwellings had a valuation of £1,655 million as at 1 April 2011 on the basis of existing use value assuming vacant possession. To comply with the requirements of the Resource Accounting regulations, a regional adjustment factor of 39% has to be applied to the Existing Use Value for Social Housing (EUV-SH) valuation. This is to reflect the fact that local authority housing is let at sub-market rents. The reduction in value shows the economic cost to the Government of providing council housing at less than open market rents.

3. Number and type of dwelling

	31 March 2011	Reclassified	Additions	Sales & Demolitions	31 March 2012
1 bedroom flats	2,554	0	0	(42)	2,512
2 bedroom flats	1,121	1	0	(3)	1,119
3 bedroom flats	192	(1)	0	(1)	190
1 bedroom houses	583	0	0	0	583
2 bedroom houses	1,712	0	0	(1)	1,711
3 bedroom houses	3,952	0	0	(4)	3,948
4+ bedroom houses	463	0	0	0	463
Chiltern Hostel – equivalent	17	0	0	0	17
Total Dwellings	10,594	0	0	(51)	10,543

The reclassifications shown above are the result of changes identified to Rents system in 2011-12.

4. Major Repairs Reserve (MRR)

Regulation 7(5) of the Accounts and Audit Regulations 2003 (as amended) establishes arrangements for the Major Repairs Reserve (MRR) under which the MRA is effectively restricted to being applied towards new capital expenditure, the repayment of debt or meeting liabilities under credit arrangements. The regulation requires a credit to the MRR of an amount in respect of the depreciation charged to the Housing Revenue Account for the year. Together with the Item 8 Determination provisions for transferring the difference between the MRA and depreciation to the MRR, the net effect is to credit a net amount equal to the MRA each year to the MRR.

	2011/12 £'000	2010/11 £'000
Balance as at 1 April	1,366	1,067
Income		
Release from Capital Adjustment Account	9,138	8,854
Expenditure		
Financing of Capital Expenditure	(7,315)	(7,626)
Appropriate to the HRA to Fund Depreciation in Excess of Major Repairs Allowance	(853)	(789)
Contribution to General Fund under Transitional Arrangements	0	(140)
Balance as at 31 March	2,336	1,366

NB: One-third of the HRA transfer to General Fund, in respect of transitional arrangements which ended in 2010/11 for former negative subsidy authorities, was met by appropriation from the MRR to the HRA. The remaining two-thirds were met by the Government. (See also note 11 below).

5. Capital Expenditure and Financing

Housing Revenue Account

	2011/12 £'000	2010/11 £'000
Capital Expenditure		
Reroofing	205	19
Decent Homes	5,020	4,477
Disabled Adaptations	616	510
Garages	0	0
Assets Under Construction	0	0
Other Capital Schemes	2,591	2,693
Total Capital Expenditure	8,432	7,699
Financed by:		
Capital Receipts	0	(73)
Major Repairs Reserve	(7,315)	(7,626)
Revenue Contributions	(1,117)	0
Total Financing	(8,432)	(7,699)

6. Capital Receipts

Receipts received from the sale of HRA assets were as follows:

	2011/12 £'000	2010/11 (Restated) £'000
Sale of Land and Freehold	183	0
Easements Granted	45	0
Sales of HRA Dwellings	1,096	3,445
Discounts Repaid and Miscellaneous Dwelling Sales	29	15
Total Capital Receipts	1,353	3,460

Mortgage capital receipts of £41k were released in 2011/12 (2010/11 £42k) from the Deferred Capital Receipts Reserve to the Useable Capital Receipts Reserve in respect of mortgage repayments received during the year.

7. Depreciation and Impairment

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is charged with reference to Balance Sheet values and the expected life remaining on the housing stock and other assets. Impairment arises when assets are revalued at a figure below their carrying value. In certain circumstances this fall in carrying value is chargeable to the Income and Expenditure Account.

	2011/12 £'000	2010/11 £'000
Operational Assets		
Depreciation on Council Dwellings	9,138	8,854
Revaluation on Council Dwellings	9,082	(29,214)
Change in HRA Valuation Percentage	0	112,164
Impairment	8,389	7,626
Depreciation on Vehicles Plant and Equipment	17	8
Depreciation on Other Land and Buildings	13	15
Non-operational Assets		
Revaluation on Shops	0	31
Total Depreciation and Impairment	26,639	99,484

Housing Revenue Account

Depreciation on council dwellings has been charged on a straight line basis over the life of the dwellings, estimated by the valuer of the dwellings at 60 years. The major repairs allowance for the year ending 31 March 2012 was £8.3m (£8.1m 2010/11).

