



STATEMENT OF ACCOUNTS

2009/2010

THREE RIVERS DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2009/2010

EXPLANATORY FOREWORD

1. Introduction

The purpose of the Statement of Accounts is to give interested parties an understanding of the Council's financial position. The Statement contains the following:

Page	Details
1	Statement of Accounting Policies The statement explains the basis upon which the figures in the accounts have been prepared. Explanatory notes are appended to the accounts where appropriate.
5	Income and Expenditure Account The account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.
6	Statement of Movement on the General Fund Balance This reconciliation statement summarises the differences between the out-turn on the Income and Expenditure Account and the General Fund balance.
7	Statement of Total Recognised Gains and Losses This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits.
8	The Balance Sheet The Balance Sheet represents the Council's overall financial position. In addition to containing the revenue balances and reserves at the Council's disposal, it shows its long-term indebtedness and the fixed and net current assets employed in its operations.
9	The Cash Flow Statement The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
10	Notes to the Core Financial Statements These notes explain in more detail the contents of the core financial statements above.
34	Collection Fund This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.
38	The Statement of Responsibilities for the Statement of Accounts This statement sets out the respective responsibilities of the Council and its Director of Corporate Resources and Governance for the Statement of Accounts.
39	Annual Governance Statement This statement is required by <i>The Accounts and Audit Regulations (England) 2003</i> .

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.

2. Changes to the Statement of Accounts

Accounting Policies

The Council is obliged to comply with an accounting framework backed by legislation. The Chartered Institute of Public Finance and Accountancy produces a Statement of Recommended Practice (SORP) which reflects the statutory requirements.

The SORP for 2009/10 recommends a number of changes to the Statement of Accounts. Those having the greatest impact on the Council are:-

- The responsible financial officer is required to certify the accounts present a true and fair view in recognition of the convergence of local authority accounting requirements with UK GAAP.
- Collection Fund
 - i. The Collection Fund surplus or deficit is disaggregated to the attributable bodies. The amount for the Council is charged or credited to the Income and Expenditure Account.
 - ii. The General Fund can only be charged or credited with the estimated surplus or deficit on January 15 in the preceding year. The difference between this and the amount in (i) is reconciled with a new account - Collection Fund Adjustment Account.
- Notes to the Core Financial Statements no longer include a requirement for disclosure for expenditure relating to :-
 - i. An account of publicity expenditure remains but the requirement to publish a note has been removed.
 - ii. Amendments to the s137 Local Government Act 1972 have removed the requirement for disclosure in the financial statements.
 - iii. The requirement to publish information on the income and expenditure of the building control account has been removed.
 - iv. Debtors and Creditors for National Non-Domestic Rates (NNDR) are not assets and liabilities of the Council, and are no longer recognised on the balance sheet. Their net value is now shown as a Government Debtor or Creditor.
- New disclosure requirements are introduced for remuneration reporting for public bodies to provide greater transparency and accountability to taxpayers.
- Balance Sheet valuation of fixed assets (land and buildings) – the recent economic downturn has demanded further attention to revaluations and impairment.
- Enhanced guidance for the impairment of assets during the economic downturn has been followed.
- General government grants in the form of revenue support grant and NNDR redistribution are shown as a single item on the face of the income and expenditure account with detail included as a note to the core financial statements.

The changes are the result of the continuing drive to make public sector accounts more compliant with what is termed 'generally accepted accounting practices' (UK GAAP).

Changes in Functions

There have been no significant changes in functions during 2009/10. The Council has, however, established shared services with Watford Borough Council in respect of human resources, finance, information and communication technology, revenues and benefits services.

Contingent Assets and Liabilities

Note 24 to the Core Financial Statements gives details of contingent liabilities concerning contractual matters on the refurbishment of the William Penn Leisure Centre and potential litigation.

3. Revenue Activities

Revenue Out-turn 2009/2010

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

	2009/2010 Original Estimate Gross £000	2009/2010 Original Estimate Net £000	2009/2010 Actual Out-turn Gross £000	2009/2010 Actual Out-turn Net £000	2009/2010 Variance Net £000
Highways & Transportation	2,106	1,758	1,776	1,484	(274)
Planning & Economic Development	2,746	1,762	2,436	1,727	(35)
Leisure	3,642	3,036	3,822	3,142	106
Waste Collection & Disposal	4,005	2,826	3,701	2,620	(206)
Environmental Health	1,745	1,371	1,337	920	(451)
Other Environmental Services	206	137	276	171	34
Housing: Other Services	1,195	1,135	1,407	1,114	(21)
Corporate and Democratic Core	2,202	2,202	2,047	2,047	(155)
Local Tax Collection	1,254	971	926	671	(300)
Housing Benefits	21,979	415	26,037	416	1
Central Support Services	186	(60)	482	(2)	58
Other Services	2,510	877	5,843	4,070	3,193
Non Distributed Costs	398	398	243	243	(155)
Cost of District Services	44,174	16,828	50,333	18,623	1,795
Gain on disposal of Fixed Assets		0		(10)	(10)
Other Income		0		(2,652)	(2,652)
Parish Councils' Net Budget		1,402		1,402	0
Payment to Housing Capital Receipts Pool		0		40	40
Interest Receivable		(637)		(541)	96
Pension Interest & Expected Return on Pensions Assets		288		2,123	1,835
Net Operating Expenditure		17,881		18,985	1,104
Income From Collection Fund		(7,400)		(7,414)	(14)
Government Grants		(1,063)		(1,086)	(23)
Contributions from Non-Domestic Rate Pool		(4,607)		(4,607)	0
I&E Deficit/(-)Surplus for Year		4,811		5,878	1,067
Adjustment for Capital Charges		(2,731)		(5,832)	(3,101)
Adjustment for Pensions Costs		(176)		(1,587)	(1,411)
Adjustment for Other Income		0		2,652	2,652
Net Transfers from (-) / to (+) Reserves / Provisions		(23)		(106)	(83)
Increase/(Decrease) in General Fund Balance		(1,881)		(1,005)	876
		0		0	0

The General Fund balance is shown in the Statement of Movement on the General Fund Balance.

The significant variances between out-turn and the original estimate are explained below:-

- Expenditure on Council Tax and Housing Benefits exceeded the original gross estimate by £4.058m due to the increased number of claims resulting from the recession. The government reimburses the Council for nearly all of this expenditure, so the net overspend was £0.001m.
- Some variances in net service expenditure result from additional capital charges, e.g. the council has allowed for impairment of £2.7m on a number of its assets. This is shown against 'Other Services' and reversed out of the accounts as part of the Adjustment for Capital Charges.
- 'Other Income' totalled £2.652m in the year. This included £2.480m of preserved Right to Buy receipts and VAT shelter compensation as a result of the transfer of the Council's housing stock to Thrive Homes Ltd. These are capital receipts related to assets which are no longer shown on the Balance Sheet and which, in accordance with the SORP, are shown in and out of the Income and Expenditure Account (see also 'Adjustment for Other Income'). As compensating accounting entries the original budget was netted to zero.
- The Income and Expenditure Account includes compensating entries for the treatment of pensions (see paragraph 5 below).

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 'sustainable' and 'safe' communities 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.

The Medium-Term Three Year Financial Plan is continually updated by monthly budget monitoring. The plan assumes no increase in government grant and, following a reduction of 0.5% in 2010/11, council tax increases of 1.95% for the 2011/12 and 2012/13 financial years. The levels of council tax and government grant are critical to the Council's future revenue streams. Government grant contributes 44% of the budget requirement, the balance coming from council tax payers.

4. Capital Activities

Capital Out-turn 2009/2010

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2009/10 by service is shown below:-

	New Schemes 2009/10 £000	Re-phased From 2008/09 £000	Total Programme £000	Actual Out-turn £000	Variance Overspend / (Underspend) £000
Leisure	2,073	242	2,315	3,801	1,486
Private Sector Housing	639	226	865	623	(242)
Public Services & Health (inc Waste Collection)	545	58	603	576	(27)
Environment	1,216	176	1,392	945	(447)
Information & Communication Technology	177	90	267	193	(74)
Shared Services	589	0	589	695	106
Administration & Building Improvements	181	0	181	150	(31)
Asset Management	0	25	25	9	(16)
Other	51	5	56	34	(22)
Total	5,471	822	6,293	7,026	733

The Council planned to complete new schemes valued at £5.471m in 2009/10, but to this was added £0.639m re-phased from 2008/09. The Council completed and funded £7.026m worth of work in 2008/09. The overspend on Leisure related to increased expenditure on the William Penn Swimming Pool refurbishment.

Of the total capital expenditure of £7.026m, £5.718m was funded from capital receipts, and £1.308m from government grants, contributions from third parties and reserves.

Future Capital Expenditure and its Funding

The Council plans to spend £5.779m on capital schemes in 2010/11. Of this £4.905m is to be funded from capital receipts and £0.874m 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 remain debt free for the foreseeable future, although it has operational short-term borrowing facilities up to £5m.

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.

5. 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 Financial Reporting Standard 17 and the Statement of Movement in the General Balance 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 2010 of £33.611m. This has increased from £14.379m at 31 March 2009 and reflects actuarial losses. There are statutory arrangements for funding the deficit that protect the Council's financial position. Note 27 to the Core Statements of Account provides further information.

6. 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.

In the longer term the Council will have to address the impact on the revenue account of the interest earned on the capital receipt from the transfer of the housing stock to Thrive Homes in March 2008. Interest income will reduce as plans to use the receipt are developed.

The new government has announced reductions in grants in 2010/11. The impact on the Council of the June 2010 budget, the autumn spending review, and new government policies will, no doubt, impact further on the Council's finances.

