THREE RIVERS DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2012/2013

CONTENTS

STATEMENT OF RESPONSIBILITIES

The *Code of Practice on Local Authority Accounting in The United Kingdom* reflects the requirements of the *Accounts and Audit Regulations 2011.* The Council must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Council and the Chief Financial Officer for the Accounts.

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 the Chief Financial Officer is the Director of Finance

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently

- made judgements and estimates that were reasonable and prudent

- complied with the local authority Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of Three Rivers District Council as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Signed ……………………………..……………
Joanne Wagstaffe CPFA
Director of Finance

Date: 26 September 2013

Signed ……………………………..……………
Councillor Sarah Nelmes
Chairman of Audit Committee

Date: 26 September 2013

EXPLANATORY FOREWORD

1. Introduction

The purpose of this Foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the Statement of Accounts.

This Foreword was prepared by the former Director of Corporate Resources and Governance, David Gardner CPFA. He was replaced by Joanne Wagstaffe on 22 July 2013.

2. The Core Financial Statements

The accounts that follow this foreword contain four core financial statements:

Statement of Movements in Reserves

The Statement of Movements in Reserves is a summary of the changes that have taken place in the bottom half of the Balance Sheet. It analyses the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income and in the movements in the fair value of its assets. It also shows movements in reserves brought about by statutory provisions that due to accounting requirements are excluded from the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) consolidates the gains and losses experienced by the Council during the financial year. These are reconciled to the changes in net worth in the Statement of Movements in Reserves. The CIES has two sections. The first details income and expenditure on services, and the second shows other income and expenditure such as movements in capital values and gains or losses on pension assets and liabilities.

Balance Sheet

The Balance Sheet summarises the Council's position at 31 March each year. In its top half it contains the assets it holds or liabilities it has accrued with other parties. As the Council does not have equity, i.e. shareholders, the bottom half shows usable and unusable reserves representing the Council's net worth. Changes in the net worth during the year are reconciled in the Statement of Movements in Reserves.

Cash Flow Statement

The Cash Flow Statement summarises the flows of cash that have taken place into and out of the Council's bank accounts during the financial year.

3. Changes to the Statement of Accounts

Accounting Policies

The Financial Statements have been prepared under International Financial Reporting Standards (IFRS). In addition, the Chartered Institute of Public Finance and Accountancy produces a Code of Practice on Local Authority Accounting which reflects the statutory requirements and has been followed in preparing the financial statements.

There were no major changes to accounting policies in the year.

The Council is required to prepare ‘group accounts’ where there are significant interests in other organisations. It has carried out a review and determined that no other organisations exist that would require group accounts to be prepared.

Changes in Functions

No changes in function occurred in 2012/13.

The Council continued to share Revenues and Benefits, Finance, Human Resources and ICT functions with Watford Borough Council under the governance of a Joint Committee. Separate accounts are published for these activities and the impact on Three Rivers District Council included in this Statement of Accounts.

4. Contingent Assets and Liabilities

Note 32 to the Core Financial Statements gives details of contingent assets and liabilities. No exceptional or unusual items of income or expenditure have occurred. No material events affecting the accounts occurred after the year end up to 26 September 2013.

5. Revenue Activities

Revenue Out-turn 2012/2013

For accounting purposes, the Council distinguishes between 'revenue' and 'capital' activities. (Capital activities are dealt with below). Revenue activities are included in the Comprehensive Income and Expenditure Statement and cover the day to day income and expenditure involved in providing services to the public. The Council holds a General Fund Balance, shown in the Statement of Movement in Reserves and on the Balance Sheet, which is available to support revenue expenditure and to which surpluses are added and from which any deficits are met.

The net cost of revenue activities is met by central government grant and by the council tax charge made to residents. This is set each February prior to the start of the financial year and takes into account the General Fund Balance and detailed estimates of income and expenditure. A comparison of outturn figures to budgets, therefore, often provides a better indication of financial stewardship than comparison to the prior year.

It was estimated that there would be a deficit for the year of £0.679m. The actual outturn showed a deficit of £0.615m, a variance in the year of £0.064m.

The table below compares the original budget for the year against the out-turn:-

	2012/2013 Original Budget Gross £000	2012/2013 Original Budget Net £000	2012/2013 Actual Out-turn Gross £000	2012/2013 Actual Out-turn Net £000	2012/2013 Variance Net £000
General Fund Balance Brought Forward at 1 April 2012		(7,795)		(8,164)	(369)
Local Tax Collection	1,012	723	1,076	829	106
Housing Benefits	27,995	561	30,566	637	76
Other Services	1,740	890	2,056	972	82
Leisure	3,261	2,766	4,368	3,140	374
Environmental Health	1,392	981	1,319	992	11
Waste Collection & Disposal	3,822	2,123	3,764	2,139	16
Planning & Economic Development	1,945	1,037	1,817	1,023	(14)
Other Environmental Services	212	98	185	20	(78)
Highways & Transportation	1,866	1,585	1,812	1,497	(88)
Housing: Other Services	1,714	1,627	1,639	1,281	(346)
Corporate and Democratic Core	2,198	2,198	2,170	2,080	(118)
Central Support Services	575	1	222	0	(1)
Non Distributed Costs	63	63	143	143	80
Cost of District Services	47,795	14,653	51,137	14,753	100
Parish Councils' Net Budget	1,454	1,454	1,454	1,454	0
Investment Income	0	(1,132)	0	(340)	792
Collection Fund Deficit	0	0	1	1	1
Adjustment for Capital Charges	(3,170)	(2,773)	848	(3,584)	(811)
Adjustment for Pensions Costs	(36)	(36)	(183)	(183)	(147)
Other Income	0	0	(1,885)	(1,885)	(1,885)
Transfers from Earmarked Reserves	0	(37)	0	(62)	(25)
Transfers to Earmarked Reserves	14	14	1,925	1,925	1,911
Revenue Support Grant & Redistributed Non-Domestic Rate	0	(4,010)	0	(4,010)	0
Income from Council Tax Payers	0	(7,454)	0	(7,454)	0
Other Income & Expenditure	(1,738)	(13,974)	2,160	(14,138)	(164)
Surplus (-) / Deficit (+) for Year	46,057	679	53,297	615	(64)
General Fund Balance Carried Forward at 31 March 2013		(7,116)		(7,549)	(433)

The General Fund balance of £7.549m at 31 March 2013, was £0.433m more than anticipated when setting the original budget.

The main variances are:-

- an underspend in the 2011/12 financial year of £0.369m reported in last year's Statement of Accounts after the 2012/13 budget had been set
- expenditure on Council Tax and Housing Benefits which exceeded the original gross estimate by £2.571m due to the increased number of claims resulting from the prevailing economic conditions. However, the government reimburses the Council for nearly all of this expenditure
- changes in capital charges included in Investment Income and the net cost of district services, especially in Leisure and Housing, which are reversed out as part of the 'Adjustment for Capital Charges'

- other variances in the net cost of district services derive from charges for central, departmental and technical support, the incidence of which changed after the original estimate was prepared but which have no impact on the total

- other income of £1.885k relates to money received from third parties towards council expenditure and, alongside new homes bonus grant received from the government, and a final dividend from the Bank of Credit and Commerce International (BCCI), contributes towards the additional £1.911m paid into reserves.

Future Revenue Expenditure & its Funding

The Council ensures that its strategic, service and financial planning is closely linked so that resources are properly allocated to its priorities. The Council's aims and objectives are included within its Strategic Plan. This is based on the themes 'safety and wellbeing', 'clean and green', 'economic opportunities' and 'customer service' derived from the Community Strategy developed with the Council's partners. The Strategic Plan is supported by individual Service Plans. There is a performance management framework which measures how the Council is performing against these plans. Performance against Key Performance Indicators for 2012/13 were reported to the Council's Policy and Scrutiny Committees in June 2013, and are available on the Council's website.

The Medium-Term Three-Year Financial Plan is continually updated by monthly budget monitoring. The plan assumes reductions in government grant of 11.4% in 2013/14. On a like-for-like basis, it is planning for further reductions of 12.7% in 2014/15 and 5.0% in 2015/16. Following a freeze in the average council tax charge for 2013/14, the Council is budgeting for increases of 1.98% in subsequent years. The levels of council tax and government grant are critical to the Council's future revenue streams. The Government contributed 35% of the budget requirement in 2012/13, but this is estimated to fall to 30% by 2015/16, the balance coming from council tax payers.

6. Capital Activities

Capital Out-turn 2012/13

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2012/13 is shown below:-

	Original Budget £000	Actual Out-turn £000	Variance (Under) / Over Spend £000
Leisure Facilities	1,333	924	(409)
Asset Management	947	1,535	588
Waste Collection & Recycling	428	293	(135)
Footpaths, Cycle Paths, Roads and Car Parks	539	452	(87)
Private Sector Housing	788	418	(370)
Information & Communication Technology	537	343	(194)
Other	341	82	(259)
Total	**4,913**	**4,047**	**(866)**

The Council planned to complete schemes valued at £4.913m in 2012/13. The Council completed and funded £4.047m worth of work, £3.334m of which was funded from capital receipts, and £0.713m from government grants, contributions from third parties and reserves. The creation of assets adds to their value and reduces cash holdings in the top half of the balance sheet. Their funding reduces the value of usable reserves and increases the value of unusable reserves in the bottom half of the balance sheet.

The underspends mainly related to delays in the implementation of the Leavesden Management Plan and the Customer Relationship Management System, and approved applications for Disabled Facilities Grant where works were incomplete at the year end. The additional expenditure in respect of Asset Management related primarily to approved preparatory works on the South Oxhey Initiative - a scheme to redevelop the centre of South Oxhey.

The Statement of Accounts for 2011/12 stated that the Council was seeking recompense in respect of costs it had incurred as a result of a delay in completing the refurbishment of the William Penn Leisure Centre and the quality of its contractors' work, but that it was facing a counter claim. During the year the Council achieved a favourable settlement, the terms of which are subject to a confidentiality agreement and the impact of which is now reflected in the Council's General Fund Balance.

The total costs of the project cannot be obtained from this Statement of Accounts, as the total cost was incurred over several years and has been subsumed into the gross valuations of the leisure centre included under fixed assets in the balance sheet. The funding of the project has been reflected in the movement in reserves over the life of the project. A transfer between revenue and capital reserves has been made in 2012/13 to reflect the correct accounting treatment of non-capital expenditure (i.e. legal fees) in prior years. Over the life of the project, the Council set aside £9.135m in its budget to complete the refurbishment. The final cost was £8.381m.

Future Capital Expenditure and its Funding

The Council plans to spend £8.332m on further capital schemes in 2013/14. Of this £7.874m is to be funded from capital receipts and £0.448m from government grants, contributions from third parties and reserves.

Borrowing Facilities and Capital Borrowing

The Council has no plans to borrow in the medium or longer term and will finance capital expenditure from existing resources. It will remain debt free for the foreseeable future, although it has operational short-term borrowing facilities up to £5m. All historic capital expenditure has been fully funded and therefore there is no capital financing requirement (internal debt).

The Council applies the 'Prudential Code for Capital Finance'. The Code is designed to ensure that all external borrowing is within prudent and sustainable levels, that capital expenditure plans are affordable, that treasury management decisions are taken in accordance with good practice and that the Council is accountable by providing a clear and transparent framework. The Council takes into account all sources of future income and the potential calls on the use of that income.

7. Pensions

The Council has disclosed its full liabilities to the Hertfordshire Pension Fund. The Income and Expenditure Account includes the charges made for retirement benefits in accordance with International Accounting Standard 19 and the Statement of Movement in Reserves, in the General Fund, shows how this is adjusted for the actual amount paid to the Fund in the year (i.e. the amount met from council tax). The balance sheet shows a net liability to the Fund at 31 March 2013 of £22.600m. This has increased from £18.716m at 31 March 2012 and reflects actuarial losses. There are statutory arrangements for funding the deficit that protect the Council's financial position. Note 31 to the Core Statements of Account provides further information.

