



# **Dacorum Borough Council**

## **Statement of Accounts 2012/13 (Pre-Audit)**

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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 2012/13.

Over the last 12 months the Council has continued to work hard for the people of Dacorum, striving to deliver our vision of working 'in partnership to create a borough which enables the communities of Dacorum to thrive and prosper through our five main priorities.'

Our five main priorities are:

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

Throughout 2012/13 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:

- Dacorum celebrated the Queen's Diamond Jubilee in style, with an estimated 10,000 people attending the events in Gadebridge Park and Hemel town centre. The day had a real community feel with a colourful procession and numerous local acts performing. A fantastic day was brought to a spectacular close with a firework display and the lighting of a beacon at sunset.
- The people of Dacorum also made their contribution to the success of the 2012 Olympics and Paralympics, with over 100,000 people lining the routes to cheer the torch relay through the Borough. As if that wasn't enough, we also contributed a Team GB medal-winner! Hemel-born Max Whitlock made the Borough proud by winning two bronze medals in gymnastics.
- In partnership with Hertfordshire County Council, Lloyds Bank and Leeds Building Society, Dacorum has introduced the Local Authority Mortgage Scheme to provide financial assistance to first time buyers within the Borough. The Dacorum scheme has been one of the most successful in the county, with fourteen applications approved in the first four months of the scheme.
- The Council has successfully completed its first year under the new Self-Financing framework for the management of the Council's housing stock. The new regime gives the Council more control of its available resources, enabling us to progress plans for over 250 new Council homes in the next ten years – the first to be built in the Borough for over 30 years.
- Maylands Business Centre continues to go from strength to strength, providing accommodation for start-up businesses within the Borough. The centre has been at full capacity since September 2012 which has led to the centre breaking even one year earlier than planned.
- The Council worked in partnership with Hertfordshire County Council and the Department for Transport to introduce Maylands Link, a new bus service connecting Maylands Business Park with Hemel Hempstead town centre and train station. The Maylands Link bus service provides a much needed direct route, opening up the town centre's facilities to those who work out of town and helping to make Maylands an increasingly attractive place to do business.
- As part of its commitment to supporting young people into employment, the Council worked in partnership with Job Centre Plus and West Herts College to introduce a new apprenticeship scheme. The 15 apprentices receive on the job training whilst working towards a nationally recognised qualification.

## Introduction

- Dacorum was one of only a handful of local authorities in the country to be awarded an internationally recognised standard for its environmental management. The standard, ISO 14001, recognises that the Council has put systems in place to help it to understand, manage and reduce the impact that its day to day activities have on the environment. Among the measures taken are – 100% recycled paper used throughout the Council and increasing recycling facilities and reducing waste bins to encourage recycling.

As the nation's economic growth continues to progress very slowly it is inevitable that there will be further challenges ahead. However, the achievements in this introduction demonstrate that Dacorum has continued to thrive through difficult times, and I am confident that our plans for the future will inspire the Borough to go from strength to strength. I look forward to the Council playing a key role in delivering the prosperous future our residents deserve.

**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 2012/13.

The Finance Team has continued to build on the sound standards of financial management established in previous years and has worked hard to maintain governance standards whilst improving its efficiency and flexibility.

During 2012/13 this has been illustrated by the close working relationship between the Council's Finance and Housing teams to:

- deliver a successful transition to a Self-Financing regime for the Council's housing stock;
- negotiate a loan portfolio to provide financial capacity to enable the development of a 30 year business plan to significantly increase investment in the improvement of the Council's existing housing stock;
- and to secure financial resources to incorporate a new build programme for Council Housing for the first time in 30 years.

Financial services have met the following key objectives over the year:

- to proactively support service delivery initiatives and innovation across the Council;
- to maintain sound financial management practices across the Council;
- to review the Medium Term Financial Strategy to provide a robust financial plan for the Council for the medium to longer term;
- to 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;
- to ensure financial management plays a key role in the performance management of the Council.

The financial future for Local Government remains extremely uncertain. However, by reviewing the Medium Term Financial Strategy and financial forecasts the Council has been able to anticipate the core funding reductions and developed positive and ambitious plans for developing the Borough by creating financial capacity to invest in economic and housing growth. The number of investment and regeneration projects presents a unique and exciting opportunity. Financial services will continue to proactively support project teams to ensure that budgets are managed effectively and that the appropriate levels of governance are maintained throughout.

We will respond to the economic challenges by ensuring that we regularly review our Medium Term Financial Strategy and ensure that our forecasts are both robust and prudent. At the same time we will continue adapting to maximise value for money for our tax-payers and aim to avoid impact on front-line service provision. To this end I believe that we have the financial governance structures in place that will enable the Council to remain successful throughout the medium term and beyond.

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 148,000 living in 61,500 homes and there are 111,000 residents on the Electoral Register.

The Council holds elections for all Members once every four years. As at 31 March 2013, the Council was made up of 42 Conservatives, 7 Liberal Democrats 1 Labour Councillor and 1 vacant seat with the last full election held in May 2011.

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 2012-2015**

The Council's five priorities for the community were reviewed and set during 2012/13 for the period 2012-2015. 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.

# Explanatory Foreword

## 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 2012/13 (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 2012/13, and the financial position of the Council as at 31 March 2013. 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 2013. 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 2013 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.

# Explanatory Foreword

- **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 2012/13. 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 2012/13, 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.



# Explanatory Foreword

## Review of the Year

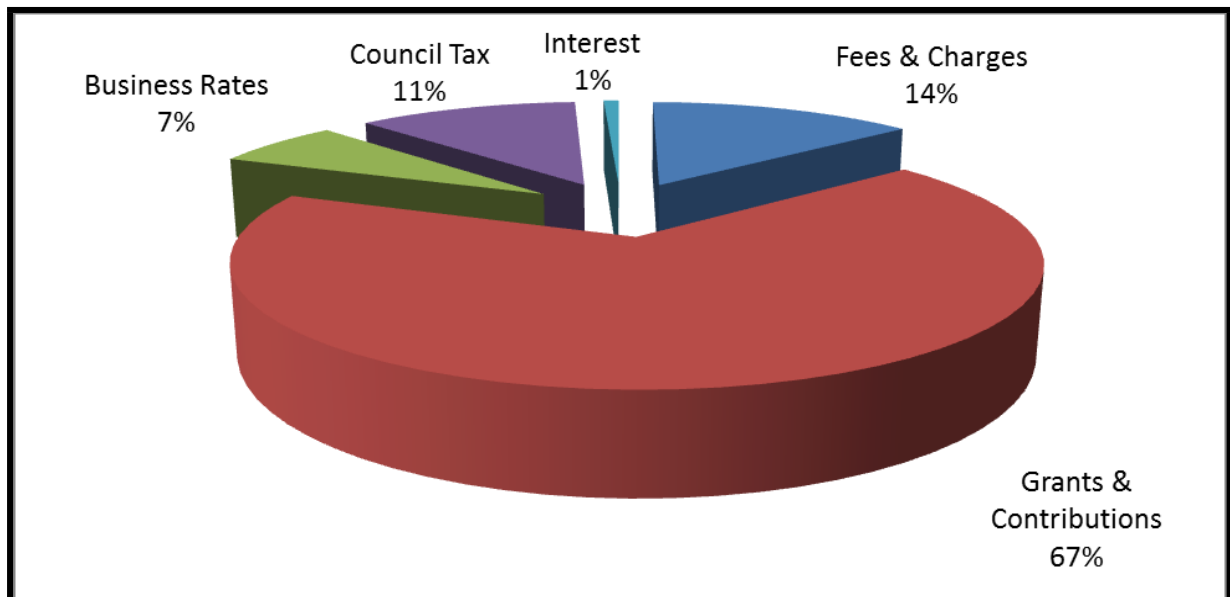
The review of the year for 2012/13 details performance against the Council's three main accounts:

- **General Fund Revenue Account**  
General Fund refers to all services not related to the Council's Housing Landlord function. Revenue expenditure is generally incurred on day to day items that are consumed within one year. Expenditure is financed principally from Government Grant, Council Tax, and fees and charges.
- **Housing Revenue Account (HRA)**  
The HRA refers to services related to the Council's Housing Landlord function. HRA expenditure must be wholly funded from Rental and Service charge income generated from Council Houses. Rental income cannot be used to fund General Fund expenditure.
- **Capital Programme**  
Capital expenditure is incurred when an asset is acquired or enhanced and a benefit is derived for a period in excess of one year. Capital expenditure is financed from Capital Receipts, Government Grants, Revenue contributions and Borrowing.

## General Fund Revenue Account

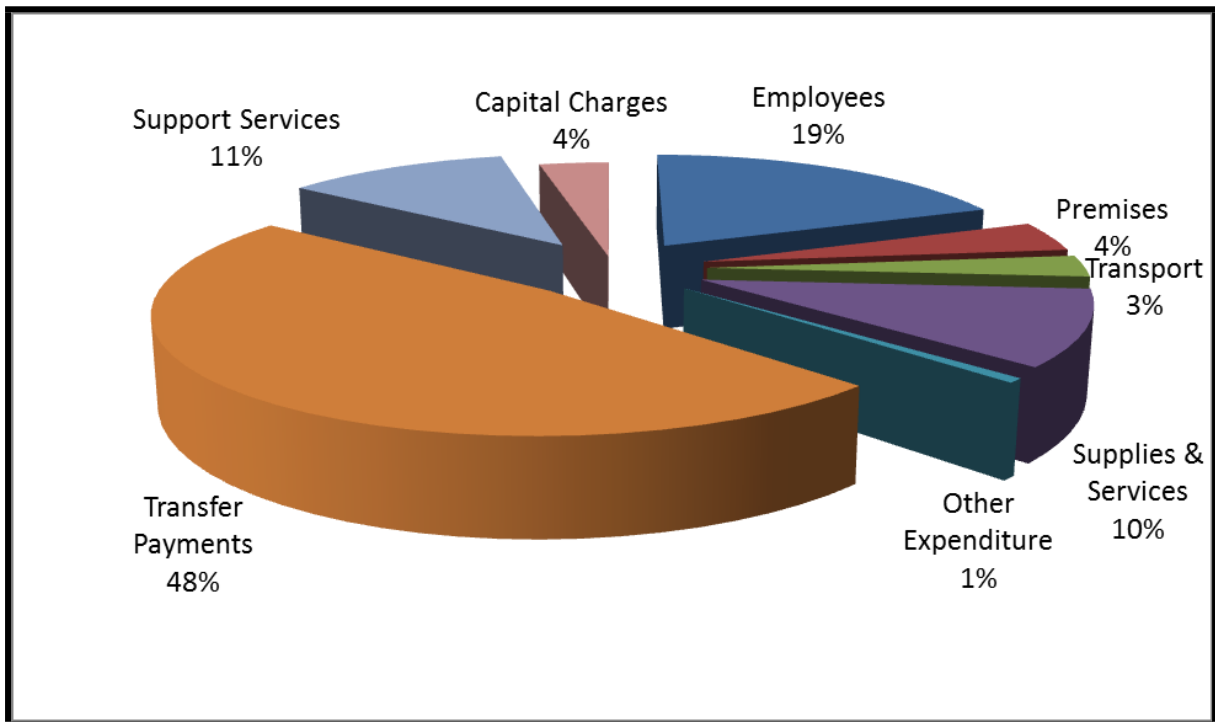
The following charts outline where the Council's revenue money came from, how it was spent and on which services.

### Where the Money Came From

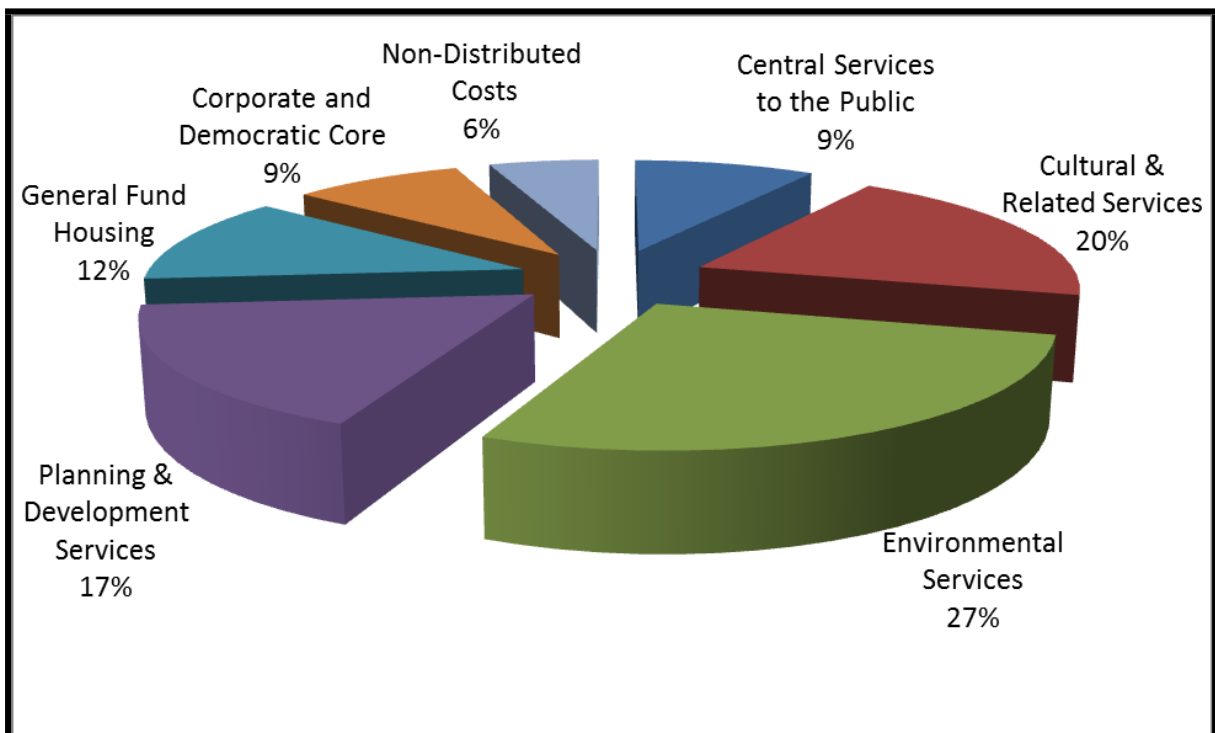


### How the Money was Spent

# Explanatory Foreword



## What Services Have Been Provided with the Money?



## Budget Summary and Variance

## Explanatory Foreword

The table below summarises the Council's General Fund Revenue Account for 2012/13:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Cost of Services</b>	<b>21,802</b>	<b>19,859</b>	<b>(1,943)</b>
Interest (Receipts)/Payments	(680)	(698)	(18)
Capital Financing Adjustments	(3,912)	(3,936)	(24)
Pension Adjustments	0	861	861
Revenue Contributions to Capital	717	506	(211)
Contributions to/(from) Earmarked Reserves	(1,702)	570	2,272
Leave Accrual	0	(94)	(94)
<b>Net Council Budget</b>	<b>16,225</b>	<b>17,068</b>	<b>843</b>
Parish Precepts	618	618	0
<b>Net Council Budget (Incl. Precepts)</b>	<b>16,843</b>	<b>17,686</b>	<b>843</b>
Revenue Support Grant	(116)	(116)	0
National Non-Domestic Rate Grant	(5,985)	(5,985)	0
Other Government Grants	(1,138)	(1,360)	(222)
Council Tax	(10,613)	(10,613)	0
Collection Fund Deficit/(Surplus)	77	77	0
<b>Total Income</b>	<b>(17,775)</b>	<b>(17,997)</b>	<b>(222)</b>
<b>(Surplus) / Deficit for the year</b>	<b>(932)</b>	<b>(311)</b>	<b>621</b>
Working Balance Brought Forward	(2,680)	(2,680)	0
<b>Working Balance Carried Forward</b>	<b>(3,612)</b>	<b>(2,991)</b>	<b>621</b>

The underspend in Net Cost of Services has meant that the proposed use of earmarked reserves is no longer required and there is now a contribution to earmarked reserves. The Council's working balance has also increased, remaining in line with the Council's Medium Term Financial Strategy. A detailed breakdown of the movements to and from reserves can be seen in Note 20 to the Accounts.