Allied with pressures on revenue expenditure from, for example, pension costs, this means that the Council needs to continue to identify efficiency savings. For example, it has implemented a shared services programme with Watford Borough Council to improve human resources, ICT, finance, revenue and benefits services, to provide resilience and achieve savings. Tight financial control will need to be exercised especially if the Council wishes to redirect some of its expenditure towards its sustainability agenda.

In the meantime, balances are healthy. The General Fund balance at 31 March 2010 was £8.232m representing 63% of the 2009/10 budget requirement. The Council held £23.686m at 31 March 2010 available for new capital expenditure.

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. The Council is constantly looking to improve its financial management and internal control. The Annual Governance Statement at page 39 shows the steps the Council is taking to achieve this.

7. Further Information

A 'Guide to the Finances of Three Rivers District Council and the Medium Term Financial Plan 2010-2013' is available on the Council's website or in hard copy by request.

D.A.Gardner.
Director of Corporate Resources and Governance
17 June 2010.

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounting Policies explains the basis for the recognition, measurement and disclosure of transactions and other events in the Accounts.

1. General Principles

The accounts have been prepared in accordance with *The Accounts and Audit Regulations 2003* and *The Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) together with guidance notes issued by CIPFA on the application of Accounting and Financial Reporting Standards (FRS).

2. Tangible Fixed Assets

Expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

Fixed assets have been classified in groupings in accordance with the Code of Practice. Assets have been valued on the following basis:-

- Land and buildings, with the exception of Community Assets (e.g. parks), are valued by the Council's Valuer at Existing Use Value (EUV). Where this cannot be assessed because there is no market, the Depreciated Current Replacement Cost method is used.
- Council dwellings are valued by the Council's Valuer on the basis of Existing Use Value – Social Housing.
- Infrastructure assets are included in the Balance Sheet at historical cost net of depreciation.
- Plant, vehicles, equipment are included in the Balance Sheet at historic cost net of depreciation.
- Intangible Fixed Assets (e.g. software licences) are amortised over one year which represents their economic life.
- A nominal amount of £1 was included in the Balance Sheet at 1 April 1994 for Community Assets.

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. All the Council's Fixed Assets that comprise Land and Buildings are revalued on a five year rolling programme. Annual assessments of asset values are made to ascertain changes due to impairment.

Any gains and losses on the future disposal of fixed assets will be recognised in the Income and Expenditure Account.

3. Intangible Fixed Assets

Intangible Assets are non-financial fixed assets that do not have physical substance but are identifiable and controlled by the Council through custody or legal rights. Software licences are intangible assets and the policy is to amortise expenditure over one year which represents their economic life.

4. Impairment

Assets are valued as at 1 April 2009. As a result of difficult market and economic conditions, an impairment review was carried out on 31 March 2010. In accordance with FRS11, where impairment is identified as part of this review or as a result of a valuation exercise this is accounted for depending on the nature of the impairment. Where the impairment is attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account. All other impairments are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account. Where an impairment loss is charged to the Income and Expenditure account as clear consumption of economic benefit, any accumulated revaluation gains in the Revaluation Reserve for that asset, up to the value of the loss, are transferred from the Revaluation Reserve to the Capital Adjustment Account.

5. Depreciation

Depreciation has been provided for all assets with a finite useful life on the basis set out in Note 18 to the Core Financial Statements. Freehold land and investment properties are not depreciated.

For the financial year 2009/10 all new Plant, Furniture and Equipment acquisitions are depreciated in the financial year following that of acquisition. Between 2004/05 and 2008/09, all new Plant, Furniture and Equipment acquisitions had been depreciated from the date of acquisition on a pro rata basis. Plant, Furniture and Equipment before 2004/05 was subject to depreciation from the year following acquisition.

6. Revenue Expenditure Funded From Capital Under Statute

This represents capitalised expenditure which does not result in, or cannot be matched with, tangible fixed assets. It consists mainly of disabled facility grants awarded to private homeowners, which are financed by government grants and capital receipts in the year in which the expenditure is incurred, and contributions to capital expenditure incurred by another local authority. It is amortised to revenue in the year that the expenditure is recognised.

7. Capital Charges

All revenue accounts have been charged with a capital charge based on the value of all fixed assets used in the provision of services. The charge comprises an annual provision for depreciation where appropriate.

8. Capital Receipts

From 2004/05 authorities in England have to pay a proportion of specified housing related capital receipts into a Government pool for redistribution. The remainder of capital receipts, received from the sale of assets such as land and council houses, can be used to finance capital expenditure.

9. Grants

Revenue grants received by the Council are matched to the expenditure to which they relate. Capital grants are written off to the service account over the useful life of the asset to match the depreciation of the asset to which it relates.

Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.

10. Interest Payable and Receivable

Interest payable on external borrowing and interest receivable on investments are recorded in the accounts on an accruals basis.

11. Leases

The Council has only operating leases which are charged to revenue on a straight line basis.

12. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from them.

VAT has been included in the income and expenditure accounts only to the extent that it is irrecoverable.

13. Debtors and Creditors

The accounts of the Council are shown on an accruals basis in accordance with the SORP. That is to say, actual expenditure and income incurred during the year is recorded in the accounts, rather than the cash sums paid or received.

14. Stores and Work in Progress

Work in progress and bar stocks are valued in the Balance Sheet at cost price. Other stores are valued at a sum equivalent to the last actual purchase price.

15. Allocation of Overheads over Services

The Accounts of the Council comply with the Best Value Accounting Code of Practice which requires full apportionment of overheads to services. To comply with the Code of Practice the costs of the 'Corporate and Democratic Core' are protected from apportionment to services and are shown separately in the Income and Expenditure Account.

16. Reserves

The Council has set up various reserves to meet likely future expenditure. Details of these are given at Note 20 to the Core Financial Statements.

17. Provision for Doubtful Debts

A provision for doubtful debts is held to cover general debtors, non-domestic rate, rent and council tax arrears which might be irrecoverable.

18. Investments

Investments are shown in the Balance Sheet at cost.

19. Financial Instruments

Financial Assets

Financial assets are classified into two types:

a) Loans and Receivables

These are assets that have fixed or determinable payments but are not quoted in an active market. The Council has no borrowing but holds short-term investments measured at fair value.

b) Available-for-sale Assets

These are assets that have a quoted market price and/or do not have fixed or determinable payments. The Council has no available-for-sale assets.

Soft Loans

The SORP requires that a discounted interest rate be recognised as a reduction in the fair value of the asset. The Council has made loans falling within this category in respect of leisure clubs and its assisted car purchase scheme, the amounts of which are considered immaterial.

Financial Guarantees

The SORP includes a requirement for financial guarantees to be recognised at fair value and charged to the Income and Expenditure Account (amortised over the life of the guarantee). No financial guarantees have been identified at 31 March 2009 or 31 March 2010.

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2008/2009		2009/2010			Net
Net				Note	Expenditure
Expenditure		Gross	Gross		/(Income)
/(Income)		Expenditure	Income		/(Income)
£000		£000	£000		£000
2,237	Highways and Transportation	1,776	(292)		1,484
2,024	Planning and Economic Development	2,436	(709)		1,727
4,242	Leisure	3,822	(680)		3,142
2,797	Waste Collection and Disposal	3,701	(1,081)		2,620
1,138	Environmental Health	1,337	(417)		920
115	Other Environmental Services	276	(105)		171
(713)	Local Authority Housing (HRA)	0	0		0
1,040	Other Housing Services	1,407	(293)		1,114
2,614	Corporate and Democratic Core	2,047	0		2,047
870	Local Taxation Collection	926	(255)		671
553	Housing Benefits	26,037	(25,621)		416
(1)	Central Support Services	482	(484)		(2)
1,681	Other Services	5,843	(1,773)		4,070
390	Non Distributed Costs	243	0		243
18,987	NET COST OF SERVICES	50,333	(31,710)		18,623
43	(Gain)/Loss on disposal of Fixed Assets				(10)
(1,665)	Other Income			10	(2,652)
1,319	Parish Council Precepts				1,402
64	Interest Payable				0
27	Amounts Payable into Housing Capital Receipts Pool				40
(2,483)	Interest & Investment Income			34	(541)
	Pensions Interest Cost And				
(654)	Expected Return on Pensions Assets			27	2,123
15,638	NET OPERATING EXPENDITURE				18,985
(7,140)	Income from Collection Fund				(7,414)
(712)	Government Grants			3	(1,086)
(4,952)	Distribution from Non-Domestic Rate Pool				(4,607)
2,834	(SURPLUS)/DEFICIT FOR THE YEAR				5,878

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure (I&E) Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss on the I&E Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as the amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/2009 Net Expenditure /(Income) £000		Note	2009/2010 Net Expenditure /(Income) £000
2,834	(Surplus)/Deficit for the year in the Income & Expenditure Account	2	5,878
(8,015)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	1	(4,873)
<u>(5,181)</u>	(Increase)/Decrease in General Fund Balance for the year		<u>1,005</u>
<u>(4,056)</u>	General Fund Balance brought forward		<u>(9,237)</u>
<u><u>(9,237)</u></u>	General Fund Balance carried forward		<u><u>(8,232)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits.

2008/2009 Net Expenditure /(Income) £000		2009/2010 Net Expenditure /(Income) £000
2,834	(Surplus)/Deficit on Income And Expenditure Account	5,878
(1,149)	(Surplus)/Deficit Arising on Revaluation of Fixed Assets	(7,033)
9,402	Actuarial (Gains)/Losses on Pension Fund Assets/Liabilities	17,645
0	Collection Fund	0
<u>11,087</u>	Total Recognised (Gains)/Losses for Year	<u>16,490</u>

Prior Year Adjustments - Collection Fund

Regulations state that from 1 April 2009, for billing authorities and therefore Three Rivers District Council, the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. This contrasts with previous accounting requirements where Council Tax income included in the Income and Expenditure Account represented the amounts required under regulation to be transferred from the Collection Fund to the General Fund of the billing authority.