8. Conclusion

The Council's Overall Financial Position

The Council's medium-term financial planning has aimed to achieve tax increases at or below the rate of inflation, a balanced budget and a prudent level of balances. With the reductions in government grant, however, this means that significant savings have had to be identified. The Council is aiming to continue to achieve efficiency savings rather than cut levels of service. Tight financial control is being exercised to ensure that the savings identified are achieved.

In the current financial climate, the Council monitors on a regular basis the financial and budgetary risks that it faces. At the date of issue of this Statement of Accounts, no significant impairment has been made to assets although provisions for bad debts have been increased to reflect the increased probability that debtors may default.

In the longer term the Council will also have to address the impact on the revenue account of reduced interest income as capital receipts are used to fund capital expenditure.

In the meantime, balances are still healthy. The General Fund balance at 31 March 2013 was £7.549m representing 66% of the 2012/13 budget requirement. The Council held £14.696m at 31 March 2013 in capital receipts and capital grants available for new capital expenditure.

The Council is constantly looking to improve its financial management and internal control. The Annual Governance Statement shows the steps the Council is taking to achieve this and to address the challenges brought about by changes to business rates, the local support to council tax and the introduction of benefit caps and universal credit.

9. Further Information

This Statement of Accounts is one way in which the Council tries to demonstrate that it is making good use of public funds and providing value for money. Further information is included in a *'Guide to the Finances of Three Rivers District Council and the Financial Plan'* which is available on the Council's website or in hard copy by request.

Joanne Wagstaffe CPFA
Director of Finance
26 September 2013

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website at:

http://www.threerivers.gov.uk/Default.aspx/Web/CorporateGovernance

or can be obtained from:-

Three Rivers District Council
Democratic Services
Three Rivers House
Northway
Rickmansworth
WD3 1RL

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011, which requires the preparation of an annual governance statement.

2. The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims 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, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework described below has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements are:-

Identifying, communicating and reviewing the council's vision

The Council and Executive Committee meet regularly to set the strategic direction of the Council and together with the Audit Committee, and the Policy and Scrutiny Committees, monitor service delivery.

With effect from May 2014, the Council will reduce in numbers from 48 to 39 members and will revert to a traditional committee system.

The Council's Strategic Plan focuses on those areas where it has a lead role, or can play a key part in delivering or influencing the outcomes within the Community Strategy which has been developed through public consultation undertaken by the Local Strategic Partnership (LSP). The LSP comprises key stakeholders such as NHS, Police, County Council, Parish Councils, Thrive Homes, the Voluntary Sector and Business Sector.

The Council updates its Strategic Plan every February. Its purpose is to guide the Council over a three year period in its annual consultation, planning, resource allocation and performance management process by articulating clearly a series of SMART targets (targets that are Specific, Measurable, Achievable, Resourced and Time-limited) by which it is able to track its progress towards delivering the Council's long-term objectives.

The Council's vision is that the district should remain a prosperous, safe and healthy place where people want and are able, to live and work.

It has decided to concentrate its energies on four major thematic areas of activity:

- safety and well-being - We shall work with partners to make the district a safer and healthier place, providing a safe and healthy environment, and reducing health inequalities

- clean and green - We want to maintain a high quality local environment and reduce the eco-footprint of the district

- economic opportunities – We shall work in partnership to promote the economic prospects for all our communities

- Customer Service - We shall deliver services to a standard that meets the needs and expectations of all of our customers and provides exemplary value for money.

The means by which these objectives are to be achieved are then included in service plans and cascaded to individual employees via the council's appraisal system.

Measuring the quality of services and ensuring they represent the best use of resources and value for money

The Council has a performance management framework linked to the Council's Strategic Plan. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's policy and scrutiny committees report the Council's achievements against the targets it set for improvements.

The Council's Procurement Strategy and its Procurement Policies and Procedures assist it in achieving good value for money. The Council has in place a Value for Money Strategy. Under this strategy the Council proposes to achieve VFM by:

- measuring service quality against external objective quality standards such as the Customer Services Excellence standard, Investors in People & other external accreditations and against nationally published performance indicators and locally determined indicators;
- systematically reviewing services for VFM by benchmarking them using comparative data from the private and public sectors;
- ensuring that its limited resources are allocated to its priorities through a rigorous strategic, service and financial planning process;
- hitting budgetary targets through tight budgetary control and good project management;
- maintaining the policy of competitive tendering and adopting best procurement practices;
- minimising waste and achieving efficiency improvements year on year;
- working with the Local Strategic Partnership and other partners;
- listening to the views of residents, service users, and businesses, and by dealing efficiently with complaints so that problems can be put right quickly;
- promoting equality of opportunity.

Developing, communicating and embedding codes of conduct for standards of behaviour

Until 1 July 2012, the Council had a statutory Standards Committee. It has now adopted its own local code of conduct for members under the Localism Act 2011, and has in place its own local arrangements to deal with code of conduct complaints against members, consistent with the Nolan principles. There is also a code of conduct for officers.

Defining and documenting roles and responsibilities

The Council has a Constitution which sets out the processes by which its policies are made and its decisions taken. The Constitution spells out the responsibilities of the Executive Committee and the policy and scrutiny committees.

The Council is responsible for the adoption of the budget and policy framework. It is the responsibility of the Executive Committee to implement it.

The Constitution sets out delegations to officers. The Council's statutory officers are its Chief Executive, who is the Head of Paid Service, the Director of Finance who is its Chief Finance Officer, and the Council's Solicitor who carries out the role of Monitoring Officer.

Risk Management

The Council has adopted a Risk Management Strategy which has been updated annually. All of the Council's key objectives, including those in its Strategic Plan, have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through sixteen service plans (including four plans for Shared Services). Risks have been identified and assessed for their impact and likelihood. Where they require managing a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.

Whistle-blowing and arrangements for receiving and investigating complaints from the public

An anti-fraud and corruption policy exists and arrangements for whistle-blowing are in place. Any allegations of fraud and corruption are pursued by dedicated staff.

The Council's financial management and assurance arrangements

The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). Its assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

Undertaking the core functions of an audit committee

Included in the Council's Constitution are the Audit Committee's responsibilities, which are to:-

- approve (but not direct) internal audit's strategy, plan and performance;
- review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- consider the reports of external audit and inspection agencies;
- consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors;
- be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;

- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted; and,

- review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

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

The Council's Constitution sets out how members and officers ensure compliance with policies, procedures and legislation. The Council has adopted a 'Local Code of Corporate Governance' in accordance with the CIPFA/SOLACE Framework for Corporate Governance.

Identifying the development needs of members and senior officers

Appropriate training is identified to support officers in relation to their strategic roles. Members' training is considered in the section on 'effectiveness' below.

Establishing clear channels of communication with all sections of the community

The Council has a Consultation Strategy and a Communications Strategy which it follows in order to ensure accountability and encourage open consultation with the community and other stakeholders. It publishes a newsletter - Three Rivers Times – three times a year which is delivered to every household.

Enhancing the accountability for service delivery and effectiveness of other public sector providers

The Council has member and officer representation on the Health and Wellbeing Board created under the Health and Social Care Act 2012 and on the Police and Crime Panel and Forum established under the Police Reform and Social Responsibility Act 2012.

Incorporating good governance arrangements in respect of partnerships

The Council shares its human resources, ICT, finance, revenues and benefits services with Watford Borough Council. In order to monitor and control this arrangement a Shared Services Joint Committee has been formed comprising members from both councils.

The Joint Committee is required to produce its own statutory Statement of Accounts which is subject to audit by the councils' external auditors. This process provides a degree of comfort to both constituent authorities that good governance practices are being followed. The internal audit service (provided through a countywide consortia) also allocates a significant number of audit days to the validation of the control environment.

Additionally the two councils have put in place:

- a detailed joint agreement which includes all aspects of best practice, financial administration and risk management

- detailed estimates approved by the constituent authorities prior to each financial year and monitored by the constituent authorities on a regular basis

- detailed quarterly performance management monitoring reports for the joint committee

- draft Statutory Statement of Accounts to be considered and approved by the Joint Committee

- consideration of all audit reports affecting shared services

The increasing importance of partnership working means that arrangements for group working, such as those detailed above, need to be reflected in the Council's overall governance arrangements and constantly reviewed. Consideration is being given to abolishing the joint committee in favour of a lead authority model.

4. Review of Effectiveness

The Council

The 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 councillors, the officers who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The reduction in the number of councillors and introduction of a new committee system with effect from May 2014 needs to be monitored to ensure sound governance arrangements are maintained.

Executive Committee and Policy Panels

With regard to performance management, quarterly reports have been produced for the Management Board. Members received half-yearly reports and corrective action has been detailed and monitored where necessary. The monthly budget monitoring system incorporated an update on financial and budgetary risks, a quantitative evaluation of fee income, and the position on reserves and balances. Continued emphasis was placed during 2012/13 on how the Council was achieving the reductions in expenditure identified in its budget.

The Audit Committee

The Audit Committee have monitored the implementation of internal and external audit recommendations throughout 2012/13. Significant progress has been made in reducing the number of outstanding recommendations and the time it has taken to implement them. The main concern however has been over the number of outstanding recommendations concerning the ICT service, the most significant of which concerned network infrastructure, intrusion and security.

Following a rigorous tendering exercise, the shared ICT service was out-sourced to Capita Secure Information Services with effect from 20 May 2013 and a plan put in place to resolve the outstanding matters during the transition and transformation stages of implementing the new service.

The monitoring of the ICT service will continue to be a major requirement in the 2013/14 Action Plan.

The Audit Committee considered a review of the effectiveness of the governance framework at its meeting on 13 June 2013. This included an assessment of how the Council is meeting the requirements of the Local Code of Corporate Governance. The key issues emerging from the review have been included in this statement.

Internal Audit

The internal audit service was provided by the Shared Services Joint Committee (with Watford Borough Council) until 1 April 2013, when the Hertfordshire Shared Internal Audit Service assumed responsibility. A programme of audits across the whole range of the Council's activities is carried out. Internal Audit recommendations and the progress made in implementing them are reported to the Audit Committee. The Internal Audit Annual Report provides a satisfactory opinion on the adequacy and effectiveness of the internal control environment for the year ended 31 March 2013, but highlights reconciliations to the financial management system, ICT governance and the separation of duties as issues to be monitored. These matters are included in the Action Plan below.

The external auditors have concluded "that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council".

External Audit

The Council's external auditors produced an Annual Report to those Charged with Governance in September 2012. The auditor issued an unqualified opinion on the Council's financial statements and gave an unqualified value for money conclusion. The implementation of recommendations arising from the report has been monitored by the Audit Committee.

The external auditors made recommendations during the year to assist the Council in learning lessons from the William Penn Refurbishment project which was completed late and over budget.

The external audit plan for the year ended 31 March 2013 notes that the capacity of the new joint Director of Finance should be monitored.

These two matters are included in the Action Plan.

Other review / assurance mechanisms

During 2012/13 Internal Audit have tested the adequacy of the controls to minimise risk, have gained assurances and gathered evidence that the controls are working. Where they have identified any weaknesses the matter has been included in the 2013/14 Internal Audit Plan for detailed consideration. Any assurances that are not obtained in this way will be gathered and evidenced by officers and reported to the Audit Committee to ensure that the internal control framework is robust.

Like all local councils, Three Rivers has had to react to the reductions in public spending introduced to reduce the national deficit. The Council's formula grant from government reduced by 17.4% in 2011/12, by 14.8% in 2012/13, and by 11.4% in 2013/14. Furthermore, the way in which the Council receives central government support has altered as a result of the 'retention' of national non-domestic rates. On a like-for-like basis, it is planning for further reductions of 12.7% in 2014/15 and 5.0% in 2015/16. Against this the Council can point to £3.5m revenue efficiency savings since 2005/06. Nevertheless, tight budgetary control will be needed to ensure budget integrity. This is reflected in the Action Plan.

As part of the annual review of the effectiveness of its governance framework, including the system of internal control, heads of service provide an assurance statement concerning their activities. These assurances were reported to the Audit Committee on 13 June 2013. The following matters were considered of sufficient significance to include in the Action Plan:-

- the housing service needs to develop action plans to address significant unmitigated risks
- staff needed to be made more aware of the Council's whistle-blowing policy
- the ICT disaster recovery plan needs to be tested
- the Financial Procedure Rules and Contracts Procedure Rules need reviewing and updating

5. Significant Governance Issues

Over the coming year the Council proposes to take steps to address the matters shown in the table below to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements that were identified in its review of effectiveness. It will monitor their implementation and operation through regular reporting to the Audit Committee.