The following paragraphs set out the main budget variations for the General Fund Net Cost of Services by subjective category:

### **Employees - £804k below budget**

- £861k relating to statutory pension adjustments. This results from an accounting entry undertaken as part of the year-end process and is reversed out below the Net Cost of Services line to ensure that taxpayers are unaffected.

## **Supplies & Services - £604k below budget**

- £125k underspend on the Public Sector Quarter (PSQ) project due to a change in the timing of related consultancy services. These services will still be required as part of the ongoing PSQ project, but costs will now be met in 2013/14.
- £54k of the expected costs involved in the inspection of the Local Development Framework (LDF) documents supporting the Council's Spatial Planning Strategy will not now be incurred until 2013/14.
- £250k underspend relates to garage maintenance, where a higher value contract was let for works to be completed in 2013/14.
- £156k underspend which relates to a lower than expected amount required for bad debt provision following a strong performance from the Council's Accounts Receivable team.

## **Income - £421k over recovery**

- £45k arising from increases in the number of sales of pre-purchased grave spaces.
- £154k from Investment Properties due to the successful implementation of retrospective rent reviews since the revised budget process.
- £48k from increased occupancy levels achieved at the Maylands Business Centre, 100% was achieved against a budget of 90%.
- £34k of Local Sustainable Transport Funding was agreed in year and received in quarter 4 of 2012/13.
- £44k additional income was achieved from Building Control fees through an improving level of demand.
- £36k additional income was achieved from Land Charges through an improving level of demand.
- £40k relating to rental income now recovered through housing benefits, in relation to tenants at Leys Road hostel (homelessness accommodation).
- £49k due to a higher than expected level of taxi licence fees following an increase in demand.

## **Housing Revenue Account (HRA)**

## Explanatory Foreword

The table below summarises the Council's Housing Revenue Account for 2012/13:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Dwelling Rents and Service Charges	(49,691)	(49,855)	(164)
Interest on Investment Income	(156)	(153)	3
Other Income	(1,857)	(1,907)	(50)
<b>Total Income</b>	<b>(51,704)</b>	<b>(51,915)</b>	<b>(211)</b>
Repairs & Maintenance	9,666	9,846	180
Supervision & Management	9,743	9,864	121
Interest Payable	11,670	11,672	2
Depreciation	8,821	9,033	212
Other Expenditure	571	737	(6)
<b>Total Expenditure</b>	<b>40,471</b>	<b>41,152</b>	<b>681</b>
<b>(Surplus) / Deficit for the year</b>	<b>(11,233)</b>	<b>(10,763)</b>	<b>470</b>
Working Balance Brought Forward	(4,014)	(4,014)	0
Transfer to Earmarked Reserves	12,000	12,000	0
<b>Working Balance Carried Forward</b>	<b>(3,247)</b>	<b>(2,777)</b>	<b>470</b>

The Working Balance for the Housing Revenue Account is now £2,777k, which is consistent with the minimum target balance of 5% of income stated in the Medium Term Financial Strategy.

The major budget variations for the Housing Revenue Account are set out below:

### **Dwelling Rents - £164k over achieved**

- This is the combined impact of more effective voids management, new tenants moving straight to target rent, and an improved collection rate.

### **Repairs & Maintenance - £180k over budget**

- There has been an increase in demand-led expenditure for responsive and void repairs of £558k which has been partly offset by an underspend on the planned maintenance budget of £447k.

### **Supervision & Management - £121k over budget**

- There are two main areas of variance on Uninsured Losses (£70k) and on the demand led Tenant Decant budget (£50k).

### **Depreciation - £210k over budget**

- Depreciation costs are higher than budgeted due to an increase in the valuation of the stock.

### **Capital Programme**

## Explanatory Foreword

The table below summarises the Council's Capital Expenditure and Financing for 2012/13:

	<b>Budget</b>	<b>Actual</b>	<b>C/Fwd</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund - Finance and Resources	6,028	5,105	783	(140)
General Fund - Housing and Community	3,597	3,633	(17)	19
General Fund - Strategic Planning & Environment	1,549	1,292	238	(19)
Housing Revenue Account	20,685	18,184	1,771	(730)
<b>Total Expenditure</b>	<b>31,859</b>	<b>28,214</b>	<b>2,775</b>	<b>(870)</b>
Major Repairs Reserve	(13,491)	(4,567)	0	(8,924)
Capital Receipts	(15,037)	(20,433)	(2,501)	7,897
Government Grants	(2,400)	(2,557)	0	157
Borrowing	0	0	0	0
Revenue Contributions	(730)	(506)	(224)	0
S106 Contributions	(201)	(151)	(50)	0
<b>Total Funding</b>	<b>(31,859)</b>	<b>(28,214)</b>	<b>(2,775)</b>	<b>(870)</b>

The major variations on the Capital Programme are set out below:

### General Fund Schemes

- Strategic Acquisitions (£298k) – the Council's purchase of 39 Marlowes will not now complete until 2013/14.
- Car Park refurbishment works (£88k) originally scheduled for 2012/13 have been re-prioritised and will now take place in 2013/14.
- £255k of the expenditure planned for the Highbarns chalk mine project will not now be incurred until 2013/14.
- £203k of budget for the procurement of fleet vehicles will now be incurred in 2013/14 following delays in the delivery of vehicles from the supplier.

### Housing Revenue Account Schemes

- £1.744m slippage relating to New Build projects.
  - £378k slippage at the Galley Hill site was due to legal processes at the Homes and Community Agency taking longer than anticipated to remove a covenant on the site which prevented residential development. The lifting of the covenant was a condition of the Council's purchase. It has now been lifted and the Council's purchase will complete in 2013/14.
  - £1.3m relates to the transfer of land from the General Fund for the New Build project at London Road, Apsley, which will complete in 2013/14.

## Explanatory Foreword

- £729k slippage relating to two schemes within the Major Repairs Programme.
- During 2012/13, a decision was taken to let a two-year contract (rather than the usual one year) for the Roof Replacement programme in order to align it with the Total Asset Management contract. This led to a longer tendering process which is now complete and the works will be delivered during 2013/14.
- A protracted planning process around the Longlands flat development caused delays in 2012/13. A feasibility study has now been produced for the development of the site and the project is expected to progress during 2013.

### **The Council's Financial Outlook**

The Council's budget for 2013/14 and Medium Term Financial Forecast were approved by Full Council in February 2013. Given the testing economic outlook, the Council is projecting further significant reductions in core grant funding and continuing pressures on income streams and services.

The Council has plans and resources in place to manage successfully through the medium term. The move to "Self Financing" for Council Housing has provided the Council with the control and resources to start a new build programme for the first time in over 30 years.

The Council's medium term capital plans will provide a significant level of investment into the Borough. It is expected that this will have a positive impact on the local economy as well as acting as a catalyst to attract private sector investment and development in Dacorum. The aim of this is to have a further positive impact within the Borough and for the Council through increased business rates or New Homes Bonus.

### **Council Tax Collection**

The net collectable amount in respect of 2012/13 Council Tax was £76.1m. The Council achieved a collection rate of 97.8% (2011/12 98%). Council Tax arrears for precepting authorities (for all years) amounted to £6.2m as at 31 March 2013.

### **Further Information**

In April 2012, the decision was taken to sell Hemel Hempstead Civic Centre as part of delivering a new Public Sector Quarter on the same site. 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 Council's Accounting Policies (note 1). The building is currently valued at £5.5m and is held within Property, Plant and Equipment on the Balance Sheet.

More detailed explanations for the Council's outturn are provided in the report to the Cabinet meeting held on 28 May 2013, entitled 'Provisional Outturn 2012/13', which is available on the Council's website: [www.dacorum.gov.uk](http://www.dacorum.gov.uk).

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)**  
**26 June 2013**

# 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 2013. Approval of the Statement of Accounts has been delegated to the Audit Committee.

## **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 2013, and its income and expenditure for the year ending 31 March 2013.

**Sally Marshall**

**Corporate Director (Finance and Governance)**

**26 June 2013**



# Annual Governance Statement

## Annual Governance Statement 2012/13

### 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/SOLACE<sup>1</sup> 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 IDEA<sup>2</sup> 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.

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

<sup>2</sup> 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 2013 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

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- 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 former 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. In 2012/13 the LSP was succeeded by the Destination Dacorum partnership with a specific remit for economic well-being.

Within this context, during 2012/13 the Council reviewed its overall vision and priorities for its local communities. The Council's aims are captured within its new Corporate Plan 2012-2015 which was adopted by the Council in January 2013 and sets out five local community priorities. The five priorities that were included in the 2012-15 Corporate Plan were:

- 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 2012/13 and also as part of the budget preparation for 2013/14. 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.

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.

### **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 2012/13 to ensure that it was fit for purpose and is designed to cover the four-year period 2012-15. The updated plan was considered by Cabinet in November 2012 for referral to Council for approval. Council approved the updated plan in January 2013.

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 2013/14 performance objectives was undertaken by Assistant Directors in March 2013.

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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 which 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 Governance Report for 2011/12, the most recent undertaken, which was reported to the Audit Committee on 19 September 2012, the Auditor reported that:-

"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."

Project management has been strengthened. 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".

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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
- 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 adopted a new 'local' Code of Conduct for Members in accordance with the Localism Act 2011. The Code was adopted in July 2012 and includes the mandatory provisions relating to the registration and declaration of Disclosable Pecuniary Interests.

In November 2012 the Council appointed Rachel Keil as the Council's Independent Person for the purposes of the Localism Act as part of the Council's arrangements for dealing with complaints about Members.

All elected and co-opted Members have been made aware of the changes to the Code and have entered their interests in the Register of Members' Interests. The Register has been published on the Council's website as required by the Localism Act..

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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 new 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 2012/13 to enable the Constitution to remain fit for purpose. During 2012/13 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 2012/13.

During 2011/12 the Council's Financial Regulations were subject to full review by officers, the Finance & Resources Overview and Scrutiny Committee and the Audit Committee before being presented to Cabinet for recommendation to Council. A further review is scheduled for the financial year 2013/14.

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.

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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 currently being reviewed and updated in light of the programme of Information and Communications Technology (ICT) infrastructure improvements. 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 CIPFA<sup>3</sup>. 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.**

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, Corporate 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 annually to the Assistant Director (Legal, Democratic & Regulatory).

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<sup>3</sup> Audit Committee – Practical Guidance for Local Authorities published 2005.

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## **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.

During 2012/13 four applications were made for authorisations under RIPA to carry out covert surveillance. The Council therefore remains a sparing user of directed surveillance.

## **Compliance with the Data Protection Act**

Under the DPA the Council is required to take appropriate technical and organisational measures against the unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data and to ensure an appropriate level of security.

In 2012/13 the post of Information Security Team Leader was created as part of the Legal Governance Team and the Assistant Director (Legal, Democratic & Regulatory) was designated as the Council's Senior Information Risk Officer by the Audit Committee. The SIRO has overall responsibility for managing information risk on behalf of the Chief Executive and Corporate Management Team. In September 2012 the Council reported a breach of the DPA to the Information Commissioner's Office (ICO). An internal investigation was carried out by Council officers and the investigation report was sent to the ICO together with details of the measures which the Council had in place to prevent such a breach occurring and the additional measures which had been taken following the breach. The ICO noted the steps taken by the Council to improve its DPA compliance, in particular the training given to employees, and decided that regulatory action was not necessary on this occasion.

## **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, with all members of staff encouraged to attend refresher courses delivered by the Corporate Anti-Fraud team throughout the year.

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.



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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. The Council again retained its Member Charter status following independent assessment during 2012.

As part of the commitment to the Member Charter, Member training attendance is registered and monitored. During 2012/13, Members attended 13 specific events and also attended additional courses and conferences. Details of the events and attendance levels are set out in the table below:

<b>Member Development Sessions/Courses 2012/13</b>	<b>Date</b>	<b>Attendance</b>
Emergency Planning	18/04/12	16
Community Infrastructure Levy	31/05/12	21
Water Gardens briefing	27/06/12	17
Law Commission & Tax Reform	30/08/12	4
Licensing Act 2003 & Taxi Licensing	13/09/12	14
Environmental Management	4/10/12	13
Localism	10/10/12	18
Standards	20/11/12	34
Marlowes Improvements	28/11/12	11
Budget	13/12/13	23
Managing Challenging Situations & Difficult People	10/01/13	14
Information Security	27/02/13	18
Scrutiny	06/03/13	16
Additional Conference/courses		9

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 current 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 reassessment in 2012/13.