The Council Tax income in the Income and Expenditure Account for 2008/09 has been restated at the decreased sum of £7.140 million a decrease of £63k, this has no impact on the General Fund balance because a reversal entry is made in the Statement of Movement on The General Fund Balance, but removes the requirement to adjust for the Collection Fund balance in the Statement of Recognised Gains and Losses.

BALANCE SHEET AS AT 31 MARCH 2010

31 March 2009
£000

		Note	31 March 2010 £000	£000
	Tangible Fixed Assets			
	Operational Assets			
3,013	Council Dwellings		996	
23,618	Other Land and Buildings		30,758	
2,627	Vehicles, Plant and Equipment		3,300	
5,403	Infrastructure Assets		5,752	
	Non-operational Assets			
0	Assets Under Construction		10	
6,918	Investment Properties		10,009	
7,053	Other		3,272	
<u>48,632</u>	Total Fixed Assets	13		54,097
124	Long-Term Debtors	21		1,779
<u>48,756</u>	Total Long-Term Assets			<u>55,876</u>
	Current Assets			
14	Stocks and Work in Progress		22	
4,406	Debtors	22	6,885	
34,582	Investments	19	28,726	
34	Cash & Bank		0	35,633
<u>87,792</u>	Total Assets			<u>91,509</u>
	Current Liabilities			
(4,177)	Creditors	23	(4,444)	
0	Cash Overdrawn		(931)	(5,375)
<u>(4,177)</u>				<u>(5,375)</u>
<u>83,615</u>	Total Assets less Current Liabilities			<u>86,134</u>
	Long-Term Liabilities			
(3,265)	Grants & Contributions Deferred			(3,042)
(14,379)	Liability Related to Pension Scheme	27		(33,611)
<u>65,971</u>	Total Assets Less Liabilities			<u>49,481</u>
(2,912)	Revaluation Reserve	20(a)		(8,075)
(42,599)	Capital Adjustment Account	20(b)		(44,779)
63	Collection Fund Adjustment Account	20(c)		48
(20,338)	Capital Receipts Reserve	20(d)		(17,494)
14,379	Pensions Reserve	27		33,611
(5,327)	Earmarked Reserves	20(e)		(4,560)
	General Reserves			
(9,237)	- General Fund	20(f)		(8,232)
<u>(65,971)</u>	Total Equity			<u>(49,481)</u>



Councillor Peter Ray
Chairman of Audit Committee

Date: 24 September 2010



D A Gardner
Director of Corporate
Resources & Governance
Date: 24 September 2010

CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	Note	2008/2009 £000	2009/2010 £000
Net Cash (Inflow)/Outflow from Revenue Activities	28	(3,195)	463
Returns on Investment and Servicing of Finance:			
Cash Outflows			
Interest Paid		64	0
Cash Inflows			
Interest Received		(2,564)	(578)
Capital Activities:			
Cash Outflows			
Purchase of Fixed Assets		5,586	5,347
Other Capital Cash Payments		1,959	1,389
VAT Shelter Payment		12,348	0
Cash Inflows			
Sale of Fixed Assets		0	(353)
Capital Grants Received		(298)	(236)
Other Capital Cash Receipts		(1,382)	(2,286)
Net Cash (Inflow)/Outflow before Financing		12,518	3,746
Management of Liquid Resources:			
Net increase/(decrease) in Short Term Deposits	30	(12,355)	(5,815)
Net increase/(decrease) in Investments Available on demand		1,191	3,227
Net Increase/(decrease) in NNDR		(1,595)	(192)
Net (Increase)/Decrease in Cash at Bank	29	(241)	966

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Breakdown Of Reconciling Items In The Statement Of The Movement On The General Fund Balance

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory best practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are:

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:

	2008/2009 Net Expenditure /(Income) £000	2009/2010 Net Expenditure /(Income) £000
Amortisation of intangible fixed assets	(100)	(710)
Depreciation and impairment of GF fixed assets	(4,464)	(5,443)
Council's share of Movement in Collection Fund Surplus/(Deficit)	(63)	15
Grants & Contributions Deferred amortisation	680	1,106
Revenue Expenditure Funded from Capital under Statute	(1,941)	(770)
Net loss on sale of fixed assets	(43)	10
Net charges made for retirement benefits in accordance with FRS 17	(620)	(2,895)
	<u>(6,551)</u>	<u>(8,687)</u>

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:

	2008/2009 Net Expenditure /(Income) £000	2009/2010 Net Expenditure /(Income) £000
Commutation Adjustment	(67)	0
Capital expenditure charged in-year to the General Fund Balance	0	0
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(27)	(40)
Employer's contributions payable to the HCC Pension Fund and retirement benefits payable direct to pensioners	1,174	1,308
	<u>1,080</u>	<u>1,268</u>

Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year:

	2008/2009 Net Expenditure /(Income) £000	2009/2010 Net Expenditure /(Income) £000
Housing Revenue Account balance	718	0
Contributions from third parties	0	0
Final Transfer from the Housing Revenue Account	(4,848)	0
Net transfer to or from earmarked reserves	1,586	2,546
	<u>(2,544)</u>	<u>2,546</u>
Total Reconciling Items	<u><u>(8,015)</u></u>	<u><u>(4,873)</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

2. Explanation Of The Significance Of The Statement Of Movement On The General Fund Balance

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater or less than expenditure. Both income and expenditure are measured using essentially the same accounting conventions (ie UK Generally Accepted Accounting Practice - UK GAAP) that a large (but unlisted) company would use in preparing its audited annual financial statements.

The items of income and expenditure that are required to be charged to the General Fund and which therefore must be taken into account in determining the Council's budget requirement and, in turn, its Council Tax demand is determined by statute and non-statutory proper practices rather than being in accordance with UK GAAP.

While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial performance for the year in accordance with UK GAAP, the movement on the General Fund Balance is an important aspect of the Council's stewardship.

3. Government Grant

This figure comprises two elements: Revenue Support Grant and Area Based Grant, as follows:

	2008/2009	2009/2010
	£000	£000
Revenue Support Grant (RSG)	(689)	(1,063)
Area Based Grant (ABG)	(23)	(23)
	<u>(712)</u>	<u>(1,086)</u>

Area Based Grant is paid to the Council direct and has no conditions on its use imposed by central government. The Council has determined to use this grant to support sustainability initiatives.

4. Members' Allowances

The total of Members' allowances paid in 2009/2010 was £343,634. In 2008/2009 this was £339,112.

NOTES TO THE CORE FINANCIAL STATEMENTS

5. Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band £	Number of Employees 2008/2009	Number of Employees 2009/2010
50,000 to 54,999	10	13
55,000 to 59,999	4	3
60,000 to 64,999	1	2
65,000 to 69,999	0	1
70,000 to 74,999	0	0
75,000 to 79,999	0	0
80,000 to 84,999	0	0
85,000 to 89,999	1	1
90,000 to 94,999	1	1
95,000 to 99,999	0	0
100,000 to 104,999	0	0
105,000 to 109,999	0	0
110,000 to 114,999	0	0
115,000 to 119,999	1	1

6. Remuneration For Senior Officers

The tables below give individual remuneration details for 2008/2009 and 2009/2010 for Senior Officers of the Council.

Senior Officers are those whose salary is at least £50,000 and who have responsibility for the management of the Council to the extent that they have power to direct or control its major activities.

2008/2009 Post Title	Salary Including Fees And Allowances £	Expenses Allowance £	Benefit In Kind £	Total Remuneration Excluding Pension Contribution £	Pension Contribution £	Total Remuneration Including Pension Contribution £
Chief Executive	116,181	1,092	0	117,273	20,721	137,994
Director of Corporate Resources & Governance	87,135	0	3,601	90,736	15,248	105,984
Director of Environmental & Community Services	87,135	1,092	0	88,227	15,248	103,475
	<u>290,451</u>	<u>2,184</u>	<u>3,601</u>	<u>296,236</u>	<u>51,217</u>	<u>347,453</u>

2009/2010 Post Title	Salary Including Fees And Allowances £	Expenses Allowance £	Benefit In Kind £	Total Remuneration Excluding Pension Contribution £	Pension Contribution £	Total Remuneration Including Pension Contribution £
Chief Executive	116,181	1,164	0	117,345	21,128	138,473
Director of Corporate Resources & Governance	90,861	0	3,450	94,311	17,445	111,756
Director of Environmental & Community Services	87,182	1,164	0	88,346	16,741	105,087
	<u>294,224</u>	<u>2,328</u>	<u>3,450</u>	<u>300,002</u>	<u>55,314</u>	<u>355,316</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Related Parties

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 authority would include:

- ◆ central government;
- ◆ local authorities and other bodies precepting or levying demands on the council tax;
- ◆ its councillors;
- ◆ its chief officers; and
- ◆ 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. On 14 April 2009, the Council's Director of Corporate Resources and Governance became Treasurer to the Joint Committee. The Treasurer was previously provided by Watford Council who 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, 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. Partnership Working

Since April 2009, Three Rivers District Council and Watford Borough Council have been participating in Joint Services, provided by the Shared Services Joint Committee. During 2009/2010 the services that have been provided jointly are Human Resources, Finance, Revenue and Benefits, and the ICT function. These services are jointly provided with an aim to make efficiencies for both Authorities.

The net expenditure of Shared Services is apportioned between the Councils based on the 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 £2.848m.

