

# **EAST HERTS COUNCIL**

## **STATEMENT OF ACCOUNTS**

**2012/13**

# STATEMENT OF ACCOUNTS 2012/13

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# STATEMENT OF ACCOUNTS 2012/13

## EXPLANATORY FOREWORD

### 1. Summary of Contents

The Council's accounts for the year ended 31 March 2013 are set out on pages 6 to 59. They consist of :-

**The Movement in Reserves Statement** - shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

**The Comprehensive Income & Expenditure Statement** - a summary of the resources generated and consumed by the authority in the year.

**The Balance Sheet** - which sets out the financial position of the Council on 31 March 2013

**The Cash Flow Statement** - which summarises the Council's inflows and outflows of cash for the year.

**Notes to the accounts** - provide support to the core financial statements, which informs and gives sufficient information to present a good understanding of the Council's activities. The Notes include a Statement of Accounting Policies which detail the legislation and principles on which the Statement of Accounts has been prepared. The purpose is to explain the basis for recognition, measurement and disclosure of transactions and other events in the accounts.

**Supplementary Financial Statements - The Collection Fund** shows the level of Non Domestic Rates and Council Tax that has been received by the Council, as billing authority, during the period.

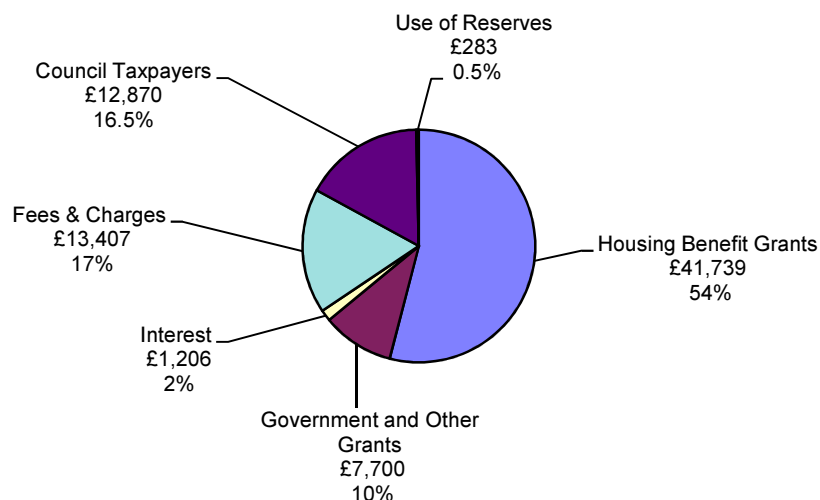
**Glossary of Financial Terms** - explaining some of the key terms used in the accounts.

**Statement of Responsibilities for the Statement of Accounts** - identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the Chief Finance Officer to sign under a statement that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended.

### 2. Overview of Council's Activities

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The three charts which follow show in broad terms where the Council's money comes from, what it is spent on and what services it provides.

#### WHERE THE MONEY COMES FROM Sources of income to the Council £000

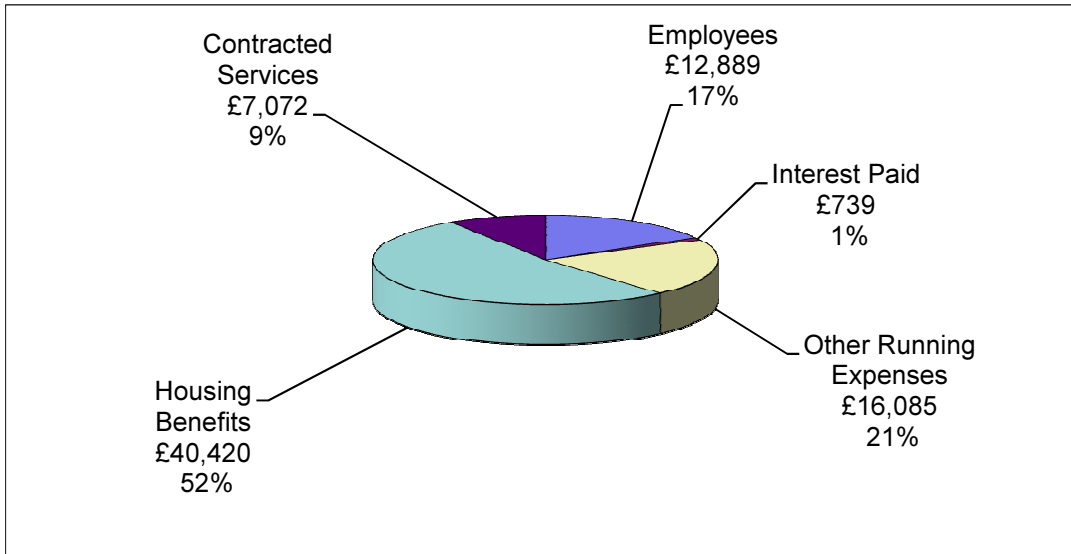


It can be seen that the largest source of the Council's income is from Housing Benefit Grants.

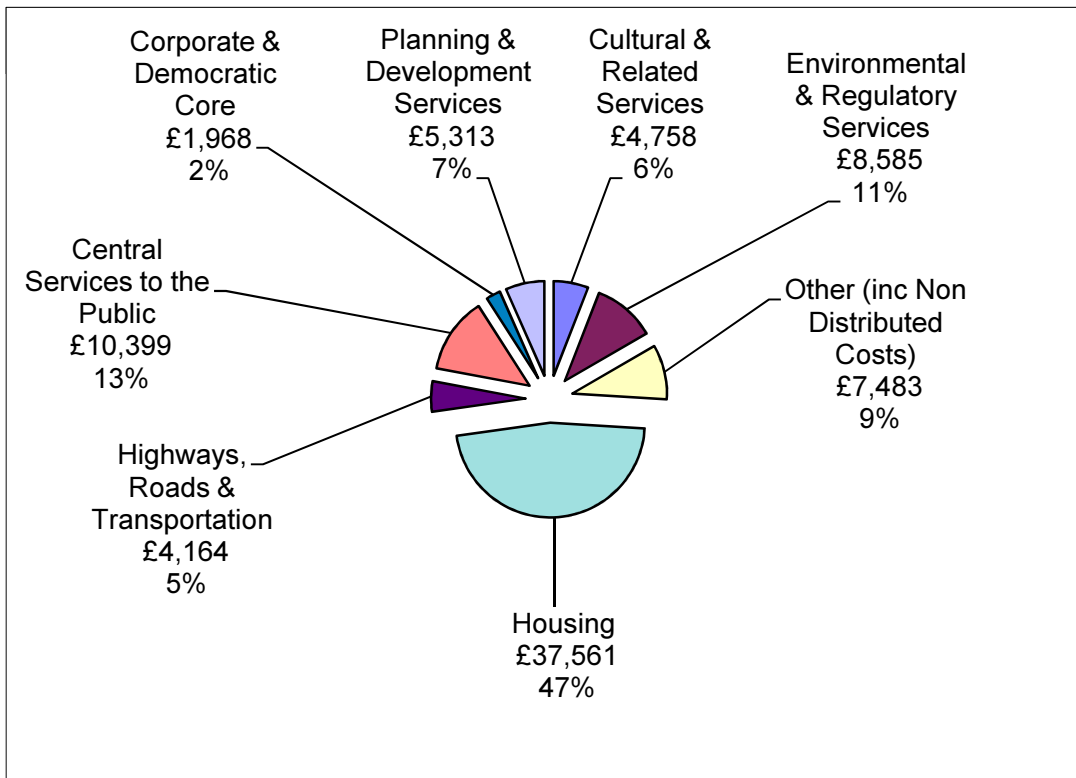
# STATEMENT OF ACCOUNTS 2012/13

## EXPLANATORY FOREWORD (continued)

### HOW THE MONEY IS SPENT £000



### THE SERVICES PROVIDED £000



The cost of "The Services Provided" includes capital charges, impairments, revenue funded from capital under statute and capital government grants totalling £3,027k which have been excluded from the chart "How the money is spent". It also includes expenditure on investment properties not included in the "Net Cost Of Services" shown in the Comprehensive Income and Expenditure statement

# STATEMENT OF ACCOUNTS 2012/13

## EXPLANATORY FOREWORD (continued)

### 3. General Fund - Comparison of Actual Expenditure and Income with Budget

The Council has set its budget and Medium Term Financial Plan (MTFP) in recent years against a backdrop of severe constraint in public spending. The Council has seen a reduction in government grant of over £2million since 2010/11 (around 20%) with further cuts announced for future years. This has required the Council to plan for significant efficiency savings in order to be able to set affordable and sustainable budgets in the medium term.

Through sound financial management the Council has been able to freeze its Council Tax since 2010/11 and reduced it by 1% in 2013/14 with a further planned freeze in 2014/15. During 2012/13 the Council continued to work hard to drive down costs and was able to deliver nearly £1.2million of efficiency savings whilst still maintaining quality services in line with its priorities.

A comparison of the budget with actual income and expenditure for 2012/13 is shown below:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Cost of Services (including Investment Properties)	18,355	15,686	(2,669)
Non Distributed Costs	0	51	51
Finance Transactions	(2,648)	(2,284)	364
Interest Transactions	(25)	(467)	(442)
Pensions Interest Cost & Expected Return on Pensions Assets	401	1,029	628
Appropriations - Financing Items	25	25	0
Appropriations - REFCUS (see Policy xix, page 22)	(1,840)	(743)	1,097
Movement on the Pensions Reserve	95	(911)	(1,006)
Net Expenditure	14,363	12,386	(1,977)
Collection Fund Contribution	(62)	(62)	0
Contribution from NNDR Pool	(5,432)	(5,432)	0
Revenue Support Grant	(105)	(105)	0
Council Tax Freeze Grant	(231)	(233)	(2)
Council Tax Raised	(9,330)	(9,330)	0
General Revenue Grants	0	(13)	(13)
Balance to be appropriated to Reserves	797	2,789	(1,992)

The above variance is represented by: **£000**

An underlying underspend against the 2012/13 estimate 1,941

plus:-

Underspend relating to budgets b/fwd from 2011/12 51

1,992

Overall, this has resulted in £2.789m being added to the Council's Reserve balances (see below).

A significant proportion of the variance relating to the Net Cost of Services (shown above) relates to the underspend in the year. The balance of the variance within the net cost of service relates to changes in capital charges (including finance lease transactions and REFCUS) and a variance in pension costs required under accounting rules to be charged within services.

Compensating variances relating to changes in capital charges (including REFCUS) included within the net cost of services are reflected in the variances shown against Finance Transactions and Appropriations - REFCUS.

# STATEMENT OF ACCOUNTS 2012/13

## EXPLANATORY FOREWORD (continued)

### 3. General Fund - Comparison of Actual Expenditure and Income with Budget - continued

Costs identified under Non Distributed Costs, Pensions Interest Cost & Expected Return on Pension Assets and the Movement in Pensions Reserve represent accounting transactions required to be shown in line with accounting reporting standards (IAS 19). Together with pension costs included within the net cost of services they total £1.96m (this being the actual cost to the Council). As some of these accounting entries are not available until year end and do not impact on the level of Council Tax to be levied, they are not reflected within the budget figures.

The favourable overall variance of £1.992m against original budget demonstrates the Council's commitment to sound financial management and its prudent approach to funding. In summary the variances are attributed to;

"One off" additional Income of over £900k which included an additional £507k of investment interest arising from a revision to the Council's investment strategy. A sum of £183k was received following legal action to recover assets from an individual, in partnership with other public sector organisations. Other significant income increases related to Hertford Theatre (£60k), Section 106 receipts and Housing Benefit subsidy (£120k).

Staffing and contractual savings contributed over £800k. These included around £460k of savings in respect of the Council's Refuse, Recycling and Cleansing services and £157k of staff related costs through managing staff turnover. Reduced Audit and Treasury Management fees amounted to £120k.

There was over £350k of Slippage and Expenditure not required including New Homes Bonus project work (£133k) and office refurbishment work (£40k) which are now planned to be undertaken in 2013/14. Savings relating to supplies & services, transport and training costs across all Council Directorates together with a lower call on the cost of change contingency budget amounted to nearly £170k.

Major service pressures in the year included reductions in building control income (£188k) and parking Penalty Charge Notice income (£118k). A reduction in New Homes Bonus grant included within the 2012/13 accounts of £68k arose due to a change in payment arrangements.

This impact of the above budget pressures has been offset by further savings achieved across all Council services.

The Council worked hard during the year to continue to drive down costs and identify efficiencies whilst maintaining quality services in line with its priorities.