## **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 (LSP) 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 the

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LSP. The changing political, financial and partnership environment necessitated a fundamental re-think about the function and form that the Local Strategic Partnership should take. A restructure was implemented in 2012 which reduced the size of the partnership to six significant elements focussing primarily on economic well-being. The Sustainable Community Strategy was refreshed and launched in 2012 following approval by Council in September 2012.

The Council runs a Local Petition Scheme which helps neighbourhood action groups to set the agenda for future improvements to local areas. Our magazine Dacorum Digest and the Dacorum Borough Council website are the main methods for communicating with the Borough's 141,600 residents about our roles and responsibilities and our plans for the future. We have also developed close relationships with local broadcast and newspaper journalists. We now have established social media accounts on Facebook, Twitter and YouTube. We also run campaigns on specific issues which make use of community noticeboards and campaign materials in our three civic centre receptions, as well as occasionally radio and newspaper advertising

## **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 Local Strategic Partnership (Destination Dacorum) 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 annual review also identified new partnerships which were added to the register. The partnerships register was further reviewed in 2012.

## **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.

Throughout 2012/13, the Internal Audit function was undertaken under contract by Deloitte Public Sector Internal Audit Limited which provides 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. Following a recent exercise to re-let the Internal Audit contract, the service for 2013/14 and the subsequent 3 years will be provided by BDO.

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## 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"> <li>○ Approve Constitution including: Financial Regulations; Codes of Conduct; Procurement Standing Orders; Scheme of Delegation</li> <li>○ Set budget and policy framework</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council – quarterly reports</li> <li>○ Responsibility for key decisions and initiating corrective action in relation to risk and internal control issues</li> <li>○ Monthly public meetings (excluding any summer recess)</li> <li>○ Regular briefings with Chief Officers</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>○ Five scheduled meetings per annum</li> <li>○ Review and scrutinise the outcome of Internal and External audit reports and those of other external agencies such as the Ombudsman</li> <li>○ Monitor the Governance arrangements within the Council</li> <li>○ Delegated responsibility to scrutinise and approve the Financial Statements on behalf of the Council</li> <li>○ To consider the External Auditor's report to those charged with Governance on issues arising from the audit of the accounts</li> </ul>
Overview and Scrutiny Committees: <ul style="list-style-type: none"> <li>○ Housing &amp; Community</li> <li>○ Strategic Planning &amp; Environment</li> <li>○ Finance &amp; Resources</li> </ul>	<ul style="list-style-type: none"> <li>○ To provide overview and scrutiny and policy development role in relation to business associated with the Cabinet Portfolios</li> <li>○ To monitor the performance of relevant Council services, including services which are provided under contract or agreement by external organisations or private sector companies</li> </ul>
Standards Committee	<ul style="list-style-type: none"> <li>○ Consider allegations of breaches of the Code of Conduct</li> <li>○ Promote and maintain high standards of conduct by the members of the Council</li> </ul>
Internal Audit – (outsourced service provided by Deloitte)	<ul style="list-style-type: none"> <li>○ Set overall internal audit strategy to meet the Council's overall direction</li> <li>○ Undertake an annual programme of audits</li> <li>○ Present audit reports to Management and Audit Committee</li> <li>○ Present progress reports to Audit Committee measuring performance against the Audit Plan</li> </ul>
Chief Executive (Head of Paid Service)	<ul style="list-style-type: none"> <li>○ Overall corporate policy management and operational responsibility</li> <li>○ Chairman of Corporate Management Team</li> </ul>

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<p>Monitoring Officer (Assistant Director (Legal, Democratic &amp; Regulatory))</p>	<ul style="list-style-type: none"> <li>○ Maintain the Constitution</li> <li>○ Ensure lawfulness and fairness of decision making</li> <li>○ Supporting the Standards Committee</li> <li>○ Receive complaints and decide whether they merit further investigation. If the complaint is investigated to report the outcome to the Standards Committee for a decision and ensure the correct procedural steps are followed and appropriate assistance is given to the Committee throughout the process</li> <li>○ Act as the Senior Information Risk Officer</li> <li>○ Act as the Senior Responsible Officer (RIPA)</li> <li>○ Proper officer for access to information</li> <li>○ Advise whether Cabinet and Portfolio Holder decisions are within the Council's budget and policy framework</li> <li>○ Provide advice and contribute to corporate management as a member of Corporate Management Team</li> </ul>
<p>Section 151 Officer (Corporate Director (Finance &amp; Governance))</p>	<ul style="list-style-type: none"> <li>○ Ensure lawfulness and financial prudence of decision making</li> <li>○ 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</li> <li>○ Contribute to corporate management as a member of Corporate Management Team</li> <li>○ 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</li> <li>○ Provide financial information to the media, members of the public and community</li> </ul>
<p>Statutory Officers Comments – Monitoring Officer and Section 151 Officer</p>	<ul style="list-style-type: none"> <li>○ 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</li> <li>○ Review of governance issues arising out of day to day working practices</li> <li>○ Consider issues arising out of the annual assurance statements</li> </ul>
<p>Corporate Directors</p>	<ul style="list-style-type: none"> <li>○ Overall strategic and operational management of those services falling within each individual directorate</li> <li>○ Contribute to corporate management as a member of Corporate Management Team</li> </ul>
<p>Corporate Management Team</p>	<ul style="list-style-type: none"> <li>○ Monthly review of budget, performance and Improving Dacorum Programme</li> <li>○ Quarterly review of strategic risk management</li> </ul>
<p>Performance Board</p>	<ul style="list-style-type: none"> <li>○ Review performance against Council Vision and Priorities</li> <li>○ Review Dacorum Delivers improvement programme projects</li> </ul>

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<p>Capital Strategy Steering Group</p>	<ul style="list-style-type: none"> <li>○ Representation from all directorates and Cabinet (Finance and Resources Portfolio Holder)</li> <li>○ Monthly monitoring of the delivery of capital programme</li> <li>○ Detailed appraisal and scoring of new schemes for recommendation to Cabinet/consideration for recommendation to Council</li> </ul>
<p>Corporate Working Groups</p>	<ul style="list-style-type: none"> <li>○ Officer/Member groups drawn from service directorates and including relevant Portfolio Holders as appropriate</li> <li>○ Oversee and review delivery of all relevant operational matters and establish and receive reports from sub-groups as necessary</li> <li>○ Consider options appraisals and make recommendations for CMT and Cabinet consideration</li> </ul>
<p>Corporate Risk Management Group (subsumed within Assistant Directors Group)</p>	<ul style="list-style-type: none"> <li>○ 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</li> </ul>
<p>Assistant Directors and Group Managers</p>	<ul style="list-style-type: none"> <li>○ Operational management for the services falling within each individual service area</li> <li>○ 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.</li> </ul>

# Annual Governance Statement

## 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 2013.

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 25 reviews in 2012/13, of which 23 (92%) were rated as providing a full or substantial level of assurance, an improvement of 7 percentage points over 2011/12. Two reviews (8%) provided limited assurance, down from four in 2011/12. 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 2013 accords with proper practice. Further details of the reviews undertaken by Internal Audit during 2012/13 are available upon request and are summarised within the Internal Auditor's draft Annual Report presented to the Audit Committee on 29 May 2013 and published on the Council's website.

The Internal Auditor noted in his annual report that "overall we have seen a significant improvement in the control environment around key financial systems." Two limited assurance reports were issued, each of which included a priority 1 recommendation. Priority 1 recommendations 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) **Performance Management – evidence of performance indicators being reviewed.** The process of setting targets on CorVu, the Council's electronic performance reporting tool, has been revised in response to this recommendation. All targets must now be approved by a responsible officer before they can be included within the monthly reports.
- 2) **Virtual Infrastructure and Remote Access – compliance with best practice standards.** The Council has introduced new virtual infrastructure security settings built to industry standards by a specialist external consultancy. The new environment is configured with standard controls in place. Servers have been migrated off the old environment on to this new one, and any new servers being built now, are being configured on the new cluster.

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	2012/13			2011/12		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services to the Public		3,142	(774)	2,368	3,226	(876)	2,350
Cultural and Related Services		8,398	(3,505)	4,893	8,684	(3,539)	5,145
Environmental and Regulatory Services		11,193	(4,371)	6,822	10,964	(4,737)	6,227
Planning Services		5,721	(1,441)	4,280	6,171	(1,358)	4,813
Highways, Roads & Transport Services		1,490	(1,839)	(349)	1,581	(1,987)	(406)
Local Authority Housing (HRA)		33,032	(51,762)	(18,730)	65,727	(48,528)	17,199
Exceptional item – Local Authority Housing (HRA) Self Financing Payment	6	0	0	0	354,015	0	354,015
Other Housing Services		62,458	(59,367)	3,091	58,464	(56,456)	2,008
Adult Social Care		0	0	0	(6)	0	(6)
Corporate and Democratic Core		2,329	(184)	2,145	2,309	(221)	2,088
Non Distributed Costs		1,391	0	1,391	1,499	0	1,499
Exceptional item – VAT refunds	6	0	0	0	307	(1,534)	(1,227)
<b>Total Cost of Services</b>		<b>129,154</b>	<b>(123,243)</b>	<b>5,911</b>	<b>512,941</b>	<b>(119,236)</b>	<b>393,705</b>
Other Operating Expenditure	7			(881)			975
Financing and Investment Income and Expenditure	8			8,515			(4,649)
Taxation and Non Specific Grant Income	9			(20,741)			(18,840)
<b>(Surplus)/Deficit on Provision of Services</b>				<b>(7,196)</b>			<b>371,191</b>
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment	21			(1,583)			3,422
Actuarial (Gains)/Losses on Pension Asset / Liabilities	15			9,527			14,255
<b>Other Comprehensive Income and Expenditure</b>				<b>7,944</b>			<b>17,677</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>748</b>			<b>388,868</b>

## 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
<b>Balance at 31 March 2012</b>		<b>2,680</b>	<b>13,841</b>	<b>4,014</b>	<b>127</b>	<b>2,336</b>	<b>721</b>	<b>203</b>	<b>23,922</b>	<b>360,226</b>	<b>384,148</b>
Movement in Reserves During 2012/13:											
Surplus or (Deficit) on Provision of Services		(2,090)	0	9,286	0	0	0	0	7,196	0	7,196
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	(7,944)	(7,944)
<b>Total Comprehensive Income and Expenditure</b>		<b>(2,090)</b>	<b>0</b>	<b>9,286</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,196</b>	<b>(7,944)</b>	<b>(748)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	19	2,971	0	1,477	0	4,516	(141)	5,467	14,290	(14,290)	0
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>		<b>881</b>	<b>0</b>	<b>10,763</b>	<b>0</b>	<b>4,516</b>	<b>(141)</b>	<b>5,467</b>	<b>21,486</b>	<b>(22,234)</b>	<b>(748)</b>
Transfer (to)/from Earmarked Reserves	20	(570)	570	(12,000)	12,000	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>311</b>	<b>570</b>	<b>(1,237)</b>	<b>12,000</b>	<b>4,516</b>	<b>(141)</b>	<b>5,467</b>	<b>21,486</b>	<b>(22,234)</b>	<b>(748)</b>
<b>Balance at 31 March 2013</b>		<b>2,991</b>	<b>14,411</b>	<b>2,777</b>	<b>12,127</b>	<b>6,852</b>	<b>580</b>	<b>5,670</b>	<b>45,408</b>	<b>337,992</b>	<b>383,400</b>

	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
<b>Balance at 31 March 2011</b>		<b>2,981</b>	<b>11,567</b>	<b>3,512</b>	<b>989</b>	<b>1,366</b>	<b>729</b>	<b>27</b>	<b>21,171</b>	<b>751,844</b>	<b>773,015</b>
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)
<b>Total Comprehensive Income and Expenditure</b>		<b>21</b>	<b>0</b>	<b>(371,212)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(371,191)</b>	<b>(17,676)</b>	<b>(388,867)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	19	1,952	0	370,852	0	970	(8)	176	373,942	(373,942)	0
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>		<b>1,973</b>	<b>0</b>	<b>(360)</b>	<b>0</b>	<b>970</b>	<b>(8)</b>	<b>176</b>	<b>2,751</b>	<b>(391,618)</b>	<b>(388,867)</b>
Transfer (to)/from Earmarked Reserves	20	(2,274)	2,274	862	(862)	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>(301)</b>	<b>2,274</b>	<b>502</b>	<b>(862)</b>	<b>970</b>	<b>(8)</b>	<b>176</b>	<b>2,751</b>	<b>(391,618)</b>	<b>(388,867)</b>
<b>Balance at 31 March 2012</b>		<b>2,680</b>	<b>13,841</b>	<b>4,014</b>	<b>127</b>	<b>2,336</b>	<b>721</b>	<b>203</b>	<b>23,922</b>	<b>360,226</b>	<b>384,148</b>