	2009/2010		Net Expenditure /(Income) £000
	Gross Expenditure £000	Gross Income £000	
Services			
Local Tax Collection	1,490	(154)	1,336
Housing Benefits	1,533	0	1,533
Central Support Services (HR, Finance & ICT)	4,373	(35)	4,338
Net Cost of Services/Operating Expenditure	7,396	(189)	7,207
Income from Three Rivers District Council			(2,848)
Income from Watford Borough Council			(4,359)
(SURPLUS)/DEFICIT FOR THE YEAR			0

9. Audit Costs

The following fees relating to external audit and inspection were incurred in 2009/2010:

	2008/2009 £000	2009/2010 £000
Fees Payable to the appointed auditor (Grant Thornton) with regard to external audit services	107	105
Fees Payable to Grant Thornton in respect of Statutory Inspection	8	0
Fees Payable to Grant Thornton for the certification of grant claims and returns	32	30
	147	135

10. Other Income

Other income represents all income to the Council which cannot be attributed to a service, or results from a capital receipt not attributable to the disposal of an asset in the current year.

The figure includes contributions to future revenue and capital schemes from third parties, repayments of capital grant, repayments of Right to Buy discount, shares in preserved Right to Buy sales by Thrive Homes Limited and payments from Thrive Homes Limited under the VAT shelter (see note 24 - Contingent Assets).

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Assets Held Under Leases

The authority leases one car park at an annual rental of £4,500.

Under lease and lease-back arrangements, the council leases, at peppercorn rents, a car park and leisure centre, which it owns. It also leases a swimming pool at peppercorn rent from Hertfordshire County Council.

All rentals have been accounted for as operating leases.

The Council uses leased vehicles and various office equipment financed under the terms of operating leases. The amounts paid under these arrangements in 2009/2010 was £96,484.

The authority was committed at 31 March 2010 to making payments of £83,858 under operating leases during 2010/2011, comprising the following elements:

	Other Land & Buildings £000	Vehicles & Plant & Equipment £000	Total £000
Leases Expiring in 2010/11	0	15	15
Leases Expiring between 2011/12 & 2016/17	5	64	69
Leases Expiring after 2016/17	0	0	0
	<u>5</u>	<u>79</u>	<u>84</u>

12. Assets Held For Leases

The Council has granted commercial leases on land, shops and office buildings, for a total annual market rent of £884,622.

It has also granted leases at a reduced rate to local organisations totalling £9,300, 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 £248,850.

All rentals have been accounted for as operating leases.

With regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £23,348,725 subject to £51,205 depreciation to 31 March 2010.

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Summary Of Capital Expenditure And Fixed Asset Disposals

Movement On Fixed Assets

Operational Assets	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra- structure Assets	Total
Cost or valuation	£000	£000	£000	£000	£000
At 1 April 2009	3,067	27,008	9,370	8,922	48,367
Additions	12	651	1,738	776	3,177
Disposals	0	0	(5,933)	(135)	(6,068)
Reclassifications	(2,167)	2,361	0	0	194
Revaluations	122	5,138	0	0	5,260
	<u>1,034</u>	<u>35,158</u>	<u>5,175</u>	<u>9,563</u>	<u>50,930</u>
Depreciation and impairments					
At 1 April 2009	(54)	(3,390)	(6,743)	(3,519)	(13,706)
Charge for 2009/10	(29)	(1,527)	(1,081)	(427)	(3,064)
Disposals	0	0	5,933	135	6,068
Reclassifications	0	0	0	0	0
Revaluations	45	517	16	0	578
	<u>(38)</u>	<u>(4,400)</u>	<u>(1,875)</u>	<u>(3,811)</u>	<u>(10,124)</u>
Balance Sheet Amount at 31 March 2010	<u>996</u>	<u>30,758</u>	<u>3,300</u>	<u>5,752</u>	<u>40,806</u>
Balance Sheet Amount at 31 March 2009	<u>3,013</u>	<u>23,618</u>	<u>2,627</u>	<u>5,403</u>	<u>34,661</u>

Non-Operational Assets

	Under Construction	Investment Properties	Other	Total
Cost or valuation	£000	£000	£000	£000
At 1 April 2009	0	6,918	7,692	14,610
Additions	2,370	0	0	2,370
Disposals	0	0	0	0
Reclassifications	(2,360)	4,892	(4,398)	(1,866)
Revaluations	0	565	558	1,123
	<u>10</u>	<u>12,375</u>	<u>3,852</u>	<u>16,237</u>
Depreciation and impairments				
At 1 April 2009	0	0	(639)	(639)
Charge for 2009/10	0	(2,366)	(13)	(2,379)
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	0	72	72
	<u>0</u>	<u>(2,366)</u>	<u>(580)</u>	<u>(2,946)</u>
Balance Sheet Amount at 31 March 2010	<u>10</u>	<u>10,009</u>	<u>3,272</u>	<u>13,291</u>
Balance Sheet Amount at 31 March 2009	<u>0</u>	<u>6,918</u>	<u>7,053</u>	<u>13,971</u>

The Council's share of dwellings sold under the Rent to Mortgage scheme, with a gross value of £1.673m, classified as Dwellings in the 2008/2009 accounts, has been reclassified as Long Term Debtors (see note 21).

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Summary Of Capital Expenditure And Fixed Asset Disposals (Cont'd)

Capital Expenditure And Financing

Capital expenditure, which includes expenditure on Intangible Assets and Revenue Expenditure funded from Capital under Statute (see Note 14) was financed as follows:

	2008/09 £000	2009/10 £000
Capital Investment		
Operational Assets	5,595	3,177
Non-Operational Assets	61	2,370
Intangible Assets	100	710
Revenue Expenditure funded from Capital under Statute	1,941	770
	<u>7,697</u>	<u>7,027</u>
Sources of Finance		
Capital Receipts	6,577	5,718
Government Grant and Other Contributions	1,120	1,309
Sums set aside from revenue (HRA-Major repairs Allowance)	0	0
	<u>7,697</u>	<u>7,027</u>

14. Movement in Intangible Assets and Revenue Expenditure funded from Capital under Statute

	Software Licences £000	Grants £000	Balance at 31 March £000
Expenditure in Year	710	770	1,480
Written Off to Revenue in year	(710)	(770)	(1,480)
Balance at 31 March 2010	<u>0</u>	<u>0</u>	<u>0</u>

15. Commitments Under Capital Contracts

At 31 March 2010 the Council had entered into contracts valued at £373,950 largely in respect of leisure capital schemes.

16. Information On Assets Held

The Land and Buildings held by the Council in 2009/2010 included:

Gross Value at 31 March 2009 £000		Gross Value at 31 March 2010 £000
3,067	Council Dwellings	1,034
630	Depots	650
372	Cemeteries	434
8,669	Offices	6,544
1,781	Car Parks	2,051
9,238	Leisure Land and Buildings	15,865
9,248	Commercial Properties	12,378
5,616	Garages	7,133
6,064	Other Land/Property	6,330

NOTES TO THE CORE FINANCIAL STATEMENTS

16. Information On Assets Held (Cont'd) Community Assets

The Council holds community assets as follows:

37 playing fields and open spaces with a total area of 503 acres
1 cemetery
9 areas of grazing land with a total area of 82 acres
10 allotment sites with a total area of 26 acres
18 areas of woodland with a total area of 550 acres
Paintings

These have no value for balance sheet purposes.

17. Valuation Information

The majority of the valuations of freehold and leasehold properties which have been re-valued, have been carried out by the Council's Valuation Surveyor, Michele Henington, a qualified member of the Royal Institution of Chartered Surveyors. The other asset revaluations were carried out by an external valuer. All other properties are included at their previous valuation figure.

Assets are revalued every five years or where it is evident that there has been a material change in value. All gains resulting from a revaluation are credited to the fixed asset restatement account and all losses are accounted for as an impairment loss.

Latest valuations were dated 1 April 2009, and all values were reviewed at the year end, 31 March 2010, for material changes or impairments. William Penn Swimming Pool which opened to the public on 4 May 2010, was revalued as an operational asset on 31 March 2010.

Assets are valued using the following basis:

Operational properties:

Existing use value or depreciated replacement cost for specialised buildings.

Non operational properties:

Market value.

The sources of information and assumptions made in producing the various valuations are set out in the Council's valuation reports.

The figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation of the portfolio valued as a whole.

Impairment

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

NOTES TO THE CORE FINANCIAL STATEMENTS

17. Valuation Information (Cont'd)

It was considered that there was a fall in the value of a number of assets as a result of the economic downturn. A revaluation of those assets, including all commercial shops, council dwellings and surplus assets has been carried out to reflect the changes in value. As a result no further impairment was required.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

Valued at	Council	Other	Vehicles,	Infrastructure	Non-Operational Assets		Total
	Dwellings	Land and	Plant and		Investment	Other	
	£000	£000	Equipment	Assets	Properties	£000	£000
Historical Cost:	0	0	4,060	8,812	0	0	12,872
Valued at Current Value in:							
2009/2010	1,034	19,050	0	0	7,838	2,678	30,600
2008/2009	0	14,319	1,115	751	4,537	940	21,662
2007/2008	0	1,582	0	0	0	49	1,631
2006/2007	0	207	0	0	0	185	392
2005/2006	0	0	0	0	0	0	0
Gross Certified Valuation at 31 March 2010	1,034	35,158	5,175	9,563	12,375	3,852	67,157

18. Information About Depreciation Methodologies

Depreciation has been provided for all assets with a finite useful life. 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:

Dwellings	50 to 60 years
Buildings	20 to 60 years
Infrastructure (e.g. district footpaths)	10 to 20 years
Plant and Equipment: Computer Equipment	3 to 5 years
Furniture	5 to 25 years

Between 2004/05 and 2008/09 all new Plant, Furniture and Equipment acquisitions were depreciated from the date of acquisition on a pro rata basis. Plant, Furniture and Equipment acquired before this date were subject to depreciation from the year following acquisition.