In light of the underspend position, and having regard to Council decisions taken as part of the 2013/14 budget strategy and latest Medium Term Financial Plan the following appropriations have been made;

Net addition to General Reserve	£97k
Addition to Waste & Recycling Reserve	£461k
Addition to Interest Equalisation Reserve	£1249k
Addition to Cost of Change Reserve	£727k
Net addition to other Earmarked Reserves	£255k
Total Increase in Reserves	£2.789m

The increase in overall reserve balances will give the Council greater resilience and ensure that it is well placed to respond to future financial pressures and maintain priority services in the medium term, and in particular on specific priority areas where work is planned to be delivered in 2013/14.

The Comprehensive Income and Expenditure Statement (see page 7), shows a deficit of £4.2m. This compares to a nil net movement on the Council's General Fund working balance. The difference relates primarily to pension transactions (in particular actuarial losses) under IAS 19 and revaluation gains on property assets.

# STATEMENT OF ACCOUNTS 2012/13

## EXPLANATORY FOREWORD (continued)

### 4. Capital Expenditure & Financing

During 2012/13 the Council incurred expenditure of £3.579m (see page 45, note 29) on capital projects compared with an original budget of £4.578m. (Excluding budgeted slippage of £523k from 2011/12)

The policy of giving capital grants towards community projects continued with almost £133k awarded in the year. Over £438k was given in grants to private sector owners for renovation and provision of disabled facilities.

Over £652k was spent on car parks including a major refurbishment of Bircherley Green car park and the replacement of a footbridge at the Library Car Park Ware. A further £147k was spent on Refuse and Recycling schemes.

The Council also advanced £1m in 2012/13 to Lloyds TSB under the Local Authority Mortgage Scheme.

Details of the Council's financing arrangements for the year are set out on page 45.

No external borrowing was undertaken in 2012/13 and the Council's overall long term borrowing is £7.5m as at 31st March 2013. The balance sheet shows a liability of £7.71m , however, this includes accrued interest of £210k ( see note 34 on page 54 ).

### 5. Pensions Liabilities

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. Under current accounting standards the impact of any pension liability must be shown in the balance sheet. The Council's liability at 31st March 2013 is £36.133m which is an increase of £5.562m compared to the position at 31st March 2012. This change is largely due to an increase in the present value of fund liabilities offset by an increase in the fair value of scheme assets. Further information is given on pages 48 - 51.

### 6. Financial Reporting and the Euro

It is a Council requirement that all new financial software packages be capable of accommodating conversion to the Euro and as such there are no readily identifiable costs to report.

### 7. Further Information

Interested parties have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

Further information about the accounts can be obtained by contacting the Head of Finance and Performance, Wallfields, Pegs Lane, Hertford. SG13 8EQ.

If you would like to receive this document in large print, Braille, audio, electronic format, or translation into another language, please contact Communications at East Herts Council on 01992 531688 or e-mail : [pr@eastherts.gov.uk](mailto:pr@eastherts.gov.uk).

## STATEMENT OF ACCOUNTS 2012/13

### MOVEMENT IN RESERVES STATEMENT

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

	Earmarked							
	General Fund Balance	General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2011</b>	3,854	2,676	3,721	654	3,762	14,667	85,293	99,960
<b>Movement in reserves during 2011/12</b>								
Deficit on provision of services	(10,887)	-	-	-	-	(10,887)	-	(10,887)
Other comprehensive Income and Expenditure	-	-	-	-	-	-	(7,799)	(7,799)
<b>Total Comprehensive Income and Expenditure</b>	<b>(10,887)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,887)</b>	<b>(7,799)</b>	<b>(18,686)</b>
Adjustments between accounting basis and funding basis under regulations <i>Note 4</i>	11,967	-	(3,721)	(72)	-	8,174	(8,174)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,080</b>	<b>-</b>	<b>(3,721)</b>	<b>(72)</b>	<b>-</b>	<b>(2,713)</b>	<b>(15,973)</b>	<b>(18,686)</b>
Transfers to/(from) Earmarked Reserves <i>Note 5</i>	(1,080)	684	-	-	396	0	-	0
Increase/Decrease in Year	0	684	(3,721)	(72)	396	(2,713)	(15,973)	(18,686)
<b>Balance as at 31 March 2012 carried forward</b>	<b>3,854</b>	<b>3,360</b>	<b>0</b>	<b>582</b>	<b>4,158</b>	<b>11,954</b>	<b>69,320</b>	<b>81,274</b>

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2012</b>	3,854	3,360	0	582	4,158	11,954	69,320	81,274
<b>Movement in reserves during 2012/13</b>								
Deficit on provision of services	(328)	-	-	-	-	(328)	-	(328)
Other comprehensive Income and Expenditure	-	-	-	-	-	-	(3,868)	(3,868)
<b>Total Comprehensive Income and Expenditure</b>	<b>(328)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(328)</b>	<b>(3,868)</b>	<b>(4,196)</b>
Adjustments between accounting basis and funding basis under regulations <i>Note 4</i>	3,117	-	-	(69)	-	3,048	(3,048)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2,789</b>	<b>-</b>	<b>0</b>	<b>(69)</b>	<b>-</b>	<b>2,720</b>	<b>(6,916)</b>	<b>(4,196)</b>
Transfers to/(from) Earmarked Reserves <i>Note 5</i>	(2,789)	2,692	-	-	97	0	-	0
Increase/Decrease in Year	0	2,692	0	(69)	97	2,720	(6,916)	(4,196)
<b>Balance as at 31 March 2013 carried forward</b>	<b>3,854</b>	<b>6,052</b>	<b>0</b>	<b>513</b>	<b>4,255</b>	<b>14,674</b>	<b>62,404</b>	<b>77,078</b>



# STATEMENT OF ACCOUNTS 2012/13

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2012/13

	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
Central Services to the Public	10,399	(8,429)	1,970
Cultural & Related Services	4,758	(1,334)	3,424
Environmental & Regulatory Services	8,586	(3,448)	5,138
Planning & Development Services	4,928	(2,264)	2,664
Highways and Transport Services	4,164	(4,366)	(202)
Other Housing Services	37,561	(35,830)	1,731
Corporate & Democratic Core	1,968	(19)	1,949
Non Distributed Costs	51	0	51
<b>NET COST OF SERVICES</b>			<b>16,725</b>
Payments of precepts to parishes			3,541
Payments of housing capital receipts to government			2
Gain on disposal of non current (fixed) assets			(749)
<b>OTHER OPERATING EXPENDITURE</b>			<b>2,794</b>
Interest payable and similar charges			739
Pensions interest costs and expected return on pension assets			1,029
Interest receivable and similar income			(1,206)
Income from investment properties ( Note 8)			(550)
Direct expenditure incurred on investment properties ( Note 8)			384
Changes in Fair Value of Investment Properties			(30)
Loss on disposal of investment properties			0
<b>FINANCING AND INVESTMENT EXPENDITURE</b>			<b>366</b>
Recognised capital grants and contributions			(25)
Council tax income			(12,926)
Non domestic rates			(5,432)
Non service related government grants			(1,174)
<b>TAXATION AND NON-SPECIFIC GRANT INCOME (see Note 27)</b>			<b>(19,557)</b>
<b>DEFICIT ON PROVISION OF SERVICES</b>			<b>328</b>
Revaluation Gains			(780)
Impairment losses (chargeable to Revaluation Reserve)			6
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			<b>(774)</b>
Surplus on revaluation of available for sale financial assets (Note 10)			(9)
Actuarial losses on pension liability ( Note 31)			4,651
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>3,868</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>4,196</b>

All operations arise from continuing activities.

# STATEMENT OF ACCOUNTS 2012/13

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (cont)

2011/12

	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
Central Services to the Public	10,422	(8,116)	2,306
Cultural & Related Services	5,324	(1,182)	4,142
Environmental & Regulatory Services	9,379	(3,615)	5,764
Planning & Development Services	6,295	(2,112)	4,183
Highways and Transport Services	9,563	(4,448)	5,115
Other Housing Services	35,655	(32,389)	3,266
Corporate & Democratic Core	2,666	(19)	2,647
Non Distributed Costs	172	0	172
<b>NET COST OF SERVICES</b>			<b>27,595</b>
Payments of precepts to parishes			3,526
Payments of housing capital receipts to government			5
Gain on disposal of non current (fixed) assets			(655)
<b>OTHER OPERATING EXPENDITURE</b>			<b>2,876</b>
Interest payable and similar charges			743
Pensions interest costs and expected return on pension assets			401
Interest receivable and similar income			(847)
Income from investment properties ( Note 8)			(559)
Direct expenditure incurred on investment properties ( Note 8)			352
Changes in Fair Value of Investment Properties			171
(Gain)/Loss on disposal of investment properties			-
<b>FINANCING AND INVESTMENT EXPENDITURE</b>			<b>261</b>
Recognised capital grants and contributions			(163)
Council tax income			(12,839)
Non domestic rates			(4,644)
Non service related government grants			(2,199)
<b>TAXATION AND NON-SPECIFIC GRANT INCOME (see Note 27)</b>			<b>(19,845)</b>
<b>DEFICIT ON PROVISION OF SERVICES</b>			<b>10,887</b>
Revaluation Gains			(749)
Impairment losses (chargeable to Revaluation Reserve)			294
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			<b>(455)</b>
Deficit on revaluation of available for sale financial assets (Note 10)			32
Actuarial losses on pension liability ( Note 31)			8,222
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>7,799</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>18,686</b>

All operations arise from continuing activities.

# STATEMENT OF ACCOUNTS 2012/13

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

		31 March '13			31 March '12
		£000	£000		£000
Property, Plant & Equipment	<i>Note 6</i>				
- Other land and buildings		33,239			32,823
- Vehicles, plant, furniture and equipment		6,669			7,635
- Infrastructure assets		3,466			3,574
- Community assets		1,204	44,578		1,221
Investment Properties	<i>Note 8</i>	9,435			9,545
Intangible Assets	<i>Note 9</i>	553	9,988		638
			<b>54,566</b>		<b>55,436</b>
Long Term Investments	<i>Note 33</i>	15,145			15,081
Long Term Debtors	<i>Note 13</i>	1,166	16,311		170
<b>TOTAL LONG TERM ASSETS</b>			<b>70,877</b>		<b>70,687</b>
Assets Held for Sale	<i>Note 15</i>	252			220
Short Term Investments	<i>Note 33</i>	40,923			47,223
Short Term Debtors	<i>Note 13</i>	6,150			6,069
Cash and Cash Equivalents	<i>Note 14</i>	12,211			4,339
<b>CURRENT ASSETS</b>			<b>59,536</b>		<b>57,851</b>
Bank Overdraft		0			(11)
Short Term Creditors	<i>Note 16</i>	(5,266)			(5,687)
<b>CURRENT LIABILITIES</b>			<b>(5,266)</b>		<b>(5,698)</b>
Provisions	<i>Note 17</i>	(80)			(63)
Long Term Borrowing	<i>Note 34</i>	(7,710)			(7,711)
Long Term Creditors	<i>Note 16</i>	(2,324)			(2,770)
Deferred credits	<i>Note 35</i>	(10)			(13)
Net Pension Liability	<i>Note 19</i>	(36,133)			(30,571)
Grant Receipts in Advance - Capital	<i>Note 27</i>	(1,326)			(101)
- Revenue		(486)			(337)
<b>LONG TERM LIABILITIES</b>			<b>(48,069)</b>		<b>(41,566)</b>
<b>NET ASSETS</b>			<b>77,078</b>		<b>81,274</b>
<b>USABLE RESERVES</b>					
- General Fund	<i>Note 18</i>	3,854			3,854
- General reserve	<i>Note 18</i>	4,255			4,158
- Earmarked reserves	<i>Note 5</i>	6,052			3,360
- Capital grants Unapplied	<i>Note 18</i>	513			582
			<b>14,674</b>		<b>11,954</b>
<b>UNUSABLE RESERVES</b>					
- Revaluation Reserve	<i>Note 19</i>	3,874			3,213
- Available-for-Sale Reserve	<i>Note 19</i>	0			(9)
- Pensions Reserve	<i>Note 19</i>	(36,133)			(30,571)
- Capital Adjustment Account	<i>Note 19</i>	94,454			96,471
- Deferred Capital Receipts	<i>Note 19</i>	157			158
- Collection Fund Adjustment Account	<i>Note 19</i>	151			157
- Short-term Accumulating Compensated Absences Account	<i>Note 19</i>	(99)			(99)
			<b>62,404</b>		<b>69,320</b>
<b>TOTAL RESERVES</b>			<b>77,078</b>		<b>81,274</b>

# STATEMENT OF ACCOUNTS 2012/13

## THE CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2012/13		2011/12
	£000	£000	£000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Council Tax receipts	(11,916)		(11,826)
NNDR receipts from national pool (Grant)	(5,432)		(4,644)
Revenue Support Grant	(105)		(1,435)
DWP grants for benefits	(41,875)		(38,295)
Other Government grants	(1,834)		(1,750)
Cash received for goods and services	(13,253)		(11,848)
Interest received	(808)		(952)
<b>Cash inflows generated from operating activities</b>	<b>(75,223)</b>		<b>(70,750)</b>
<b>Cash Out Flows</b>			
Cash paid to and on behalf of employees	12,889		13,113
Housing Benefit paid out	32,672		29,858
Other operating cash payments	16,508		16,678
Precepts paid to other authorities	3,541		3,526
Interest paid	660		661
<b>Cash outflows generated from operating activities</b>	<b>66,270</b>		<b>63,836</b>
<b>Net Cash Inflow from operating activities</b>		<b>(8,953)</b>	<b>(6,914)</b>
<b>INVESTING ACTIVITIES</b>			
- Purchase of property plant and equipment, investment property and intangible assets	3,307		3,257
- Other payments for investing activities	3		5
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,233)		(806)
- Capital grants	(1,539)		(447)
- Proceeds from short-term and long-term investments	(6,236)		(3,571)
<b>Net cash inflow from investing activities</b>		<b>(5,698)</b>	<b>(1,562)</b>
<b>FINANCING ACTIVITIES</b>			
- Other (receipts) / payments from financing activities	325		(310)
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)	424		379
- Other payments for financing activities	6,019		5,363
<b>Net cash outflow from financing activities</b>		<b>6,768</b>	<b>5,432</b>
Net (increase) or decrease in cash and cash equivalents		(7,883)	(3,044)
Cash and cash equivalents at the beginning of the reporting period		(4,328)	(1,284)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(12,211)</b>	<b>(4,328)</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

i. The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice (SeRCOP) 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. Accruals of Income & Expenditure

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

Income from the provision of services in the form of sales, fees, charges and rents is recognised and accounted for in the period to which they relate.