Action	*Priority*	*Officer Responsibility*	*Action to date / Action Required*	*Resolved*	*Original Implementation Date*
Monitor the performance of the out-sourced ICT service to ensure it is achieving service and budgetary targets. The disaster recovery plan should be tested.	High	Shared Director of Finance	The ICT service is being monitored monthly and has a range of PIs against which performance is measured. In addition there are fortnightly meetings to discuss ongoing issues. The Disaster Recovery Plan is due to be tested between January and April 2014.	×	March 2014

Action	*Priority*	*Officer Responsibility*	*Action to date / Action Required*	*Resolved*	*Original Implementation Date*
Continue to monitor the following risks for their impact on the budget and quality of service: • continued reductions in central government funding • employer's pension contributions • the implications of the local scheme of support to council tax • the retention of business rates • the introduction of universal credit	High	Management Board	The medium term financial plan is updated each month. Planning takes into consideration known information and forecasts for government funding, pay and pension increases. Regular monitoring processes are in place for forecasting the council tax base, the council tax support scheme and the non-domestic rates tax base. The introduction of universal credit is regularly monitored and reported to Management Board where risks are identified and reviewed. The September Executive Committee will receive a report commencing the process for Strategic, Service and Financial Planning for 2014 - 2018	×	March 2014
The housing service should develop action plans to address significant unmitigated risks	High	Head of Community Services	Included in Service Planning for 2014 – 2017. Process underway	×	March 2014
Monitor the transition to 39 councillors and a revision to a traditional committee system with effect from May 2014 to ensure sound governance arrangements are maintained	High	Management Board	A Local Government Association Peer Review commenced in August and will be completed in September to help with this process.	×	March 2014

Action	*Priority*	*Officer Responsibility*	*Action to date / Action Required*	*Resolved*	*Original Implementation Date*
The financial procedure rules and contracts procedure rules should be reviewed and updated. Specifically, they should be amended for the lessons learned from the William Penn project.	High	Shared Director of Finance	First draft of ‘harmonised’ FPRs produced and agreed with Head of Democracy at Watford for onward consultation. Deadline will be achieved. Contract Procedure Rules - Executive Committee in March 2010 agreed adopting the same Contracts Procedure Rules as Watford to ensure that there is consistent practice across both Councils Watford approved revisions in July 2013. The Solicitor to the Council is reviewing current revisions and ensuring inclusion of lessons learned.	×	March 2014
Staff should be reminded of the Council’s Whistle-blowing policy.	Medium	Management Board	All staff were reminded in June 2013 of the need to complete Whistle blowing Awareness Training as part of the Anti Fraud, Corruption and Money laundering Training via the Council’s E-learning package. To date, 80 employees have accessed the training for Anti-Fraud, Corruption and Money Laundering and 45 employees have accessed the training for Fraud Awareness.	✓	September 2013
Reconciliations to the Financial Management System should be kept up to date	Medium	Head of Finance	Reconciliations from feeder systems and journal sources are carried out on a regular basis and kept up to date. No issues were identified in closing the accounts or preparing the financial statements for the last two years. The 2012/13 accounts have been audited and no concerns have been raised.	✓	July 2013

ANNUAL GOVERNANCE STATEMENT

Action	*Priority*	*Officer Responsibility*	*Action to date / Action Required*	*Resolved*	*Original Implementation Date*
Put in place compensating controls to mitigate risks arising from reduced staffing levels and separation of duties.	Medium	Heads of Service	This is being monitored by the Heads of Service as part of the on-going service delivery. Any significant issues will also be identified by Internal Audit as part of their annual audit programme.	×	March 2014
Monitor the capacity of the shared Director of Finance	Medium	Chief Executive	This is being monitored and regularly discussed by the Chief Executive and the Shared Director of Finance.	×	December 2013

We have been advised by the Audit Committee on the implications of the review of the effectiveness of the governance framework. We note that the Action Plan will address weaknesses and ensure continuous improvement of the system.

Signed ………………………………………. **Date: 26 September 2013**
Ann Shaw O.B.E.
Leader of the Council

Signed ………………………………………. **Date: 26 September 2013**
Dr Steven Halls
Chief Executive

STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 1 April 2011	**(7,933)**	**(4,074)**	**(14,357)**	**(15)**	**(26,379)**	**(41,112)**	**(67,491)**
Movement in Reserves during 2011/12							
(Surplus) or deficit on provision of services	2,687	0	0	0	**2,687**	0	**2,687**
Other Comprehensive Expenditure and (Income)	4,970	0	0	0	**4,970**	0	**4,970**
Total Comprehensive Expenditure and (Income) (CI&E)	**7,657**	**0**	**0**	**0**	**7,657**	**0**	**7,657**
Adjustments between accounting basis & funding basis under regulations							
Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:							
Charges for depreciation of Long Term Assets	(1,544)	0	0	0	**(1,544)**	1,544	**0**
Revaluation Losses on Property, Plant & Equipment	(672)	0	0	0	**(672)**	672	**0**
Movement in the fair value of investment properties	213	0	0	0	**213**	(213)	**0**
Amortisation of intangible Long Term Assets	(104)	0	0	0	**(104)**	104	**0**
Capital grants & contributions applied to capital financing	289	0	0	0	**289**	(289)	**0**
Revenue expenditure funded from capital under Statute	(1,070)	0	0	0	**(1,070)**	1,070	**0**
Amounts of non-current assets written off on disposal or sale as part of the gain loss on disposal to the CI&E	0	0	(1,450)	0	**(1,450)**	1,450	**0**
Adjustments primarily involving the Capital Receipts Reserve							
Lease Mitigation	(1)	0	1	0	**0**	0	**0**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure account	(32)	0	32	0	**0**	0	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	0	(14)	4,146	0	**4,132**	(4,132)	**0**
Contribution from Capital Receipts Reserve to finance payments to the Government Capital Receipts Pool	(3)	0	3	0	**0**	0	**0**
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	0	(63)	0	**(63)**	63	**0**
Unattached capital receipts	677	0	(677)	0	**0**	0	**0**
Adjustments primarily involving the Collection Fund Adjustment Account:							
Council's share of Movement in Collection Fund Surplus/(Deficit)	52	0	0	0	**52**	(52)	**0**
Adjustments primarily involving the Accumulated Absences Reserve:							
Accrued Employee benefits	41	0	0	0	**41**	(41)	**0**
Adjustments primarily involving the Pensions Reserve:							
Employer's pension contributions and direct payments to pensioners payable in the year	1,317	0	0	0	**1,317**	(1,317)	**0**
Actuarial (Gains)/Losses on Pension Fund Assets/Liabilities	(6,118)	0	0	0	**(6,118)**	6,118	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&E	(1,386)	0	0	0	**(1,386)**	1,386	**0**
Net (increase) / decrease before transfers to earmarked reserves	**(684)**	**(14)**	**1,992**	**0**	**1,294**	**6,363**	**7,657**

STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Net (increase) / decrease before transfers to earmarked reserves	**(684)**	**(14)**	**1,992**	**0**	**1,294**	**6,363**	**7,657**
Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement							
S106 Traffic Orders	4	(4)	0	0	**0**	0	**0**
S106 Horsefield	400	(400)	0	0	**0**	0	**0**
New Homes Bonus	96	(96)	0	0	**0**	0	**0**
Transfers to/from earmarked reserves							
Reserve for Leavesden Hospital Open Space	(53)	53	0	0	**0**	0	**0**
Transfer to Earmarked Reserve	0	(15)	0	15	**0**	0	**0**
To Fund Capital Expenditure	0	21	0	0	**21**	(21)	**0**
S106 Reserves in Lieu of interest	6	(6)	0	0	**0**	0	**0**
Transfers to/from earmarked reserves	**453**	**(447)**	**0**	**15**	**21**	**(21)**	**0**
(Increase)/Decrease in 2011/12	**(231)**	**(461)**	**1,992**	**15**	**1,315**	**6,342**	**7,657**
Balance as at 31 March 2012	**(8,164)**	**(4,535)**	**(12,365)**	**0**	**(25,064)**	**(34,770)**	**(59,834)**

STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 1 April 2012	**(8,164)**	**(4,535)**	**(12,365)**	**0**	**(25,064)**	**(34,770)**	**(59,834)**
Movement in Reserves during 2012/13							
(Surplus) or deficit on provision of services	2,126	0	0	0	**2,126**	0	**2,126**
Other Comprehensive Expenditure and (Income)	1,612	0	0	0	**1,612**	0	**1,612**
Total Comprehensive Expenditure and (Income) (CI&E)	**3,738**	**0**	**0**	**0**	**3,738**	**0**	**3,738**
Adjustments between accounting basis & funding basis under regulations							
Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:							
Charges for depreciation of Long Term Assets	(1,668)	0	0	0	**(1,668)**	1,668	**0**
Revaluation Losses recognised in Net Cost of Services or Financing & Investment Inc/Exp	(992)	0	0	0	**(992)**	992	**0**
(Surplus)/Deficit on revaluation of non-current assets in Other Comprehensive I&E	1,537	0	0	0	**1,537**	(1,537)	**0**
(Surplus)/Deficit on revaluation of Assets Held for Sale	(1,010)				**(1,010)**	1,010	**0**
Amortisation of intangible Long Term Assets	(148)	0	0	0	**(148)**	148	**0**
Capital grants & contributions applied to capital financing	638	0	0	0	**638**	(638)	**0**
Revenue expenditure funded from capital under Statute	(988)	0	0	0	**(988)**	988	**0**
Adjustments primarily involving the Capital Receipts Reserve							
Lease Mitigation	(1)	0	1	0	**0**	0	**0**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure account	18	0	(18)	0	**0**	0	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	3,334	0	**3,334**	(3,334)	**0**
Contribution from Capital Receipts Reserve to finance payments to the Government Capital Receipts Pool	(2)	0	2	0	**0**	0	**0**
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	0	(826)	0	**(826)**	826	**0**
Unattached capital receipts	1,515	0	(1,515)	0	**0**	0	**0**
Adjustments primarily involving the Collection Fund Adjustment Account:							
Council's share of Movement in Collection Fund Surplus/(Deficit)	(1)	0	0	0	**(1)**	1	**0**
Adjustments primarily involving the Accumulated Absences Reserve:							
Accrued Employee benefits	0	0	0	0	**0**	0	**0**
Adjustments primarily involving the Pensions Reserve:							
Employer's pension contributions and direct payments to pensioners payable in the year	1,341	0	0	0	**1,341**	(1,341)	**0**
Actuarial (Gains)/Losses on Pension Fund Assets/Liabilities	(3,149)	0	0	0	**(3,149)**	3,149	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&E	(2,076)	0	0	0	**(2,076)**	2,076	**0**
Net (increase) / decrease before transfers to earmarked reserves	**(1,248)**	**0**	**978**	**0**	**(270)**	**4,008**	**3,738**

STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Net (increase) / decrease before transfers to earmarked reserves	**(1,248)**	**0**	**978**	**0**	**(270)**	**4,008**	**3,738**
Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement							
S106 Agreements	1,368	(1,368)	0	0	**0**	0	**0**
High Street Innovation Fund	100	(100)	0	0	**0**	0	**0**
New Homes Bonus	321	(321)	0	0	**0**	0	**0**
Transfers to/from earmarked reserves							
Section 106 Agreements & Commuted Sums	0	15	0	0	**15**	(15)	**0**
Future Capital Expenditure	121	882	(943)	0	**60**	(60)	**0**
Leavesden Hospital Open Space	(62)	62	0	0	**0**	0	**0**
S106 Reserves in Lieu of interest	15	(15)	0	0	**0**	0	**0**
Transfers to/from earmarked reserves	**1,863**	**(845)**	**(943)**	**0**	**75**	**(75)**	**0**
(Increase)/Decrease in 2012/13	**615**	**(845)**	**34**	**0**	**(195)**	**3,933**	**3,738**
Balance as at 31 March 2013	**(7,549)**	**(5,380)**	**(12,331)**	**0**	**(25,260)**	**(30,837)**	**(56,097)**