From the financial year 2009/10 the council will revert to depreciation of all new Plant, Furniture and Equipment acquisitions from the year following acquisition. The effect of this change on the balance sheet is not material.

NOTES TO THE CORE FINANCIAL STATEMENTS

19. Provision For Short-Term Investments

The Council had £1,000,000 invested with Chancery plc, a secondary bank placed in administration in February 1991. Of that debt £303,615 was converted into shares and the remainder subject to a voluntary arrangement for repayment. In December 1996, the share debt was written off from the bad debt provision and the provision increased to match the remaining debt. The schedule below lists distributions received to date from the liquidators. The provision was reduced to £68,265 to match the remaining debt.

Schedule of Distributions Received			Cumulative	
	Date	£000	%	%
Deposit Protection Board	1991/92	15	-	-
Distributions	Prior years	613	88.85	88.85
Distribution	2008/09	0	0.00	88.85
Total to date		<u>628</u>		

In summary the position at 31 March 2010 was:

	£000
Investment	1,000
Repayments of Principal	(628)
Written off	(304)
	<u>68</u>
Less:	
Provision at 31 March 2010	<u>(68)</u>
	<u><u>0</u></u>

20. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Movement In Reserves

	Notes	Balance at 31 March 2009 £000	Change in Year Increase/ (Decrease) £000	Balance at 31 March 2010 £000
Revaluation Reserve	(a)	2,912	5,163	8,075
Capital Adjustment Account	(b)	42,599	2,180	44,779
Collection Fund Adjustment Account	(c)	(63)	15	(48)
Capital Receipts Reserve	(d)	20,338	(2,844)	17,494
Pensions Reserve	see note 27	(14,379)	(19,232)	(33,611)
Earmarked Reserves	(e)	5,327	(767)	4,560
General Reserves				
- General Fund	(f)	9,237	(1,005)	8,232
		<u>65,971</u>	<u>(16,490)</u>	<u>49,481</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Reserves (Cont'd)

(a) Revaluation Reserve

The Revaluation Reserve represents the gains on revaluation of fixed assets not yet realised through sales. The opening balance on the reserve was zero at 1 April 2007. The net carrying amount for individual assets at 31 March 2007 was deemed to be the Depreciated Historic Cost.

	2008/2009	2009/2010
	£000	£000
Movements in Unrealised Value of Fixed Assets		
Gains on revaluation of fixed assets	1,518	5,163
Impairment losses on fixed assets due to general changes in prices	(253)	0
Total Movement on Reserve	<u>1,265</u>	<u>5,163</u>
Balance B/F at 1 April	1,647	2,912
Balance C/F at 31 March	<u><u>2,912</u></u>	<u><u>8,075</u></u>

(b) Capital Adjustment Account

The Capital Adjustment Account represents the capital resources set aside to meet capital expenditure awaiting the consumption of those resources (i.e. the resources used to finance fixed assets less depreciation, impairment and disposals).

	2008/2009	2009/2010
	£000	£000
Capital Financing		
Capital Receipts Applied	6,577	5,718
Capital Expenditure Financed From Revenue		
General Fund	0	0
Major Repairs Reserve	0	0
Movement on Fixed Assets		
Impairment	(3,488)	(3,614)
Revaluations & Disposals	(297)	1,871
Deferred Capital Receipts	(213)	(17)
Grants and Contributions	1,534	1,532
Minimum Revenue Provision (Less Depreciation)	(2,025)	(1,830)
Revenue Expenditure funded from Capital under Statute	<u>(2,041)</u>	<u>(1,480)</u>
Total Movement on Reserve	47	2,180
Balance Brought Forward at 1 April	<u>42,552</u>	<u>42,599</u>
Balance Carried Forward at 31 March	<u><u>42,599</u></u>	<u><u>44,779</u></u>

(c) Collection Fund Adjustment Account

This is a new account for the 2009/2010 financial year required to disaggregate the Collection Fund for agency accounting. The 2008/2009 accounts have been restated to reflect this change in accounting treatment.

Payments out of the Collection Fund to the General Fund are controlled by statutory provisions, the amount that can be credited or debited being limited to the 15 January estimate of the share of the Collection Fund balance for the previous year.

The Collection Fund Adjustment Account absorbs the timing differences between the statutory requirement and full accruals accounting.

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Reserves (Cont'd)

In addition the debtor, impairment and overpayments and prepayments included in the Council's Statement of Accounts are restricted to the Council's share, and this change in practice has led to a material restatement of the Balance Sheet. The debtors balance has decreased from £5.374m to £4.901m. The creditor balance has reduced from £5.145m to £4.672m. A reduction of £473k in both cases.

(d) Capital Receipts

A Capital Receipt is the term used to describe the income received by the Council when it sells an asset. Regulations require the Council to pay over a proportion of these to the Government when the assets are owned by the HRA. The remainder will be used to finance capital expenditure.

	Total 2008/2009		Total 2009/2010	
	£000	£000	£000	£000
Capital Receipts at Beginning of Year		(25,428)		(20,338)
Add:				
Sources of Capital Receipts:				
Sale of Land and Buildings	(1)		(353)	
SOCH Mortgages	(31)		(16)	
Shares in preserved Right to Buy	(671)		(767)	
Right to Buy discounts repaid	(11)		(38)	
VAT shelter compensation	(485)		(1,713)	
Other Receipts	(315)		(27)	
Total Receipts for the Year		(1,514)		(2,914)
Deduct:				
Amount paid to DCLG pool		27		40
Application of Usable Receipts to finance Capital Expenditure (see Note 13)		6,577		5,718
Balance Unapplied at End of Year		<u>(20,338)</u>		<u>(17,494)</u>

(e) Earmarked Reserves

	Balance at 31 March 2009	Add: Contrib'ns From Gen Fund	Less: Contrib'ns to Gen Fund	Less: Grants & Contrib'ns Applied &Transfers	Balance at
					31 March 2010
	£000	£000	£000	£000	£000
Unapplied Grants & Contributions					
Third Party Contributions	889	0	(200)	(425)	264
Total Grants and Contributions	<u>889</u>	<u>0</u>	<u>(200)</u>	<u>(425)</u>	<u>264</u>
Revenue Reserves					
Section 106 Agreements-Other	655	18	(108)	0	565
Future Capital Expenditure	2,430	0	0	0	2,430
Leavesden Hospital Open Space	1,275	6	(72)	0	1,209
Environmental Maintenance Plant	78	14	0	0	92
Total Revenue Reserves	<u>4,438</u>	<u>38</u>	<u>(180)</u>	<u>0</u>	<u>4,296</u>
Total Reserves	<u>5,327</u>	<u>38</u>	<u>(380)</u>	<u>(425)</u>	<u>4,560</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Reserves (Cont'd)

(f) General Fund

The General Fund represents the resources available to meet future running costs. Further details can be found in the Statement of Movement on the General Fund Balance and Notes 1 and 2.

21. Long Term Debtors and Deferred Credits

Loans Made for Purchase and Improvement of Property

	Sales of Council Dwellings £000	Housing Associations £000	Rent To Mortgage £000	Total £000
Balance at 1 April 2009	73	51	0	124
Reclassification-Rent To Mortgage	0	0	1,673	1,673
Repayments in Year	(17)	(1)	0	(18)
Balance at 31 March 2010	<u>56</u>	<u>50</u>	<u>1,673</u>	<u>1,779</u>

Deferred credits are amounts derived from sales of assets which will be received in instalments over an agreed number of years. They arise from mortgages on sales of council dwellings.

The Council's share of dwellings sold under the Rent to Mortgage scheme, with a gross value of £1.673m, classified as Dwellings in the 2008/2009 accounts, has been reclassified as Long Term Debtors (see note 13).

22. Debtors

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000
HM Revenue and Customs	320	320
Department for Communities & Local Government	78	1,817
Department for Work & Pensions	1,058	0
Local Authorities and Other Public Bodies	953	1,253
Chargepayers and Taxpayers	263	340
Commercial Ratepayers	0	0
Tenants	204	23
Rechargeable Works	17	5
Sundry Debtors	1,335	1,761
Other	1,053	2,429
Less: Provision for Doubtful Debts	<u>(875)</u>	<u>(1,063)</u>
	<u>4,406</u>	<u>6,885</u>

The Council has provided fully for all debtors that are considered to be doubtful based on past experience, the ageing of the debt and the financial standing of the customer.

Adjustments have been made between debtors and creditors to reflect a change to agency accounting for National Non-Domestic Rates and the preceptors' share of Council Tax. The 2009 Balance Sheet has been restated to reflect this change.

NOTES TO THE CORE FINANCIAL STATEMENTS

22. Debtors (Cont'd)

Included in the Council's trade debtor balance (Sundry Debtors) are debtors with a carrying amount of £675k (2009: £532k), which are past due at the balance sheet date, for which the Council has not provided as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The authority does not hold any security over these balances. The average age of these debtors is 613 days (2009: 420 days).

The ageing of past due, but not impaired, trade debtors is as follows:

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000
< 35 days	347	296
35 - 90 days	46	138
91 - 182 days	57	38
183 - 365 days	88	222
> 365 days	77	143
Total	615	837

The movement in the provision for doubtful trade debtors is as follows:

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000
At the beginning of the year	41	82
Losses recognised	173	552
Amounts written off as uncollectable	0	0
Amounts recovered during the year	(132)	(472)
At the end of the year	82	162

There is no impairment in respect of debtors.

The Council considers that the carrying amount of trade and other debtors approximates to their fair value.

23. Creditors

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000
Department for Communities & Local Government	1,314	142
Department for Work & Pensions	0	938
HM Revenue and Customs	222	6
Local Authorities and Other Public Bodies	172	157
Sundry and Other Creditors	2,469	3,202
	4,177	4,444

Adjustments have been made between debtors and creditors to reflect a change to agency accounting for National Non-Domestic Rates and the preceptors' share of Council Tax. The 2009 Balance Sheet has been restated to reflect this change.