Expenses in relation to services received (including services provided by employees, transport related, premises related and supplies and services related expenditure) are recorded as expenditure when the services are received rather than when payments are made, with the exception of quarterly utility payments where no actual apportionment is made for bills spanning two financial years.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Provision is made for doubtful debts and known uncollectable debts are written off.

### iii. Cash and cash equivalents

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

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

### iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### v. Charges to Revenue for Non - Current Assets (Property, Plant and Equipment and Intangible Assets)

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

depreciation attributable to the assets used by the relevant service

revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation, impairment losses and amortisations are therefore transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

### vi. Employee Benefits

#### Benefits Payable During Employment

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

#### Post Employment Benefits (Pensions)

The Council participates in one scheme, the Local Government Pension Scheme, which is a defined benefit final salary scheme administered by Hertfordshire County Council.

The liabilities of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.5%.

The discount rate has been determined as the long term government bond yield plus an allowance for the average difference between the yield on corporate bonds and government bonds. This difference in yields is a result of the difference in the risk of default. This approach has been adopted as government bonds have a long enough term to match the term of the liabilities whereas corporate bonds have shorter terms.

The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- Unit trust and managed fund investments (including property) – current bid price.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### vi. Employee Benefits - continued

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

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

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

In line with the requirements of the Code the past service contribution is no longer a current revenue item but is included as part of the payments to the pension fund (in accordance with pension scheme regulations) and is treated as a cash flow item which reduces the pensions liability. This is also in line with the requirements of the Code.

The Hertfordshire Pension Fund have revised the policy on the funding of early retirements from April 2013. Up to 31 March 2013 employers have been permitted to spread the cost of early retirement strain costs over a period of up to 5 years. The Council has previously chosen to fund these costs over 3 years. From April 2013 employers will be required to pay the full amount of strain costs in one lump sum in the year of retirement. Following a recommendation to move to the new position early in order to save interest and improve the funding position the Council has paid off all outstanding sums in 2012/13 funded from its earmarked reserve (see note 5, page 26).

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

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### vii. Events after the Balance Sheet Date

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

those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted where material to reflect such events

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

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

### viii. Financial Instruments

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### Financial Guarantees

Commencing on 1 January 2009 the Council awarded a new 10 year contract for the Management of its Leisure Facilities and Swimming Pools. Under this contract the Council has given two guarantees in respect of pension liabilities and utility costs. The guarantee relating to pension costs relates to increases in employer contributions above 23.4%. Any increase will be in line with future actuarial valuations. Each 1% increase in contribution rate would result in a liability of approximately £3k per year.

The guarantee relating to utility costs relates to above inflationary increases in the tariffs payable. Each 1% increase would represent around £2.4k per year.

The Code includes a requirement for financial guarantees to be recognised at fair value and charged to the Comprehensive Income and Expenditure Statement (amortised over the life of the guarantee). The levels of liability assessed at March 2013 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees. The Council has determined to set aside a reserve against potential liabilities under these guarantees as set out in Note 5 to the Notes to the Core Statements.

No other financial guarantees were identified in 2012/13.

#### Soft Loans

The Code requires that a discounted interest rate be recognised as a reduction in the fair value of the asset. Potential Council loans falling within this category relate to an assisted car purchase scheme and a cycle scheme. The Council currently has no loans under its assisted car purchase scheme and the amount advanced under the cycle scheme is considered immaterial.



# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### viii. Financial Instruments - continued

#### Financial Assets

Financial assets are classified into two types:

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

available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

#### Loans and receivables

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

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

#### Available-For-Sale Assets

Available-For-Sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on quoted market prices.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### ix. **Government grants and contributions - revenue and capital**

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised in the accounts when there is reasonable assurance that:

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

The grant or contribution is recognised immediately within the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition relating to the initial recognition that the Council has not satisfied.

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

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

Revenue grants specific to service provision are shown against the relevant service in the Comprehensive Income and Expenditure Statement. General grants allocated by central government directly to local authorities as additional revenue funding which are non-ringfenced are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

### x. **Intangible Assets**

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation is not permitted to have an impact on the General Fund Balance. This is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### **xi. Investments**

The majority of the Council's internally managed investments are money market deposits but investments placed with our External Fund Managers in money market instruments include certificates of Deposit and Treasury Stock which are valued at fair value. (See Note 33)

### **xii. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **xiii. Leases**

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

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

#### **The Council as Lessee**

##### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation, impairment and gains and losses on revaluation arising on leased assets. Any such costs that have been charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### xiii. Leases - continued

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

#### The Council as a Lessor

##### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Investment Properties) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

##### Operating Leases

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

### xiv. Minimum revenue provision

In accordance with current legislation the minimum revenue provision (MRP) for the redemption of debt is required to be calculated on a prudent basis having regard to guidelines set out for application of the prudential code. Following the disposal of the Council's Housing stock the calculated MRP is now nil.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### xv. Overheads and support services

The costs of management and administration are allocated over all services as appropriate. This is in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The basis of allocation used for the main areas is outlined below:

<u>Cost</u>	<u>Basis of allocation</u>
Support Services	Actual time spent by staff
Administrative Buildings	Area occupied
Information Technology	Time spent/actual use

### xvi. Property, Plant & Equipment

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

the purchase price

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

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

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

Operational non specialised property – fair value based on existing use value.

The multi-storey car parks, surface car parks (see Note 6) and Hertford Theatre have been valued using the Existing Use Valuation method on the basis of income & expenditure, profit information.

Operational specialised property – depreciated replacement cost (DRC).

Community assets and Infrastructure – nominal value or historical cost.

All other assets – depreciated historical cost.

In the event of a future disposal the market value at that time may realise more or less than the carrying value. Since April 2010 the Council has revalued its assets on a four year rolling basis (formerly five year rolling basis). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### xvi. Property, Plant and Equipment - continued

Where decreases in value are identified, they are accounted for by:

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

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

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

The current asset values used in the accounts are based upon a certificate issued by the Council's Asset & Estates Manager, Anna Osborne MRICS as at 31 March 2013. Property, plant and equipment are classified in the Balance Sheet in line with current Accounting Codes of Practice.

#### Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

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

#### Depreciation

All Property, Plant and Equipment, other than freehold land and Community Assets (with two exceptions being recreational facilities with a building element) are depreciated on a straight line basis over the period of the assets useful economic life. The following periods are used:

Freehold Land	No depreciation
Hostels	60 years
Other Council Buildings	20 to 60 years
Infrastructure	20 years
Equipment, Furniture and Fittings	5 to 10 years
Community Assets	No depreciation (30 years for exceptions)
Non operational assets	60 years
Enhancement to leased properties	10 to 25 years
Plant	10 years

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### xvi. Property, Plant and Equipment - continued

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

#### Componentisation

In line with accounting requirements the Council considers the identification of individual asset components on a prospective basis following either the enhancement of an asset or its revaluation. The Council has determined that it will adopt a de-minimis value of £1Million for individual assets with a de-minimis component percentage of 20% of the individual asset value.

#### Disposals

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

The gain or loss on disposal is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are transferred from the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account ( the carrying amount of the asset) and the usable Capital Receipts Reserve (the disposal proceeds).

### xvii. Provision for bad debt

The value of receivables (debtors) shown on the balance sheet is adjusted for doubtful debts. The level of bad debt provision is reviewed annually. Uncollectable debts are written off against the provision. The following methods are used:-

Trade Accounts Receivable	- Age and collectability
Housing Benefit Overpayments	- Age and collectability
National Non Domestic Rates	- 0.6% against the net debit due reviewed against sums written off and opening yearly balances
Council Tax	- 0.3% against the net debit due reviewed against sums written off and opening yearly balances
N N Domestic Rates costs	- 25% against arrears
Council Tax costs	- 20% against arrears

### xviii. Reserves

Amounts appropriated to / from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### **xix. Revenue expenditure funded from Capital under Statute (REFCUS)**

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

### **xx. Capital receipts**

Capital Receipts arise from the sale of non-current assets (Property, Plant and Equipment and Investment Properties). Further to the introduction of the Prudential Capital Finance System on 1 April 2004, capital receipts are all deemed to be "usable" and are held within the Capital Receipts Reserve. Prior to this date, in accordance with Government legislation, a proportion of certain receipts had to be "set aside" and are retained within the Capital Adjustment Account as provision for the repayment of debt.

### **xxi. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues & Customs and in most circumstances 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.

### **xxii. Heritage Assets**

In line with the 2012 Code and FRS 30, the Council has identified a number of assets that meet the definition of a heritage asset and are being preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council's policy in holding these assets is in pursuit of its overall objectives in relation to the maintenance of heritage.

The Council does not consider that a commercial value can be placed upon the assets held given their nature and that it would be inappropriate to use an insurance value for the balance sheet purposes. Consequently these assets have not been recognised separately on the balance sheet but continue to be included within community assets at a nominal value.

Accounting note 7 sets out details of the heritage assets held by the Council.

### **xxiii. Jointly Controlled Operations**

The Council entered into a Shared Revenues and Benefits Service with Stevenage Borough Council on 1st August 2011 for which this Council acts as the host (employing) authority.

In line with the Accounting Code of Practice this arrangement is accounted for as a jointly controlled operation. A jointly controlled operation uses the assets and resources of the two partner councils without the establishment of a separate legal entity. Under these arrangements each council accounts separately for its own transactions including use of assets, liabilities, income, expenditure and cash flows.

The councils have established a Joint Committee which oversees the activities of the Shared Service and which reports to the Executives of both councils.

Note 21 (page 41) to the accounts sets out details of the income & expenditure of the shared service and the apportionments between the two councils in accordance with the agreement entered into. For information purposes only and where relevant, other notes to the accounts show amounts relating to the Shared Service.



# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Accounting Standards issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) requires the Council to identify any accounting standards that have been issued but have not yet been adopted that could have a material impact on the accounts

IAS 1 Presentation of Financial Statements - This standard was amended in 2011 and the changes relate to the presentation of gains and losses on revaluations currently shown within Other Comprehensive Income and Expenditure. As these changes are presentational there is no impact on the reported amounts.

IFRS 7 Financial Instruments - The change in accounting policy is in relation to the offsetting of financial assets and liabilities. This is unlikely to impact on the accounts.

IAS 12 Income Taxes - The change to this accounting policy particularly affects Investment Properties. It is unlikely this change will affect the Statement of Accounts.

IAS 19 Employee Benefits - This standard was amended in 2011 and comes into effect for accounting years starting on or after 1 January 2013. The changes relate to the creation of some new classes of components of defined benefit costs and the re-measurement of the net defined benefit liability and is likely to have a material impact on the accounts. The actuaries have calculated that the effect of the change to IAS 19 on the income statement, had it been in place for 2012/13 would have been an increase of £435,000 as at 31 March 2013.

### 3. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account professional advice (e.g. actuarial advice), historical experience, current trends and other relevant information.