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/12 GROSS EXPEND-ITURE £000	2011/12 GROSS INCOME £000	2011/12 NET EXPEND-ITURE £000		NOTE	2012/13 GROSS EXPEND-ITURE £000	2012/13 GROSS INCOME £000	2012/13 NET EXPEND-ITURE £000
			Central Services to the Public:				
1,022	(299)	723	Local Taxation Collection		1,076	(247)	829
29,234	(28,530)	704	Housing Benefits		30,566	(29,929)	637
2,074	(1,250)	824	Other Services to the Public		2,056	(1,084)	972
			Cultural and Related Services:				
4,339	(687)	3,652	Leisure Services		4,368	(1,228)	3,140
			Environmental and Regulatory Services:				
1,347	(399)	948	Environmental Health		1,319	(327)	992
248	(114)	134	Other Environmental Services		185	(165)	20
3,524	(1,715)	1,809	Waste Collection and Disposal		3,764	(1,625)	2,139
1,887	(739)	1,148	Planning and Economic Development		1,817	(794)	1,023
1,918	(293)	1,625	Highways and Transport Services		1,812	(315)	1,497
1,621	(327)	1,294	Other Housing Services		1,639	(358)	1,281
2,212	(62)	2,150	Corporate and Democratic Core		2,170	(90)	2,080
257	(257)	0	Central Support Services		222	(222)	0
72	0	72	Non-distributed Costs		143	0	143
49,755	**(34,672)**	**15,083**	**Cost of Services**		**51,137**	**(36,384)**	**14,753**
			Other Operating Expenditure (Income)				
		3	Payments to the Government Housing Capital Receipts Pool				2
		1,426	Parish Council Precepts				1,454
		(18)	(Gain)/loss on Disposal of Non-Current Assets				(18)
		(420)	Other (income) / expenditure				(554)
		(677)	Unattached Capital Receipts				(1,515)
			Financing & Investment Income & Expenditure				
		1	Interest payable and similar charges				1
		34	Pensions Interest Cost and Expected Return on Pensions Assets				552
		(529)	Interest Receivable and similar income				(316)
		97	Income and Expenditure on Investment Properties & Changes in their Fair Value				(24)
			Taxation & Non-Specific Grant Income				
		(7,424)	Council Tax Income				(7,452)
		(3,594)	Non-domestic Rates redistribution	*8*			(3,931)
		(1,111)	Non-ringfenced Government Grants	*8*			(79)
		(184)	Capital Grants & Contributions	*8*			(747)
		2,687	**(Surplus) / Deficit on Provision of Services**	*7*			**2,126**
		(1,148)	(Surplus)/Deficit on revaluation of non-current assets				(1,537)
		6,118	Actuarial (gains)/losses on pension assets/liabilities				3,149
		4,970	**Other Comprehensive Income and Expenditure**				**1,612**
		7,657	**Total Comprehensive Income and Expenditure**				**3,738**

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

BALANCE SHEET AS AT 31 MARCH 2013

31 March 2012 £000	31 March 2012 £000		Note	31 March 2013 £000	31 March 2013 £000
		Property, Plant and Equipment			
31,889		Land and Buildings	***17***	33,064	
4,424		Vehicles, Plant and Equipment	***17***	4,299	
893		Infrastructure Assets	***17***	1,019	
201		Heritage Assets	***18***	201	
	37,407				**38,583**
		Other Long Term Assets			
11,384		Investment Properties	***19***	11,594	
2,585		Long Term Debtors	***22***	2,841	
	13,969				**14,435**
	51,376	**LONG TERM ASSETS**			**53,018**
		CURRENT ASSETS			
2,220		Assets Held For Sale	***23***	530	
26		Inventories	***24***	20	
5,231		Short Term Debtors	***25***	4,366	
26,949		Short Term Investments	***35***	25,869	
2		Cash and Cash Equivalents	***26***	63	
	34,428				30,848
	85,804	**TOTAL ASSETS**			**83,866**
		CURRENT LIABILITIES			
(5,929)		Short Term Creditors	***28***	(4,936)	
(629)		Short Term Borrowing	***26***	0	
	(6,558)				(4,936)
	79,246	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**78,930**
		LONG TERM LIABILITIES			
(696)		Government Grants & Other Contributions Unapplied	***29***	(202)	
0		Provisions	***30***	(31)	
(18,716)		Liability related to Defined Benefit Pension Scheme	***31***	(22,600)	
	(19,412)				(22,833)
	59,834	**NET ASSETS**			**56,097**

BALANCE SHEET AS AT 31 MARCH 2013

-continued

31 March 2012 £000	31 March 2012 £000		Note	31 March 2013 £000	31 March 2013 £000
		FINANCED BY:			
		USABLE RESERVES			
8,164		General Fund Balance	***33d***	7,549	
12,365		Capital Receipts Reserve	***33b***	12,331	
4,535		Earmarked Reserves	***33c***	5,380	
	25,064				25,260
		UNUSABLE RESERVES			
34,440		Capital Adjustment Account	***34b***	34,984	
4,805		Deferred Capital Receipts	***34c***	3,371	
2		Collection Fund Adjustment Account	***34d***	1	
14,351		Revaluation Reserve	***34e***	15,193	
(112)		Accumulated Absences Reserve	***34f***	(112)	
(18,716)		Pensions Reserve	***31***	(22,600)	
	34,770				30,837
	59,834	**TOTAL RESERVES**			**56,097**

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

Signed ………………………………..…………… **Date: 26 September 2013**

Joanne Wagstaffe CPFA
Director of Finance

Signed ………………………………..…………… **Date: 26 September 2013**

Councillor Sarah Nelmes
Chairman of Audit Committee

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

2011/12 £000	2011/12 £000		Note	2012/13 £000	2012/13 £000
(2,687)		**Net surplus or (deficit) on the provision of services**		**(2,126)**	
6,065		Adjustments to net surplus or deficit on the provision of services for non cash movements	***27***	4,813	
(528)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	***27***	(315)	
	2,850				**2,372**
(1)		Interest paid		(1)	
529		Interest received		316	
	528				**315**
	3,378	**Net cash flows from Operating Activities**			**2,687**
		Investing and Financing Activities			
(3,270)		Purchase of Long Term Assets		(2,911)	
(1,173)		Other payments for investing activities		(1,136)	
(154,800)		Purchase of short term and long term investments		(176,270)	
153,918		Proceeds from the sale of investments		177,350	
289		Grants and Contributions Applied		638	
1,450		Proceeds from the sale of Long Term Assets		0	
63		Cash Income from Deferred Capital Receipts		826	
330		Movement in Unapplied Grants and Contributions		(494)	
	(3,193)				**(1,997)**
	185	**Net increase/(decrease) in cash and cash equivalents**			**690**
	(812)	**Cash and Cash equivalents at the beginning of the reporting period**			**(627)**
	(627)	**Cash and Cash equivalents at the end of the reporting period**	***26***		**63**

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

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies

1.01 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2011, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.02 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

1.03 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 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.

1.04 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.05 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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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 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.

1.06 Charges to Revenue for Long Term Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Long Term 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
- amortisation of intangible Long Term Assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore funded, by way of an adjusting transaction, within the Capital Adjustment Account in the Movement in Reserves Statement.

1.07 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers 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.

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Hertfordshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

The Local Government Pension Scheme

- the Local Government Scheme is accounted for as a defined benefits scheme
- the liabilities of 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, etc, and projections of projected earnings for current employees
- liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the indicative rate of return on high quality corporate bonds)
- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS)19. The assets are:
  - Equities
  - Bonds
  - Property
  - Cash

  The bid value of assets for the Fund are provided by the Administering Authority, Hertfordshire County Council.

The change in the net pensions liability is analysed into seven components:

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the Comprehensive Income and Expenditure Statement to the 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
- contributions paid to the HCC 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 benefits earned by employees.

Discretionary Benefits

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 same policies as are applied to the Local Government Pension Scheme.

1.08 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
- 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.

1.09 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. The Council currently has no long-term external debt.

Financial Assets - Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market.

They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year — the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to, or from, the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has made a number of small loans to voluntary organisations at less than market rates. These are regarded as not material and no adjustment has been made.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge 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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.10 Government Grants and Contributions

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

- the Council will comply with the conditions of the payment
- 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. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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.

1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) 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(s) 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.

1.12 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.13 Investment Property

Investment properties are those that are used solely 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 properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, 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 the Capital Receipts Reserve.

1.14 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment — applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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 Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property — applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.15 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 services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core — costs relating to the Council’s status as a multi-functional, democratic organisation
- Non-Distributed Costs — the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.16 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction — depreciated historical cost
- dwellings — fair value, determined using the basis of existing use value for social housing (EU V-SH)
- all other assets — fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value — EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified:

- 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(s) 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.

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.

When impairment losses are identified:

- 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(s) in the Comprehensive Income and Expenditure Statement

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

On all other assets where depreciation has been provided, assets have been depreciated from the year following acquisition on a straight line method over the following periods:

Buildings	20 to 60 years
Infrastructure (e.g. district footpaths)	10 to 20 years
Plant and Computer Equipment	3 to 5 years
Furniture	5 to 25 years
Vehicles	5 to 7 years

Depreciation commences in the year following acquisition.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to 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 losses previously 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 held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

1.17 Heritage Assets

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) 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 as detailed below.

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

The Council's collection of Heritage Assets, which includes works of art, musical equipment, sculptures, statues, war memorials and civic regalia, are reported at insurance valuations, which are based on market values, internal or external valuations. These insurance valuations are reviewed and updated on an annual basis. The carrying amounts of heritage assets are reviewed where there is evidence of impairment or where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policy on impairment

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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 or otherwise 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.

1.19 Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council — these reserves are explained in the relevant policies.

1.20 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.

1.21 Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. VAT receivable is excluded from income.

2 Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

The following accounting policy changes have not yet been adopted but are expected to be included within Appendix C to the 2013/14 Code of Practice:

- Amendments to IAS 1 Presentation of Financial Statements (other comprehensive income, June 2011)
- Amendments to IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities, December 2011)
- Amendments to IAS 12 Income Taxes (deferred tax: recovery of underlying assets, December 2010)
- Amendments to IAS 19 Employee Benefits (June 2011)
- IFRS 13 Fair Value Measurements (May 2011)

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement in the Statements of Accounts is the level of uncertainty about future levels of funding for local government. However, the Council has planned to make savings to compensate for reductions in funding. These savings will result predominantly from efficiencies and not reduced level of services, so the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4 Prior Period Adjustments

There are no prior period adjustments included in the statements.

5 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 26 September 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 statement and notes have been adjusted in all material respects to reflect the impact of this information.

Non-adjusting Event - Non Domestic Rates Appeals

When new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, including amounts paid over to central government in 2012/13 and prior years.

Three Rivers District Council's share of these liabilities is estimated to be £0.683m.

6 Assumptions Made About the Future and Other Major Sources of Uncertainty

The Statements of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking in to account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2013 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of these individual assumptions can have a major impact on the pension liability calculation. During 2012/13, The Council's actuaries advised that the net pensions liability had increased by £3.884m as a result of estimates and assumptions being updated.
Arrears	At 31 March 2013, the Council had gross short term debtors totalling £6.437m. A review of significant balances suggested a provision of £2.071m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See Note 25.	If collection rates were to deteriorate, the amounts of impairment of doubtful debts would require increasing.

7 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the Council on the basis of budget reports analysed by committee. These reports are prepared on a different basis from the accounting policies used in the financial statement. In particular, estimated charges are made in relation to capital expenditure, whereas different actual amounts for depreciation, revaluation and impairment gains and losses are charged to the Comprehensive Income and Expenditure Statement at the year end.