8. Interest Income

	2011/12 £'000	2010/11 £'000
Interest on Cash Flow and Balances	109	108
Mortgage Interest	3	4
Notional HRA Investment Income	73	67
Total Interest	185	179

9. Housing Revenue Account Subsidy

As a result of legislation, major changes to the HRA subsidy arrangements came into effect on 1 April 2004. Rent rebates are no longer paid by the HRA and are instead paid from the General Fund, which also receives the related Government subsidy. This enables the HRA to become a pure landlord account, i.e. to reflect only the income and expenditure associated with the provision of housing stock thus ensuring greater transparency.

This change effectively results in a 'negative subsidy', i.e. surplus rental income on the subsidy account, which is now payable to the Secretary of State and, in turn, used to fund the new arrangements. A breakdown of Housing Subsidy is set out below:

	2011/12 £'000	2010/11 £'000
Management and Maintenance Allowance	17,433	17,371
Major Repairs Allowance	8,285	8,065
	25,718	25,436
Notional Rent	(45,787)	(43,367)
Notional Interest	(67)	26
Self Financing Interest Payments	127	0
Negative Subsidy (Payable to the Government)	(20,009)	(17,905)

10. Transitional Arrangements for Former Negative Subsidy Authorities

Prior to the introduction of self financing, under the previous HRA subsidy legislation, the Council (as a negative subsidy authority) under transitional arrangements made transfers from the HRA to the General Fund.

	2011/12 £'000	2010/11 £'000
Negative Subsidy Otherwise Payable to Government (2/3)	0	280
Contribution from HRA via MRR (1/3)	0	140
	20,136	18,185
Less: Transitional Measures Amount Payable to the General Fund	0	(280)
Less: Self Financing Interest Payments	(127)	0
Negative Subsidy (Payable to the Government)	20,009	17,905

Housing Revenue Account

11. Pensions

Since 2004/05, the true economic cost of providing pension benefits earned by employees, based on information provided by the Actuary, is to be allocated to the HRA.

Transactions Relating to Retirement Benefits

	2011/12 £'000	2010/11 £'000
Income & Expenditure Account		
Current Service Costs (Within Expenditure)	464	610
Past Service Costs	37	(3,066)
Interest Cost	1,270	1,715
Expected Return on Assets in the Scheme	(1,073)	(1,210)
Net Change to the Income & Expenditure Statement	698	(1,951)
Statement of Movement in the HRA Balance		
Reversal of Net Charges made for Retirement Benefits	(34)	2,668
Total Interest	664	717

12. Rent Arrears

	2011/12 £'000	2010/11 £'000
Rents - Current Tenants	1,489	1,424
Rents - Former Tenants	595	466
Supporting People and Other	30	254
Arrears excluding Housing Benefit Overpayments	2,114	2,144
Housing Benefit Overpayments (HRA Only)	0	0
Total Housing Arrears	2,114	2,144
Provision for Bad and Doubtful Debts	(1,497)	(1,474)
Total Housing Arrears	617	670

Collection Fund

Collection Fund – Income and Expenditure Account	2011/12 £'000	2010/11 £'000
Income:		
Income from Council Tax	75,124	74,389
Transfers from General Fund - Council Tax Benefits	9,310	9,364
Income Collectable from Business Ratepayers	60,052	58,316
Total Income	144,486	142,069
Expenditure		
Precepts and Demands (in year):		
Hertfordshire County Council	65,512	64,470
Hertfordshire Police Authority	8,655	8,518
Dacorum Borough Council	10,571	10,410
Business Rates:		
Payment to National Pool	59,833	58,090
Costs of Collection	219	226
Bad and Doubtful Debts:		
Council Tax Write-offs	333	295
Increase in Bad and Doubtful Debts Provision	9	110
Contributions towards previous year's estimated Collection Fund Surplus / (Deficit)	(86)	(100)
Total Expenditure	145,046	142,019
Movement on Fund Balance	(560)	50
Surplus / (Deficit) Balance Bought Forward	(156)	(206)
Surplus / (deficit) generated in year (Dacorum Borough Council)	(109)	(6)
Surplus / (deficit) generated in year (Hertfordshire County Council & Hertfordshire Police Authority)	(537)	(44)
Total in year surplus	(646)	(50)
Distribution of prior year (surplus) / deficit	86	100
Movement in Year	(560)	50
Surplus / (Deficit) Balance Carried Forward	(716)	(156)