Items included within the Council's Balance Sheet at 31 March 2013 for which there is a risk of material adjustment in the forthcoming year are:

- Pension Liability - actuarial assumptions, fund returns
- Property, Plant and Equipment - valuations, useful lives
- Arrears - bad debt provision

Assumptions regarding these items are set out within the relevant accounting note(s) for the item.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Adjustments between Accounting Basis and Funding Basis under Regulations

2012/13	Usable Reserves			
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non current assets	2,664	-	-	(2,664)
Revaluation / Impairment on Property Plant and Equipment	23	-	-	(23)
Movements in the market value of Investment Properties	(30)	-	-	30
Amortisation of intangible assets	307	-	-	(307)
Capital grants and contributions applied	(25)	-	-	25
Revenue expenditure funded from capital under statute	743	-	-	(743)
Revenue grants written down to the Capital Adjustment Account	(288)	-	-	288
Disposal of non current assets	484	-	-	(484)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory adjustment relating to capital element of principal repayment for finance lease	(424)	-	-	424
Capital expenditure charged against the General Fund	(25)	-	-	25
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(69)	69
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,232)	1,232	-	-
Use of Capital Receipts Reserve to finance new capital expenditure		(1,230)	-	1,230
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	2	(2)	-	-
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Statutory adjustment relating to capital element of principal payment for finance lease	1	-	-	(1)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	2,866	-	-	(2,866)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,955)	-	-	1,955
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	6	-	-	(6)
<b>Adjustment involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	-	-	0
<b>Total Adjustments</b>	<b>3,117</b>	<b>0</b>	<b>(69)</b>	<b>(3,048)</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves			Movement in Unusable Reserves
	General Fund balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<b>2011/12 comparative figures</b>				
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non current assets	2,672	-	-	(2,672)
Revaluation / Impairment on Property Plant and Equipment	8,123	-	-	(8,123)
Movements in the market value of Investment Properties	171	-	-	(171)
Amortisation of intangible assets	301	-	-	(301)
Capital grants and contributions applied	(163)	-	-	163
Revenue expenditure funded from capital under statute	1,998	-	-	(1,998)
Revenue grants written down to the Capital Adjustment Account	(262)	-	-	262
Disposal of non current assets	151	-	-	(151)
Disposal of investment properties				
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Capital expenditure charged against the General Fund	(379)	-	-	379
	(25)	-	-	25
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(72)	72
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(806)	806	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	(4,522)	-	4,522
	5	(5)	-	-
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Statutory adjustment relating to capital element of principal payment for finance lease				
	1	-	-	(1)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)				
Employer's pensions contributions and direct payments to pensioners payable in the year	2,264	-	-	(2,264)
	(2,008)	-	-	2,008
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements				
	(95)	-	-	95
<b>Adjustment involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements				
	19	-	-	(19)
<b>Total Adjustments</b>	<b>11,967</b>	<b>(3,721)</b>	<b>(72)</b>	<b>(8,174)</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide funding for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Balance 1 April 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance 31 March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance 31 March 2013 £'000
Interest Equalisation Reserve	0	-	(434)	(434)	-	(1,249)	(1,683)
Insurance Fund	(10)	-	-	(10)	-	-	(10)
Emergency Planning Reserve	(37)	-	-	(37)	-	-	(37)
VAT Partial Exemption Reserve	(145)	-	-	(145)	-	-	(145)
Service Improvement Fund	(668)	58	-	(610)	-	-	(610)
LDF/Green Belt Reserve	(513)	-	(150)	(663)	-	(150)	(813)
Housing Condition Survey Reserve	(37)	-	(14)	(51)	-	(14)	(65)
Council Elections Reserve	(75)	75	-	0	-	(25)	(25)
LABGI Reserve	(134)	24	-	(110)	11	-	(99)
Sinking fund - Leisure Utilities / Pension Reserve	(120)	-	(60)	(180)	-	(60)	(240)
Restructure Fund	(33)	-	-	(33)	-	-	(33)
Legal Fees Reserve	(12)	12	-	0	-	-	0
Performance Reward Grant Reserve	(67)	-	-	(67)	5	-	(62)
Pension Strain Costs Reserve	(100)	87	(140)	(153)	153	-	0
Waste Recycling Income Volatility Reserve	(275)	-	-	(275)	-	-	(275)
Footbridge Reserve	(50)	-	(50)	(100)	-	(50)	(150)
Cost of Change Reserve	(400)	-	-	(400)	-	(727)	(1,127)
DCLG Preventing Repossessions	-	-	(30)	(30)	-	-	(30)
Environmental Pollution Reserve	-	-	(62)	(62)	8	-	(54)
Waste & Recycling Reserve	-	-	-	-	-	(461)	(461)
New Homes Bonus Priority Spend	-	-	-	-	-	(133)	(133)
<b>Total</b>	<b>(2,676)</b>	<b>256</b>	<b>(940)</b>	<b>(3,360)</b>	<b>177</b>	<b>(2,869)</b>	<b>(6,052)</b>

Interest Equalisation Reserve  
This reserve was established at 31 March 2006 to assist the Council in managing the financial implications of adverse interest rate fluctuations. In line with a Council decision any investment income in excess of the budgeted sum has been transferred to the reserve as at 31.3.13

Insurance Fund  
This fund has been established to support the Council's insurance and risk management process and funding of small claims arising due to uninsured losses.

Emergency Planning Reserve  
This reserve has been set up in order to facilitate arrangements in the future and support the work of an Emergency Planning Officer Group that has been established within the Council.

VAT Partial Exemption Reserve  
To enable the Council to meet the additional cost of any unrecoverable VAT which cannot be budgeted for precisely, a VAT (Partial Exemption) Revenue Reserve was established at 31 March 1999 in the sum of just over £145,000.

Service Improvement Fund  
This reserve has been established as a means of financing "one-off" initiatives that will deliver efficiencies and service improvements in the medium term.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Transfers to/from Earmarked Reserves - continued

During 2008/09 the Council established the Local Development Framework, Stansted G2 and Green Belt Review Reserve, the House Condition Survey Reserve and the Council's Elections Reserve in order to smooth the incidence of expenditure over the period of the Council's Medium Term Financial Plan (MTFP);

Local Authority  
Business Growth  
Incentives (LABGI)  
Reserve

In line with the Council's MTFP appropriations have been made in 2012/13 to support the economic development service.

Sinking Fund -  
Leisure Utilities and  
Pension

Further to the Council awarding a new leisure contract to Sports and Leisure Management from January 2009 the Council has provided guarantees in respect of utilities and employers pension costs. The reserve will be used to meet any calls on the Council to make payments under the guarantees in the event that either utility prices and/or employers pension contributions (on a cash rather than IAS19 basis) increase by more than general indexation as provided for under contract

Restructure Fund

A small reserve of £33k has been created in order to assist the Council in meeting any future requirements in support of organisational structural change

Legal Fees Reserve

The reserve was established at 1 April 09 in order to assist in meeting legal costs including tribunals as well as enabling the provision of staff cover for maternity leave in the legal section. This was fully applied in 2011/12.

Performance  
Reward Grant  
Reserve

The council received revenue grant funding in respect of the Local Area Agreement (Performance Reward Grant) totalling £217k in 2009/10. Appropriations have been made in line with expenditure.

Pension Strain  
Costs Reserve

In line with Council decisions relating to flexible and early retirements an earmarked reserve was set up at 31 March 2010. Following a change in the Hertfordshire Pension Fund's policy on funding early retirements the Council has paid the balance of sums outstanding relating to all decisions taken prior to 31.3.13. The reserve balance has been fully applied in meeting these payments.

Waste Recycling  
Income Volatility  
Reserve

With the reletting of the refuse contract it was determined that there was no longer a need for a Waste Recycling reserve. However, given the level of uncertainty over the long term sustainability of income from the sale of recycled materials, it was agreed in 2011/12 to re-designate the recycling reserve to manage this income volatility.

Footbridge Reserve

The Council's MTFP includes setting aside £50k a year from 2010/11 to 2012/13 in order to meet any potential maintenance costs or liabilities that may arise relating to the footbridge over the river Stort.

Cost of Change  
Reserve

This reserve will be used to fund transitional staffing costs, including those arising from implementing planned budget savings through staffing restructurings. In line with the Council's financial planning assumptions approved in February 2013, the increased GF underspend compared to that anticipated in February, including that relating to staff turnover was transferred to this reserve as at 31.3.13

In line with the changes to Accounting rules for Revenue Grants, two new reserves - Preventing Repossessions and Environmental Pollution reserve, were established in 2011/12 from Government Grant monies unspent as at 31 March 2012. £8k has been applied in 2012/13.

Waste & Recycling  
Reserve

Due to a change in the Council's Kerbside Recycling Scheme and the likely costs associated with the change, the Council agreed that any underspend on Refuse and Recycling as at 31.3.13 should be transferred to an earmarked reserve to meet these future costs.

New Homes Bonus  
Priority Spend

The Council received funding from the DCLG in the form of New Homes Bonus. As part of it's financial planning strategy it agreed that any underspend on the Priority Spend element as at 31.3.13 should be earmarked into a new reserve for future spend on economic development initiatives.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Property, Plant & Equipment

Movements in fixed assets during the year are as follows:-

2012/13

Cost or Valuation	As at 01/04/2012	Additions	Disposals	Reclassifications	Revaluations	Total as at 31/03/2013
	£000	£000	£000	£000	£000	£000
Other Land & Buildings	48,128	940	(275)	(129)	774	49,438
Vehicles, Plant, Furniture & Equip.	16,293	474	(37)	-	-	16,730
Infrastructure	7,826	194	-	-	-	8,020
Community Assets	1,268	5	-	-	-	1,273
	<b>73,515</b>	<b>1,613</b>	<b>(312)</b>	<b>(129)</b>	<b>774</b>	<b>75,461</b>

Depreciation & Impairment	As at 01/04/2012	Charge for Year	Acc depreciation w/o on revaluation	Disposals	Impairment (reversal) recognised in the service	Revaluations	Total as at 31/03/2013	Balance Sheet as at 31/03/13
	£000	£000	£000	£000	£000	£000	£000	£000
Other Land & Buildings	15,305	899	(319)	(11)	(83)	408	16,199	33,239
Vehicles, Plant, Furniture & Equip.	8,658	1,440	-	(37)	-	-	10,061	6,669
Infrastructure	4,252	303	-	-	-	-	4,555	3,465
Community Assets	47	22	-	-	-	-	69	1,204
	<b>28,262</b>	<b>2,664</b>	<b>(319)</b>	<b>(48)</b>	<b>(83)</b>	<b>408</b>	<b>30,884</b>	<b>44,577</b>

In line with the rolling programme the remaining miscellaneous range of other Land and Buildings were revalued in 2012/13. This included residents car parks across the district, the Rye Street car park that became fee charging and the Hostel at Spellbrook. The Hostel valuation reflects receivable income and expenditure rather than the one off cost of reconstruction on a like for like basis.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Property, Plant & Equipment

Movements in fixed assets during the year are as follows:-

2011/12

Cost or Valuation	As at 01/04/2011	Additions	Disposals	Reclassifications	Revaluations	Total as at 31/03/2012
	£000	£000	£000	£000	£000	£000
Other Land & Buildings	46,003	1,996	(152)	(173)	454	48,128
Vehicles, Plant, Furniture & Equip.	12,145	4,148	-	-	-	16,293
Infrastructure	7,570	256	-	-	-	7,826
Community Assets	1,218	50	(1)	-	1	1,268
	<u>66,936</u>	<u>6,450</u>	<u>(153)</u>	<u>(173)</u>	<u>455</u>	<u>73,515</u>

Depreciation & Impairment	As at 01/04/2011	Charge for Year	Acc depreciation w/o on revaluation	Disposals	Impairment (reversal) recognised in the service	Revaluations	Total as at 31/03/2012	Balance Sheet as at 31/03/12
	£000	£000	£000	£000	£000	£000	£000	£000
Other Land & Buildings	6,217	969	(652)	(2)	(538)	9,311	15,305	32,823
Vehicles, Plant, Furniture & Equip.	7,261	1,397	-	-	-	-	8,658	7,635
Infrastructure	3,968	284	-	-	-	-	4,252	3,574
Community Assets	25	22	-	-	-	-	47	1,221
	<u>17,471</u>	<u>2,672</u>	<u>(652)</u>	<u>(2)</u>	<u>(538)</u>	<u>9,311</u>	<u>28,262</u>	<u>45,253</u>

### Reconciliation of Additions in the year to Capital Spend

	2012/13 £000	2011/12 £000
Additions in the year (as above)	1,614	6,450
less Vehicles Finance Lease	-	(3,149)
Intangible assets	222	227
	<u>1,836</u>	<u>3,528</u>
plus REFCUS (not included in note 6)	743	1,999
Local Authority Mortgage Scheme	1,000	-
Total Capital Spend	<u>3,579</u>	<u>5,527</u>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Heritage Assets

The Council has identified a number of Heritage assets in line with new accounting requirements. The Council's policy is to maintain these assets in order to preserve them for future generations because of their cultural and historical associations. The Council does not consider that a commercial value can be placed upon these assets and its policy is, therefore, not to disclose on the balance sheet. They continue to be included within community assets with a nominal value. The assets are insured in order to protect the Council's interest in the event of damage or destruction.