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Contingent Assets and Liabilities

VAT Claim

Following a VAT Tribunal case (Fleming) challenging the restriction that prevents the correction of VAT errors more than three-years old, HM Revenue and Customs (HMRC) announced a "transitional period" of twelve months, ending on 31st March 2009, during which time VAT registered organisations were able to make claims for VAT overpaid from April 1973 to December 1996.

The Council worked with its advisors to identify opportunities to submit claims in respect of activities where the VAT liability had changed (either through HMRC review or litigation) but the Council had been prevented from making earlier claims due to the three-year rule. As a result of this exercise a claim has been lodged, mainly in relation to sporting and cultural activities. HMRC are now in the process of verifying and repaying claims.

VAT Shelter Agreement

Three Rivers District Council employed a VAT structure scheme when the Council's 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 will be 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 2009/2010, £1.713m was received, leaving a contingent asset of approximately £5.1m receivable in future years.

25. Authorisation Of The Accounts For Issue

The Statement of Accounts was authorised for issue by D A Gardner, the Council's Chief Financial Officer on 30 June 2010.

26. Events After The Balance Sheet Date

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the employer's FRS17 liabilities by around 5.9% and the FRS17 balance sheet deficit by around 14.2%. In monetary terms the liabilities and deficit have fallen by approximately £4.8m.

This estimated figure was provided by the actuaries to the pension fund. They did not take into account any other assumptions to allow an accurate figure to be calculated.

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and its 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 Net Cost of Services when they are earned by employees, rather than when benefits are eventually paid as pensions. The charge made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2008/2009	2009/2010
	£000	£000
Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	887	772
Past Service Costs	387	0
Net Operating Expenditure		
Interest Cost	3,626	3,508
Expected Return on Assets in the scheme	(4,280)	(1,385)
Net Change to the Income and Expenditure Account	<u>620</u>	<u>2,895</u>
	2008/2009	2009/2010
	£000	£000
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(620)	(2,895)
Actual amount charged against the General Fund Balance for pensions in the year		
Employer's contributions payable to the scheme	1,174	1,308

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £17,645,000 for 2009/2010 are included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £21,614,000.

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Retirement Benefits (Cont'd)

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities	2008/2009 as restated £000	2009/2010 £000
1 April	(52,804)	(51,390)
Current service cost	(888)	(766)
Interest cost	(3,626)	(3,508)
Contributions by scheme participants	(446)	(459)
Actuarial gains and (losses)	4,533	(27,109)
Losses on curtailments	0	(6)
Liabilities extinguished on settlements	0	0
Benefits paid	2,228	2,351
Past service costs	(387)	0
31 March	<u>(51,390)</u>	<u>(80,887)</u>

Reconciliation of fair value of the scheme assets	2008/2009 £000	2009/2010 £000
1 April	48,314	37,011
Expected return on assets	4,280	1,385
Actuarial gains and (losses)	(14,975)	9,464
Employer contributions	1,174	1,308
Assets distributed on settlements	0	0
Contributions by scheme participants	446	459
Benefits paid	(2,228)	(2,351)
	<u>37,011</u>	<u>47,276</u>

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

The actual return on scheme assets in the year was £11,722,000 (£11,448,000 in 2008/2009).

Scheme History

	2005/2006 £000	2006/2007 £000	2007/2008 £000	2008/2009 £000	2009/2010 £000
Present value of liabilities	(66,786)	(66,647)	(52,804)	(51,390)	(80,887)
Fair Value of Assets	53,806	57,702	48,314	37,011	47,276
Surplus/(Deficit)	<u>(12,980)</u>	<u>(8,945)</u>	<u>(4,490)</u>	<u>(14,379)</u>	<u>(33,611)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Retirement Benefits (Cont'd)

On the grounds of materiality, the Council has elected not to restate the fair value of scheme assets for prior years, as permitted by FRS 17 (as revised).

The liability shows the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £33,611m has an impact on the net worth of the Council as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the pension scheme by the Council in the year to 31 March 2011 is £1.289m.

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 and salary levels. The County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2007.

The principal assumptions used by the actuary have been:

	2008/2009	2009/2010
Long Term expected rate of return on assets in the scheme:		
Equities	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%
Longevity at 65 for current pensioners		
Men	21.4	22.7
Women	24.3	26.1
Longevity at 65 for future pensioners		
Men	22.5	24.8
Women	25.4	28.3
Inflation/Pension Increase Rate	3.1%	3.8%
Salary Increase Rate	4.6%	5.3%
Expected return on Assets	6.3%	7.0%
Discount Rate	6.9%	5.5%

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Retirement Benefits (Cont'd)

An allowance is included for retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

The assets in the County Council Pension Fund consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2009 %	31 March 2010 %
Equities	67	71
Bonds	19	19
Property	4	3
Cash	10	7
	<u>100</u>	<u>100</u>

History of Experience Gains and Losses

The actuarial gains/(losses) identified as movements on the Pensions Reserve in 2009/2010 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2005/2006 %	2006/2007 %	2007/2008 %	2008/2009 %	2009/2010 %
Experience Gains/(Losses) on					
Assets	14.6	0.2	(13.6)	(40.5)	20.0
Liabilities	1.8	0.0	3.0	8.8	(33.5)

Further information can be found in Hertfordshire County Council Pension Fund's Annual Report which is available upon request from Hertfordshire County Council, Corporate Services, County Hall, Hertford, SG13 8DQ.

NOTES TO THE CORE FINANCIAL STATEMENTS

28. Reconciliation Of Net Surplus/Deficit On The Income And Expenditure Account To The Revenue Activities Net Cash Flow In The Statement

	2008/2009 £000	2009/2010 £000
(Surplus)/Deficit for the Year	(5,181)	1,005
Non-Cash Transactions:		
Contributions to/from Reserves and Appropriation	(1,817)	(4,396)
Transfers To Reserves	298	(26)
HRA	4,130	0
Pensions Reserve	(218)	19,232
Collection Fund Transfer		
Items on an Accruals Basis:		
Stock, Debtors, Creditors and Pension Reserve	(2,912)	(17,099)
Items included in Other Classification within Statement:		
Internal Recharges to Other Accounts	2,479	1,762
Items not included in Consolidated Revenue Account:		
(Increase)/Reduction in Collection Fund Balance	26	(15)
Suspense Accounts		
Net Cash Flow From Revenue Reserves	<u>(3,195)</u>	<u>463</u>

29. The Movement In Cash Reconciled To The Movement In Net Debt

There has been an increase in the cash balance reflecting the net inflow from all activities.

	Opening Balance 1 April 2009 £000	Movements in Year £000	Closing Balance 31 March 2010 £000
Cash and Bank	35	(966)	(931)
Temporary Investments	995	3,185	4,180
	<u>1,030</u>	<u>2,219</u>	<u>3,249</u>

Temporary investments above are those which are available on demand and therefore classified as cash.

NOTES TO THE CORE FINANCIAL STATEMENTS

30. Financial Instruments/Reconciliation of Financing And Management Of Liquid Resources To The Balance Sheet

	Opening Balance 1 April 2009 £000	Movements in Year £000	Closing Balance 31 March 2010 £000
Temporary Investments	34,496	(5,815)	28,681
Less - Available on demand	(995)	(3,185)	(4,180)
Interest Accrued	86	(42)	44
NNDR Debtors	(1,595)	(192)	(1,787)
	<u>31,992</u>	<u>(9,234)</u>	<u>22,758</u>

There has been a decrease in the level of short term deposits which is reflected in the net cash outflow to the management of liquid resources and financing activities.

The Council has no borrowing. It has short term investments as shown above.

The Council has made soft loans of £11k in respect of Leisure clubs and assisted car purchase to staff of £19k. These amounts are not considered material to the accounts and no adjustment to interest receivable has been made in the income and expenditure account.

The table below shows an analysis of the Council's Financial Instruments as shown on the balance sheet. The table classifies the instruments as either financial liabilities or financial assets.

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000
Borrowings (Liabilities)		
Financial liabilities at amortised cost	0	0
Financial liabilities at fair value through Profit and Loss	0	0
Creditors	(4,177)	(4,444)
Cash Overdrawn	0	(931)
Total Borrowings	<u>(4,177)</u>	<u>(5,375)</u>
Investments (Assets)		
Loans & Receivables	34,582	28,726
Debtors	4,406	6,885
Cash and Bank	0	0
Available-for-sale financial assets	0	0
Fair value through Profit and Loss	0	0
Total Investments	<u>38,988</u>	<u>35,611</u>

The table shows all of the Council's Debtors and Creditors as shown on the balance sheet, including Central Government Departments, other Local Authorities and Public Bodies, and Taxpayers and Commercial Ratepayers.

31. Fair Value of Assets and Liabilities

The Council is required to show all financial instruments on the balance sheet at fair value. Calculations are made using the following assumptions:

NOTES TO THE CORE FINANCIAL STATEMENTS

31. Fair Value of Assets and Liabilities (Cont'd)

Fair values are calculated for all instruments in the portfolio, but only those which are materially different from the carrying value are disclosed.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

All financial instruments carried on the balance sheet will mature in the next 12 months, so the carrying amount is assumed to approximate to fair value, with the exception of the soft loans listed above, which are not considered material to the accounts.

32. Liquid Resources

Liquid Resources are defined as current asset investments held as readily disposable stores of value, ie disposable without curtailing or disrupting an authority's activities, and either readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market.