## Balance Sheet

	Note	31 March 2013 £'000	31 March 2012 £'000
<b>Long-term Assets</b>			
Property, Plant & Equipment	21	707,618	704,606
Investment Property	18	43,141	39,832
Heritage Assets	39	1,649	1,649
Intangible Assets	23	891	976
Long-term Investments	38	0	0
Long-term Debtors	25	1,158	185
<b>Total Long Term Assets</b>		<b>754,457</b>	<b>747,248</b>
<b>Current Assets</b>			
Short-term Investments	38	31,298	26,668
Assets Held for Sale	24	0	0
Inventories		180	150
Short-term Debtors	26	12,092	10,969
Cash and Cash Equivalents	27	30,271	35,162
<b>Total Current Assets</b>		<b>73,841</b>	<b>72,949</b>
<b>Current Liabilities</b>			
Short-term Creditors	28	(14,108)	(14,085)
Short-term Borrowing	38	(127)	(127)
Capital Grants and Contributions	30	(3,758)	(5,102)
Provisions	31	(1,161)	(1,642)
<b>Total Current Liabilities</b>		<b>(19,154)</b>	<b>(20,956)</b>
<b>Long-term Liabilities</b>			
Long-term Creditors	29	(7,187)	(7,238)
Long-term Borrowing	38	(346,739)	(346,739)
Net Pension Liability	15	(71,818)	(61,116)
<b>Total Long-term Liabilities</b>		<b>(425,744)</b>	<b>(415,093)</b>
<b>Net Assets (Assets Less Liabilities)</b>		<b>383,400</b>	<b>384,148</b>
<b>Usable Reserves</b>			
General Fund		2,991	2,680
Earmarked Reserves – General Fund	20	14,411	13,841
Housing Revenue Account		2,777	4,014
Earmarked Reserves – Housing Revenue Account	20	12,127	127
Major Repairs Reserve		6,852	2,336
Capital Grants Unapplied Account		580	721
Capital Receipts Reserve		5,670	203
<b>Total Usable Reserves</b>		<b>45,408</b>	<b>23,922</b>
<b>Unusable Reserves</b>			
Revaluation Reserve	32	33,067	32,578
Capital Adjustment Account	33	376,957	388,944
Deferred Capital Receipts	34	49	70
Collection Fund Adjustment Account	35	21	(89)
Pension Reserve	15	(71,818)	(61,116)
Accumulated Absences Account	36	(284)	(161)
<b>Total Unusable Reserves</b>		<b>337,992</b>	<b>360,226</b>
<b>Total Reserves</b>		<b>383,400</b>	<b>384,148</b>

## Cash Flow Statement

	2012/13 £'000	2011/12 £'000
<b>Cash Flows from Operating Activities</b>		
Net Surplus/(Deficit) on Provision of Services	7,196	(371,191)
<i>Adjustments to Net Surplus/(Deficit) on Provision of Services for Non-Cash Movements:</i>		
Depreciation & Impairment	12,519	12,923
Changes in Market Value of Property, Plant & Equipment	4,239	18,632
Amortisation of Intangible Assets	311	400
Changes in Fair Value of Investment Properties	(2,095)	(3,107)
Disposal of Assets	4,119	1,738
Other non-cash Movements	4	0
<i>Adjustments for Items Included in the Net Surplus/(Deficit) on Provision of Services that are Investing/Financing Activities</i>		
Capital Grants Recognised	(2,634)	(1,004)
Proceeds on Disposal of Property, Plant & Equipment	(6,709)	(2,275)
Changes in Inventory	(30)	(20)
Changes in Debtors	(2,424)	1,087
Changes in Creditors	1,357	142
Changes in Provisions	(481)	471
Changes in Deferred Capital Receipts	(21)	(40)
Changes in Net Pension Liability	1,175	219
<b>Net Cash Flows from Operating Activities</b>	<b>16,526</b>	<b>(342,025)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment	(22,418)	(11,052)
Purchase of Investment Property	(1,103)	(52)
Purchase of Intangible Assets	(226)	(195)
Proceeds from the Disposal of Property, Plant and Equipment	6,728	2,316
Net Changes in Short-term and Long-term Investments	(4,630)	1,989
<b>Net Cash Flows from Investing Activities</b>	<b>(21,649)</b>	<b>(6,994)</b>
<b>Cash Flows from Financing Activities</b>		
Changes in Capital Grants and Contributions	(1,344)	(650)
Capital Grants and Contributions Recognised	2,634	1,004
Cash Receipts of Short-term and Long-term Borrowing	0	346,739
Changes in Council Tax and NNDR Collected for Third Parties	(1,058)	(1,003)
<b>Net Cash Flows from Financing Activities</b>	<b>232</b>	<b>346,090</b>
<b>Net Increase/Decrease in Cash and Cash Equivalents in the Period</b>	<b>(4,891)</b>	<b>(2,929)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>35,162</b>	<b>38,091</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>30,271</b>	<b>35,162</b>

The cash flows for operating activities include the following items:

	2012/13 £'000	2011/12 £'000
Interest Receivable and Similar Income	875	725
Interest Payable and Other Similar Charges	11,694	269

# 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 2012/13 (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 outlined separately.

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 2012/13 (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 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 currently 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 50 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 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. The groups of Heritage Assets along with the measurement basis are as follows:

### 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.

### 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.

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.



# Notes to the Core Financial Statements

## 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.

## **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.

## **Disposals and Non-current Assets Held for Sale**

Assets are reclassified as an Asset Held for Sale when the following criteria are met:

- The asset must be available for immediate sale in its present condition
- The sale must be highly probable
- The asset must be actively marketed
- The sale should be expected to qualify for recognition as a completed sale within one

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

# Notes to the Core Financial Statements

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 may be 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.

## **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.

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**

# Notes to the Core Financial Statements

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

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:

# Notes to the Core Financial Statements

- 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 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.

# Notes to the Core Financial Statements

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 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 or Housing Revenue Account Balances 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 or Housing Revenue Account Balance in the Movement in Reserves Statement so that there is no net charge against council tax or housing rent 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

# Notes to the Core Financial Statements

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.

## 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

For 2012/13, the following accounting policy changes need to be reported:

- Amendments to IFRS 7, Financial Instrument Disclosures (transfers of financial assets December 2011). This is not expected to impact the councils Accounts.
- Amendments to IAS12 Income Taxes (deferred tax: recovery of underlying assets, December 2010). This is not expected to impact the councils Accounts.
- Amendments to IAS1 Presentation of Financial Statements (other comprehensive income June 2011). This is not expected to impact the councils Accounts.
- Amendments to IAS19 Employee Benefits (June 2011). The amendments to the standard move the disclosures to a principle-based approach and include explicit disclosure objectives. The disclosure requirements will introduce new information to the Councils accounts in relation to its disclosures on post-employment benefits.
- IFRS13 Fair Value Measurement (May 2011). This Introduces a consistent definition for measurements of assets or liabilities held at fair value, and require increased disclosure requirements where applicable.

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

# Notes to the Core Financial Statements

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 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## Valuation of Property, Plant and Equipment

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 £31.4m in the Balance Sheet and increase the annual depreciation charge by £0.45m in the Comprehensive Income and Expenditure Statement. A 5% decrease in property prices would decrease the carrying value of the council dwellings by £31.4m in the Balance Sheet and decrease the annual depreciation charge by £0.45m 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 2013 as follows:

	£'m
0.5% decrease in the real discount rate	17.5
1 year increase in member life expectancy	5.6
0.5% increase in the salary increase rate	4.1
0.5% increase in the pension increase rate	13.3
<b>Total</b>	<b>40.5</b>

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 15.

## 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.



## Notes to the Core Financial Statements

The 2011/12 comparative figures have been restated to combine the directorates Corporate Management with Finance and Governance.

2012/13 Directorate Income & Expenditure	Finance & Governance	Performance, Improvement & Transformation	Housing & Regeneration	Housing Revenue Account	Corporate Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	8,326	10,431	3,122	4,388	0	26,267
Premises	2,982	1,319	451	10,074	0	14,826
Transport	104	3,271	23	93	0	3,492
Supplies & Services	3,742	9,721	2,421	5,217	0	21,107
Contributions to Provisions	363	15	14	280	0	672
Third Party Payments	226	37	72	0	0	335
Transfer Payments	54,896	0	5	0	0	54,901
Support Services	7,170	0	1,859	2,153	0	11,182
Capital Charges/Revaluations	(1,279)	2,386	2,880	10,333	0	14,320
Interest Payments	0	0	0	11,670	24	11,694
<b>Total Expenditure</b>	<b>76,531</b>	<b>27,186</b>	<b>10,847</b>	<b>44,208</b>	<b>24</b>	<b>158,796</b>
Fees, Charges & Other Service Income	(6,716)	(2,035)	(3,969)	(50,898)	0	(63,618)
Recharge Income	(9,204)	(12,280)	(1,317)	(1,824)	0	(24,625)
Interest & Investment Income	0	0	0	0	(875)	(875)
Income from Council Tax	0	0	0	0	(10,646)	(10,646)
Government Grants & Other Contributions	(57,462)	(1,505)	(216)	(989)	(10,095)	(70,266)
Payments to Housing Capital Receipts Pool	0	0	0	0	1,091	1,091
Other Items	0	0	0	0	13,970	13,970
(Gains)/Losses on Disposal of Assets	0	0	0	0	(2,590)	(2,590)
<b>Total Income</b>	<b>(73,382)</b>	<b>(15,820)</b>	<b>(5,502)</b>	<b>(53,711)</b>	<b>(9,146)</b>	<b>(157,559)</b>
<b>Net Income/Expenditure</b>	<b>3,149</b>	<b>11,366</b>	<b>5,345</b>	<b>(9,503)</b>	<b>(9,122)</b>	<b>1,237</b>

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

	£'000
Net Expenditure in the Directorate Analysis	1,237
Items Included in the Analysis not Included in the CI&E	4,674
<b>Comprehensive Income &amp; Expenditure Net Cost of Services</b>	<b>5,911</b>

Reconciliation to Subjective Analysis 2012/13	Directorate Analysis	Amounts not Included in the CI&E	Amounts in CI&E not in Subjective	Total
	£'000	£'000	£'000	£'000
Employees	26,268	0	0	26,268
Premises	14,825	0	0	14,825
Transport	3,492	0	0	3,492
Supplies & Services	17,132	0	0	17,132
Contributions to Provisions	672	0	0	672
Third Party Payments	335	0	0	335
Transfer Payments	54,901	0	0	54,901
Support Services	15,156	0	0	15,156
Capital Charges/Revaluations	14,320	0	0	14,320
Income	(88,219)	0	0	(88,219)

## Notes to the Core Financial Statements

Interest & Investment Income	(875)	0	0	(875)
Income from Council Tax	(10,646)	0	0	(10,646)
Government Grants & Other Contributions	(70,238)	0	0	(70,238)
Interest Payments	11,694	0	0	11,694
Payments to Housing Capital Receipts Pool	1,091	0	0	1,091
Below the Line Entries	13,919	(8,433)	7,944	13,430
(Gains)/Losses on Disposal of Assets	(2,590)	0	0	(2,590)
<b>Total</b>	<b>1,237</b>	<b>(8,433)</b>	<b>7,944</b>	<b>748</b>

2011/12 Directorate Income & Expenditure	Finance & Governance (Restated)	Performance, Improvement & Transformation	Housing & Regeneration	Housing Revenue Account	Corporate Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	8,497	9,751	2,885	4,279	0	25,411
Premises	2,982	2,892	1,490	19,162	0	26,525
Transport	107	3,058	19	96	0	3,280
Supplies & Services	3,153	3,419	627	3,498	307	11,004
Contributions to Provisions	410	24	244	290	0	967
Third Party Payments	335	33	62	19,942	0	20,372
Transfer Payments	52,641	0	2	0	0	52,643
Support Services	6,579	5,405	2,054	2,597	0	16,635
Capital Charges/Revaluations	(2,406)	2,681	2,713	26,184	0	29,172
Interest Payments	0	0	0	128	20	148
<b>Total Expenditure</b>	<b>72,296</b>	<b>27,263</b>	<b>10,095</b>	<b>76,177</b>	<b>327</b>	<b>186,157</b>
Fees, Charges & Other Service Income	(7,893)	(3,723)	(3,791)	(48,494)	0	(63,902)
Recharge Income	(8,529)	(12,593)	(1,388)	(10,494)	0	(33,005)
Interest & Investment Income	0	0	0	0	(728)	(728)
Income from Council Tax	0	0	0	0	(9,934)	(9,934)
Government Grants & Other Contributions	(53,550)	(30)	(132)	0	(7,346)	(61,057)
Payments to Housing Capital Receipts Pool	0	0	0	0	917	917
Other Items	0	0	0	0	(18,414)	(18,414)
(Gains)/Losses on Disposal of Assets	0	0	0	0	(537)	(537)
<b>Total Income</b>	<b>(69,972)</b>	<b>(16,346)</b>	<b>(5,311)</b>	<b>(58,988)</b>	<b>(36,042)</b>	<b>(186,659)</b>
<b>Net Income/Expenditure</b>	<b>2,324</b>	<b>10,917</b>	<b>4,783</b>	<b>17,188</b>	<b>(35,715)</b>	<b>(502)</b>

### 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
<b>Comprehensive Income &amp; Expenditure Net Cost of Services</b>	<b>393,705</b>

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)
Interest & Investment Income	(728)	0	0	(728)

## Notes to the Core Financial Statements

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)
<b>Total</b>	<b>(502)</b>	<b>371,854</b>	<b>17,516</b>	<b>388,868</b>

### 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 (2011/12) – Local Authority Housing (HRA) Self Financing Payment

Under the Localism Act, 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 (2011/12) – 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 review of this reserve took place during 2012/13 and £1.58m has been released during 2012/13, with a further £0.45m approved for release in 2013/14.

### 7. Other Operating Expenditure

	Note	2012/13 £'000	2011/12 £'000
Parish Council Precepts		618	595
Payments to the Government Housing Capital Receipts Pool		1,091	917
(Gains)/Losses on the Disposal of Non Current Assets	19	(2,590)	(537)
<b>Total</b>		<b>(881)</b>	<b>975</b>

### 8. Financing and Investment Income & Expenditure

	Note	2012/13 £'000	2011/12 £'000
Interest Payable and Other Similar Charges		11,694	269
Interest Receivable and Similar Income		(875)	(725)
Pensions Interest Cost and Expected Return on Pension Assets	15	2,207	1,244

## Notes to the Core Financial Statements

Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	18	(4,511)	(5,437)
<b>Total</b>		<b>8,515</b>	<b>(4,649)</b>

### 9. Taxation and Non Specific Grant Income

	Note	2012/13 £'000	2011/12 £'000
Council Tax Income		(10,646)	(10,490)
Non Domestic Rates		(5,985)	(5,098)
Non Specific Government Grants	10	(1,476)	(2,248)
Capital Grants and Contributions		(2,634)	(1,004)
<b>Total</b>		<b>(20,741)</b>	<b>(18,840)</b>

### 10. Grant Income

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

Non Specific Grant Income	2012/13 £'000	2011/12 £'000
Revenue Support Grant	(116)	(1,576)
Area Based Grants/Local Area Agreements	(34)	(68)
New Homes Bonus	(882)	(325)
Council Tax Freeze Grant	(249)	(249)
New Burdens	(106)	0
Homelessness Prevention	(89)	(30)
<b>Total</b>	<b>(1476)</b>	<b>(2,248)</b>

Grants Credited to Services	2012/13 £'000	2011/12 £'000
Benefits Subsidy and Administration	(56,180)	(53,149)
Supporting People	(462)	(502)
Elections	(148)	(142)
Local Sustainable Transport Fund	(150)	(88)
Other	(15)	(168)
<b>Total</b>	<b>(56,955)</b>	<b>(54,049)</b>

### 11. Members' Allowances

The Council paid the following amounts to 51 (2010/11 51) elected Members of the Council during the year.