The Heritage assets held within Community assets at a nominal sum are as follows:

	Insurance Value	
	2012/13 £000	2011/12 £000
The Castle Wall (ancient flint), Hertford	1,114	1,082
Scott's Grotto, Ware	1,134	1,101
Monument, remains of Church of St Mary's, Old Cross	53	52

See also Accounting Policy xxii (page 22).

### 8. Investment Properties

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

	2012/13 £000	2011/12 £000
Rental income from investment property	(550)	(559)
Direct operating expenses arising from investment property	384	352
Net gain	<u>(166)</u>	<u>(207)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct, enhance or develop investment property. In some cases the Council has repairing obligations which are met through revenue expenditure.

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

	2012/13 £000	2011/12 £000
Balance at start of the year	9,545	9,763
Additions:		
Transferred through re-classification	-	173
Disposals		-
Transferred through re-classification	(140)	(220)
Net gains / (losses) from fair value adjustments	30	(171)
Balance at end of the year	<u>9,435</u>	<u>9,545</u>



# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 9. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software applications used by the Authority is 5 years.

The movement on Intangible Asset balances during the year is as follows:

	2012/13			2011/12		
	Software £000	Other Intangible Assets £000	Total £000	Software £000	Other Intangible Assets £000	Total £000
<b>Balance at start of year:</b>						
Gross carrying amounts	2,833	21	2,854	2,606	21	2,627
Accumulated amortisation	(2,205)	(11)	(2,216)	(1,909)	(6)	(1,915)
Net carrying amount at start of year	628	10	638	697	15	712
Additions:						
Purchases	222	-	222	227	-	227
Amortisation for the period	(302)	(5)	(307)	(296)	(5)	(301)
<b>Net carrying amount at end of year</b>	<b>548</b>	<b>5</b>	<b>553</b>	<b>628</b>	<b>10</b>	<b>638</b>
Comprising:						
Gross carrying amounts	3,055	21	3,076	2,833	21	2,854
Accumulated amortisation	(2,507)	(16)	(2,523)	(2,205)	(11)	(2,216)
	548	5	553	628	10	638

### 10. Financial Instruments Balances

Accounting regulations require the 'financial instruments' (investment, lending and borrowing of the Council) shown in the Balance Sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the Balance Sheet are made up of the following categories of 'financial instruments'.

	Long Term		Current	
	31 March '13 £000	31 March '12 £000	31 March '13 £000	31 March '12 £000
<b>Borrowing</b>				
Financial Liabilities at amortised cost	10,034	10,481	4,732	5,524 *
<b>Total Borrowing</b>	<b>10,034</b>	<b>10,481</b>	<b>4,732</b>	<b>5,524</b>
<b>Investments</b>				
Loans and Receivables	16,311	15,251	17,107	9,588
Available for Sale Financial Assets	-	-	40,923	47,223
<b>Total Investments</b>	<b>16,311</b>	<b>15,251</b>	<b>58,030</b>	<b>56,811</b>

\* Prior year figure amended in the interest of consistency

See also Notes 33 and 34 to the Core Statements. (Investments and Borrowings)

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Financial Instruments Balances - continued

#### Available for Sale Reserve

For financial instruments, there is a reserve to help manage the accounting requirements, the Available-for-Sale Financial Instruments Reserve. This records unrealised revaluation gains arising from holding available-for-sale investments and any unrealised losses that have not arisen from impairment of the assets.

The table below sets out the transactions for the year

	2012/13 £000	2011/12 £000
Balance brought forward	(9)	23
Net unrealised gain/loss on investments	-	(9)
Realised gain to Revenue	9	(23)
Balance carried forward	<u>0</u>	<u>(9)</u>

See also Note 19, page 36.

### 11. Financial Instruments Gains / Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

2012/13	Financial Liabilities	Financial Assets		Total £000
	Liabilities measured at amortised cost £000	Loans and Receivables £000	Available for Sale Assets £000	
Interest Expense	(739)	-	-	(739)
<b>Interest Payable and Similar Charges</b>	<u>(739)</u>	<u>0</u>	<u>0</u>	<u>(739)</u>
Interest Income	-	923	197	1,120
Realised Gains	-	-	86	86
<b>Interest and Investment Income</b>	<u>0</u>	<u>923</u>	<u>283</u>	<u>1,206</u>
Losses on revaluation	-	-	-	0
<b>Loss arising on revaluation of financial assets</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Gain / (Loss) for year</b>	<u>(739)</u>	<u>923</u>	<u>283</u>	<u>467</u>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Financial Instruments Gains / Losses - continued

2011/12	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £000	Loans and Receivables £000	Available for Sale Assets £000	
Interest Expense	(743)	-	-	(743)
<b>Interest Payable and Similar Charges</b>	<b>(743)</b>	<b>0</b>	<b>0</b>	<b>(743)</b>
Interest Income	-	409	168	577
Realised Gains	-	-	270	270
<b>Interest and Investment Income</b>	<b>0</b>	<b>409</b>	<b>438</b>	<b>847</b>
Losses on revaluation	-	-	(9)	(9)
<b>Loss arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>(9)</b>	<b>(9)</b>
<b>Net Gain / (Loss) for year</b>	<b>(743)</b>	<b>409</b>	<b>429</b>	<b>95</b>

### 12. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- Sector Financial Services has provided the Fair Value Calculation for the loans.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- where the instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values are calculated as follows:

	31st March 2013		31st March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>	14,766	18,930	16,005	19,996

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Fair Value of Assets and Liabilities carried at Amortised Cost - continued

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

	31st March 2013		31st March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Loans and Receivables *</b>	33,411	34,030	23,286	23,784

\* Excludes Fund Managers cash included within Note 10.

The fair value is greater than the carrying amount because the Council's long term debtors includes a lease debtor where the discount factor increases the value of the payment to that at balance sheet date.

Also see notes 33 and 34 to the Core Statements. (Investments and Borrowings)

### 13. Debtors

Short Term Debtors	31 March '13 £000	31 March '12 £000
Central government bodies	1,260	978
Other local authorities	345 *	319
Bodies external to general government (ie all other bodies)	4,545	4,772
	<b>6,150</b>	<b>6,069</b>

\* includes £157k (2012/13) and £290k (2011/12) relating to the Shared Revenues and Benefits Service (see Note 21).

Long Term Debtors	31 March '13 £000	31 March '12 £000
Bodies external to general government (ie all other bodies)	1,166	170
	<b>1,166</b>	<b>170</b>

### 14. Cash and Cash Equivalents

	31 March '13 £000	31 March '12 £000
Short-term deposits with banks	12,211	4,339
<b>Total Cash and Cash Equivalents</b>	<b>12,211</b>	<b>4,339</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Assets Held for Sale

	Current		Non-Current	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
<b>Balance outstanding at start of year</b>	220	-	-	-
Assets newly classified as held for sale:				
Investment Properties	140	220	-	-
Property, Plant and Equipment	112	-	-	-
Intangible Assets	-	-	-	-
Assets sold in year	(220)	-	-	-
<b>Balance outstanding at year-end</b>	<b>252</b>	<b>220</b>	<b>0</b>	<b>0</b>

### 16. Creditors

<b>Short Term Creditors</b>	<b>31 March '13 £000</b>	<b>31 March '12 £000</b>
Central government bodies	700	390
Other local authorities	227	208
Bodies external to general government (ie all other bodies)	4,339	5,089
	<b>5,266</b>	<b>5,687</b>
<b>Long Term Creditors</b>	<b>31 March '13 £000</b>	<b>31 March '12 £000</b>
Bodies external to general government (ie all other bodies)	2,324	2,770
	<b>2,324</b>	<b>2,770</b>

### 17. Provisions

Proper provision has been made for various liabilities which will be incurred but for which it is uncertain as to the amounts or the dates on which they arise. The provisions required cover a range of activities the most significant being amounts in respect of assisted car purchase.

At 31 March 2012 the Council identified a contingent liability relating to the Municipal Mutual Insurance Scheme Arrangement. The Council were notified in November 2012 that the scheme had been 'triggered' and that an initial levy of 15% of the value of total claim payments less £50,000 (£129,622 net) would be made. A provision of £19,443 has been made within the 2012/13 accounts.

	2012/13 £000	2011/12 £000
<b>Balance at 1 April</b>	<b>63</b>	<b>61</b>
Additional provisions made in 2012/13	19	3
Amounts used in 2012/13	(2)	(1)
<b>Balance at 31 March</b>	<b>80</b>	<b>63</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 4 Adjustments between accounting basis and funding basis under regulations and Note 5 Transfers to/from Earmarked Reserves.

### 19. Unusable Reserves

	31 March '13 £000	31 March '12 £000
Revaluation Reserve	3,874	3,213
Available for Sale Financial Instruments Reserve	0	(9)
Capital Adjustment Account	94,454	96,471
Deferred Capital Receipts Reserve	157	158
Pensions Reserve	(36,133)	(30,571)
Collection Fund Adjustment Account	151	157
Accumulated Absences Account	(99)	(99)
<b>Total Unusable Reserves</b>	<b>62,404</b>	<b>69,320</b>

#### Revaluation Reserve

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

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

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

	2012/13		2011/12
	£000	£000	£000
<b>Balance at 1 April</b>		3,213	2,838
Upward revaluation of assets	780		749
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6)		(294)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		774	455
Difference between fair value depreciation and historical cost depreciation		(113)	(80)
<b>Balance at 31 March</b>		<b>3,874</b>	<b>3,213</b>

#### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

	2012/13		2011/12
	£000	£000	£000
<b>Balance at 1 April</b>		(9)	23
Upward revaluation of investments	0		13
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	0		(22)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		9	(23)
<b>Balance at 31 March</b>		<b>0</b>	<b>(9)</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 19. Unusable Reserves - continued

#### Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 4 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012/13		2011/12
	£000	£000	£000
<b>Balance at 1 April</b>		96,471	104,384
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
· Charges for depreciation of non current assets	(2,664)		(2,672)
· Charges for depreciation on revalued assets	113		80
· Revaluation/Impairment on Property, Plant and Equipment	(23)		(8,123)
· Amortisation of intangible assets	(307)		(301)
· Revenue expenditure funded from capital under statute	(742)		(1,998)
· Revenue grants written down to the Capital Adjustment Account	288		262
· Disposal of property, plant and equipment	(484)		(151)
· Disposal of investment properties	-		-
		(3,819)	(12,903)
Capital financing applied in the year:			
· Use of the Capital Receipts Reserve to finance new capital expenditure	1,230		4,522
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	25		163
· Application of grants to capital financing from the Capital Grants	68		72
· Statutory adjustment for the capital element of finance lease repayments - Refuse trucks	424		379
· Capital expenditure charged against the General Fund	25		25
		1,772	5,161
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		30	(171)
<b>Balance at 31 March</b>		<b>94,454</b>	<b>96,471</b>

#### Pensions Reserve

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

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 19. Unusable Reserves - continued

#### Pensions Reserve (continued)

	2012/13 £000	2011/12 £000
<b>Balance at 1 April</b>	(30,571)	(22,093)
Actuarial gains or (losses) on pensions assets and liabilities	(4,651)	(8,222)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,866)	(2,264)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,955	2,008
<b>Balance at 31 March</b>	<b>(36,133)</b>	<b>(30,571)</b>

#### Deferred Capital Receipts Reserve

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

	2012/13 £000	2011/12 £000
<b>Balance at 1 April</b>	158	159
Transfer to the General Fund for the capital element of finance lease payments	(1)	(1)
<b>Balance at 31 March</b>	<b>157</b>	<b>158</b>

#### Collection Fund Adjustment Account

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

	2012/13 £000	2011/12 £000
<b>Balance at 1 April</b>	157	62
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(6)	95
<b>Balance at 31 March</b>	<b>151</b>	<b>157</b>

#### Accumulated Absences Account

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

	2012/13 £000		2011/12 £000
<b>Balance at 1 April</b>		(99)	(80)
Settlement or cancellation of accrual made at the end of the preceding year	99		80
Amounts accrued at the end of the current year	(99)		(99)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0	(19)
<b>Balance at 31 March</b>		<b>(99)</b>	<b>(99)</b>



# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Amount reported for Resource Allocation Decisions