33. Government Grants

These comprise:	2008/2009	2009/2010
Department for Works and Pensions:	£000	£000
Housing and Council Tax Benefit	(20,482)	(27,510)
Department for Communities and Local Government:		
Revenue Support Grant	(688)	(1,063)
Non-Domestic Rate-receipts from National Pool	(4,607)	(4,607)
Other	(133)	(138)
Government Grant Income Received in Year	<u>(25,910)</u>	<u>(33,318)</u>

34. Nature And Extent Of Risks Arising From Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £10 million.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

NOTES TO THE CORE FINANCIAL STATEMENTS

34. Nature And Extent Of Risks Arising From Financial Instruments (Cont'd)

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Debtors

The total Council debtors as at 31 March 2010 was £6.885 million (see note 22 for a full breakdown). Of this £3.39 million is debt outstanding with other public bodies such as Government departments and other Local Authorities and is therefore deemed to have no credit risk. The total non-public sector debt is £3.495 million of which the Council has set aside a total bad debt provision of £1.063 million against non payment of this debt. This bad debt provision has been set against each category of debt and not against any individual debtor as no single debtor to the Council is of significant value in its own right. This bad debt provision is made after taking into account the age-debt profile of each category of debt, e.g. council tax, rents.

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council is currently debt-free.

Interest Rate Risk

The Council could be exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The Council is debt-free and lending is limited to fixed rate investments for periods of less than 365 days. Interest rate risk for the authority is therefore limited to the effect of decreases in market rates for fixed investments potentially reducing income credited to the Income and Expenditure Account.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2010, a 0.5% change in short term fixed market interest rates, with all other variables held constant, would have the financial effect of a £144k change in interest receivable.

COLLECTION FUND

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

INCOME AND EXPENDITURE ACCOUNT

2008/2009 £000		Note	2009/2010 £000
INCOME:			
49,153	Income from Council Taxpayers	1	50,856
	Transfers from General Fund:		
4,390	Council Tax Benefits	1	5,010
24,515	Income from Business Ratepayers	2	24,003
<u>78,058</u>	Total Income		<u>79,869</u>
EXPENDITURE:			
53,663	Precepts and Demands	3	55,744
	Business Rate:		
24,417	Payment to National Pool	2	23,905
97	Cost of Collection Allowance		98
			24,003
	Bad and Doubtful Debts		
272	Write Offs	4	9
39	Provisions		10
			19
<u>78,488</u>	Total Expenditure		<u>79,766</u>
Movement in Fund Balances:			
<u>430</u>	(Surplus)/Deficit for Year		<u>(103)</u>

COLLECTION FUND BALANCE

2008/2009 £000		2009/2010 £000
37	Balance at Beginning of Year	467
430	(Surplus)/Deficit for Year	(103)
<u>467</u>	(SURPLUS)/DEFICIT BALANCE AT 31 MARCH	<u>364</u>

NOTES TO THE COLLECTION FUND ACCOUNTS

1. Council Tax, Council Tax Benefits and Council Tax Base

The Council set an average Council Tax charge for Band D dwellings of £1,454.77 for 2009/2010.

Specific reductions – council tax benefits – are made, in accordance with government regulations, for persons on lower incomes.

The amounts credited to the Collection Fund can be analysed as follows:

	2008/2009 £000	2009/2010 £000
Council Tax	53,543	55,866
Less: Council Tax Benefits	(4,390)	(5,010)
Amount Due	<u>49,153</u>	<u>50,856</u>

The Council Tax Base is equivalent to the amount that would be raised if an average Band D Council Tax were set at £1.

The number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings, was as follows:

Band	Estimated Number of Taxable Properties	Ratio	Band D Equivalent Properties
A*	0.75	5:9	0.42
A	606.50	6:9	404.34
B	1,610.60	7:9	1,252.69
C	5,351.65	8:9	4,757.02
D	8,606.85	9:9	8,606.85
E	6,583.45	11:9	8,046.44
F	3,570.30	13:9	5,157.10
G	4,545.55	15:9	7,575.93
H	1,265.80	18:9	2,531.60
			<u>38,332.39</u>
	Less: Allowance for Losses on Collection		(191.97)
	Add: Contributions in lieu of tax		177.00
	Tax Base for the calculation of Council Tax		<u>38,317.42</u>
	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and exempt properties		84.57
			<u>38,401.99</u>

A* denotes properties classified 'Band A disabled'

NOTES TO THE COLLECTION FUND ACCOUNTS

2. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non-Domestic Rate, or NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on resident population.

	31 March 2009 £	31 March 2010 £
Total Non-Domestic Rateable Value	59,687,840	60,947,120
	2008/2009	2009/2010
Non-domestic rating multiplier (pence in £)	0.462	0.485
Small business non-domestic rating multiplier (pence in £)	0.458	0.481

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 value of less than £15,000.

3. Major Precepts and Demands

These were as follows:

	2008/2009 £000	2009/2010 £000
Precepts:		
Hertfordshire County Council	41,246	42,871
Hertfordshire Police Authority	5,214	5,473
Demands:		
Three Rivers District Council	7,203	7,400
Total	<u>53,663</u>	<u>55,744</u>

4. Bad and Doubtful Debts

These are amounts of Council Tax written off as irrecoverable and adjustments to the provision for doubtful Council Tax debts. They were as follows:

	2008/2009 £000	2009/2010 £000
Council Tax Write Offs	272	9
Adjustment to Provision for Doubtful Council Tax Debts	39	10
Total	<u>311</u>	<u>19</u>

NOTES TO THE COLLECTION FUND ACCOUNTS

5. Collection Fund Balance

The balances on the Collection Fund are included in the Council's Consolidated Balance Sheet. They are distributed between the relevant authorities or recovered from them in accordance with rules set out by statute. Subsequent years' council tax charges are adjusted accordingly. Balances are distributed or recovered in proportion to the demands or precepts on the Fund by all of the relevant authorities as follows:

2008/2009 £000		2009/2010 £000
	(Reduction)/Increase in 2009/2010 Charge:	
359	Hertfordshire County Council	0
45	Hertfordshire Police Authority	0
63	Three Rivers District Council	0
<u>467</u>		<u>0</u>
	(Reduction)/Increase in 2010/2011 Charge:	
0	Hertfordshire County Council	280
0	Hertfordshire Police Authority	36
0	Three Rivers District Council	48
<u>0</u>		<u>364</u>
<u>467</u>	(Surplus)/Deficit on Fund at 31 March	<u>364</u>

The Collection Fund deficit has been disaggregated in the Council's balance sheet between the proportion attributable to the precepting Authorities, which are shown as Debtors to the Council, and the proportion attributable to the Council, which is shown in Total Equity - General Reserves.

The movement on the reserve is shown as a balancing item in the Statement of Total Recognised Gains and Losses.

	2008/2009 £000	2009/2010 £000
Hertfordshire County Council	359	280
Hertfordshire Police Authority	45	36
Three Rivers District Council	63	48
Deficit on Fund at 31 March	<u>467</u>	<u>364</u>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The CIPFA/LASAAC *Code of Practice on Local Authority Accounting in The United Kingdom* (the Code of Practice) reflects the requirements of the *Accounts and Audit Regulations 2003 and 2005 respectively*. The Authority must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Authority and the Chief Financial Officer for the Accounts.

The Authority's Responsibilities

The Authority is required:

- (a) 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 Authority the Chief Financial Officer is the Director of Corporate Resources & Governance.
- (b) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (c) To approve this Statement of Accounts.



Councillor Peter Ray
Chairman of Audit Committee

Date: 24 September 2010

The Chief Financial Officer's Responsibilities

The Council's Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Code of Practice.

In preparing this Statement of Accounts the Director of Corporate Resources & Governance has:

- (a) Selected suitable accounting policies and then applied them consistently;
- (b) Made judgements and estimates that were reasonable and prudent;
- (c) Complied with the Code of Practice (except where disclosed otherwise);
- (d) Kept proper accounting records which were up to date; and
- (e) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF CHIEF FINANCIAL OFFICER

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.



D A Gardner
Chief Financial Officer
Director of Corporate Resources & Governance

Date: 24 September 2010

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

The 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) / 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(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and 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 of those risks being realised and the impact should they be 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 2010 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. The Council has carried out public consultation to inform the objectives within the Community Strategy (undertaken by the Local Strategic Partnership) and its own Strategic Plan. The Council updates its Strategic Plan every February as part of its consideration of strategic, service and financial planning for the medium three year term. Under the themes of Safer and Sustainable Communities, plus a section on Corporate Governance, called 'Towards Excellence', the Strategic Plan sets out the Council's aims, objectives, the measures by which success will be measured, the targets the Council has set itself and the lead service or partnership for delivering the required outcomes. These are 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

The Council has a performance management framework linked to the Council's priorities. 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 Annual Report, sets out how the Council's achievements against the targets it set for improvements.

The Council has updated its Procurement Strategy and Procurement Policies and Procedures to assist it in achieving good value for money. It is compiling data for National Indicator 179 which measures and reports value for money gains. It has set itself a target of cumulative savings of 3.5% per annum. This amounts to £0.490m for 2008/09, £1.004m for 2009/10 and £1.684m for 2010/11. Against these targets the Council has recorded actual savings of £0.484m, £1.242m and £2.049m respectively.

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.

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

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

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

The Council has established a Standards Committee and adopted a code of conduct for members incorporating the mandatory requirements of the model national code. There is also a code of conduct for officers.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes

The Constitution sets out financial and contract procedure rules, the roles and responsibilities of statutory officers and the scheme of delegation to officers. These clearly define how decisions are taken and the process and controls to manage risks. Systems are supported by procedure notes.

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.

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.

Identifying the development needs of members and senior officers

Appropriate training is identified to support members and officers in relation to their strategic roles.

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.

Incorporating good governance arrangements in respect of partnerships

The increasing importance of partnership working means that arrangements for group working need to be reflected in the Council's overall governance arrangements.