2011/12 £000	Income and Expenditure Account	2012/13 £000
	Policy and Scrutiny Committee	
4,233	Leisure & Community Safety	3,676
2,527	Sustainable Environment - Environmental Services	1,523
1,300	Sustainable Environment - General Fund Housing	1,285
3,406	Public Services & Health	3,746
4,607	Resources	5,509
16,073	**Net Cost of District Services**	**15,739**
34	Pensions Adjustment	552
1,426	Parish Precepts	1,454
(529)	Net Interest Income	(315)
(1,620)	Other Income	(3,097)
3	Capital Receipts to Pool	2
15,387	**Net District Operating Expenditure**	**14,335**
453	Contributions to/(from) Earmarked Reserves	1,864
0	Contributions to/(from) Provisions	0
(3,810)	Adjustments under Statute	(3,375)
231	Contribution from Balances / Surplus/(Deficit) for Year	(615)
12,261	**Amount to be met from Government Grant and by Local Tax Payers**	**12,209**
(7,413)	Demanded from Collection Fund	(7,453)
41	Collection Fund Deficit	1
(1,111)	Revenue Support Grant	(79)
(3,594)	Redistributed National Non-domestic Rates	(3,931)
(184)	Non-Specific Grant	(747)
(12,261)	**Total**	**(12,209)**
(7,933)	Balance in Hand at 1 April	(8,164)
(231)	(Surplus)/Deficit for Year	615
(8,164)	**Balance in Hand at 31 March**	**(7,549)**

Reconciliation of Committee Income and Expenditure to Cost of Services
In the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement, analysed by Subjective headings.

2011/12 Total £000		2012/13 General Fund Net Cost of District Services £000	2012/13 Adjustment in Statutory I&E £000	2012/13 Total £000
5,333	Fees and Charges	6,171	0	6,171
1,037	Interest and Investment Income	0	316	316
7,424	Income From Council Tax	0	7,452	7,452
34,410	Govt Grants & Contribs (incl RSG & NNDR)	31,115	4,010	35,125
387	Gains / Losses on Long Term Assets	0	0	0
605	Non Ringfenced Grants	0	2,309	2,309
318	Support Service Recharge	321	0	321
49,514	**Total Income**	**37,607**	**14,087**	**51,694**
11,192	Employee Expenses	11,195	0	11,195
35,476	Other Service Expenditure	37,344	0	37,344
4,069	Depreciation, amortisation and impairment	4,807	(1,535)	3,272
1	Interest Payments	0	1	1
1,426	Precepts & Levies	0	1,454	1,454
34	Pensions Adjustments	0	552	552
3	Capital Receipts to Government Pool	0	2	2
52,201	**Total Expenditure**	**53,346**	**474**	**53,820**
2,687	**(Surplus)/Deficit on Provision of Services**	**15,739**	**(13,613)**	**2,126**
4,970	Other Comprehensive Income & Expenditure	0	1,612	1,612
(7,888)	Movement in Reserves	0	(3,123)	(3,123)
(231)	**(Surplus)/Deficit on Provision of Services**	**15,739**	**(15,124)**	**615**

8 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13.

2011/12 £000		2012/13 £000
	Credited to Taxation and Non Specific Grant Income	
55	Improvement East	0
96	New Homes Bonus	321
3,594	Redistributed NNDR	3,931
1,111	Revenue Support Grant	79
0	High Street Innovation Fund	100
0	Capital Funding	321
33	WBC-Shared Services Capital	5
4,889		4,757
	Credited to Services	
3	Active Community Development Fund	3
47	Big Lottery	9
73	Cabinet Office - Elections	1
31	Parish Elections	0
0	Capital Funding	86
5	Community Development	19
16	Community Sports Network	16
509	Council Tax Benefit Administration Grant	471
150	Council Tax Benefit Freeze Grant	301
53	Countrywide Stewardship	9
202	Disabled Facilities Grant	226
28,021	DWP - Housing Benefits	29,373
0	Environment Agency	10
3	Food Standards Agency	4
11	HCC - Green Waste	2
57	Homelessness	85
40	Housing And Regeneration Initiative	40
6	Improvement East	13
127	Local Area Assessment	51
0	New Burdens	100
96	NNDR - cost of collection Grant	94
0	Other	7
1	Police & Crime Commissioner	89
58	Safer & Stronger Communities	51
37	WBC - Building Control	37
29,546		31,097
34,435	**Total**	**35,854**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year end are as follows:

2011/12 £000		2012/13 £000
467	Section 106	155
201	Section 106 - Affordable Housing	0
28	Disabled Facilities Grant	47
696	**Total**	**202**

9 Trading Operations

The Council has no trading operations.

10 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections.

2011/12 £000		2012/13 £000
100	Fees payable to the audit commission with regard to external audit services carried out by the appointed auditor for the year, Grant Thornton.	60
21	Fees payable to Grant Thornton for the certification of grant claims and returns for the year.	15
0	Fees payable to Grant Thornton for other services provided for the year.	5
121	**Total**	**80**

11 Members' Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to members and the maximum amounts payable in respect of certain allowances.

The total of Members' Allowances paid in the year was £308,931 (£308,927 in 2011/12).

Further information on Members' Allowances can be obtained from the Council's Democratic Services section.

12 Officers' Remuneration

The Council is required to disclose the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £5,000, starting with £50,000. The relevant details are as follows:

2011/12 No. of Employees	Remuneration Band			2012/13 No. of Employees
11	£50,000	-	£54,999	13
4	£55,000	-	£59,999	3
3	£60,000	-	£64,999	0
1	£65,000	-	£69,999	4
0	£70,000	-	£74,999	0
0	£75,000	-	£79,999	0
0	£80,000	-	£84,999	0
1	£85,000	-	£89,999	0
1	£90,000	-	£94,999	2
0	£95,000	-	£99,999	0
0	£100,000	-	£104,999	0
0	£105,000	-	£109,999	0
0	£110,000	-	£114,999	0
1	£115,000	-	£119,999	1
22				23

The following tables provide additional detail for senior officers remuneration where salary for the establishment post falls between £50,000 and £150,000.

2011/12 Post	Salary (Including fees & allowances) £	Expenses allowances £	Benefit in Kind £	Total Remuner-ation Excl Pension Contribution £	Pension Contribution £	Total Remuner-ation £
Chief Executive	115,735	1,239	0	116,974	22,221	**139,195**
Director-Corporate Resources & Governance	90,861	0	3,362	94,223	17,445	**111,668**
Director-Environment & Community Services	87,136	1,239	0	88,375	16,730	**105,105**
	293,732	**2,478**	**3,362**	**299,572**	**56,396**	**355,968**

2012/13 Post	Salary (Including fees & allowances) £	Expenses allowances £	Benefit in Kind £	Total Remuneration Excl Pension Contribution £	Pension Contribution £	Total Remuneration £
Chief Executive	116,181	1,239	0	117,420	22,307	**139,727**
Director-Corporate Resources & Governance	90,861	0	3,580	94,441	17,445	**111,886**
Director-Environment & Community Services (Shared Post)						
Post 1	43,568	1,239	0	44,807	8,365	**53,172**
Post 2	36,936	0	0	36,936	7,092	**44,028**
	287,546	**2,478**	**3,580**	**293,604**	**55,209**	**348,813**

13 Termination Benefits

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £166,028 (2011/12: None). Of this total, £119,700 was payable in the form of compensation for loss of office and £46,328 in enhanced pension benefits as part of the Council's rationalisation of Services.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

2011/12 Total number of exit packages	2011/12 Total cost of exit packages	Cost Band	2012/13 Total number of exit packages	2012/13 Total cost of exit packages
0	0	£0 - £20,000	3	29,475
0	0	£20,001 - £40,000	1	25,840
0	0	£40,001 - £60,000	0	0
0	0	£60,001 - £80,000	0	0
0	0	£80,001 - £100,000	0	0
0	0	£100,001 - £150,000	1	110,713
0	**0**	**Total**	**5**	**166,028**

14 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 in this Statement of Accounts allows the 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.

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

Related parties to this Council would include:

- central government
- local authorities and other bodies precepting or levying demands on the council tax
- its councillors
- its chief officers
- its pension fund.

Members of the close family, or the same household of an individual identified as a related party, are also presumed to be related parties.

All significant transactions with the Government, other local authorities, precepting authorities and the Hertfordshire County Council pension fund have been disclosed elsewhere in this Statement of Accounts.

No material transactions took place in respect of councillors and chief officers except for the following:

An agreement exists between Dacorum Borough Council, Hertsmere Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. Councillor David Major represents the Council on the Joint Committee. The Council's Director of Corporate Resources and Governance was the Treasurer to the Joint Committee. Watford Borough Council provide the Clerk.

Expenses, net of income and reserves, incurred by the Joint Committee in any financial year shall be borne by the constituent Councils in proportion to the populations of the respective districts. Any surplus remaining shall, as soon as practicable, be returned to the constituent Councils in the same proportions.

All land and property is vested in Three Rivers Council but is managed and maintained by the Joint Committee.

Some councillors act as either the Council’s representative or in their own right as members of the management committees of local organisations, for example, Thrive Homes Limited and citizens’ advice bureaux. No councillor benefits financially from these arrangements but will declare an interest when matters concerning these bodies are discussed at Council meetings.

15 Partnership Working

Since April 2009, Three Rivers District Council and Watford Borough Council have been participating in shared services, provided by a Joint Shared Services Committee. During 2012/13 the services that have been provided are Human Resources, Finance, Revenue and Benefits, and the ICT function. These services are jointly provided with an aim to making efficiencies for both councils.

The net expenditure of the shared services is apportioned between the councils based on a Shared Service Agreement. The table below shows the total expenditure and income of the Joint Committee of which Three Rivers District Council's share is £2.623m.

2011/12 Net Cost £000	Services	2012/13 Gross Expend-iture £000	2012/13 Gross Income £000	2012/13 Net Cost £000
1,399	Local Tax Collection	1,436	0	1,436
1,567	Housing Benefits	1,724	0	1,724
3,698	Central Support Services	3,583	(7)	3,576
6,664	**Net Cost of Services / Operating Expenditure**	**6,743**	**(7)**	**6,736**
(2,597)	Income from Three Rivers District Council			(2,623)
(4,067)	Income from Watford Borough Council			(4,113)
0	**(Surplus) / Deficit for the year**			**0**

16 Intangible Assets

Intangible Long Term Assets are non-financial assets which do not have a physical substance but are identified and controlled by the Council through legal rights, e.g. IT software, and which bring benefits to the Council for more than one year. Expenditure on Intangible assets was as follows:

31 Mar 12 £000		31 Mar 13 £000
104	Expenditure on Software Licences	148
104		148
(104)	Written out in year of Acquisition	(148)
0	**Total**	**0**

17 Property, Plant and Equipment

a) Information on Assets Held

The Operational Property of the Council comprises:

31 Mar 12 £000		31 Mar 13 £000
1,520	Depots	1,520
415	Cemeteries	415
5,725	Offices	5,725
2,223	Car Parks	2,223
16,694	Leisure Land & Buildings	18,576
6,575	Garages	6,575
344	Other Land/Property	257
33,496	**Total**	**35,291**

Community Assets: These assets are held for the community in perpetuity. They are often assets that have been in the community for a long period, and little if any record exists of their original cost. The assets are not expected to be sold and have a nominal value in the accounts of £1.

b) Movement of Property, Plant and Equipment

	Land & Buildings £000	Vehicles, Plant & Equip-ment £000	Infra-structure Assets £000	Total £000
Cost or valuation				
At 1 April 2011	33,821	6,489	1,640	41,950
Additions	1,289	1,459	29	2,777
Revaluation increases / (decreases) recognised in the Revaluation Reserve	936	0	0	936
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(2,080)	0	0	(2,080)
Derecognition - Other	0	(1,242)	0	(1,242)
Assets reclassified	(650)	0	0	(650)
Other movements in cost or valuation	180	0	0	180
At 31 March 2012	**33,496**	**6,706**	**1,669**	**41,871**
Accumulated Depreciation & Impairment				
At 1 April 2011	(1,060)	(2,694)	(691)	(4,445)
Depreciation Charge	(629)	(830)	(85)	(1,544)
Impairment losses / (reversals) recognised in the Revaluation Reserve	7	0	0	7
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	35	0	0	35
Derecognition - Other	0	1,242	0	1,242
Assets reclassified	15	0	0	15
Other movements in depreciation and impairment	25	0	0	25
At 31 March 2012	**(1,607)**	**(2,282)**	**(776)**	**(4,665)**
Balance Sheet Value at 31 March 2012	**31,889**	**4,424**	**893**	**37,206**
Balance Sheet Value at 1 April 2011	**32,761**	**3,795**	**949**	**37,505**

	Land & Buildings £000	Vehicles, Plant & Equip-ment £000	Infra-structure Assets £000	Total £000
Cost or valuation				
At 1 April 2012	33,496	6,706	1,669	41,871
Additions	1,309	852	187	2,348
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,136	0	0	1,136
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(650)	0	0	(650)
Derecognition - Disposals	0	0	0	0
Derecognition - Other	0	(958)	(441)	(1,399)
Assets reclassified	0	0	0	0
Assets reclassified (to) / from Held for Sale	0	0	0	0
Other movements in cost or valuation	0	0	0	0
At 31 March 2013	**35,291**	**6,600**	**1,415**	**43,306**
Accumulated Depreciation & Impairment				
At 1 April 2012	(1,607)	(2,282)	(776)	(4,665)
Depreciation Charge	(630)	(977)	(61)	(1,668)
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the surplus / deficit on the provision of services	10	0	0	10
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0
Derecognition - Disposals	0	0	0	0
Derecognition - Other	0	958	441	1,399
Assets reclassified	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0
At 31 March 2013	**(2,227)**	**(2,301)**	**(396)**	**(4,924)**
Balance Sheet Value at 31 March 2013	**33,064**	**4,299**	**1,019**	**38,382**
Balance Sheet Value at 1 April 2012	**31,889**	**4,424**	**893**	**37,206**

c) Revaluations

The Council carried 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 are carried out internally and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final statements of account reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in the Statement of Accounting Policies.