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

Services Income & Expenditure 2012/13	Revenues & Benefits £000	Other Internal Services £000	Planning & Building Control £000	Other Neighbourhood Services £000	Recycling £000	Car Parking £000	Other Customer & Community £000	Other £000	Total £000
Fees, charges and other service income	(1,636)	(637)	(1,239)	(567)	(1,579)	(4,326)	(2,873)	-	(12,857)
Government grants	(41,739)	(2)	-	(320)	-	-	(772)	-	(42,833)
<b>Total Income</b>	<b>(43,375)</b>	<b>(639)</b>	<b>(1,239)</b>	<b>(887)</b>	<b>(1,579)</b>	<b>(4,326)</b>	<b>(3,645)</b>	<b>0</b>	<b>(55,690)</b>
Employee expenses	2,679	3,011	2,334	1,720	-	-	2,977	-	12,721
Other service expenses	40,898	2,734	374	730	2,263	2,638	6,695	-	56,332
Support service recharges	-	(440)	-	-	-	-	-	-	(440)
Depreciation, amortisation & Impairment	120	500	123	865	98	311	1,734	-	3,751
<b>Total Expenditure</b>	<b>43,697</b>	<b>5,805</b>	<b>2,831</b>	<b>3,315</b>	<b>2,361</b>	<b>2,949</b>	<b>11,406</b>	<b>0</b>	<b>72,364</b>
<b>Net Expenditure</b>	<b>322</b>	<b>5,166</b>	<b>1,592</b>	<b>2,428</b>	<b>782</b>	<b>(1,377)</b>	<b>7,761</b>	<b>0</b>	<b>16,674</b>

Services Income & Expenditure 2011/12	Revenues & Benefits £000	Other Internal Services £000	Planning & Building Control £000	Other Neighbourhood Services £000	Recycling £000	Car Parking £000	Other Customer & Community £000	Other £000	Total £000
Fees, charges and other service income	(969)	(707)	(1,181)	(586)	(1,567)	(4,382)	(2,585)	(8)	(11,985)
Government grants	(38,635)	(5)	-	(586)	-	-	(616)	(54)	(39,896)
<b>Total Income</b>	<b>(39,604)</b>	<b>(712)</b>	<b>(1,181)</b>	<b>(1,172)</b>	<b>(1,567)</b>	<b>(4,382)</b>	<b>(3,201)</b>	<b>(62)</b>	<b>(51,881)</b>
Employee expenses	2,115	3,256	2,064	1,840	-	-	2,767	754	12,796
Other service expenses	37,723	2,939	438	977	2,233	2,653	6,426	429	53,818
Support service recharges	-	(161)	-	(25)	-	-	-	(231)	(417)
Depreciation, amortisation & Impairment	89	2,977	87	2,142	179	5,603	1,864	166	13,107
<b>Total Expenditure</b>	<b>39,927</b>	<b>9,011</b>	<b>2,589</b>	<b>4,934</b>	<b>2,412</b>	<b>8,256</b>	<b>11,057</b>	<b>1,118</b>	<b>79,304</b>
<b>Net Expenditure</b>	<b>323</b>	<b>8,299</b>	<b>1,408</b>	<b>3,762</b>	<b>845</b>	<b>3,874</b>	<b>7,856</b>	<b>1,056</b>	<b>27,423</b>

#### Reconciliation of Service Income and Expenditure to cost of Services in the Comprehensive Income and Expenditure Statement

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

	2012/13 £000	2011/12 £000
<b>Net expenditure in the Service Analysis</b>	<b>16,674</b>	<b>27,423</b>
Net expenditure of services and support services not included in the analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	51	172
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	-	-
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>16,725</b>	<b>27,595</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Amount reported for Resource Allocation Decisions - continued

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Service Analysis £000	Amounts not reported to Management £000	Net Cost of Services £000	Corporate amounts £000	Total £000
Fees, charges and other service income	(12,857)	-	(12,857)	-	(12,857)
Interest and Investment income	-	-	-	(1,756)	(1,756)
Income from Council Tax	-	-	-	(12,926)	(12,926)
Government grants and contributions	(42,833)	-	(42,833)	(6,631)	(49,464)
<b>Total Income</b>	<b>(55,690)</b>	<b>-</b>	<b>(55,690)</b>	<b>(21,313)</b>	<b>(77,003)</b>
Employee expenses	12,720	51	12,771	1,029	13,800
Other service expenses	56,333	-	56,333	384	56,717
Support Service recharges	(440)	-	(440)	-	(440)
Depreciation, amortisation and impairment	3,751	-	3,751	-	3,751
Interest payments	-	-	-	739	739
Precepts and Levies	-	-	-	3,541	3,541
Payments to Housing Capital Receipts Pool	-	-	-	2	2
Changes in value of Investment Properties	-	-	-	(30)	(30)
Gain or loss on disposal of fixed assets	-	-	-	(749)	(749)
<b>Total Expenditure</b>	<b>72,364</b>	<b>51</b>	<b>72,415</b>	<b>4,916</b>	<b>77,331</b>
<b>Surplus or deficit on the provision of services</b>	<b>16,674</b>	<b>51</b>	<b>16,725</b>	<b>(16,397)</b>	<b>328</b>

2011/12 comparative figures	Service Analysis £000	Amounts not reported to Management £000	Net Cost of Services £000	Corporate amounts £000	Total £000
Fees, charges and other service income	(11,985)	-	(11,985)	-	(11,985)
Interest and Investment income	-	-	-	(1,406)	(1,406)
Income from Council Tax	-	-	-	(12,839)	(12,839)
Government grants and contributions	(39,896)	-	(39,896)	(7,006)	(46,902)
<b>Total Income</b>	<b>(51,881)</b>	<b>0</b>	<b>(51,881)</b>	<b>(21,251)</b>	<b>(73,132)</b>
Employee expenses	12,796	172	12,968	401	13,369
Other service expenses	53,818	-	53,818	352	54,170
Support Service recharges	(417)	-	(417)	-	(417)
Depreciation, amortisation and impairment	13,107	-	13,107	-	13,107
Interest payments	-	-	-	743	743
Precepts and Levies	-	-	-	3,526	3,526
Payments to Housing Capital Receipts Pool	-	-	-	5	5
Changes in value of Investment Properties	-	-	-	171	171
Gain or loss on disposal of fixed assets	-	-	-	(655)	(655)
<b>Total Expenditure</b>	<b>79,304</b>	<b>172</b>	<b>79,476</b>	<b>4,543</b>	<b>84,019</b>
<b>Surplus or deficit on the provision of services</b>	<b>27,423</b>	<b>172</b>	<b>27,595</b>	<b>(16,708)</b>	<b>10,887</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Jointly Controlled Operations

The Council entered into a Shared Revenues and Benefits Service with Stevenage Borough Council on the 1st August 2011 for which this Council acts as host (employing) authority.

	<b>2012/13</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Expenditure		
Employees	2,560	1,132
Transport Related Expenses	32	14
Supplies and Services	253	90
Support Services	1,002	0
Total Expenditure	<u>3,847</u>	<u>1,236</u>
Income		
Stevenage Borough Council	1,380	710
East Herts District Council	2,467	526
Total Income	<u>3,847</u>	<u>1,236</u>
Net Expenditure	<u><u>0</u></u>	<u><u>0</u></u>

The contribution made by the Council has been incorporated into the Comprehensive Income and Expenditure Statement.

### 22. Members Allowances

The total payments made to elected Members of East Herts Council, under its Members' Allowance Scheme for the year ending 31 March, was as follows:

	<b>2012/13</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Basic Allowances	254	237
Special Responsibility Allowances	110	104
Travel and Subsistence expenses	10	9
	<u><u>374</u></u>	<u><u>350</u></u>

A full disclosure of payments is available on the Council's website.

The 2011/12 figure does not include £17k of ICT expenses. This payment was discontinued in 2012/13.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Officer Emoluments

The number of employees, including senior officers, whose remuneration, was £50,000 or more in bands of £5,000 were:-

Remuneration Band	Number of Employees	
	2012/13 Total	2011/12 Total
£50,000 to £54,999	2	2
£55,000 to £59,999	5	3
£60,000 to £64,999	6	6
£65,000 to £69,999	1	3
£70,000 to £74,999	-	-
£75,000 to £79,999	-	1
£80,000 to £84,999	-	1
£85,000 to £89,999	-	-
£90,000 to £94,999	1	1
£95,000 to £99,999	-	-
£100,000 to £104,999	-	1
£105,000 to £109,999	1	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	-	1
£125,000 to £129,999	-	-
£130,000 to £134,999	-	1

The above table includes those members of staff who left the Council and received an exit package. See Note 24 below.

### 24. Exit Packages

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

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13 £	2011/12 £
£								
0-20,000	1	5	2	2	3	7	36,248	45,348
20,001-40,000	1	3	-	3	1	6	22,566	155,889
40,001-60,000	-	-	-	2	-	2	-	109,558
60,001-80,000	-	-	-	2	-	2	-	140,550
80,001-100,000	-	-	-	-	-	-	-	-
100,001-150,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>8</b>	<b>2</b>	<b>9</b>	<b>4</b>	<b>17</b>	<b>58,814</b>	<b>451,345</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Senior Officer Remuneration

An additional disclosure is required for Senior Officer's Remuneration (the Chief Executive and those reporting directly to the Chief Executive) included in Note 23, whose salary is more than £50,000 per year:-

Post Holder	Salary (inc expense allowance)	Benefits in Kind	Compensation for Loss of Office	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£
<b>2012/13</b>						
Chief Executive & Director of Customer and Community Services	104,148	3,291	-	107,439	16,399	123,838
Director of Neighbourhood Services	88,470	2,245	-	90,715	14,034	104,749
Director of Internal Services **	55,324	-	-	55,324	8,300	63,624
Director of Finance & Support Services	33,099	-	-	33,099	5,478	38,577
<b>2011/12</b>						
Chief Executive	79,211	1,839	50,000	131,050	47,742 *	178,792
Director of Neighbourhood Services	88,470	2,232	-	90,702	14,034	104,736
Director of Customer and Community	78,775	3,302	-	82,077	12,374	94,451
Director of Internal Services	103,797	-	-	103,797	16,600	120,397

\* This includes £33k in respect of pension strain costs arising from the exercise of flexible retirement giving rise to future salary savings

\*\* Left during the year to be replaced by the Director of Finance and Support Services

### 26. External Audit Costs

This note discloses the amounts that East Herts Council has paid to its external auditors for work carried out in performing statutory functions and in providing any additional services.

In 2012/13 East Herts Council incurred the following fees relating to external audit and inspection:

	2012/13 £000	2011/12 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	75	115
Rebate from the Audit Commission in respect of audit fees	(6)	(9)
Fees payable to Grant Thornton for the certification of grant claims and returns	13	21
Fees payable to the Audit Commission in respect of the National Fraud Initiative	1	-
	<b>83</b>	<b>127</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Grant Income

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

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax	12,926	12,839
Non-Domestic Rates	5,432	4,644
Revenue Support Grant	105	1,435
Council Tax Freeze Grant	233	231
New Homes Bonus	772	483
Local Services Support Grant	50	50
Other Capital Grants	25	163
Other Revenue Grants	14	-
	<b>19,557</b>	<b>19,845</b>
<b>Credited to Services</b>		
<u>Grants</u>		
DWP	41,668	38,637
DCLG	360	351
Environment Agency	4	169
LAA	28	55
DCMS	-	10
DEFRA	31	64
EEDA	744	608
	<b>42,835</b>	<b>39,894</b>
<u>Other Contributions</u>		
Contributions from Other Authorities*	2,419	1,709
Income from Other Bodies	548	709
	<b>2,967</b>	<b>2,418</b>

\* includes the contribution from Stevenage Borough Council for the Shared Revenues and Benefits Service

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the funding body if not used for the purpose provided. The balances at year end are as follows:

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
<b>Grants Receipts in Advance</b>		
<b>Capital</b>		
Performance Reward Grant	31	31
Developer Contributions	1,295	70
	<b>1,326</b>	<b>101</b>
<b>Revenue</b>		
Developer Contributions	486	337
	<b>486</b>	<b>337</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Related Party Transactions

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 members; 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 assumed to be related parties.

All significant material transactions with related parties, such as government grants, parish precepts, precepts, pension fund contributions etc, have been disclosed in the Comprehensive Income and Expenditure Statement, page 7.

The spouse of a member of the Council held the position of Chairman of CVS Broxbourne and East Herts which received £15k core funding from the Council, a further £5k for a car scheme and a grant of £34,750 from the Local Strategic Partnership in 2012/13.

The Hertfordshire County Council are a related party in respect of various transactions including pensions contributions and precepts. Additionally they act as the "accountable body" for the Hertfordshire Local Area agreement.

Shown in the Balance Sheet are totals for creditors and debtors which represent amounts due to or from related parties. The principal year end balances with related parties included in these totals are shown on pages 34 & 35 within Notes 13 & 16.