	2012/13 £'000	2011/12 £'000
Salaries	384	387
Allowances	3	4
Expenses	2	2
<b>Total</b>	<b>389</b>	<b>393</b>

## Notes to the Core Financial Statements

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

### 12. 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.

<b>Agency Services 2012/13</b>	<b>Expenditure £'000</b>	<b>Income £'000</b>	<b>Net Expenditure £'000</b>
Rights of Way	115	(116)	(1)
Rights of Way – Highways	244	(244)	0
Other - Weed spraying	44	(44)	0
<b>Total</b>	<b>403</b>	<b>(404)</b>	<b>(1)</b>

<b>Agency Services 2011/12</b>	<b>Expenditure £'000</b>	<b>Income £'000</b>	<b>Net Expenditure £'000</b>
Rights of Way	102	(102)	0
Rights of Way – Highways	235	(235)	0
Other - Weed spraying	42	(42)	0
<b>Total</b>	<b>379</b>	<b>(379)</b>	<b>0</b>

### 13. 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 2013 was £210,359, compared with a deficit of £184,652 for the three year period to 31 March 2012. The statement below shows the total cost of operating the Building Control unit divided between the chargeable and non chargeable activities for 2012/13.

<b>Building Control 2012/13</b>	<b>2012/13 Chargeable £'000</b>	<b>2012/13 Non Chargeable £'000</b>	<b>2012/13 Total £'000</b>	<b>2011/12 Total £'000</b>
Employees	310	104	414	466
Premises	0	0	0	21
Transport	7	3	10	8
Supplies & Services	16	6	22	23
Support Services	113	38	151	136
Depreciation	3	1	4	0
Bad Debts Provision	4	0	4	0
<b>Total Expenditure</b>	<b>453</b>	<b>152</b>	<b>605</b>	<b>654</b>
Building Regulation Charges	(441)	0	(441)	(351)

## Notes to the Core Financial Statements

Other Income	0	(3)	(3)	(9)
<b>Total Income</b>	<b>(441)</b>	<b>(3)</b>	<b>(444)</b>	<b>(360)</b>
<b>Building Control (Surplus)/Deficit</b>	<b>12</b>	<b>149</b>	<b>161</b>	<b>294</b>

## Notes to the Core Financial Statements

### 14. 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

<b>Total Remuneration</b>	<b>Number of Employees 2012/13</b>	<b>Number of Employees 2011/12</b>
£50,000 - £54,999	10	5
£55,000 - £59,999	5	5
£60,000 - £64,999	2	3
£65,000 - £69,999	0	0
Over £70,000	0	0
<b>Total</b>	<b>17</b>	<b>13</b>

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

<b>Exit Package Cost Band (including special payments)</b>	<b>Number of Compulsory Redundancies</b>		<b>Number of Other Departures Agreed</b>		<b>Total number of Exit Packages by Cost Band</b>		<b>Total Cost of Exit Packages in Each Band £'000</b>	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
£0 - £20,000	8	8	0	1	8	9	41	58
£20,001 - £40,000	2	3	0	0	2	3	46	83
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,000 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £120,000	0	2	0	0	0	2	0	225
£150,000<	0	0	0	0	0	0	0	0
<b>Total</b>	<b>10</b>	<b>13</b>	<b>0</b>	<b>1</b>	<b>10</b>	<b>14</b>	<b>87</b>	<b>366</b>

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

## Notes to the Core Financial Statements

2012/13	Salary (Including Fees & Allowances)	Expenses Reimbursed	Benefits in Kind (e.g. Lease Car)	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£
<b>Chief Executive</b>	132,630	345	0	132,975	20,453	<b>152,428</b>
<b>Corporate Director - Finance &amp; Governance</b>	100,936	1,502	0	102,438	15,414	<b>117,852</b>
<b>Corporate Director - Performance, Improvement &amp; Transformation</b>	93,183	1,470	3,530	98,183	14,909	<b>113,092</b>
<b>Corporate Director - Housing &amp; Regeneration</b>	96,114	0	2,283	98,397	15,162	<b>113,559</b>
<b>Assistant Director - Planning, Development &amp; Regeneration</b>	65,406	956	2,081	68,443	10,425	<b>78,868</b>
<b>Assistant Director - Legal, Democratic &amp; Regulatory</b>	73,275	150	4,430	77,855	12,429	<b>90,284</b>
<b>Assistant Director - Strategy &amp; Transformation*</b>	61,163	183	0	61,346	9,223	<b>70,569</b>
<b>Assistant Director - Neighbourhood Delivery</b>	68,904	342	0	69,246	10,425	<b>79,671</b>
<b>Assistant Director - Housing Landlord</b>	69,093	309	2,838	72,240	11,055	<b>83,295</b>
<b>Assistant Director – Project Governance</b>	69,093	885	3,272	73,250	11,055	<b>84,305</b>
<b>Assistant Director - Finance &amp; Resources*</b>	27,164	269	0	27,433	4,096	<b>31,529</b>

\* The annualised salaries of employees in post part year or that are part time were: Assistant Director – Finance & Resources £64,395, Assistant Director – Strategy & Transformation £64,395

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



# Notes to the Core Financial Statements

## 15. 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:

<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
<b>Cost of Services:</b>		
Current Service Cost	3,178	2,926
Past Service Cost/(Gain)	0	36
Settlements and Curtailments	0	196
<b>Financing and Investment Income and Expenditure:</b>		
Interest Cost	7,722	8,007
Expected Return on Scheme Assets	(5,515)	(6,763)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,385</b>	<b>4,402</b>
<b>Movement in Reserves Statement</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(1,175)	(219)
<b>Total</b>	<b>(1,175)</b>	<b>(219)</b>
<b>Actual Amount Charged Against the General Fund for Pensions in the Year</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Employer's Contributions Payable to the Pension Scheme	4,210	4,183
<b>Total</b>	<b>4,210</b>	<b>4,183</b>

The cumulative amount of net actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is £58.9m (2011/12 £49.4m).

# Notes to the Core Financial Statements

## Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of scheme liabilities:

<b>Reconciliation of Present Value of Scheme Liabilities</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Liabilities as of the Beginning of the Period	(161,727)	(146,964)
Current Service Cost	(3,178)	(2,926)
Interest Cost	(7,722)	(8,007)
Contributions by Scheme Participants	(985)	(992)
Actuarial (Losses)/Gains	(18,848)	(9,539)
Losses on Curtailments	0	(196)
Benefits Paid	5,880	6,933
Past Service Costs	0	(36)
<b>Liabilities as of the End of the Period</b>	<b>(186,580)</b>	<b>(161,727)</b>

<b>Reconciliation of Fair Value of Scheme Assets</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Assets as of the Beginning of the Period	100,611	100,322
Expected Rate of Return	5,515	6,763
Actuarial Gains/(Losses)	9,321	(4,716)
Employer Contributions	4,210	4,183
Contributions by Scheme Participants	985	992
Benefits Paid	(5,880)	(6,933)
<b>Assets as of the End of the Period</b>	<b>114,762</b>	<b>100,611</b>

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 £14.9m (£2.1m in 2011/12).

<b>Scheme History</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Defined Benefit Liability	(186,580)	(161,727)	(146,964)	(186,523)	(116,312)
Scheme Assets	114,762	100,611	100,322	96,267	71,870
<b>Surplus/(Deficit)</b>	<b>(71,818)</b>	<b>(61,116)</b>	<b>(46,642)</b>	<b>(90,256)</b>	<b>(44,442)</b>

The liabilities show the underlying commitments that the Council has to pay retirement benefits. The total liability of £71.8m 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 £4.4m.

# Notes to the Core Financial Statements

## 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:

<b>Principal Assumptions</b>	<b>2012/13</b> %	<b>2011/12</b> %
Rate of inflation	2.8	2.5
Rate of increase in salaries	5.1	4.8
Expected return on assets	4.5	5.5
Rate of discounting scheme liabilities	4.5	4.8
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

<b>Mortality Assumptions</b>	<b>2012/13</b> Age	<b>2011/12</b> 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

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:

	<b>Long Term Expected Return as of 31 March 2013</b> %	<b>Long Term Expected Return as of 31 March 2012</b> %	<b>Assets Held as of 31 March 2013</b> %	<b>Assets Held as of 31 March 2012</b> %
Equity Investments	4.5	6.2	71	69.0
Bonds	4.5	4.0	18	18.0
Property	4.5	4.4	5	6.0
Cash	4.5	3.5	6	7.0
<b>Total</b>			<b>100</b>	<b>100</b>

# Notes to the Core Financial Statements

## 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	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000
Experience Gains/(Losses) on Scheme Assets	9,321	(4,716)	(1,370)	19,068	(28,616)
Experience Gains/(Losses) on Scheme Liabilities	(18,848)	(2,330)	14,559	0	0

## 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 2013 £'000	Year to 31 March 2012 £'000
Surplus /(Deficit) as of Beginning of the Period	(61,116)	(46,642)
Actuarial Gains/(Losses) on Pension Assets and Liabilities	(9,527)	(14,255)
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	(5,385)	(4,402)
Employer's Pension Contributions	4,210	4,183
<b>Surplus/(Deficit) as of End of the Period</b>	<b>(71,818)</b>	<b>(61,116)</b>

## 16. 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, Ernst & Young (the Audit Commission in 2011/12):

	2012/13 £'000	2011/12 £'000
External audit services carried out by the appointed auditor for the year	97	149
External audit services carried out by the appointed auditor for an earlier year	32	0
Certification of grant claims and returns for the year	33	39

## Notes to the Core Financial Statements

<b>Total</b>	<b>162</b>	<b>188</b>
<b>17. Leases</b>		

### 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 2012/13 (2011/12 no contingent rent paid).

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

	2012/13 £'000	2011/12 £'000
<b>Operating Lease Commitments</b>		
Not later than one year	1	2
Later than one year but not later than five years	4	4
Later than five years	6	7
<b>Total Commitments under Operating Leases</b>	<b>11</b>	<b>13</b>

### 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:

	2012/13 £'000	2011/12 £'000
<b>Operating Lease Income – Other Land &amp; Buildings</b>		
Not later than one year	201	190
Later than one year but not later than five years	587	456
Later than five years	599	786
<b>Total Minimum Lease Income under Operating Leases</b>	<b>1,387</b>	<b>1,432</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £6k contingent rents were receivable by the Council (2011/12 £14k)

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:

	2012/13 £'000	2011/12 £'000
<b>Operating Lease Income – Investment Property</b>		
Not later than one year	2,466	2,440
Later than one year but not later than five years	7,859	7,987
Later than five years	37,920	38,528
<b>Total Minimum Lease Income under Operating Leases</b>	<b>48,245</b>	<b>48,955</b>

## 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 (2011/12 £0.6m).

### 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:

<b>Finance Lease Assets</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Investment Property	188	188
<b>Finance Lease Assets (Council as Lessee)</b>	<b>188</b>	<b>188</b>

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:

<b>Finance Lease Minimum Payments</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Current	0	0
Non-current	188	188
Finance Costs Payable in Future Years	1,732	1,752
<b>Minimum Lease Payments</b>	<b>1,920</b>	<b>1,940</b>

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

<b>Commitments Under Finance Leases</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Not later than one year	20	20
Later than one year but not later than five years	80	80
Later than five years	1,820	1,840
<b>Total Commitments Under Finance Leases</b>	<b>1,920</b>	<b>1,940</b>

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 (2011/12 £0.017m). The Council has sub-let these properties held under finance leases. At 31 March 2013 the minimum payments expected to be received under non-cancellable agreements was £442k (£492k at 31 March 2012).

### 18. Investment Property

<b>Investment Property – Balance Sheet</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
As of the beginning of the period	39,832	36,650
Additions (Purchases/Construction)	1,045	0
Additions (Subsequent Expenditure)	58	52
Reclassifications	111	23
Disposals	0	0
Net gains/(losses) from fair value movements	2,095	3,107

# Notes to the Core Financial Statements

<b>As at the End of the Period</b>	<b>43,141</b>	<b>39,832</b>
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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 2013 and 2012.