The following table illustrates the scope of the revaluation work undertaken and demonstrates the Council's rolling revaluation programme.

31 Mar 12 Total £000		Land & Buildings £000	Vehicles, Plant & Equip-ment £000	Infra-structure £000	31 Mar 13 Total £000
8,375	Carried at historical cost	0	6,600	1,415	8,015
	Valued at current value as at:				
0	31 March 2013	2,124	0	0	2,124
2,205	31 March 2012	3,032	0	0	3,032
2,790	31 March 2011	2,742	0	0	2,742
17,559	31 March 2010	26,203	0	0	26,203
10,942	31 March 2009	1,190	0	0	1,190
41,871	**Total Cost or Valuation**	**35,291**	**6,600**	**1,415**	**43,306**

d) Information About Depreciation Methodologies

Depreciation has been provided for all assets with a finite useful life. The basis for depreciating assets is detailed in the Statement of Accounting Policies. Depreciation commences in the year following acquisition. Freehold land and investment properties are not depreciated. On all other assets where depreciation has been provided, assets have been depreciated on a straight line method over the following periods:

Buildings	Straight-line over the useful life of the property as estimated by the valuer
Infrastructure (e.g. district footpaths)	Straight line over 10 to 20 years
Plant and Computer Equipment	Straight line over 3 to 5 years
Furniture	Straight line over 5 to 25 years
Vehicles	Straight line over 5 to 7 years

18 Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated annually. The Council has a rolling programme of repair and restoration of it heritage assets and regularly reviews the conditions of its assets. The Council keeps a register of all its Heritage Assets and records the nature, condition and location of each asset.

	Musical Instrument £000	Works of Art £000	Civic Regalia £000	Total £000
Cost or valuation				
At 1 April 2011	150	36	15	201
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations & Impairments	0	0	0	0
At 31 March 2012	**150**	**36**	**15**	**201**

	Musical Instrument £000	Works of Art £000	Civic Regalia £000	Total £000
Cost or valuation				
At 1 April 2012	150	36	15	201
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations & Impairments	0	0	0	0
At 31 March 2013	**150**	**36**	**15**	**201**

19 Investment Properties and Surplus Assets

a) Information on Assets Held

The Council's Investment Properties comprise:

31 Mar 12 £000		31 Mar 13 £000
5,030	Shops	6,335
6,354	Other Investment Properties	5,259
11,384		**11,594**

In 2012/13 Council did not classify any of its land and buildings as Surplus Assets.

b) Movement of Investment Properties and Surplus Assets

	Investm't Props £000	Surplus Assets £000	Total £000
Cost or valuation			
At 1 April 2011	12,314	1,175	13,489
Additions	418	0	418
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	27	(240)	(213)
Derecognition - Disposals	(900)	(550)	(1,450)
Derecognition - Other	0	0	0
Assets reclassified (to) / from LT Debtors	(1,240)	(255)	(1,495)
Assets reclassified	765	(130)	635
Other movements in cost or valuation	0	0	0
At 31 March 2012	**11,384**	**0**	**11,384**
Balance Sheet Value at 31 March 2012	**11,384**	**0**	**11,384**
Balance Sheet Value at 1 April 2011	**12,314**	**1,175**	**13,489**

	Investm't Props £000	Surplus Assets £000	Total £000
Cost or valuation			
At 1 April 2012	11,384	0	11,384
Additions	563	0	563
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(353)	0	(353)
Derecognition - Disposals	0	0	0
Derecognition - Other	0	0	0
Assets reclassified (to) / from LT Debtors	0	0	0
Assets reclassified	0	0	0
Other movements in cost or valuation	0	0	0
At 31 March 2013	**11,594**	**0**	**11,594**
Balance Sheet Value at 31 March 2013	**11,594**	**0**	**11,594**
Balance Sheet Value at 1 April 2012	**11,384**	**0**	**11,384**

c) Accounted for in Comprehensive Income and Expenditure Statement

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

2011/12 £000		2012/13 £000
713	Rental income from Investment Property	816
(164)	Direct operating expenses arising from Investment property	(83)
549	**Net gain / (loss)**	**733**

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

d) Revaluations

The following table illustrates the scope of the revaluation work undertaken and demonstrates the Council's rolling revaluation programme.

31 Mar 12 Total £000		Investm't Props £000	Surplus Assets £000	31 Mar 13 Total £000
	Valued at current value as at:			
0	31 March 2013	4,300	0	4,300
1,710	31 March 2012	920	0	920
1,503	31 March 2011	6,371	0	6,371
7,723	31 March 2010	3	0	3
448	31 March 2009	0	0	0
11,384	**Total Cost or Valuation**	**11,594**	**0**	**11,594**

20 Capital Expenditure, Financing and Commitments

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

31 Mar 12 £000		31 Mar 13 £000
	Capital Investment	
3,270	Property, Plant and Equipment	2,348
104	Intangible Assets	148
0	Investment Property & Property Held for Sale	563
1,069	Revenue Expenditure Funded from Capital Under Statute	988
4,443		4,047
	Sources of Finance	
(4,132)	Capital Receipts	(3,334)
(311)	Government Grants and Other Contributions	(638)
0	Reserves	(75)
0	Direct revenue contributions	0
(4,443)		(4,047)
0	**Total**	**0**

At 31 March 2013 the Council had entered into contracts valued at £285,674 largely in respect of Leisure schemes.

21 Leases

a) Council as Lessee

i) Operating Leases

The Council has a number of operating leases. It leases one car park at an annual rental of £4,500. Under lease and lease back arrangements, it leases, at peppercorn rents, a car park and leisure centre, which it owns. It also leases a swimming pool at a peppercorn rent from Hertfordshire County Council. All rentals have been accounted for as operating leases. The Council also uses leased vehicles and office equipment. The total amount paid under these arrangements in 2012/13 was £68,983 (2011/12: £77,837) as follows:

2011/12 £000		2012/13 £000
4	Land & Buildings - Car Park	5
74	Vehicles, Plant and Office Equipment	64
78	**Total**	**69**

The future minimum payments due under non-cancellable leases in future years are:

2011/12		Future Years		
Total £000		Land & Buildings £000	Vehicles, Plant & Equip-ment £000	Total £000
25	Not later than one year	0	25	25
39	Later than one year and not later than five years	5	40	45
0	Later than five years	0	0	0
64	**Total Liability**	**5**	**65**	**70**

ii) Finance Leases

The Council has no finance leases.

b) Council as Lessor

i) Operating Leases

The Council has granted commercial leases on land, shops and office buildings for a total annual market value of £843,188. It has granted leases at a reduced rate to Herts Constabulary, local organisations and a registered social landlord totalling £151,762, leases for Leisure Venues to a Leisure Trust and a car park to a registered social landlord at peppercorn rents. The market rent for these properties would have been approximately £883,928. All rentals have been accounted for as operating leases. With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases was £24,945,850 subject to £275,664 depreciation to 31 March 2013.

ii) Finance Leases

The Council has leased out a property on a finance lease. The Council has a gross investment in the lease made up of minimum lease payments expected to be received over the remaining term. The minimum lease payments compromise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts:

2011/12 £000		2012/13 £000
25	Finance lease debtor (net present value of minimum lease payments)	25
112	Unearned finance income	109
137	**Gross investment in the lease**	**134**

The gross investment in the lease will be received over the following periods:

2011/12			2012/13	
Unearned Finance Income £000	Minimum Lease Payment £000		Unearned Finance Income £000	Minimum Lease Payment £000
4	1	Not later than one year	4	1
14	3	Later than one year and not later than five years	14	3
94	21	Later than five years	91	21
112	**25**	**Total**	**109**	**25**

22 Debtors - Long Term

Long-term debtors are debtors which fall due after a period of at least one year and are analysed as follows:

31 Mar 12 £000		31 Mar 13 £000
31	Sales of Council Dwellings	28
2,529	Rent to Mortgage	2,788
25	Finance Leases as Lessor	25
2,585	**Total**	**2,841**

23 Assets Held For Sale

Current Assets Held For Sale are those being actively marketed where there is an expectation that they will be sold within one year of the balance sheet date.

31 Mar 12 Total £000	Cost or Valuation	Current £000	Long Term £000	31 Mar 13 Total £000
0	Balance at 1 April	2,220	0	2,220
0	Additions	0	0	0
0	Assets reclassified from operational land and buildings	0	0	0
1,495	Assets reclassified from surplus assets	0	0	0
725	Revaluations	(1,010)	0	(1,010)
0	Disposals	(680)	0	(680)
2,220	**Balance at 31 March**	**530**	**0**	**530**

24 Inventories

The following inventories were held as at 31 March 2013:

31 Mar 12 £000		31 Mar 13 £000
3	Watersmeet Bar Stock	4
4	Waste Sacks	2
19	Fuel	14
26	**Total**	**20**

There was no work-in-progress as at 31 March 2013.

25 Debtors - Short Term

An analysis of debtors falling due within one year is shown below:

31 Mar 12 £000		31 Mar 13 £000
1,442	Government Departments	190
2,150	Local Authorities	1,745
3,073	Sundry Debtors	3,644
106	Payments in Advance	858
6,771		6,437
(1,540)	less: provision for bad debts / impairment	(2,071)
5,231	**Total**	**4,366**

26 Cash, Cash Equivalents and Short Term Borrowing

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

31 Mar 12 £000		31 Mar 13 £000
	Current Assets	
0	Bank Current Account	61
2	Cash held by the Council	2
2		63
	Current Liabilities	
(629)	Bank overdrafts	0
(627)	**Total**	**63**

27 Adjustments to Net Surplus or Deficit on the Provision of Services for Non Cash Movements and Investing and Financing Activities

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
		Adjustments for non-cash transactions		
(4,037)		Adjustments involving the Capital Adjustment Account and Revaluation Reserve	(4,168)	
52		Adjustments involving the Collection Fund Adjustment Account	(1)	
41		Adjustments involving the Accumulated Absences Reserve	0	
(69)		Net charges made for retirement benefits in accordance with IAS19	(735)	
	(4,013)			**(4,904)**
		Items on an accruals basis		
7		Increase / (Decrease) in Inventories	(6)	
(370)		Increase / (Decrease) in Debtors and Payments in Advance	(865)	
(1,596)		(Increase) / Decrease in Creditors and Receipts in Advance	993	
(93)		Movement in Provisions	(31)	
	(2,052)			**91**
		Investing and Financing Activities		
(1)		Interest payable and similar charges	(1)	
529		Interest receivable	316	
	528			**315**
	(5,537)	**Total**		**(4,498)**

28 Creditors - Short Term

An analysis of creditors falling due within one year is shown below:

31 Mar 12 £000		31 Mar 13 £000
2,670	Government Departments	1,485
1,578	Local Authorities	1,637
1,058	Sundry Creditors	1,280
623	Receipts in Advance	534
5,929	**Total**	**4,936**

29 Creditors - Long Term

An analysis of creditors falling due after one year is shown below:

31 Mar 12 £000		31 Mar 13 £000
696	Government Grants & Other Contributions to Capital Unapplied	202
696	**Total**	**202**

30 Provisions

Provisions are accumulated funds held where the Council has an obligation which is likely to lead to a payment but the exact amount and timing of the payment is unknown.