### 29. Capital Expenditure and Capital Financing

	2012/13 £000	2011/12 £000
<b>Opening Capital Financing Requirement</b>	<b>(44,028)</b>	<b>(47,281)</b>
<b>Capital investment</b>		
Property, Plant & Equipment	1,614	6,450
Intangible Assets	222	227
Revenue Expenditure Funded from capital under Statute	743	1,999
<b>Sources of finance</b>		
Capital receipts	(1,230)	(4,521)
Government grants and other contributions	(381)	(497)
Sums set aside from Revenue:		
Direct revenue contributions	(25)	(25)
Loan/ finance lease principal repayments	(425)	(380)
<b>Closing Capital Financing Requirement</b>	<b>(43,510)</b>	<b>(44,028)</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	518	3,253
<b>Decrease in Surplus in Capital Resource *</b>	<b>518</b>	<b>3,253</b>

\* East Herts has a negative Capital Financing Requirement which represents a surplus in capital resources

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Leases

#### Council as a lessee

##### Finance leases

As a result of transition to IFRS, the Council has identified an arrangement containing a lease relating to vehicles used in the Refuse and Recycling and Street Cleansing contract with Veolia Environmental Services. Under the Code, the Council is seen as effectively leasing 27 vehicles from Veolia. The lease term is for 7 years starting from May 2011. The vehicles are specialised in nature and the term is for the full expected life of the asset therefore the lease is classified as a finance lease.

The assets acquired under the lease are carried as Vehicles, Plant and Equipment in the Balance Sheet at £2,287k at 31 March 2013 after the two years depreciation.

The Council has commitment to make five minimum payments under the lease as at 31 March 2013.

The gross commitment is made up of the following amounts:

	<b>2012/13</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Finance lease Creditor as at 31 March	2,347	2,771
Finance expenditure	207	286
Gross commitment in lease as at 31 March	<b><u>2,554</u></b>	<b><u>3,057</u></b>

The gross commitment in the lease which is the minimum lease payments (fair value is not considered to be materially different) will be made over the following periods:

	<b>Gross</b> <b>investment in</b> <b>lease</b> <b>31 March '13</b> <b>£000</b>	<b>Gross</b> <b>investment in</b> <b>lease</b> <b>31 March '12</b> <b>£000</b>
Not later than 1 year	502	502
Later than 1 year and not later than 5 years	2,010	2,010
Later than 5 years	42	545
	<b><u>2,554</u></b>	<b><u>3,057</u></b>

##### Operating leases

The Council leases the Buntingford Service Centre, and offices at Charrington House which have been accounted for as operating leases. The Waitrose Car Park was disposed of in the year ended 31 March 2010.



# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Leases - continued

#### Operating Leases - continued

Previously, the Council had leased the car park and accounted for it as an operating lease where the Council is a lessor. There was a pre-existing agreement between the lessee and the Council, and it was agreed that the lessee will continue to pay the Council the lease payments due, and the Council will forward the payment received to the new owners of the car park. The amounts due to the new owner has been accounted for as lease payments below. In 2012/13, the lease payments received from the lessee which was subsequently paid over to the new owners was £97,000.

The Council has granted leases to various occupiers of shops, offices, industrial units and other miscellaneous assets for varying number of years. These arrangements are accounted for as operating leases.

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

	<b>31 March '13</b>	<b>31 March '12</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	444	449
Later than one year and not later than five years	1,775	1,775
Later than five years	5,072	5,516

The expenditure charged to Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	444	449
Lease payments payable	(139)	(139)
	<b><u>305</u></b>	<b><u>310</u></b>

#### Council as a lessor

##### Finance leases

The Council has one property lease, Pinders Lodge, where the accounting treatment has changed following the introduction of the IFRS Code. The lease term is 50 years from March 1997. The lease was previously classified as an operating lease, but under the Code, the buildings element of the lease has been classified as a finance lease.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Finance lease debtor as at 31 March	157	158
Unearned finance income	317	330
Gross investment in lease as at 31 March	<b><u>474</u></b>	<b><u>488</u></b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Leases - continued

#### Finance leases - continued

The gross investment in the lease which is the minimum lease payments will be received over the following periods:

	<b>Gross investment in lease</b>	<b>Gross investment in lease</b>
	<b>31 March '13</b>	<b>31 March '12</b>
	<b>£000</b>	<b>£000</b>
Not later than 1 year	14	14
Later than 1 year and not later than 5 years	56	56
Later than 5 years	404	418
	<b>474</b>	<b>488</b>

#### Operating Leases

The council receives income from a variety of properties ranging from Industrial and Commercial ground leases, to a small number of commercial premises including shops and other miscellaneous properties. Each is subject to individual agreements and reviews. The terms are dependent upon a number of criteria; the corporate priorities of the Council, options that are available, historic and legal agreements.

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

	<b>31 March '13</b>	<b>31 March '12</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	476	473
Later than 1 year and not later than 5 years	1,531	1,597
Later than 5 years	26,066	26,412

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £194k contingent rents were receivable by the Council (2011/12 £181k).

### 31. Pension Scheme

As part of the terms and conditions of employment 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 which is administered by Hertfordshire County Council. This is a funded defined benefit final salary scheme which means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Pension Scheme - continued

The following transactions set out the position for the year:

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Comprehensive Income & Expenditure Statement:		
Net Cost of Services:		
Current service cost	1,786	1,691
Non Distributed Costs -		
Past Service Cost / (Gain)	21	89
Losses / (Gains) on Curtailments & Settlements	30	83
Net Operating Expenditure:		
Interest cost	4,450	4,643
Expected returns on assets in the scheme	(3,421)	(4,242)
Costs charged against CI&E	2,866	2,264
Amounts to be met from Government Grants & Local taxation:		
movement on the pensions reserve	(911)	(256)
Actual amount charged against council tax for pensions in the year:		
Employers contributions payable to scheme	<b>1,955</b>	<b>2,008</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £37,370k

#### Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
<b>1 April</b>	93,394	85,316
Current Service Cost	1,786	1,691
Interest Cost	4,450	4,643
Contributions by scheme participants	562	581
Actuarial (gains) and losses	10,436	5,266
Benefits paid	(3,778)	(4,275)
Past service costs (Gains)	21	89
Losses on Curtailments	30	83
<b>31 March</b>	<b>106,901</b>	<b>93,394</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Pension Scheme - continued

Reconciliation of fair value of the scheme assets:

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
<b>1 April</b>	62,823	63,223
Expected rate of return	3,421	4,242
Actuarial gains and losses	5,786	(2,956)
Employer contributions	1,955	2,008
Contributions by scheme participants	562	581
Benefits paid	(3,778)	(4,275)
<b>31 March</b>	<b><u>70,769</u></b>	<b><u>62,823</u></b>

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

The actual return on scheme assets in the year was £9,216,000 (2011/12 £1,296,000).

Scheme history

	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of liabilities	(106,901)	(93,394)	(85,316)	(102,115)	(64,699)
Fair value of assets	70,769	62,823	63,223	60,047	46,757
(Deficit) in the scheme	<b><u>(36,132)</u></b>	<b><u>(30,571)</u></b>	<b><u>(22,093)</u></b>	<b><u>(42,068)</u></b>	<b><u>(17,942)</u></b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £106,901k has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £36,132k.

The deficit on the pension scheme 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 authority in the year to 31 March 2014 is £1,803k.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Pension Scheme - continued

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	31 March '13		31 March '12	
Long-term expected rate of return on assets in the scheme:				
Equity investments	4.5%		6.2%	
Bonds	4.5%		4.0%	
Property	4.5%		4.4%	
Cash	4.5%		3.5%	
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.0	years	21.0	years
Women	23.8	years	23.8	years
Longevity at 65 for future pensioners:				
Men	22.9	years	22.9	years
Women	25.7	years	25.7	years
Rate of inflation/ Pension increase	2.8%		2.5%	
Rate of increase in salaries	5.1%		4.8%	
Expected Return on Assets	4.5%		5.5%	
Discount Rate	4.5%		4.8%	
Take up option to convert annual pensions into retirement lump sum for pre April 2008 service	50%		50%	
Take up option to convert annual pensions into retirement lump sum for post April 2008 service	75%		75%	

The County Council Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March '13	31 March '12
	%	%
Equity investments	71	69
Bonds	18	18
Property	5	6
Cash	6	7
	<b>100</b>	<b>100</b>

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
	%	%	%	%	%
History of experience gains and losses					
Differences between the expected and actual return on assets	8.19	(4.69)	1.75	19.98	22.31
Experience gains and losses on liabilities	0.16	(1.43)	2.11	0.00	0.02

(Prior year percentages have been amended in the interest of consistency)

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 32. 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 in the annual Treasury Strategy Statement specifies the counterparty to be used and the the priority is the security of the capital. It also sets out the borrowing requirement, prospects on interest rates and exposure limits. (This document is available on our website [www.eastherts.gov.uk](http://www.eastherts.gov.uk)).

#### 1 Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities. It is the policy of the Council to place deposits only with a limited number of high quality UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisors (based on credit ratings provided by the three main rating agencies: Moody's, Standard and Poor and Fitch) and to restrict lending to a prudent maximum amount for each institution. The Council expects full repayment on the due date of deposits placed with its counterparties. (There has been no history of any past defaults on the Council's investments).

The following analysis summarises the Council's exposure and historic experience of default:-

	Long Term Rating	Short Term Rating	Limits per category £000	Amounts as @ 31.3.13 £000	Historical Experience Default
UK Treasury	AAA-AA	F1	No limit	5,296	0
Canadian Banks	AA	F1	5,500	3,281	0
UK Banks	AA-A	F1	55,500	39,306	0
Australian Banks	AA	F1	5,500	3,202	0
Netherlands Banks	AA	F1	5,500	1,518	0
Finland Banks	AA	F1	5,500	3,202	0
Sweden Banks	AA	F1	5,500	3,201	0
Investec Money Market Funds	AAA		No limit	1,259	0
Other Money Market Funds	AAA		No limit	8,000	0
				<u>68,265</u>	

#### Accounts Receivable

The Council does not generally allow credit facilities to customers in relationship to debts. The table recognises the changes in accounting arrangements for Council Tax and National Non Domestic Ratepayers. The past due amount can be analysed by age as follows: (see policy xvii, page 21)

	31 March '13 £000	31 March '12 £000
Less than three months	598	1,713
Three months to six months	208	236
Six months to one year	530	410
More than one year	1,602	1,051
	<u>2,938</u>	<u>3,410</u>

The Council pursues all debts in line with its established debt recovery policy.

#### 2 Liquidity Risk

The Council has ready access to borrowing from the Public Works Loans Board, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council reviews its borrowing requirements as part of its annual Treasury Management strategy in order to optimise financial performance and reduce exposure to interest rate risk. This includes safeguards that if borrowing is undertaken then the maturity profile would be monitored to alleviate any future funding problems in any one year. As no new borrowings have been entered into in recent years this has not been relevant. (see note 34, page 54).

The Council's cash flows are managed on a day to day basis in line with established procedures.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Nature and Extent of Risks arising from Financial Instruments - continued

#### 3 Market Risk

##### Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates - the fair value of the liabilities will fall
- investments at variable rates - the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income & Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. Current policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans, all borrowing at 31 March 2013 was fixed rate. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher costs.

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 manage the budgets during the year. This allows any adverse changes to be accommodated. The strategy will also consider new borrowing opportunities.

With low interest rates generally prevailing, the Council has an interest equalisation reserve that assists in managing interest rate fluctuations in the medium term. In 2012/13 £1,249k has been added to the reserve with a further planned additional £600k in 2013/14.

Based on the current Treasury Management position at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	no variable borrowings
Increase in interest receivable on variable rate investments	29
Increase in government grant receivable for financing costs	de-minimis
Impact on Comprehensive I & E Statement	<u>29</u>
Decrease in fair value of fixed rate investment assets (impact on Comprehensive I & E Statement)	<u>334</u>
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive I & E Statement)	<u>939</u>

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

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Nature and Extent of Risks arising from Financial Instruments - continued

#### 4 Price Risk / Foreign Exchange Risk

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

The Council also has no shareholdings or insurance investment fund, therefore has no exposure to any further losses.

### 33. Investments

The Council's investments consists of:

	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>£000</b>	<b>£000</b>
Long term investments	15,145	15,081
Temporary investments:		
Money market fund	-	2,300
Building Society Deposits	-	-
Bank deposits	35,627	8,323
Uk Treasury Securities	5,296	36,600
	<b>56,068</b>	<b>62,304</b>

### 34. Borrowing

Source of Loan	Range of interest rates payable (%)	Total Outstanding	
		<b>31 March '13</b>	<b>31 March '12</b>
		<b>£000</b>	<b>£000</b>
Public Works Loan Board	8.875 - 10.125	1,521	1,522
Bonds	8.785	6,189	6,189
		<b>7,710</b>	<b>7,711</b>

An analysis of loans by maturity is:-

	<b>£000</b>	<b>£000</b>
Maturing within one year	-	-
Maturing in 1-2 years	-	-
Maturing in 2-5 years	-	-
Maturing in 5-10 years	6,189	6,189
Maturing in 10-15 years	-	-
Maturing in 40-45 years	1,521	1,522
	<b>7,710</b>	<b>7,711</b>

Also see notes 10 and 12 to the Core Statements.