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:

<b>Investment Property – Comprehensive Income &amp; Expenditure Account</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Rental Income From Investment Property	(3,573)	(3,511)
Direct Operating Expenses Arising From Investment Property	1,157	1,181
Changes in Fair Value of Investment Property	(2,095)	(3,107)
<b>Net Gain</b>	<b>(4,511)</b>	<b>(5,437)</b>

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

# Notes to the Core Financial Statements

## 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 which 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.

	General Fund Balance	Major Repairs Reserve	Housing Revenue Account	Capital Grants Unapplied	Capital Receipts Reserve	Total Impact - Usable Reserves
2012/13	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of Items debited or credited to the Comprehensive Income &amp; Expenditure Account:</i>						
Capital grants and contributions applied	(2,634)	0	0	(141)	0	(2,775)
Amortisation of Intangible Assets	304	0	0	0	0	304
Charges for depreciation and impairment of Non-current Assets	3,734	0	0	0	0	3,734
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	0	0	3,948	0	0	3,948
Revenue Expenditure Funded From Capital Under Statute	2,044	0	14	0	0	2,058
Movements in market value of Investment Properties	(2,095)	0	0	0	0	(2,095)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	304	0	3,815	0	0	4,119
Lease prepayment amortization	(51)	0	0	0	0	(51)
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>						
Self Financing payment	0	0	0	0	0	0
Capital expenditure charged to the General Fund	(506)	(4,567)	0	0	(170)	(5,243)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(183)	0	(6,525)	0	6,728	20
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,091	0	0	0	(1,091)	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
HRA Depreciation	0	9,083	0	0	0	9,083
HRA Depreciation in excess of MRA	0	0	0	0	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	4,486	0	899	0	0	5,385
Employer's pension contributions to pension fund payable in the year	(3,507)	0	(703)	0	0	(4,210)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(110)	0	0	0	0	(110)
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>						
Employee Absences Accrual transferred to the Accumulated Absences Account	94	0	29	0	0	123
<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>	<b>2,971</b>	<b>4,516</b>	<b>1,477</b>	<b>(141)</b>	<b>5,467</b>	<b>14,290</b>



# Notes to the Core Financial Statements

2011/12	General Fund Balance £'000	Major Repairs Reserve £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Impact - Usable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of Items debited or credited to the Comprehensive Income &amp; Expenditure Account:</b>						
Capital grants and contributions applied	(1,004)	0	0	(8)	0	(1,012)
Amortisation of Intangible Assets	400	0	0	0	0	400
Charges for depreciation and impairment of Non-current Assets	4,915	0	30	0	0	4,945
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	0	0	17,471	0	0	17,471
Revenue Expenditure Funded From Capital Under Statute	784	0	62	0	0	846
Movements in market value of Investment Properties	(3,107)	0	0	0	0	(3,107)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	905	0	833	0	0	1,738
Lease prepayment amortisation	(51)	0	0	0	0	(51)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Self Financing payment	0	0	354,015	0	0	354,015
Capital expenditure charged to the General Fund	(1,174)	(7,315)	(1,117)	0	(1,223)	(10,829)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(922)	0	(1,353)	0	2,316	41
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	917	0	0	0	(917)	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
HRA Depreciation	0	9,138	0	0	0	9,138
HRA Depreciation in excess of MRA	0	(853)	853	0	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	3,704	0	698	0	0	4,402
Employer's pension contributions to pension fund payable in the year	(3,519)	0	(664)	0	0	(4,183)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	38	0	0	0	0	38
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>						
Employee Absences Accrual transferred to the Accumulated Absences Account	66	0	24	0	0	90
<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>	<b>1,952</b>	<b>970</b>	<b>370,852</b>	<b>(8)</b>	<b>176</b>	<b>373,942</b>

# Notes to the Core Financial Statements

## 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 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 2012	Transfers Out	Transfers In	Transfers to Other Reserves	Balance at 31 March 2013
	£'000	£'000	£'000	£'000	£'000
<b>General Fund Reserves:</b>					
Management of Change	1,586	(434)	300	0	1,452
Local Development Framework	437	(181)	280	0	536
Car Park Commuted Sums	288	(22)	0	0	266
Redundancy	775	0	350	0	1,125
VAT	3,484	(1,580)	0	0	1,904
Vehicle Replacement	711	(343)	650	0	1,018
Training & Development	190	(190)	0	0	0
Project Implementation	281	(97)	0	0	184
Commuted Sums	622	0	0	0	622
Civic Centre Repairs	348	0	0	0	348
Uninsured Loss	700	0	0	0	700
Technology	715	0	85	0	800
CSR Transitional	750	(200)	0	0	550
Earmarked Grants	263	(38)	103	0	328
Public Service Quarter (PSQ)	1,000	0	150	0	1,150
LG Resource Review	250	0	8	0	258
Pensions Reserve	0	0	1,500	0	1,500
Dacorum Development Reserve	233	(100)	241	0	374
Other Reserves (Under £250k)	1,208	(114)	202	0	1,296
<b>Total General Fund Reserves</b>	<b>13,841</b>	<b>(3,299)</b>	<b>3,869</b>	<b>0</b>	<b>14,411</b>
<b>Housing Revenue Account Reserves:</b>					
Estate Remodeling Reserve	0	0	2,000	0	2,000
Construction Reserve	0	0	5,000	0	5,000
Strategic Acquisition Fund	0	0	5,000	0	5,000
HRA reserves	127	0	0	0	127
<b>Total HRA Reserves</b>	<b>127</b>	<b>0</b>	<b>12,000</b>	<b>0</b>	<b>12,127</b>
<b>Total Earmarked Reserves</b>	<b>13,968</b>	<b>(3,299)</b>	<b>15,869</b>	<b>0</b>	<b>26,538</b>

## Notes to the Core Financial Statements

	Balance at 1 April 2011 £'000	Transfers Out £'000	Transfers In £'000	Transfers to Other Reserves £'000	Balance at 31 March 2012 £'000
<b>General Fund Reserves:</b>					
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
Commuted 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)	0	0	1,000	0	1,000
LG Resource Review	0	0	250	0	250
Dacorum Development Reserve	0	0	233	0	233
Other Reserves (Under £250k)	1,563	(698)	343	0	1,208
<b>Total General Fund Reserves</b>	<b>11,567</b>	<b>(2,549)</b>	<b>4,823</b>	<b>0</b>	<b>13,841</b>
<b>Housing Revenue Account Reserves:</b>					
HRA reserves	989	(862)	0	0	127
<b>Total HRA Reserves</b>	<b>989</b>	<b>(862)</b>	<b>0</b>	<b>0</b>	<b>127</b>
<b>Total Earmarked Reserves</b>	<b>12,556</b>	<b>(3,411)</b>	<b>4,823</b>	<b>0</b>	<b>13,968</b>

## Notes to the Core Financial Statements

### 21. Property, Plant & Equipment

2012/13	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
<b>Cost/Valuation (Note 22)</b>							
As of the beginning of the period	625,453	79,782	10,101	759	0	219	716,314
Depreciation written out to Gross Carrying Amount on Revaluation	(9,005)	(1,109)	0	0	0	0	(10,114)
Revaluation increases recognised in the Revaluation Reserve	2,186	713	0	0	0	0	2,899
Revaluation decreases recognised in the Revaluation Reserve	0	(1,316)	0	0	0	0	(1,316)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	12,362	(291)	0	0	0	0	12,071
Additions	16,418	1,857	1,042	77	0	3,024	22,418
Impairment recognised in the Surplus/Deficit on the Provision of Services	(16,310)	0	0	0	0	0	(16,310)
Reclassifications	0	20	0	7	0	(138)	(111)
Disposals (to Assets Held for Sale)	(3,854)	(265)	(3)	0	0	0	(4,122)
Disposals (Other)	0	(45)	0	0	0	0	(45)
<b>As of the end of the period</b>	<b>627,250</b>	<b>79,346</b>	<b>11,140</b>	<b>843</b>	<b>0</b>	<b>3,105</b>	<b>721,684</b>
<b>Accumulated Depreciation</b>							
As of the beginning of the period	0	(4,698)	(6,584)	(426)	0	0	(11,708)
Depreciation charge	(9,043)	(2,374)	(1,042)	(60)	0	0	(12,519)
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to Gross Carrying Amount on Revaluation	9,005	1,109	0	0	0	0	10,114
Disposals (to Assets Held for Sale)	38	6	3	0	0	0	47
Disposals (Other)	0	0	0	0	0	0	0
<b>As of the end of the period</b>	<b>0</b>	<b>(5,957)</b>	<b>(7,623)</b>	<b>(486)</b>	<b>0</b>	<b>0</b>	<b>(14,066)</b>
<b>Net Book Value at 31 March 2013</b>	<b>627,250</b>	<b>73,389</b>	<b>3,517</b>	<b>357</b>	<b>0</b>	<b>3,105</b>	<b>707,618</b>
<b>Nature of Asset Holding</b>							
Owned	627,250	73,389	3,513	357	0	3,105	707,614
Finance Lease	0	0	4	0	0	0	4
<b>Net Book Value as of 31 March 2013</b>	<b>627,250</b>	<b>73,389</b>	<b>3,517</b>	<b>357</b>	<b>0</b>	<b>3,105</b>	<b>707,618</b>

## Notes to the Core Financial Statements

2011/12	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost/Valuation (Note 22)</b>							
As of the beginning of the period	645,589	82,019	9,118	595	0	2,995	740,316
Depreciation written out to Gross Carrying Amount on Revaluation	(9,134)	(1,077)	0	0	0	0	(10,211)
Revaluation increases recognised in the Revaluation Reserve	1,073	1,200	0	0	0	0	2,273
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	(9,082)	(1,134)	0	0	0	0	(10,216)
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)
<b>As of the end of the period</b>	<b>625,453</b>	<b>79,782</b>	<b>10,101</b>	<b>759</b>	<b>0</b>	<b>219</b>	<b>716,314</b>
<b>Accumulated Depreciation</b>							
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 Gross Carrying Amount on Revaluation	9,134	1,077	0	0	0	0	10,211
Disposals (to Assets Held for Sale)	4	0	37	0	0	0	41
Disposals (Other)	0	58	685	0	0	0	743
<b>As of the end of the period</b>	<b>0</b>	<b>(4,698)</b>	<b>(6,584)</b>	<b>(426)</b>	<b>0</b>	<b>0</b>	<b>(11,708)</b>
<b>Net Book Value at 31 March 2012</b>	<b>625,453</b>	<b>75,084</b>	<b>3,517</b>	<b>333</b>	<b>0</b>	<b>219</b>	<b>704,606</b>
<b>Nature of Asset Holding - Restated</b>							
Owned	625,453	75,084	3,510	333	0	219	704,599
Finance Lease	0	0	7	0	0	0	7
<b>Net Book Value as of 31 March 2012</b>	<b>625,453</b>	<b>75,084</b>	<b>3,517</b>	<b>333</b>	<b>0</b>	<b>219</b>	<b>704,606</b>

## 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 £'000	Other Land & Buildings (Restated) £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historic Cost	0	0	11,140	843	0	3,105	15,088
Valued at fair value as at:							
2012/13	627,250	44,135					671,385
2011/12	0	225	0	0	0	0	225
2010/11	0	3,989	0	0	0	0	3,989
2009/10	0	13,547	0	0	0	0	13,547
2008/09	0	17,450	0	0	0	0	17,450
<b>Total Cost or Valuation</b>	<b>627,250</b>	<b>79,346</b>	<b>11,140</b>	<b>843</b>	<b>0</b>	<b>3,105</b>	<b>721,684</b>

### 23. Intangible Assets

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

<b>Intangible Assets</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
As of the beginning of the Period		
Gross Carrying Amounts	2,236	1,798
Accumulated Amortisation	(1,260)	(860)
<b>Net Carrying Amount as of the Beginning of the Period</b>	<b>976</b>	<b>938</b>
Purchases	226	195
Reclassifications	0	243
Amortisation for the Period	(311)	(400)
<b>Net Carrying Amount as of the End of the Period</b>	<b>891</b>	<b>976</b>

## Notes to the Core Financial Statements

Comprising:

Gross Carry Amounts	2,462	2,236
Accumulated Amortisation	(1,571)	(1,260)
<b>Net Carrying Amount as of the End of the Period</b>	<b>891</b>	<b>976</b>

### 24. Assets Held For Sale

The Council sold surplus properties during 2012/13. The Council realised a net profit on disposal of £2.6m (2011/12 £0.6m) which is included in Profit on the Disposal of Non-current Assets in the Comprehensive Income and Expenditure Statement.

<b>Assets Held For Sale</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
As of the Beginning of the Period	0	0
Assets Transferred	4,075	1,191
Sold to Other Entities and Individuals	(4,075)	(1,191)
<b>As at the end of the Period</b>	<b>0</b>	<b>0</b>

### 25. Long-term Debtors

The Council makes loans to a number of organisations. An analysis of these is shown below.

<b>Long-term Debtors</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Central Government Bodies	0	0
Other Local Authorities	6	9
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	1,152	176
<b>Total Long-term Debtors</b>	<b>1,158</b>	<b>185</b>

### 26. Short-term Debtors

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

<b>Short-term Debtors</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Central Government Bodies	3,551	2,301
Other Local Authorities	3,265	3,729
NHS Bodies	0	2
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	5,276	4,937
<b>Total Short-term Debtors</b>	<b>12,092</b>	<b>10,969</b>

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

<b>Bad Debt Provisions</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Sundry Debtors	340	398

## Notes to the Core Financial Statements

Housing Rents	1,541	1,497
Council Tax/Summons Fees	350	328
Benefits Overpayments	1,728	1,555
<b>Total Bad Debt Provisions</b>	<b>3,959</b>	<b>3,778</b>

27. Cash and Cash Equivalents	2012/13 £'000	2011/12 £'000
Investments with Original Maturities of 3 Months or Less	31,806	34,830
Cash held by the Council	2	2
Bank Account Balance/(Overdraft)	(1,537)	330
<b>Total Cash and Cash Equivalents</b>	<b>30,271</b>	<b>35,162</b>

28. Short-term Creditors	2012/13 £'000	2011/12 £'000
Central Government Bodies	4,849	6,104
Other Local Authorities	773	891
NHS Bodies	1	1
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	8,485	7,089
<b>Total Short-term Creditors</b>	<b>14,108</b>	<b>14,085</b>

29. Long-term Creditors	2012/13 £'000	2011/12 (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	7,187	7,238
<b>Total Long-term Creditors</b>	<b>7,187</b>	<b>7,238</b>

### 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	2012/13 £'000	2011/12 £'000
As of the Beginning of the Period	5,102	5,752
Receipts	1,130	302
Conditions Satisfied	(2,474)	(952)
Amounts Repaid	0	0
<b>Closing Balance</b>	<b>3,758</b>	<b>5,102</b>

The balances of the grants are as follows:



## Notes to the Core Financial Statements

<b>Capital Grants Yet to be Recognised as Income</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Growth Area Fund	3,758	5,102
<b>Total</b>	<b>3,758</b>	<b>5,102</b>

### 31. Provisions

The Council maintains the following provisions as of 31 March 2013:

	<b>Balance as at 31 March 2012 £'000</b>	<b>Contribution to Provision £'000</b>	<b>Use of Provision £'000</b>	<b>Amounts Reversed Unused £'000</b>	<b>Balance as at 31 March 2013 £'000</b>
<b>General Fund Provisions</b>					
Insurance	406	417	(121)	(175)	527
Litigation Provision	200	56	0	0	256
Pension Strain	7	0	0	0	7
Benefits Grants	635	0	(425)	(210)	0
Committed Redundancy	0	24	0	0	24
<b>Total General Fund Provisions</b>	<b>1,248</b>	<b>497</b>	<b>(546)</b>	<b>(385)</b>	<b>814</b>
<b>HRA Provisions</b>					
Insurance	394	297	(175)	(169)	347
<b>Total HRA Provisions</b>	<b>394</b>	<b>297</b>	<b>(175)</b>	<b>(169)</b>	<b>347</b>
<b>Total Provisions</b>	<b>1,642</b>	<b>794</b>	<b>(721)</b>	<b>(554)</b>	<b>1,161</b>

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 outstanding litigation claims 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

## Notes to the Core Financial Statements

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.