31 Mar 12 £000		31 Mar 13 £000
0	Insurance Provision (MMI)	31
0	**Total**	**31**

Under Three Rivers District Council’s agreement with its previous insurer Municipal Mutual Insurance (MMI), the Council is exposed to the possibility of having to repay all or part of its claims already settled, or to be settled, by MMI. At 31 March 2013 the Council was informed by MMI's administrators that the maximum potential repayment stood at £31,000. This figure represents 15% of the total amount of claims paid by MMI to 31 March 2013, less the first £50,000 which is excluded from any levy.

31 Defined Benefit Pension Scheme

Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally 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 pensions liabilities with investment assets.

Transactions relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in Reserves Statement during the year:

2011/12 £000		2012/13 £000
	Comprehensive Income and Expenditure Statement (CI&E)	
	Cost of Services:	
1,352	current service cost	1,429
0	past service costs	0
0	settlements and curtailments	95
	Financing and Investment Income and Expenditure	
3,467	interest cost	3,308
(3,433)	expected return on assets in the scheme	(2,756)
1,386	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**2,076**
	Other Post Employment Benefit Charged to the CI&E	
6,118	actuarial gains and losses	3,149
7,504	**Total Post Employment Benefit Charged to the CI&E**	**5,225**
	Movement in Reserves Statement	
(7,504)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,225)
1,317	employer's contributions payable to the scheme	1,341
1,317	**Actual amount charged against the General Fund Balance for pensions in the year**	**1,341**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £16,220k.

Assets and Liabilities in relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

31 Mar 12 £000		31 Mar 13 £000
63,961	Opening balance at 1 April	69,293
1,352	Current service costs	1,429
3,467	Interest cost	3,308
461	Contributions by scheme participants	449
3,726	Actuarial gains and losses	7,811
(3,674)	Benefits paid	(2,701)
0	Past service costs	0
0	Curtailments	95
69,293	**Closing Balance at 31 March**	**79,684**

Reconciliation of fair value of the scheme assets:

31 Mar 12 £000		31 Mar 13 £000
51,432	Opening balance at 1 April	50,577
3,433	Expected rate of return	2,756
(2,392)	Actuarial gains and losses	4,662
1,317	Employer Contributions	1,341
461	Contributions by scheme participants	449
(3,674)	Benefits paid	(2,701)
50,577	**Closing Balance at 31 March**	**57,084**

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 experiences in the respective markets.

The actual return on scheme assets in the year was £7.425 million (2011/12 £1.048 million).

Scheme History

31 Mar 09 £000	31 Mar 10 £000	31 Mar 11 £000	31 Mar 12 £000		31 Mar 13 £000
(51,390)	(80,887)	(63,961)	(69,293)	Present value of liabilities in the Local Government Pension Scheme	(79,684)
37,011	47,276	51,432	50,577	Fair value of assets in the Local Government Pension Scheme	57,084
(14,379)	**(33,611)**	**(12,529)**	**(18,716)**	**Surplus / (deficit) in the scheme**	**(22,600)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £22.600 million has a substantial 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 local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payment fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £1,278,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary were:

2011/12		2012/13
2.5%	Rate of inflation/Pension Increase Rate	2.8%
4.8%	Rate of increase in salaries	5.1%
5.5%	Expected Return on Assets	4.5%
4.8%	Rate for discounting scheme liabilities	4.5%
50%	Take-up of option to convert annual pension into retirement lump sum	50%
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
21.0	• Men	21.0
23.8	• Women	23.8
	Longevity at 65 for future pensioners	
22.9	• Men	22.9
25.7	• Women	25.7
	Long-term expected rate of return on assets	
6.2%	Equity investments	4.5%
4.0%	Bonds	4.5%
4.4%	Property	4.5%
3.5%	Cash	4.5%

The Scheme assets consist of the following categories, by proportion of the total assets held:

31 Mar 12 %		31 Mar 13 %
69.0	Investments	71.0
18.0	Bonds	18.0
6.0	Property	5.0
7.0	Other Assets	6.0
100.0		**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

31 Mar 09 %	31 Mar 10 %	31 Mar 11 %	31 Mar 12 %		31 Mar 13 %
(40.5)	20.0	1.7	4.72	Difference between the expected and actual returns on assets	(8.2)
8.8	(33.5)	19.7	(5.4)	Experience gains and losses on liabilities	(9.8)

32 Contingent Assets and Liabilities

Contingent Asset - VAT Shelter Agreement

The Council used a VAT structure scheme when its housing stock was transferred to Thrive Homes Limited (THL). The scheme involves the Council contracting with THL for them to deliver works on which they can recover VAT. Both THL and the Council gain by this arrangement.

The recovery of VAT on major works will amount to an estimated £12.3m, of which the first £2.3m was paid to the Council. The Council will then receive 50% of the remaining £10m. The disbursement of this sum is dependent on the THL work programme. During 2012/13, £0.383m was received leaving a contingent asset of approximately £3.7m receivable in future years (£0.263m was received in 2011/12).

Contingent Liability - Property Searches

The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £0.09m plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The second group of Property Search Companies have also 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. It is possible that additional claimants may come forward to submit claims for refunds, but none has been intimated at present.

Contingent Liability - Thrive Homes Limited - Warranties and Indemnities as to the state of the Property Transferred

Under the terms of the transfer of its housing stock to Thrive Homes Limited (THL), the Council gave certain warranties and indemnities as to the state of the property transferring. THL have informed the Council that they are close to calling on an indemnity relating to removal of asbestos costs, however the Council is challenging their claim. THL has also not provided the Council with sufficient information in order for the Council to calculate the potential future liability and therefore the potential liability cannot currently be quantified. In the unlikely event of Thrive Homes failing, the warranties and indemnities extend to their funders (security trustee). Each warranty/indemnity is limited by amount and/or time.

33 Usable Reserves

a) Movement in Reserves

Details of the movements relating to individual usable reserves are shown below:

Balance at 31 Mar 11 £000	Net Movement in Year £000	Balance at 31 Mar 12 £000	Reserve	Net Movement in Year £000	Balance at 31 Mar 13 £000	Further Detail Note
7,933	231	8,164	General Fund Balance	(615)	7,549	33d
14,357	(1,992)	12,365	Usable Capital Receipts	(34)	12,331	33b
15	(15)	0	Capital Grants Unapplied	0	0	
4,074	461	4,535	Earmarked Reserves	845	5,380	33c
26,379	**(1,315)**	**25,064**	**TOTAL NET WORTH**	**196**	**25,260**	

b) Usable Capital Receipts

The Usable Capital Receipts Reserve holds capital receipts from the sale of assets which have been received and have not yet been used to finance capital expenditure. The balance on the Reserve is held to fund future years' expenditure in the approved Capital Budget.

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
	14,357	Balance brought forward at 1 April		12,365
		Received in year		
1,400		Sale of Land & Buildings	835	
14		SOCH Mortgages	3	
382		Shares in preserved Right to Buy	1,126	
21		Right to Buy discount repaid	0	
263		VAT Shelter compensation	383	
0		Transfer from Reserve	943	
63		Other Receipts	12	
	2,143			3,302
		Applied in year		
(4,132)		Transferred to Capital Adjustment Account to finance new capital expenditure	(3,334)	
(3)		Paid to DCLG Pool	(2)	
	(4,135)			(3,336)
	12,365	**Balance carried forward at 31 March**		**12,331**

c) Earmarked Reserves

Earmarked Reserves have been set aside for specific purposes. Each year the Council confirms the reason/purpose for holding these reserves and determines how and when they will be used.

Balance at 31-Mar-12 £000		Appropri-ations to Reserve £000	Appropri-ations from Reserve £000	Balance at 31-Mar-13 £000
	Earmarked Reserves			
799	Section 106 Agreements & Commuted Sums	1,383	(15)	2,167
2,449	Future Capital Expenditure	121	(1,003)	1,567
96	New Homes Bonus	321	0	417
1,099	Leavesden Hospital Open Space	10	(72)	1,037
92	Environmental Maintenance Plant	0	0	92
0	High Street Innovation Fund	100	0	100
4,535	**Total at 31 March**	**1,935**	**(1,090)**	**5,380**

d) General Fund

The General Fund is the resources available to meet future running costs. The unallocated accumulated balances on the General Fund are set out below:

2011/12 £000		2012/13 £000
7,933	Balance brought forward at 1 April	8,164
684	Net increase/(decrease) before transfers to earmarked reserves	1,248
(453)	Transfer (to)/from earmarked reserves	(1,863)
8,164	**Balance carried forward at 31 March**	**7,549**

34 Unusable Reserves

a) Movement in Reserves

Details of the movements relating to individual unusable reserves are shown below:

Balance at 31 Mar 11 £000	Net Movement in Year £000	Balance at 31 Mar 12 £000	Reserve	Net Movement in Year £000	Balance at 31 Mar 13 £000	Further Detail Note
37,492	(3,052)	34,440	Capital Adjustment Account	544	34,984	34b
2,649	2,156	4,805	Deferred Capital Receipts	(1,434)	3,371	34c
(50)	52	2	Collection Fund Adjustment Acct	(1)	1	34d
13,703	648	14,351	Revaluation Reserve	842	15,193	34e
(153)	41	(112)	Accumulated Absences Reserve	0	(112)	34f
(12,529)	(6,187)	(18,716)	Pensions Reserve	(3,884)	(22,600)	31
41,112	**(6,342)**	**34,770**	**TOTAL NET WORTH**	**(3,933)**	**30,837**	

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of long term assets and for financing the acquisition, construction or enhancements of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement of property, plant and equipment and credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement of these assets.

2011/12 £000		2012/13 £000
37,492	Balance brought forward at 1 April	34,440
	Historical cost of acquiring, creating or enhancing Long Term Assets	
(1,250)	Charges for depreciation and impairment of long-term assets	(1,668)
0	Charges for depreciation against the Revaluation Reserve	294
(5,072)	Revaluation gains / (losses) on Long-term Assets	(992)
(6,322)		(2,366)
	Resources set aside to finance capital expenditure	
4,132	Capital Receipts	3,334
311	Grants Applied	637
0	Reserves Applied	75
4,443		4,046
(1,069)	Revenue Expenditure Funded from Capital under Statute	(988)
(104)	Intangible Assets	(148)
34,440	**Balance carried forward at 31 March**	**34,984**

The credit balance on the Account shows that capital financing has been set aside at a faster rate than Long Term Assets have been consumed, and the Council has a nominal surplus when comparing financing to consumption of resources.

c) Deferred Capital Receipts

Deferred Capital Receipts are amounts representing either the value of Assets held for immediate sale in Current Assets, or capital receipts from the sale of assets that will be repaid to the Council by instalments over an agreed number of years, shown as Long Term Debtors. The debtors have arisen from mortgage advances to Housing Associations and under Right To Buy, equity interest in the rent to mortgage scheme and Finance leases where the Council is the Lessor. See Notes 21b and 22 for details.

2011/12 £000		2012/13 £000
2,649	Balance brought forward at 1 April	4,805
2,220	Revaluation of Assets Held for Sale	(1,010)
0	Disposal of Assets Held for Sale	(680)
0	Revaluation of Rent to Mortgage Properties	401
0	Disposal of Rent to Mortgage Properties	(141)
(64)	Advances Repaid and Other Adjustments	(4)
4,805	**Balance carried forward at 31 March**	**3,371**

d) 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 amounts to or from the General Fund to the Collection Fund. For further details see the Collection Fund Notes within the supplementary financial statements.