1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to National Non-Domestic Rates, council tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

2. Council Tax

The Council's tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings) for 2011/12 was calculated on 58,554.2 dwellings as follows:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A*	2.70	5/9ths	1.5
A	947.10	6/9ths	631.4
B	6,338.70	7/9ths	4,930.1
C	16,368.98	8/9ths	14,550.2
D	13,647.90	9/9ths	13,647.9
E	7,577.84	11/9ths	9,261.8
F	5,021.72	13/9ths	7,253.6
G	4,380.90	15/9ths	7,301.5
H	635.25	18/9ths	1,270.5
Totals	54,921.09		58,848.5
Adjustment for collection rate and contributions in lieu (0.5%)			(294.3)
Council Tax Base 2011/12			58,554.2
Council Tax Base 2010/11			57,622.6

A* = Disabled Band A

The total collectable income from Council Tax was £84.1 million net of bad debts provision created at year end.

The Council Tax payable at each band is shown below. This does not include parishes.

Band	Multiplier	Dacorum Borough Council	Hertfordshire County Council	Hertfordshire Police Authority	Total
A	6/9	113.58	745.89	98.55	958.02
B	7/9	132.51	870.20	114.97	1,117.68
C	8/9	151.44	994.52	131.40	1,277.36
D	9/9	170.37	1,118.83	147.82	1,437.02
E	11/9	208.23	1,367.46	180.67	1,756.36
F	13/9	246.09	1,616.09	213.52	2,075.70
G	15/9	283.95	1,864.72	246.37	2,395.04
H	18/9	340.74	2,237.66	295.64	2,874.04

3. National Non-domestic Rates (NNDR)

Collection Fund

NNDR is organised on a national basis. The Government specifies an amount (43.3p in 2011/12; 42.6p for small businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. The Council is responsible for collecting NNDR due from ratepayers in its area, and pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds as part of the support grants.

NNDR income was £60.1m in 2011/12. The rateable value for the Council's area was £152.7m at 31 March 2012 VOA valuation (2010/11: £154.6m).

4. Contributions to Collection Fund surpluses and deficits

	Council Tax Surplus/(Deficit) £'000
Balance 1 April 2011	(156)
Allocated in Year	
Hertfordshire County Council	39
Hertfordshire Police Authority	5
Dacorum Borough Council	42
Total Distributed	86
Prior year's Surplus/(Deficit) still to be distributed	(70)
Surplus / (Deficit) generated in year	(646)
Balance 31 March 2012	(716)
Allocated between	
Hertfordshire County Council	(554)
Hertfordshire Police Authority	(73)
Dacorum Borough Council	(89)
	(716)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DACORUM BOROUGH COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Dacorum 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, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account 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 Dacorum 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.

Respective responsibilities of the Corporate Director (Finance & Governance) and auditor

As explained more fully in the Statement of the Corporate Director (Finance & Governance) Responsibilities, the Corporate Director (Finance & Governance) 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. My 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 me 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 Corporate Director (Finance & Governance); and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Dacorum 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 my 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 I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I 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

I have undertaken my 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 me to consider under the Code of Audit Practice in satisfying myself 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.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Dacorum 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

Audit Opinion

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

Mark Hodgson
District Auditor

3rd Floor,
Eastbrook,
Shaftesbury Road,
Cambridge CB2 8BF

19 September 2012

Glossary of Terms

For the purposes of this Statement of Accounts, the following definitions have been adopted:

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts. The end of the accounting period is the Balance Sheet date.
Accrual	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
Appointed Auditors	These are the external auditors appointed by the Audit Commission. They may be from the Audit Commission's own operations directorate or from a major accountancy firm. The Council's current approved auditors are from the Audit Commission's own operations directorate.
Approved Institutions	Funds that are not immediately require may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.
Asset	An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.
Audit of Accounts	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
Balance Sheet	A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.
Budget	A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.
SeRCOP	Service Accounting Code of Practice. The system of local authority accounting and reporting which reflects, in particular, the duty to secure and demonstrate 'best value' in the provision of services. SeRCOP lays down the required content and presentation of costs of service activities.
Capital Expenditure	Expenditure to acquire or enhance fixed assets that will be used in providing services for more than one year.
Capital Financing	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves. Dacorum is debt free and does not borrow to meet capital expenditure.
Capital Programme	The capital schemes the Council intends to carry out over a specified time period.
Capital Receipt	The proceeds from the disposal of land and other assets, as long as the amount is £10,000 or more. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.
Cashflow Statement	A statement that summarises the inflows and outflows of cash within the Council's accounts.