<b>Revaluation Reserve</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Balance as of the beginning of the period	32,579	37,945
Upward revaluation of assets	2,899	2,273
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,316)	(5,695)
Surplus/(Deficit) on Revaluation of Non-Current Assets not posted to the Surplus/Deficit on the Provision of Services	1,583	(3,422)
Difference between fair value depreciation and historical cost depreciation	(1,076)	(1,117)
Amount written-off to Comprehensive Income and Expenditure Statement	(19)	(828)
<b>Closing Balance</b>	<b>33,067</b>	<b>32,578</b>

### 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.

<b>Capital Adjustment Account</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
As of the beginning of the period	388,944	760,553
Capital grants and contributions applied	2,775	1,012
Amortisation of intangible assets	(304)	(400)
Charges for depreciation and impairment of Non-current Assets	(3,734)	(4,945)
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	(3,948)	(17,471)
Difference between fair value depreciation and historical cost depreciation	1,076	1,117
HRA depreciation	(9,083)	(9,138)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(4,119)	(1,738)
Transfer from the Revaluation Reserve on Disposal of Assets	19	828
Revenue Expenditure Funded From Capital Under Statute	(2,058)	(846)
Movements in market value of Investment Properties	2,095	3,107

## Notes to the Core Financial Statements

Capital Receipts applied to capital expenditure	170	1,223
Revenue contribution to capital	506	2,291
Use of MRR to finance capital expenditure	4,567	7,315
Self Financing payment	0	(354,015)
Lease prepayment amortization	51	51
<b>Closing Balance</b>	<b>376,957</b>	<b>388,944</b>

# 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.

<b>Deferred Capital Receipts</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
As of the Beginning of the Period	70	110
Transfer to the Capital Receipts Reserve	(21)	(40)
<b>Balance as at End of the Period</b>	<b>49</b>	<b>70</b>

## 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.

<b>Collection Fund Adjustment Account</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
As of the beginning of the period	(89)	(51)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	110	(38)
<b>Balance as at End of the Period</b>	<b>21</b>	<b>(89)</b>

## 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.

<b>Accumulated Absences Account</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
As of the Beginning of the Period	161	71
Net Charge During the Year	123	90
<b>Balance as at End of the Period</b>	<b>284</b>	<b>161</b>

## 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.

	2012/13 £'000	2011/12 £'000
<b>Capital Financing Requirement</b>		
Opening Capital Financing Requirement	318,489	(35,830)
<b>Capital Investment:</b>		
Property, Plant and Equipment	22,418	11,052
Housing Self Financing	0	354,015
Investment Property	1,103	52
Intangible Assets	226	195
Capital Loans Advanced	1,000	0
Revenue Expenditure Funded from Capital under Statute	2,058	846
<b>Total Expenditure</b>	<b>26,805</b>	<b>366,160</b>
<b>Sources of Finance:</b>		
Capital Receipts	(170)	(1,223)
Government Grants and Other Contributions	(2,775)	(1,012)
Sums Set Aside ( MRR, Earmarked reserves etc)	(5,073)	(9,606)
<b>Total Financing</b>	<b>(8,018)</b>	<b>(11,841)</b>
<b>Closing Capital Financing Requirement</b>	<b>337,276</b>	<b>318,489</b>
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	0	(346,739)
Use of Capital Receipts previously set-aside	(18,787)	(7,580)
<b>Decrease in Capital Financing Requirement</b>	<b>(18,787)</b>	<b>(354,319)</b>

### 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 (adjusted to exclude statutory debtors), are all categorised as Loans and Receivables, and are carried in the Balance Sheet at amortised cost.

	2012/13 £'000	2011/12 £'000
<b>Financial Assets – Amortised Cost</b>		
Short-term Debtors	5,638	5,401
Long-term Debtors	1,158	185
Short-term Investments	31,298	26,668
Long-term Investments	0	0
<b>Total</b>	<b>38,094</b>	<b>32,254</b>

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.

<b>Financial Liabilities – Amortised Cost</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Short-term Creditors	9,615	8,681
Long-term Creditors	188	188
Short-term Borrowings	127	127
Long-term Borrowings	346,739	346,739
<b>Total</b>	<b>356,669</b>	<b>355,735</b>

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 2013 between 0.52% and 3.04% 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:

<b>Financial Liabilities – Fair Value</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Short-term Creditors	9,615	8,681
Long-term Creditors	188	188
Short-term Borrowings	127	127
Long-term Borrowings	378,287	361,029
<b>Total</b>	<b>388,217</b>	<b>370,025</b>

### 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 the 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

# Notes to the Core Financial Statements

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 £0.88m (£0.7m 2011/12).

## 39. Heritage Assets

Heritage Assets held by the Council and its policy for recognition and measurement are outlined in the accounting policies of Note 1. The following table provides details of the valuations of the different groups of assets. There have been no disposals, revaluations or impairments of Heritage Assets.

	2012/13 £'000	2011/12 £'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
<b>Total</b>	<b>1,649</b>	<b>1,649</b>

### 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



# Notes to the Core Financial Statements

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.

## **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**

# Notes to the Core Financial Statements

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.

## 40. 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 £0.4m, whilst a notional one based on actuarial assumptions, will be borne by the Council if the Sports Trust were to cease trading.

The Council is involved in a number of court cases the outcome of which may require the payment of compensation and/or costs. Total liabilities in this area are not material to the Council.

A group of Property Search Companies have intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council at this stage.

A Municipal Mutual Insurance (MMI) Scheme of Arrangement was established in 1994 following the demise of MMI Limited. This scheme offered financial provision for claim settlements under policies incepted with MMI. A solvent run-off will not be achieved, any payments made on behalf of Dacorum can be clawed back. The decision of the Supreme Court in the Employers Liability Policy Trigger Litigation increased the likelihood of clawback. As at 31 March 2013 the total amount liable to clawback was £491k, against which a provision of £74k has been made.

### 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 previous years, there are still open claims for specific areas totalling £0.58m. As such this represents a contingent asset.

The Council is currently holding negotiations with a company regarding the share of proceeds from the potential disposal of a plot of land. Should these negotiations fail, the Council may choose to take legal action. These negotiations and potential legal action could provide the Council with a receipt of between £4m - £8m.

## 41. 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

## Notes to the Core Financial Statements

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 £15k

The following councillor was nominated to serve on the board of the Sports Trust during the year:

- Councillor Alan Fantham

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 £0.5m to the Trust in 2012/13 towards managing those facilities (2010/11: £0.52m). This represented 6.4% 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 deficit for 2012/13 of £0.7m, and net assets of £4.4m. 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, one Member is a trustee 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](mailto:member.support@dacorum.gov.uk) or telephone 01442 228222.

Organisation	Name	Payable £	Receivable £	Amount £	Nature of Payment
Suttons Envelopes	Cllr Graham Sutton	194	(2,726)	(2,532)	Supplies & Services
Stage Two	Cllr Terence Douris	4,912	0	4,912	Supplies & Services
South Hill Centre	Cllr Neil Harden	7,304	(0)	7,304	Supplies & Services
Global Pindd Community Group	Cllr Suqlain Mahmood	0	(2,262)	(2,262)	Supplies & Services
The Receipt Book Company	Julie Still (Group Manager Resident Services)	1,721	0	1,721	Supplies & Services
Tring Market Auctions	Cllr Penelope Hearn	0	(720)	(720)	Supplies & Services
M&T Partners	Chris Taylor (Group Manager Strategic Planning & Regeneration)	3,050	0	3,050	Supplies & Services

# Notes to the Core Financial Statements

## 42. Commitments

### Capital Commitments

The estimated maximum contractual commitments for capital expenditure for significant schemes (annual value over £250k) that had started, or where legal contracts had been entered into, as of 31 March 2013 are as follows:

<b>Contract</b>	<b>Contractor</b>	<b>End Date</b>	<b>Maximum Estimated Annual Value £'000</b>
Planned Housing Repairs	Apollo Group	31/03/2014	7,500
Refurbishment of Leisure Centre	Glenman Corporation Ltd	27/05/2013	727
Town Centre Regeneration	DTZ Debenham Tie Leung Ltd	28/02/2014	266
Door Replacement Programme	I G Doors	17/10/2014	800
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 2013/14 but is subject to annual reviews. Similar commitments were £8.3m as of 31 March 2012.

### Other Long Term Contracts

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

<b>Contract</b>	<b>Contractor</b>	<b>End Date</b>	<b>Maximum Estimated Annual Value £'000</b>
Fuel Cards	Arval	22/08/2013	474
Facilities Management	Serco Ltd	01/05/2016	434
Responsive and Void Repairs	Mitie Property Services	30/06/2014	7,000
Computer Contracts	Aspen	31/12/2014	531
Gas Servicing & Water Testing	Orion Heating Ltd	30/09/2013	750
Electricity	N Power	30/09/2016	711
Gas	Total Gas & Power	30/09/2016	373
Agency Workers	Pertemps Recruitment Partnership Ltd	04/11/2014	291

# Notes to the Core Financial Statements

Parking Enforcement &  
Management

Vinci Park Services  
UK Ltd

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 £9.4m as of 31 March 2012.

## 43. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director (Finance and Governance) on 26 June 2013. 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 2013, 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 26 June 2013.

The financial statements have not been adjusted for the following events which took place after 31 March 2013. It provides information that is relevant to understanding the Council's financial position but does not relate to conditions at that date:

On 1 April 2013, Local Authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities. As at 31 March 2013, the total rateable value of properties with an outstanding appeal was £70.37m. It is unknown how many of the appeals will be successful and how much this value will be adjusted by.

# Housing Revenue Account

## Housing Revenue Account – Income & Expenditure Account

The 2011/12 comparators have been restated to correct prior misclassification of income.

	HRA Note	2012/13 £'000	2011/12 Restated £'000
<b>Income</b>			
Dwelling Rents (Gross)		(49,855)	(46,199)
Non Dwelling Rents (Gross)		(425)	(507)
Charges for Services & Facilities		(532)	(875)
Contributions Received Towards Expenditure		(950)	(933)
Sums Directed by Secretary of State that are Income in Accordance with the Code		0	0
<b>Total Income</b>		<b>(51,762)</b>	<b>(48,514)</b>
<b>Expenditure</b>			
Repairs and Maintenance		9,847	9,626
Supervision and Management		9,864	9,146
Rents, Rates, Taxes and Other Charges		20	12
Negative Subsidy – Payments to Secretary of State	9/10	0	20,009
Increase in Provision for Bad and Doubtful Debts		277	290
Depreciation and Impairment of Fixed Assets	7	13,024	26,639
Exceptional Item – Self Financing Payment		0	354,015
Sums Directed by Secretary of State that are Expenditure in Accordance with the Code		0	0
<b>Total Expenditure</b>		<b>33,032</b>	<b>419,737</b>
<b>Net Cost of HRA Services as Included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(18,730)</b>	<b>371,217</b>
Non-distributable Costs – Pensions Past Service Cost		0	37
HRA Share of Corporate and Democratic Core		268	220
<b>Net Cost of HRA Services</b>		<b>(18,462)</b>	<b>371,474</b>
<b>HRA Share of Operating Income and Expenditure Included in the Comprehensive Income &amp; Expenditure Account</b>			
(Gain)/Loss on Disposal of Fixed Assets		(2,711)	(520)
Interest and Investment Income	8	(153)	(188)
Interest Payments		11,671	249
Pensions Interest Cost and Expected Return on Assets	11	369	197
<b>(Surplus)/Deficit for the Year on HRA Services</b>		<b>(9,286)</b>	<b>371,212</b>

# Housing Revenue Account

## Statement of Movement on the Housing Revenue Account

HRA Note	2012/13 £'000	2011/12 £'000
<b>Balance as at 1 April</b>	<b>4,014</b>	<b>3,512</b>
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	9,286	(371,212)
Other Comprehensive Income & Expenditure	0	0
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>9,286</b>	<b>(371,212)</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations:</b>		
Capital Grants and Contributions Applied	0	0
Revenue Expenditure Funded from Capital Under Statute	14	62
Depreciation and Impairment of Non-current Assets	0	30
Reversal of Employee Leave Accrual	29	24
Reversal Revaluation & Impairment (Gains)/Losses on Property Plant & Equipment	3,948	17,471
HRA Depreciation in Excess of MRA	4	0
Self Financing Payment Transfer to CAA	0	354,015
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	3,815	833
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,525)	(1,353)
Revenue Contribution to Capital	0	(1,117)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	11	899
Employer's Pension Contributions to Pension Fund Payable in the year	11	(703)
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>	<b>1,477</b>	<b>370,852</b>
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>10,763</b>	<b>(360)</b>
Transfer (to)/from Earmarked Reserves	(12,000)	862
<b>Increase/(Decrease) in Year</b>	<b>(1,237)</b>	<b>502</b>
<b>Balance as at 31 March</b>	<b>2,777</b>	<b>4,014</b>

# Housing Revenue Account

## 1. Balance Sheet Value of HRA Assets

	<u>Operational Assets</u>				<u>Non-Operational Assets</u>		<b>Total Assets (Restated*) £'000</b>
	<b>Council Dwellings £'000</b>	<b>Vehicle Plant &amp; Equipment £'000</b>	<b>Intangible Assets</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Shops (Restated*) £'000</b>	<b>Assets Under Construction £'000</b>	
<b>Certified Value</b>							
As at 1 April 2012	625,453	109	34	697	2,297	0	628,590
Additions	16,418	0	0	0	0	118	16,536
Disposals	(3,854)	(3)	0	0	0	0	(3,857)
Impairment	(16,310)	0	0	0	0	0	(16,310)
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to Carrying Value on Revaluation	(9,005)	0	0	(11)	0	0	(9,016)
Revaluations to the Income & Expenditure Account	12,362	0	0	0	16	0	12,378
Revaluations to the Revaluation Reserve	2,186	0	0	390	0	0	2,576
<b>As at 31 March 2013</b>	<b>627,250</b>	<b>106</b>	<b>34</b>	<b>1,076</b>	<b>2,313</b>	<b>118</b>	<b>630,897</b>
<b>Depreciation and Other Impairment</b>							
As at 1 April 2012	0	(29)	(3)	(31)	0	0	(63)
Charge for the Year	(9,043)	(18)	(7)	(13)	0	0	(9,081)
Disposals	38	3	0	0	0	0	41
Other Impairment	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to Carrying Value on Revaluation	9,005	0	0	11	0	0	9,016
<b>As at 31 March 2013</b>	<b>0</b>	<b>(44)</b>	<b>(10)</b>	<b>(33)</b>	<b>0</b>	<b>0</b>	<b>(87)</b>
<b>Net Book Value as at 31 March 2013</b>	<b>627,250</b>	<b>62</b>	<b>24</b>	<b>1,043</b>	<b>2,313</b>	<b>118</b>	<b>630,810</b>
<b>Net Book Value as at 1 April 2012</b>	<b>625,453</b>	<b>80</b>	<b>31</b>	<b>666</b>	<b>2,297</b>	<b>0</b>	<b>628,527</b>

\* Due to a prior year error, Shops have been restated from a gross value of £2.274m in 2011/12 to £2.297m.