2011/12 £000		2012/13 £000
(50)	Balance brought forward at 1 April	2
52	Amount by which council tax income credited to CI&E is different from the council tax income calculated for the year in accordance with statutory requirements	(1)
2	**Balance carried forward at 31 March**	**1**

e) Revaluation Reserve

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

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

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

2011/12 £000		2012/13 £000
13,703	Balance brought forward at 1 April	14,351
942	Upward Revaluation of assets and impairment	1,136
(294)	Historical Cost depreciation adjustment	(294)
14,351	**Balance carried forward at 31 March**	**15,193**

f) Accumulated Absences Reserve

The Accumulated Absences Reserve 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 this Reserve.

2011/12 £000		2012/13 £000
(153)	Balance brought forward at 1 April	(112)
41	Employee costs accrued	0
(112)	**Balance carried forward at 31 March**	**(112)**

35 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Financial Instruments - Balances

The Balance Sheet includes the following financial instruments:-

31 Mar 12 £000		31 Mar 13 £000
	Other Financial Liabilities	
(5,306)	Short Term Creditors	(4,402)
(629)	Short Term Borrowing	0
	Loans and Receivables	
2,585	Long Term Debtors	2,841
5,125	Short Term Debtors	3,508
26,949	Short Term Investments	25,869
2	Cash and Cash Equivalents	63
28,726	**Total**	**27,879**

Fair Value

Long term debtors comprise mortgages and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value. The Council is debt free and has no long term borrowings.

Key Risks

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

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

Overall procedures for managing risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing
  - its maximum and minimum exposures to fixed and variable rates
  - its maximum and minimum exposures to the maturity structure of its debt
  - its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

These are required to be reported and approved at or before the annual meeting where the Council agrees its budget and sets the council tax, or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 21 February 2012 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2012/13 was set at £7m. This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary was expected to be £5m. This is the expected level of debt and other long term liabilities during the year

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy for 2012/13, which was approved by the Council on 21 February 2012, can be found on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, and individual credit limits are set where appropriate.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need. It currently has no longer term borrowing requirements. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council does not generally allow credit for its trade debtors, such that £0.213 million of the £3.644 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 12 £000		31 Mar 13 £000
27	Less than 3 months	20
18	More than 6 months, less than 1 year	10
42	More than 3 months, less than 6 months	10
167	More than 1 year	173
254	**Total**	**213**

Refinancing and Maturity risk

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council maintains a significant investment portfolio and currently has no long-term debt outstanding. The longer-term risk to the Council relates to managing the exposure to replacing its investments as they mature.

The maturity analysis of the Council's investments at 31 March 2013 is as follows:-

31 Mar 12 £000		31 Mar 13 £000
26,949	Less than 1 year	25,869
26,949	**Total**	**25,869**

Market Risk

Interest Rate Risk

The Council's cash investments are exposed to interest rate movements. For instance, a rise in variable and fixed interest rates would have the effect of increasing the income credited to the Comprehensive Income and Expenditure Statement.

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

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2011/12 £000		2012/13 £000
265	Increase in interest receivable on investments with consequential change in Income and Expenditure Account	264

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council has no shareholdings that might expose it to this kind of risk.

Foreign Exchange Risk

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

COLLECTION FUND

This account reflects the statutory requirement for the Council, as the billing authority, to maintain a separate Collection Fund. It shows transactions in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to the Government and local authorities.

2011/12 £000	2011/12 £000		Note	2012/13 £000	2012/13 £000
		Income			
51,536		Council Tax Payers	*CF1*	51,830	
5,095		Transfers from the General Fund - Council Tax Benefit	*CF1*	5,040	
25,580		Business Rate Payers	*CF2*	25,503	
309		Contributions towards previous year's deficit		0	
	82,520	**Total Income**			**82,373**
		Expenditure			
56,230		Precepts and Demands	*CF3*	56,705	
		Business Rates			
25,484		Payments to National Pool	*CF2*	25,409	
96		Cost of Collection		94	
		Bad and Doubtful Debts			
302		Write-offs		(10)	
12		Increase in Provision		186	
	82,124	**Total Expenditure**			**82,384**
	(396)	**(Increase) / Decrease in Collection Fund Balance**			**11**
	379	Fund Balance - (Surplus) / Deficit at 1 April			(17)
	(17)	**Fund Balance - (Surplus) / Deficit at 31 March**	*CF4*		**(6)**

CF1 Council Tax Payers

The charge for council tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an "equivalent number of Band D dwellings" where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2012/13.

2011/12 Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Faction (Proportion)	2012/13 Equivalent Number of Band D Dwellings
0.56	A (Disabled Relief)	0.00	0.75	0.75	5/9	0.42
410.23	A	814.00	(182.90)	631.10	6/9	420.73
1,254.79	B	2,002.00	(404.65)	1,597.35	7/9	1,242.38
4,788.98	C	6,255.00	(759.70)	5,495.30	8/9	4,884.71
8,592.10	D	9,642.00	(970.35)	8,671.65	9/9	8,671.65
8,092.82	E	7,237.00	(589.70)	6,647.30	11/9	8,124.47
5,161.65	F	3,953.00	(330.70)	3,622.30	13/9	5,232.21
7,598.67	G	4,936.00	(331.90)	4,604.10	15/9	7,673.49
2,618.80	H	1,402.00	(95.35)	1,306.65	18/9	2,613.30
38,518.60		**36,241.00**	**(3,664.50)**	**32,576.50**		**38,863.36**
(192.59)	Less: Allowance for losses on collection					(194.33)
215.00	Add: Contributions in lieu of tax					214.00
38,541.01	Tax Base for Calculation of Council Tax					38,883.03
274.41	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and empty properties					113.58
38,815.42	**Council Tax Base for the Year**					**38,996.61**

Each year, the Council needs to collect enough money from local residents to cover the cost of the services it provides which is not funded by government grants and charges for services. It also collects charges for Hertfordshire County Council and the Hertfordshire Police. The total is divided by the tax base for the purposes of calculating the council tax to arrive at an average Band D tax per dwelling. The Council set an average council tax charge for Band D dwellings of £1,458.35 (£1,458.97 for 2011/12).

Specific reductions in charges - council tax benefits - were made in accordance with government regulations for persons on lower incomes. This reduced the gross amount of council tax due from council tax payers (derived from multiplying the council tax base for the year by the average Band D charge) as follows:

2011/12 £000		2012/13 £000
56,631	Gross Council Tax Charge	56,870
(5,095)	Less: Council Tax Benefits	(5,040)
51,536	**Income from Council Tax Payers**	**51,830**

CF2 Business Rate Payers

In line with the Local Government Act 2003, from 1 April 2005, all business premises are subject to a tax known as National Non-Domestic Rates (NNDR). The tax is calculated using local rateable values which are then multiplied by a uniform rate.

The Council was responsible for collecting the total amount of NNDR payable, less certain reliefs and other deductions, and paying this into a national pool managed by central government who then re-distributed the pool back to local authorities based on a standard amount per head of the local adult population.

The relevant rateable value and multiplier data is shown below:

2011/12		2012/13
£68,220,290	Total Non-domestic Rateable Value at 31 March	£66,371,885
43.3	National Non-domestic Rate Multiplier - Standard	45.8
42.6	National Non-domestic Rate Multiplier - Small Business	45.0

Small Business Rate Relief came into effect on 1 April 2005. It is generally available to ratepayers who have only one business property with a rateable vale of less than £18,000.

CF3 Precepts And Demands

The breakdown of precepts and demands on the Collection Fund are detailed below:

2011/12 £000		2012/13 £000
	Precepts:	
43,121	Hertfordshire County Council	43,503
5,697	Hertfordshire Police	5,748
	Demand:	
7,412	Three Rivers District Council	7,454
56,230	**Total**	**56,705**

CF4 Distribution of Balances

Based on the precepts and demands made in 2012/13, balances relating to the collection fund have been apportioned between the local authorities and are reflected on their balance sheets as follows:

2011/12 Total £000		Herts County Council £000	Herts Police £000	Three Rivers DC £000	2012/13 Total £000
2,969	Gross Arrears	2,361	312	404	3,077
(985)	Less: Prepayments	(512)	(68)	(88)	(668)
1,984	Net Arrears	1,849	244	316	2,409
1,119	Provision for Doubtful Debts	1,001	132	172	1,305
(17)	Collection Fund Balance	(4)	(1)	(1)	(6)

Surpluses / Deficits on the Collection Fund are distributed / recovered in the subsequent year as an adjustment to the council tax charge.

GLOSSARY OF TERMS AND ABBREVIATIONS

Accounting Period
The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals
Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

Amortisation
The term used to refer to the charging of the value of a transaction or asset (usually related to intangible Long Term Assets) to the Income and Expenditure Account over a period of time, reflecting the value to the Council; similar to the depreciation charge for tangible Long Term Assets.

Billing Authority
A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

Capital Expenditure
Spending which produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

Capital Receipts
The proceeds from the sale of Long Term Assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on Long Term Assets or to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy body concerned with local authorities and the public sector.

Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
The annual Code of Practice, produced by CIPFA, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a Local Authority.

Collection Fund
The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

Contingent Assets/Liabilities
Potential gains and losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a debtor or provision in the accounts.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful life of a Long Term Asset.

Earmarked Reserves
These are funds set aside for a specific purpose, or a particular service, or type of expenditure.

GLOSSARY OF TERMS AND ABBREVIATIONS

Finance Lease
Arrangement whereby the lessee is treated as the owner of the leased asset, and is required to include such assets within Long Term Assets on the balance sheet.

Financial Reporting Standard (FRS)
A statement of accounting practice issued by the Accounting Standards Board.

Group Accounts
Group Accounts are prepared using consistent accounting policies which will require authorities to align their financial statements more closely with International Financial Reporting Standards.

Three Rivers District Council has not used acquisitions or mergers accounting methodologies following consideration of the level of involvement with companies, voluntary organisations and other public bodies to determine if there is a requirement to undertake group accounts. There are no subsidiaries, associates or joint ventures.

Heritage Assets
Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.

IFRS
International Financial Reporting Standards.

Investment Property
Investment properties are those that are used solely 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.

Investments
Deposits for with approved institutions.

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

Long Term Assets – Tangible
Tangible assets (i.e. land and buildings) that yield benefits to the Council and the services it provides for a period of more than one year.

Long Term Assets – Intangible
Assets which are of benefit to the organisation, but have no physical presence such as software licences.

Long Term Debtors
Amounts due to the Council more than one year after the Balance Sheet date.

GLOSSARY OF TERMS AND ABBREVIATIONS

National Non-Domestic Rates (NNDR)
Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collected Non-Domestic Rates for its area based on local rateable values, multiplied by nationally set rates. The total amount, less certain reliefs and deductions, was paid to a central pool managed by the Government, which in turn, paid back to Authorities their share of the pool based on a standard amount per head of the local adult population.

New arrangements for the distribution of NNDR came into force on 1 April 2013.

Operational Assets
Long Term Assets held by the Council and used or consumed in the delivery of its services.

Operating Lease
An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

Pension Fund
An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

Precept
The amount by which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. a District Council) to meet its expenditure requirements.

Profit on the Sale of Long Term Assets
The book value of an asset sold is compared to the net proceeds to calculate the profit or loss on the transaction.

Provisions
Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.

Revenue Expenditure Funded From Capital Under Statute
Capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the Code of Practice definition of Long Term Assets. Examples include grants and similar advances made to other parties to finance capital investment.

Revenue Support Grant
This funding is a Government Grant provided by the Department for Communities and Local Government (DCLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

Surplus Assets
Long Term Assets held by an organisation but not directly occupied, used or consumed in the delivery of services, or held as an investment.

INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THREE RIVERS DISTRICT COUNCIL

Opinion on the authority's financial statements

We have audited the financial statements of Three Rivers District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Three Rivers District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the financial position of Three Rivers District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the authority has proper arrangements for:

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

INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Three Rivers District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Three Rivers District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Dossett CPFA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP

Date

INDEX OF NOTES TO THE CORE FINANCIAL STATEMENT