

# **EAST HERTS COUNCIL**

## **STATEMENT OF ACCOUNTS**

**2010/11**

These are draft accounts prior to Audit, presented for information only and not subject to formal approval.

# STATEMENT OF ACCOUNTS 2010/11

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# STATEMENT OF ACCOUNTS 2010/11

## EXPLANATORY FOREWORD

### 1. Summary of Contents

The Council's accounts for the year ended 31 March 2011 are set out on pages 6 to 57. 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 2011

**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.

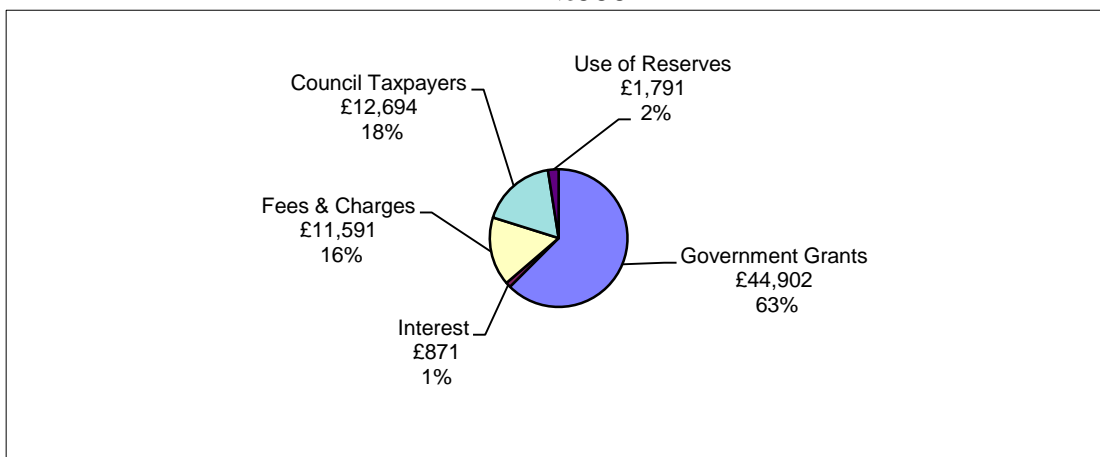
**Supplementary Financial Statements - The Collection Fund** shows the level of Non Domestic Rates and Council Tax that has been received by the Council, as billing authority, during the period.

**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

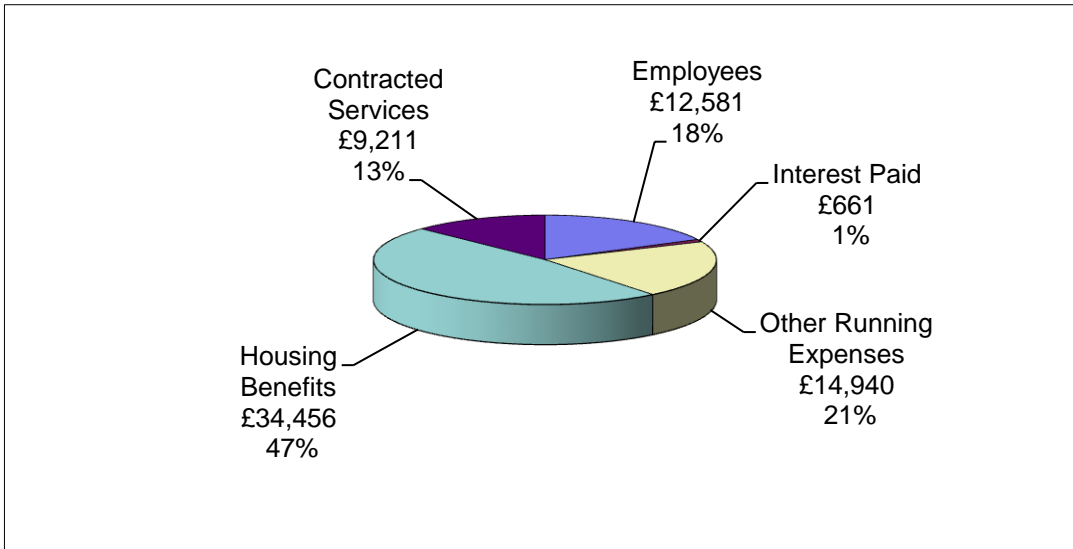


It can be seen that the largest source of the Council's income is from Government Grants.