Glossary of Terms

CIPFA	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.
Collection Fund	A separate fund maintained by a billing authority that records the expenditure and income relating to council tax and non-domestic rates, including the amounts raised on behalf of Precepting Authorities
Community Assets	Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings. The value of the assets in the Balance Sheet is usually nil.
Contingent Liability/Asset	<p>Contingent Liability: a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.</p> <p>Contingent Asset: a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.</p>
Core Financial Statements	The main accounting statements of the Council comprising the Comprehensive Income and Expenditure Statement, Statement of the Movement on the General Fund Balance, Balance Sheet and Cash Flow Statement. Together with the Supplementary Financial Statements these comprise the Council's Accounting Statements.
Council Tax	This is one of the main sources of income to a local authority. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the billing authorities own General Fund
Creditor	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtor	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Depreciation	The measure of the cost of the benefits of a fixed asset which have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
Estimates	Where definitive figures are not available /cannot be found, estimates are used to produce the statement of accounts. These estimates are based on the best information available at the time of production.
Events After The Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Also referred to as Post Balance Sheet Events.
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 so that the financial statements give a true

Glossary of Terms

and fair view.

Finance Lease	A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Financial Year	Period of time to which the Statement of Accounts relates. The financial year for Local Authorities runs from 1 April to 31 March.
Fixed Assets	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
Government Grants	Grants made by central government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.
Gross Expenditure	The total cost of providing the Council's services before taking into account income from fees and charges and government grants.
Housing Benefits	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central Government.
Housing Revenue Account	A separate, statutory account inside the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the Council acting as landlord.
Impairment	This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value.
Income	This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants and investment interest.
Comprehensive Income and Expenditure Statement	An account which summarises resources generated and consumed in the provision of services for which Dacorum Council is responsible.
Infrastructure Assets	Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways) and for which a useful life span cannot be readily assessed.
Intangible Assets	These are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.
International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)	International Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these statements is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.
Inventory	These comprise one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.

Glossary of Terms

Liability	A liability arises when the Council owes money to others and it must be included in financial statements.
Long Term Investments	These are investments intended to be held for use on a continuing basis in the activities of the authority. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.
Materiality	This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.
Minimum Revenue Provision	The minimum amount which must be charged to the revenue account each year for the repayment of borrowing.
National Non-Domestic Rate (NDR)	A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business rates.
Operating Lease	A lease whereby the ownership of the fixed asset remains with the lessor.
Post Balance Sheet Event	These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorised for issue.
Precept	The levy made by precepting authorities on billing authorities, e.g. Dacorum Borough Council. The major precepting authorities are Hertfordshire County Council and Hertfordshire Police Authority. Parish Councils, e.g. Tring Parish Council, also raise money by means of a precept on the relevant billing authority.
Provision	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.
Prudential Code	The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.
Rateable Value	The annual assumed rental value of a property that is used for business purposes.
Related Parties	Two or more parties are related parties when at any time during the financial period: <ul style="list-style-type: none">• 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 its own interests; and• 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 interests.
Related Party Transactions	The transfer of assets, liabilities or services between the Council and its related parties irrespective of whether a charge is made.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion

Glossary of Terms

	of the Council.
Residual Value	This is the net realisable value of an asset at the end of its useful life.
Revaluation Reserve	An account containing any unrecognised gains or losses arising from the revaluation of fixed assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Income and Expenditure Account once all previous entries relating to unrecognised gains or losses have been removed from the accounts.
Revenue Expenditure	The day to day expenses associate with the provision of services.
Revenue Expenditure funded from Capital under Statute	Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example would be capital expenditure on improvement grants.
Revenue Support Grant	A grant paid by the Government to councils, contributing towards the costs of their services.
Code of Practice	Since the adoption of International Financial Reporting Standards in 2010/11, local authorities required to produce their accounts in accordance with the Code of Practice on Local Authority Accounting.
Statement of the Movement in Reserves	Reconciliation between the Comprehensive Income and Expenditure Statement and the General Fund or Housing Revenue Account to show the effect of spending against Council Tax or Housing Rents raised.
Supplementary Financial Statements	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
Trust Funds	Funds administered by the Council for such purposes as prizes charities and specific projects usually as a result of individual legacies and donations.
Useful Life	This is the period over which an organisation will derive benefits from the use of an asset.