# Housing Revenue Account

## 2. Vacant Possession Value of HRA Dwellings

Council dwellings had a valuation of £1,604 million as at 1 April 2012 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 2012	Reclassified	Additions	Sales & Demolitions	31 March 2013
1 bedroom flats	2,512	0	0	(7)	2,505
2 bedroom flats	1,119	0	0	(5)	1,114
3 bedroom flats	190	0	0	(1)	189
1 bedroom houses	583	0	0	0	583
2 bedroom houses	1,711	0	0	(22)	1,689
3 bedroom houses	3,948	0	0	(23)	3,925
4+ bedroom houses	463	0	0	(3)	460
Chiltern Hostel – equivalent	17	0	0	0	17
<b>Total Dwellings</b>	<b>10,543</b>	<b>0</b>	<b>0</b>	<b>(61)</b>	<b>10,482</b>

## 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.

	2012/13 £'000	2011/12 £'000
Balance as at 1 April	2,336	1,366
<b>Income</b>		
Release from Capital Adjustment Account	9,083	9,138
<b>Expenditure</b>		
Financing of Capital Expenditure	(4,567)	(7,315)
Appropriate to the HRA to Fund Depreciation in Excess of Major Repairs Allowance	0	(853)
<b>Balance as at 31 March</b>	<b>6,852</b>	<b>2,336</b>

## 5. Capital Expenditure and Financing

## Housing Revenue Account

	2012/13 £'000	2011/12 £'000
<b>Capital Expenditure</b>		
Reroofing	218	205
Decent Homes	15,221	5,020
Disabled Adaptations	871	616
New Build	403	0
Other Capital Schemes	60	2,591
<b>Total Capital Expenditure</b>	<b>16,773</b>	<b>8,432</b>
<b>Financed by:</b>		
Capital Receipts	(12,206)	0
Major Repairs Reserve	(4,567)	(7,315)
Revenue Contributions	0	(1,117)
<b>Total Financing</b>	<b>(16,773)</b>	<b>(8,432)</b>

### 6. Capital Receipts

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

	2012/13 £'000	2011/12 (Restated) £'000
Sale of Land and Freehold	0	183
Easements Granted	0	45
Sales of HRA Dwellings	6,513	1,096
Discounts Repaid and Miscellaneous Dwelling Sales	12	29
<b>Total Capital Receipts</b>	<b>6,525</b>	<b>1,353</b>

Mortgage capital receipts of £20k were released in 2013/13 (2011/12 £41k) 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.

	2012/13 £'000	2011/12 £'000
<b>Operational Assets</b>		
Depreciation on Council Dwellings	9,043	9,138
Revaluation on Council Dwellings	(12,362)	9,082
Impairment	16,310	8,389
Depreciation on Vehicles Plant and Equipment	20	17
Depreciation on Other Land and Buildings	13	13
<b>Total Depreciation and Impairment</b>	<b>13,024</b>	<b>26,639</b>

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.

### 8. Interest Income

2012/13	2011/12
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## Housing Revenue Account

	£'000	£'000
Interest on Cash Flow and Balances	151	182
Mortgage Interest	2	3
<b>Total Interest</b>	<b>153</b>	<b>185</b>

### 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 were no longer paid by the HRA and were instead paid from the General Fund, which also received the related Government subsidy. This enabled 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 resulted in a 'negative subsidy', i.e. surplus rental income on the subsidy account, which was payable to the Secretary of State and, in turn, used to fund the arrangements.

Under the Localism Bill, this legislation no longer applies, and English councils have taken control of their housing rental income enabling them to plan effectively for the long term management of these key assets. This mean no subsidy applied in 2012/13.

A breakdown of Housing Subsidy for 2011/12 is set out below:

	2012/13 £'000	2011/12 £'000
Management and Maintenance Allowance	0	17,433
Major Repairs Allowance	0	8,285
	<b>0</b>	<b>25,718</b>
Notional Rent	0	(45,787)
Notional Interest	0	(67)
Self Financing Interest Payments	0	127
<b>Negative Subsidy (Payable to the Government)</b>	<b>0</b>	<b>(20,009)</b>

### 10. 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

	2012/13 £'000	2011/12 £'000
<b>Income &amp; Expenditure Account</b>		
Current Service Costs (Within Expenditure)	521	464
Past Service Costs	0	37
Interest Cost	1,266	1,270
Expected Return on Assets in the Scheme	(904)	(1,073)
<b>Net Change to the Income &amp; Expenditure Statement</b>	<b>883</b>	<b>698</b>
<b>Statement of Movement in the HRA Balance</b>		
Reversal of Net Charges made for Retirement Benefits	(193)	(34)
<b>Total Interest</b>	<b>690</b>	<b>664</b>

### 11. Rent Arrears

	2012/13	2011/12
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## Housing Revenue Account

	£'000	£'000
Rents - Current Tenants	1,636	1,489
Rents - Former Tenants	568	595
Supporting People and Other	84	30
<b>Total Arrears</b>	<b>2,288</b>	<b>2,114</b>
Provision for Bad and Doubtful Debts	(1,541)	(1,497)
<b>Total Housing Arrears</b>	<b>747</b>	<b>617</b>

## Collection Fund

Collection Fund – Income and Expenditure Account	2012/13 £'000	2011/12 £'000
<b>Income:</b>		
Income from Council Tax	76,125	75,124
Transfers from General Fund - Council Tax Benefits	9,014	9,310
Income Collectable from Business Ratepayers	60,848	60,052
<b>Total Income</b>	<b>145,987</b>	<b>144,486</b>
<b>Expenditure</b>		
Precepts and Demands (in year):		
Hertfordshire County Council	65,635	65,512
Hertfordshire Police Authority	8,672	8,655
Dacorum Borough Council	10,613	10,571
Business Rates:		
Payment to National Pool	60,630	59,833
Costs of Collection	218	219
Bad and Doubtful Debts:		
Council Tax Write-offs	(267)	333
Increase in Bad and Doubtful Debts Provision	165	9
Contributions towards previous year's estimated Collection Fund Surplus / (Deficit)	(613)	(86)
<b>Total Expenditure</b>	<b>145,053</b>	<b>145,046</b>
<b>Movement on Fund Balance</b>	<b>934</b>	<b>(560)</b>
<b>Surplus / (Deficit) Balance Bought Forward</b>	<b>(716)</b>	<b>(156)</b>
Surplus / (deficit) generated in year (Dacorum Borough Council)	40	(109)
Surplus / (deficit) generated in year (Hertfordshire County Council & Hertfordshire Police Authority)	281	(537)
Total in year surplus	321	(646)
Distribution of prior year (surplus) / deficit	613	86
Movement in Year	934	(560)
<b>Surplus / (Deficit) Balance Carried Forward</b>	<b>218</b>	<b>(716)</b>

## 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 2012/13 was calculated on 58,664.5 dwellings as follows:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A*	1.98	5/9ths	1.1
A	944.10	6/9ths	629.4
B	6,341.27	7/9ths	4,932.1
C	16,610.40	8/9ths	14,764.8
D	13,489.30	9/9ths	13,489.3
E	7,596.16	11/9ths	9,284.2
F	5,017.91	13/9ths	7,248.1
G	4,389.72	15/9ths	7,316.2
H	647.05	18/9ths	1,294.1
<b>Totals</b>	<b>61,445</b>		<b>58,959.3</b>
Adjustment for collection rate and contributions in lieu (0.5%)			(294.8)
<b>Council Tax Base 2012/13</b>			<b>58,664.5</b>
<b>Council Tax Base 2011/12</b>			<b>58,554.2</b>

A\* = Disabled Band A

The total collectable income from Council Tax was £85.4 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 (NDR)

## Collection Fund

NNDR is organised on a national basis. The Government specifies an amount (45.8p in 2012/13; 45.0p 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 £60.8m in 2012/13. The rateable value for the Council's area was £155.5m at 31 March 2013 VOA valuation (2011/12: £152.7m).

#### 4. Contributions to Collection Fund surpluses and deficits

	<b>Council Tax Surplus/(Deficit) £'000</b>
<b>Balance 1 April 2012</b>	(716)
Allocated in Year	
Hertfordshire County Council	474
Hertfordshire Police Authority	62
Dacorum Borough Council	77
<b>Total Distributed</b>	<b>613</b>
Prior year's Surplus/(Deficit) still to be distributed	(103)
Surplus / (Deficit) generated in year	321
<b>Balance 31 March 2013</b>	<b>218</b>
<b>Allocated between</b>	
Hertfordshire County Council	174
Hertfordshire Police Authority	23
Dacorum Borough Council	21

## Glossary of Terms

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

<b>Accounting Period</b>	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.
<b>Accrual</b>	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
<b>Appointed Auditors</b>	These are the external auditors appointed by Ernst and Young (E&Y). They may be separate from E&Y's own operations directorate or from a major accountancy firm. The Council's current approved auditors are E&Y's own operations directorate.
<b>Approved Institutions</b>	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.
<b>Asset</b>	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.
<b>Audit of Accounts</b>	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
<b>Balance Sheet</b>	A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.
<b>Budget</b>	A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.
<b>SeRCOP</b>	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.
<b>Capital Expenditure</b>	Expenditure to acquire or enhance fixed assets that will be used in providing services for more than one year.
<b>Capital Financing</b>	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.
<b>Capital Programme</b>	The capital schemes the Council intends to carry out over a specified time period.
<b>Capital Receipt</b>	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.
<b>Cashflow Statement</b>	A statement that summarises the inflows and outflows of cash within the Council's accounts.



## Glossary of Terms

<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.
<b>Collection Fund</b>	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
<b>Community Assets</b>	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.
<b>Contingent Liability/Asset</b>	<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>
<b>Core Financial Statements</b>	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.
<b>Council Tax</b>	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
<b>Creditor</b>	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.
<b>Debtor</b>	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.
<b>Depreciation</b>	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.
<b>Estimates</b>	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.
<b>Events After The Balance Sheet Date</b>	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.
<b>Exceptional Items</b>	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

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	and fair view.
<b>Finance Lease</b>	A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
<b>Financial Year</b>	Period of time to which the Statement of Accounts relates. The financial year for Local Authorities runs from 1 April to 31 March.
<b>Fixed Assets</b>	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
<b>Government Grants</b>	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.
<b>Gross Expenditure</b>	The total cost of providing the Council's services before taking into account income from fees and charges and government grants.
<b>Housing Benefits</b>	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central Government.
<b>Housing Revenue Account</b>	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.
<b>Impairment</b>	This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value.
<b>Income</b>	This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants and investment interest.
<b>Comprehensive Income and Expenditure Statement</b>	An account which summarises resources generated and consumed in the provision of services for which Dacorum Council is responsible.
<b>Infrastructure Assets</b>	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.
<b>Intangible Assets</b>	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.
<b>International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)</b>	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.
<b>Inventory</b>	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.

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<b>Liability</b>	A liability arises when the Council owes money to others and it must be included in financial statements.
<b>Long Term Investments</b>	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.
<b>Materiality</b>	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.
<b>Minimum Revenue Provision</b>	The minimum amount which must be charged to the revenue account each year for the repayment of borrowing.
<b>National Non-Domestic Rate (NDR)</b>	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.
<b>Operating Lease</b>	A lease whereby the ownership of the fixed asset remains with the lessor.
<b>Post Balance Sheet Event</b>	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.
<b>Precept</b>	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.
<b>Provision</b>	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.
<b>Prudential Code</b>	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.
<b>Rateable Value</b>	The annual assumed rental value of a property that is used for business purposes.
<b>Related Parties</b>	Two or more parties are related parties when at any time during the financial period: <ul style="list-style-type: none"><li>• One party has direct or indirect control of the other party;</li><li>• The parties are subject to common control from the same source;</li><li>• 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</li><li>• 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.</li></ul>
<b>Related Party Transactions</b>	The transfer of assets, liabilities or services between the Council and its related parties irrespective of whether a charge is made.
<b>Reserves</b>	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

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	of the Council.
<b>Residual Value</b>	This is the net realisable value of an asset at the end of its useful life.
<b>Revaluation Reserve</b>	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.
<b>Revenue Expenditure</b>	The day to day expenses associate with the provision of services.
<b>Revenue Expenditure funded from Capital under Statute</b>	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.
<b>Revenue Support Grant</b>	A grant paid by the Government to councils, contributing towards the costs of their services.
<b>Code of Practice</b>	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.
<b>Statement of the Movement in Reserves</b>	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.
<b>Supplementary Financial Statements</b>	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
<b>Trust Funds</b>	Funds administered by the Council for such purposes as prizes charities and specific projects usually as a result of individual legacies and donations.
<b>Useful Life</b>	This is the period over which an organisation will derive benefits from the use of an asset.