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 the executive managers 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.

Executive Committee and Policy Panels

With regard to performance management, quarterly reports have been produced for the Management Board. Members receive half-yearly reports and corrective action is detailed and monitored where necessary. The monthly budget monitoring system incorporates an update on financial and budgetary risks, a quantitative evaluation of fee income, and the position on reserves and balances.

Internal Audit

During 2009/10, the internal audit function has been carried out by Deloitte and Touche Public Sector Internal Audit Limited (Deloitte and Touche). They have carried out a programme of audits across the whole range of the Council's activities during the year. Their recommendations and the progress made in implementing them have been reported to the Audit Committee (see below). Deloitte and Touche have provided an interim opinion on the adequacy and effectiveness of the internal control environment for the year ended 31 March 2010. They have concluded that from the work completed at March 2010, the internal controls within finance and operational systems operating throughout the year are fundamentally sound. Deloitte and Touche have reported that,

“there has been a positive response by management to those issues raised by internal audit and universal acceptance of recommendations made in principle”. Deloitte and Touche’s contract with the Council expired on 31 March 2010. The internal audit service will be provided by the Joint Shared Services Committee (with Watford Borough Council) with effect from 1 April 2010.

During the year internal audit produced a report on corporate and ethical governance including partnerships. The recommendations resulting from this report have all been implemented

Other review / assurance mechanisms

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, are cascaded into service plans, and the barriers to their achievement (i.e. the risks) are identified, assessed and managed through sixteen service plans (including four plans for Shared Services). Risks are identified and assessed for their impact and likelihood. Where they require managing a risk treatment plan is prepared which identifies the controls that exist to minimise the risk together with any further action that is required. During 2009/10 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 2009/10 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.

Risks associated with the Council’s partners are considered and risk management is embedded throughout the Council.

The Value for Money Strategy document contains information and evidence, or pointers to evidence, that the Council is achieving value for money. As a result of reviewing its arrangements for achieving value for money, the Council has agreed:-

- a) that each service should review the benchmarking information contained in its service plan, seek out explanations for relatively poor performance and examples of innovation to improve VFM by service and cross cutting themes.
- b) that these reviews be reported to the appropriate policy and scrutiny committee who, in the light of VFM considerations, should be asked to confirm the desire for the continued high quality of the service.

In its ‘organisational assessment’ of the Council dated 9 December 2009, the Audit Commission concluded that the Council performs ‘well’. As a result of their work during the year, the Council’s external auditors produced an Annual Audit Letter in December 2009 which highlighted the following key areas for consideration:-

- The impact on the Council’s finances of the recession on income, the current economic climate, and potential reductions in public expenditure;
- The introduction of new international financial reporting standards; and,
- Improvements arising from the auditor’s Use of Resources Assessment

The Audit Committee

At its meeting on 25 November 2009, the Audit Committee expressed extreme disquiet at the lack of progress in implementing some of the outstanding internal audit recommendations and took action to ensure more prompt responses.

The Audit Committee considered a review of the effectiveness of the governance framework at its meeting on 31 March 2010. The key issues emerging from the review were that:

- The Business Continuity Plan should be regularly tested and particularly in respect of shared services;
- Committees should undertake periodic reviews of their own effectiveness; and,
- The Audit Committee should continue to receive progress reports from officers on the implementation of internal audit, external audit and other inspectors' recommendations.
- The introduction of new international financial reporting standards should be monitored by members.

5. Significant Governance Issues

The Council proposes over the coming year to take steps to address the above matters 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 and will monitor their implementation and operation through regular reporting to the Audit Committee.

<i>Action</i>	<i>Priority</i>	<i>Responsibility</i>	<i>Action to date / Action Required</i>	<i>Resolved</i>	<i>Original Implementation Date</i>
The Business Continuity Plan should be regularly tested and particularly in respect of Shared Services	Medium	Emergency Planning & Risk Manager		x	March 2011
Committees should undertake periodic reviews of their own effectiveness.	Medium	Democratic Services Manager		x	March 2011
The Audit Committee should continue to receive progress reports from officers on the implementation of internal audit, external audit and other inspectors' recommendations.	High	Heads of Service		x	March 2011
The introduction of new International Financial Reporting Standards should be monitored by members	High	Head of Finance		x	March 2011

Signed  Leader of the Council
Ann Shaw O.B.E.

Signed  Chief Executive
Dr Steven Halls

Date: 24 September 2010

Independent auditor's report to the Members of Three Rivers District Council

Opinion on the statement of accounts

We have audited the Authority statement of accounts and related notes of Three Rivers District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The statement of accounts comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These statement of accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Three Rivers District in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the statement of accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the statement of accounts give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

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

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

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the statement of accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the Authority statement of accounts give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

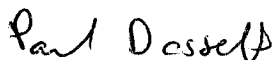
We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, Three Rivers District made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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



Paul Dossett
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP
24 September 2010

GLOSSARY

Accounting Period

The period of time covered by an authority's accounts, normally twelve months, beginning on 1 April. Also known as the Financial Year.

Accounting Policies

The principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are reflected in the financial statements.

Accrual

A sum included in the final accounts attributable to that accounting period but for which an actual payment is yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

Asset

An item having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year where current assets can be readily converted into cash.

Asset Register

A list of all fixed assets such as land, houses, other buildings, parks, vehicles and computers.

Audit Commission

The body responsible for appointing external auditors to local authorities and for setting the standards that those auditors are required to follow. The Commission will also carry out studies designed to promote the effective and efficient provision of local authority services.

Capital Adjustment Account

A reserve that reflects financing of capital from revenue and capital receipts together with the commutation adjustment.

Capital Charges

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure incurred in relation to fixed assets. Expenditure may be classified as capital where it enhances the related property, where enhancement is defined as an action which either -

Lengthens the asset's useful life, or

Increases the asset's open market value, or

Increases the extent to which the asset may be used for the purposes of the local authority.

Capital Financing Requirement

Introduced by Regulations under the Local Government Act 2003. It measures net indebtedness and increases when capital expenditure is financed by borrowing.

Capital Receipt

The proceeds from the disposal of land or other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules laid down by the Government in respect of pooling, but they cannot be used to support revenue expenditure.

Central Support Services

These are functions that provide support to service departments. They include accountancy, internal audit, information technology, human resources, general administration and office accommodation.

CIPFA

The Chartered Institute of Public Finance and Accountancy. It is the professional body for public sector accountants.

Collection Fund

A separate fund recording the expenditure and income relating to Council Tax and Non-Domestic Rates.

Community Assets

Assets that a local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in their disposal. Examples are parks and historical buildings.

Contingency

A sum included in the revenue budget to cover unexpected expenditure during the accounting period. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

Corporate and Democratic Core

Comprises the activities engaged in specifically as an elected multi-purpose authority. They are over and above those which would be incurred by a series of independent single-purpose body managing the same services.

Council Tax

A local tax set by local authorities in order to meet their budget requirements. There are eight Council Tax bands (Band A to Band H); the amount of Council Tax each household pays depends on the value of their homes.

Creditors

Amounts owed by an authority for works done, goods received or services rendered before the end of an accounting period, but for which actual payments had not been made by the end of that accounting period.

DCLG

The Department for Communities and Local Government.

Debtors

Amounts due to an authority for works done, goods supplied or service rendered before the end of an accounting period, but for which actual payments had not been received by the end of that accounting period.

Depreciation

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Exceptional Items

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

External Audit

The auditor is appointed by the Audit Commission and is required to verify that all statutory and regulatory requirements have been met during the production of the authority's accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

Extraordinary Items

Material items that derive from events or transactions that fall outside the ordinary activities of the authority.

FRS

A statement of accounting practice issued by the Accounting Standards Board in the UK.

General Fund

The common name for the account which accumulates balances for all services except Housing Revenue.

Housing Revenue Account (HRA)

Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

Liability

An amount owed by an authority that will be paid at some time in the future.

Negative Housing Subsidy

Housing Subsidy is calculated in accordance with Determinations issued each year by the Government. If notional income exceeds notional expenditure, the surplus is paid to the Government.

Non-Domestic Rates

These rates are the means by which local businesses contribute to the cost of providing local authority services. All Non-Domestic Rates are paid into a central pool and then divided between all authorities depending on the number of residents each authority has.

Non-operational Assets

Assets held by an authority but not actually used in the direct delivery of services, including surplus assets, industrial units and assets used by other organisations in order to provide services on the authority's behalf. See Operational Assets.

Operating Leases

A lease where substantially all of the risks and rewards of ownership of a fixed asset are retained by the lessor. Operating leases do not result in a charge against the local authority's capital resources.

Operational Assets

Assets held by an authority for the purpose of the direct delivery of services for which that authority has either a statutory or discretionary responsibility. See Non-operational Assets.

Outturn

Actual income and expenditure in an accounting period.

Precept

The amount of Council Tax income County Councils, Police authorities, Parish Councils and Fire authorities (precepting authorities) need to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill, issued by a billing authority.

Reserves

This is the accumulated surplus income (in excess of expenditure), which can be used to finance future spending.

Revenue Contributions to Capital Outlay (RCCO)

The use of revenue resources to finance capital expenditure. Also referred to as direct revenue financing or capital expenditure financed from the revenue account.

Revenue Expenditure

Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

Revenue Expenditure Funded From Capital Under Statute

Expenditure on capital items which does not result in assets controlled by the Council.

Revenue Support Grant

The Government Grant provided by DCLG, which is based on the Government's assessment as to what should be spent on local services. The amount is fixed in advance for each financial year.

Stocks

Comprise the following categories; goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.

UK GAAP

The Generally Accepted Accounting Principles in the UK are the overall body of regulation establishing how company accounts must be prepared in the UK.