### 35. Deferred Credits

Deferred Credits are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sales of council houses.

	<b>Mortgages</b>	
	<b>31 March '13</b>	<b>31 March '12</b>
	<b>£000</b>	<b>£000</b>
Balance as at 1 April	13	21
Movements in the year	(3)	(8)
Balance as at 31 March	<b>10</b>	<b>13</b>



# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 36. Publicity

The Council's spending on publicity, as required to be disclosed under Section 5 (1) of the Local Government Act 1986 was as follows:

	2012/13 £000	2011/12 £000
Recruitment Advertising	48	4
Local Authority Periodical	34	37
<b>Total</b>	<b>82</b>	<b>41</b>

### 37. Building Regulations Charging Account

The Local Authority Building Control Regulations 1998 require the disclosure of information regarding the cost of operating the building control service.

The following statement sets out the costs and income for 2012/13 divided between chargeable and non-chargeable activities.

	2012/13		Building Control Total £000
	Chargeable £000	Non Chargeable £000	
<b>Expenditure</b>			
Employee Expenses	457	93	550
Premises	22	4	26
Transport	28	6	34
Supplies and Services	16	3	19
Support Service Charges	126	32	158
<b>Total Expenditure</b>	<b>649</b>	<b>138</b>	<b>787</b>
<b>Income</b>			
Building Regulation Charges	496	-	496
<b>Total Income</b>	<b>496</b>	<b>0</b>	<b>496</b>
<b>(Surplus) / Deficit</b>	<b>153</b>	<b>138</b>	<b>291</b>

	2011/12		Building Control Total £000
	Chargeable £000	Non Chargeable £000	
<b>Expenditure</b>			
Employee Expenses	419	109	528
Premises	81	21	102
Transport	28	7	35
Supplies and Services	28	6	34
Support Service Charges	145	38	183
<b>Total Expenditure</b>	<b>701</b>	<b>181</b>	<b>882</b>
<b>Income</b>			
Building Regulation Charges	576	-	576
<b>Total Income</b>	<b>576</b>	<b>0</b>	<b>576</b>
<b>(Surplus) / Deficit</b>	<b>125</b>	<b>181</b>	<b>306</b>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE FINANCIAL STATEMENTS

### 38. Analysis of Fixed Assets

		31 March '13 (Nos.)	31 March '12 (Nos.)
Council Dwellings	Hostels	1	1
	Houses	2	3
Council Offices	Freehold	1	1
	Leasehold	1	1
Service Centre	Leasehold	1	1
Cash Offices		2	2
Off-Street Car Parks ( incl. Leasehold)		29	29
Swimming Pools (including 3 joint-use pools)		5	5
Parks and Recreation Grounds/Open spaces		187 HA	187 HA
Public Halls/Community Centres (incl leasehold)		9	9
Commercial Property Rented Out		48 Units	49 Units
Land Awaiting Development		3 Acres	3 Acres

### 39. Contingent Liability

The Council has identified two contingent liabilities which may give rise to future costs. The first relates to a possibility that current litigation may lead to a settlement whereby the Council would need to reimburse personal search agents / companies for Land Charge fees for certain services as the power to make these charges is being contested. A potential liability of circa £185k has been identified. Given the level of General Reserves held by the Council and the uncertainty of the value of the potential liability identified it has not been considered appropriate to make specific financial provision within the accounts at this stage.

At 31 March 2012 the Council identified a contingent liability relating to the Municipal Mutual Insurance Scheme Arrangement (Run Off). Following notification that the scheme has been formally 'triggered' the Council has made a provision of £19,443 based upon an initial levy of 15% (see note 17). A contingent liability of around £110,000 remains in respect of potential further exposure against existing claims.

### 40. Post Balance Sheet Event

Non Domestic rates - from 1st April 2013 new arrangements came into effect relating to the retention of business rates. From this date the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties will fall, in part to the Council. The value of the Council's share of appeals has been estimated at £854k. As this liability did not exist at the Balance Sheet date no adjustment has been made in accordance with CIPFA guidance.

# STATEMENT OF ACCOUNTS 2012/13

## THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT - (SUPPLEMENTARY NOTE)

<b>INCOME</b>		<b>2012/13</b>	<b>2011/12</b>
		<b>£000</b>	<b>£000</b>
Council Tax	<i>Note 2</i>	80,768	80,084
Transfers from General Fund - Council Tax Benefits	<i>Note 2</i>	6,993	6,987
Income collectable from business ratepayers	<i>Note 3</i>	41,653	40,662
Contribution towards previous years deficit		-	211
		<u>129,414</u>	<u>127,944</u>
<b>EXPENDITURE</b>			
Precepts and Demands	<i>Note 4</i>	87,131	86,396
Business Rate			
- Payment to National Pool	<i>Note 3</i>	41,456	40,464
- Costs of Collection	<i>Note 3</i>	197	198
Bad Debt Provision - Increase: Council Tax		255	243
Transfer of previous years surplus		417	-
		<u>129,456</u>	<u>127,301</u>
<b>MOVEMENT ON FUND</b>			
Net (Income)/Expenditure		42	(643)
Balance as at 1 April		(1,060)	(417)
(Surplus)/Deficit as at 31 March	<i>Note 5</i>	<u>(1,018)</u>	<u>(1,060)</u>

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. General

As a billing authority The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

The funds key features relevant to accounting for council tax in the core financial statements are:

(a) As a billing authority the Council acts as an agent: it collects and distributes Council Tax income on behalf of the major preceptors and itself.

(b) while the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

From 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. The Council's accounts now reflect the recognised position as agent acting on behalf of the major precepting authorities and the Government.

### 2. Council Tax

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

Band	Estimated No. of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	693.25	6/9	462.17
B	4,872.25	7/9	3,789.53
C	13,077.25	8/9	11,624.22
D	13,504.50	9/9	13,504.50
E	9,606.00	11/9	11,740.67
F	6,618.25	13/9	9,559.69
G	4,937.75	15/9	8,229.58
H	712.75	18/9	1,425.50
	<u>54,022.00</u>		<u>60,335.86</u>

Plus adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties.

(1,708.18)

2012/13 Estimated Council Tax Base

58,627.68

#### Tax Collection

£000

12/13 Tax Base of 58,627.68 x £1,486.17 (Average Band D Charge)

87,131 Estimated Tax Due

12/13 Council Tax Income (including Council Tax Benefits)

87,761 Actual Tax Income

(630) Surplus

This surplus is explained by movements in the tax base.

The actual Tax Base for 2012/13 equates to 59,051.70

The estimated Tax Base for 2013/14 of 55,084.00 now reflects the impact of the localisation of Council Tax Support scheme from 1 April 2013.

# STATEMENT OF ACCOUNTS 2012/13

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT (continued)

### 3. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2012/13 was 45.8p. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non Domestic Rate (NNDR) pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. This contribution is paid into the General Fund.

At the year end the total non-domestic rateable value was £115.851 million.

The amounts included in the accounts for 2012/13 can be analysed as follows:

	<b>2012/13 £000</b>	<b>2011/12 £000</b>
Gross rates payable	42,489	41,297
Less allowances and other adjustments	(836)	(635)
Income collectable from business ratepayers	<u>41,653</u>	<u>40,662</u>
Less Costs of Collection	(197)	(198)
Payable to national NNDR pool	<u><u>41,456</u></u>	<u><u>40,464</u></u>

### 4. Precepts and Demands

	<b>2012/13 £000</b>	<b>2011/12 £000</b>
East Hertfordshire District Council	12,870	12,774
Hertfordshire County Council	65,595	65,030
Police Authority	8,666	8,592
	<u><u>87,131</u></u>	<u><u>86,396</u></u>

### 5. Balance on Fund

The balance on the Collection Fund as at 31 March is represented by:-

	<b>2012/13 £000</b>	<b>2011/12 £000</b>
(Surplus) on Council Tax element of the Fund	(1,018)	(1,060)
	<u><u>(1,018)</u></u>	<u><u>(1,060)</u></u>

Of the surplus balance on the Fund the following amounts are attributable to :-

	<b>2012/13 £000</b>	<b>2011/12 £000</b>
East Hertfordshire District Council	(151)	(157)
Hertfordshire County Council	(766)	(798)
Police Authority	(101)	(105)
	<u><u>(1,018)</u></u>	<u><u>(1,060)</u></u>

# STATEMENT OF ACCOUNTS 2012/13

## GLOSSARY OF FINANCIAL TERMS

### **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising
- Selecting measuring bases for
- Presenting

### **Accruals**

The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Accumulated Absences**

Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.

### **Actuarial Gains and Losses**

Changes in the net pensions liability that arise because

- events have not coincided with assumptions made at the last actuarial valuation, or
- the actuarial assumptions have changed

### **Amortisation**

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

### **Asset**

An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset ( eg stocks or short term debtors) can readily be converted into cash.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or works which have a long term value to the Council, either directly to the Council or indirectly in the form of grants to other bodies.

### **Capital Financing Requirement**

It measures an authority's underlying need to borrow or finance by other long term liabilities for a capital purpose.

### **Capital Receipts**

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by government, but they cannot be used for revenue purposes.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.

### **Code of Practice on Local Authority Accounting (The Code)**

Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

# STATEMENT OF ACCOUNTS 2012/13

## GLOSSARY OF TERMS (continued)

### **Community Assets**

Assets that a local authority intends to hold indefinitely, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control.

### **Contingent Liability**

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.

### **Creditor**

An amount owed by the Council for work done, goods received, or services provided within the accounting period and for which payments has not been made at the Balance Sheet date.

### **Current Service Cost (Pensions)**

The increase in liabilities as a result of years of service earned this year.

### **Curtailment**

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

Curtailments include:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business.
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **Debtor**

Sums of money due to the Council but not yet received at the Balance Sheet date.

### **Deficit**

An excess of expenditure over income (or liabilities over assets)

### **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded.)

### **Depreciation**

Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing

# STATEMENT OF ACCOUNTS 2012/13

## GLOSSARY OF TERMS (continued)

### **DCLG**

Department for Communities and Local Government

### **DCMS**

Department for Culture, Media and Sport

### **DEFRA**

Department for Environment, Food and Rural Affairs

### **DWP**

Department for Work & Pensions

### **EEDA**

East of England Development Agency

### **Expected Rate of Return on Pensions Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **Earmarked reserve**

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

### **Financial Instruments**

Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local services.

### **International Financial Reporting Standards**

International Financial Reporting Standards cover specific aspects of accounting practice and set out the correct accounting treatment. Compliance with them is mandatory.

### **Impairment**

This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true Value

### **Infrastructure Assets**

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

### **Intangible Asset**

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.



# STATEMENT OF ACCOUNTS 2012/13

## GLOSSARY OF TERMS (continued)

### **Interest Cost (pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investments (non-pensions fund)**

A long term investment is one that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

### **Investment properties**

Property that is used solely to earn rentals and/or for capital appreciation.

### **LAA**

Local Area Agreement

### **Liquid resources**

Current asset investments that are readily disposal by the authority without disrupting its business.

### **Operating Lease**

A lease whereby the ownership of the fixed asset remains with the lessor.

### **Past Service Cost**

The increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years

### **Revenue Expenditure**

The day to day running costs incurred by the Council in providing its services.

### **REFCUS (Revenue Expenditure Funded from Capital Under Statute)**

Capital expenditure which is allowable under statute to be funded from capital resources but which does not fall within the definition of a fixed asset. An example is a grant made to another party to finance capital investment.

### **Surplus**

An excess of income over expenditure (or assets over liabilities)

**STATEMENT OF ACCOUNTS 2012/13**

**ANNUAL GOVERNANCE STATEMENT**

# STATEMENT OF ACCOUNTS 2012/13

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's responsibilities

The Authority is required:

to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer

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

to approve the Statement of Accounts.

In preparing this statement of accounts, the Chief Finance Officer has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the local authority Code.

### The Chief Finance Officer has also:

kept proper accounting records which were up to date;

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

### The Chief Finance Officers' responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

## EAST HERTFORDSHIRE DISTRICT COUNCIL

### Certificate of Responsible Financial Officer

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2013.

Signed .....

Dated .....

**A Taylor**  
**Director of Finance and Support Services**  
**East Hertfordshire District Council**

Signed .....

Dated .....

**Councillor J Ranger**  
**Chairman of Audit Committee**

# STATEMENT OF ACCOUNTS 2012/13

INDEPENDENT AUDITORS' REPORT TO EAST HERTFORDSHIRE DISTRICT COUNCIL

**Signed** .....

**Dated** .....