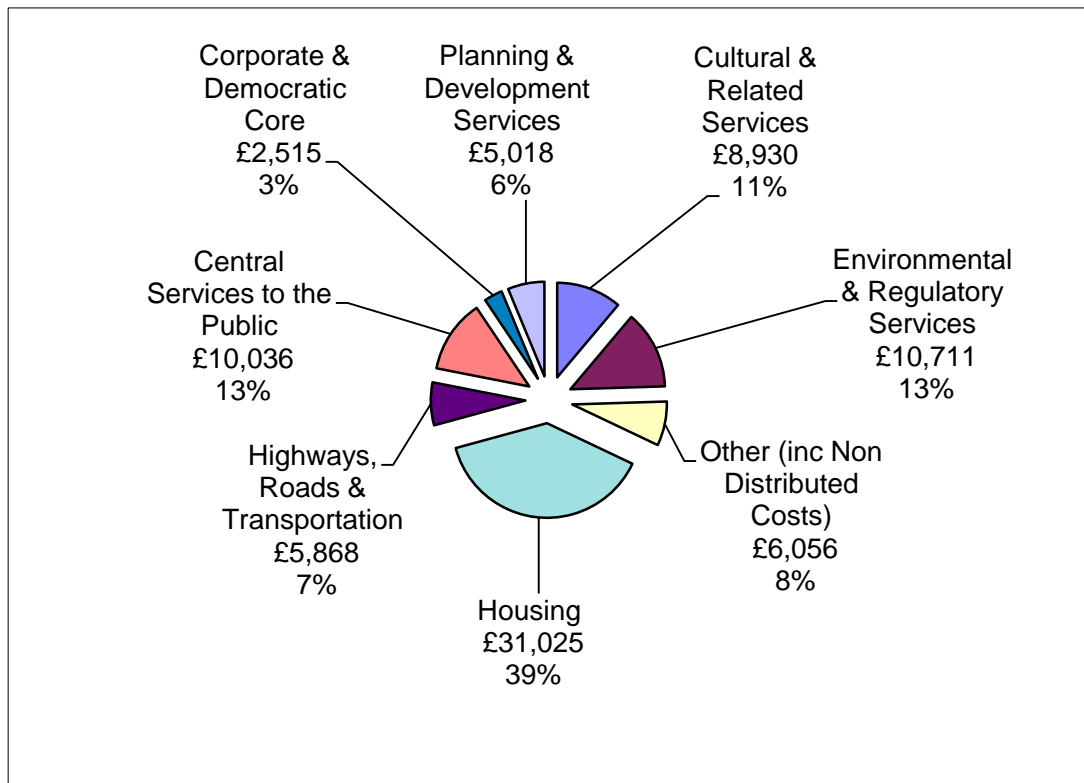
# STATEMENT OF ACCOUNTS 2010/11

## 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 £8,310k which have been excluded from the chart "How the money is spent". 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 2010/11

## EXPLANATORY FOREWORD (continued)

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

A comparison of the budget with actual income and expenditure for 2010/11 is shown below:

	Budget	Actual	Variance
	£000	£000	£000
Net Cost of Services (including Investment Properties)	23,586	25,829	2,243
Non Distributed Costs	0	(9,728)	(9,728)
Finance Transactions	(2,269)	(6,906)	(4,637)
Interest Transactions	(987)	(211)	776
Pensions Interest Cost & Expected Return on Pensions Assets	505	1,007	502
Appropriations - Financing Items	25	25	0
Appropriations - REFCUS (see Policy xix, page 20)	(2,511)	(1,404)	1,107
Movement on the Pensions Reserve	(34)	8,816	8,850
Net Expenditure	18,315	17,428	(887)
Collection Fund Contribution	16	16	0
Contribution from NNDR Pool	(7,144)	(7,144)	0
Revenue Support Grant	(1,037)	(1,037)	0
General Grant	0	(37)	(37)
Council Tax Raised	(9,196)	(9,196)	0
Balance to be appropriated (from) Reserves	(954)	(30)	(924)

The above variance is represented by: £000

An underlying underspend against the 2010/11 estimate (964)

Less:-

Contribution from General Reserve relating to budgets  
b/fwd from 2009/10 40

(924)

Overall, this has resulted in £30k being drawn from the Council's Reserve balances.

The variances relating to the Net Cost of Services and Finance Transactions include £4.36m of revaluation adjustments / impairments in respect of tangible fixed assets. The balance of the variance within the net cost of service relates to changes in capital charges, in particular REFCUS and the underlying underspend.

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 £1.98m (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 Non Distributed Costs figure is largely offset within the Movement on Pensions Reserve figure and relates primarily to the change in indexation of pensions from being based on the Retail Price Index (R.P.I.) to being based on the Consumer Price Index (C.P.I.) which substantially reduces the Pension Fund deficit.

The favourable underlying variance of £0.964m against original budget demonstrates the Council's commitment to sound financial management and its prudent approach to funding. The significant variances contributing to this position were;

The cost of the recycling service which showed a net reduction of £1.06m compared to the original estimate. This arose principally from the ongoing success of ARC (alternate refuse collection) arrangements which resulted in significant additional income through the Hertfordshire Waste Partnership funding formula. The service also benefited from lower contract and material handling costs and increased income from the sale of recyclable materials.

# STATEMENT OF ACCOUNTS 2010/11

## EXPLANATORY FOREWORD (continued)

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

Other variances contributing to the overall underspend included:

Net savings in delivering the Council's Benefits service (£253k) relating in part to additional recovery of overpaid benefit.

A reduction in the cost of delivering the Council's Planning and Building Control services of £270k due to a combination of reduced costs, increased fee income and a reprofiling of work relating to the Local Development Framework review process.

Reduced costs relating to IT licences, Members Allowances, Legal fees and Audit fees of £221k. A reduction in the net cost of housing related services, including additional hostel rent income of £48k resulted in a favourable variance of £121k.

This was offset by a reduction in investment interest of £779k due to the economic climate and low level of prevailing interest rates and reduced car parking income of £184k.

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, the Council has reviewed its financial reserves. Appropriations, in line with the Council's MTFP should ensure that the Council has resources to meet future initiatives in priority services and funding to meet the cost of key processes such as the Local Development Framework review. In line with financial planning assumptions the Council has set aside £400k in order to meet transitional staffing costs, including those arising from implementing planned budget savings through staffing restructurings.

The General Reserve balance will be increased by a net £992k after taking into account appropriations relating to budgets approved to be brought forward from 2009/10 of £40k. This compares to a budgeted increase of £159k. Use of earmarked Reserves total £1.022m compared to the budgeted use of £1.112m.

The Comprehensive Income and Expenditure Statement (see page 7), shows a surplus of £13.9m. 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 gains) under IAS 19 and capital related transactions including impairment.

### 4. Capital Expenditure & Financing

During 2010/11 the Council incurred expenditure of £5.909m (see page 45, note 25) on capital projects compared with an original budget of £6.426m.

The underspend of £517k against the original estimate arose from a combination of strategic decisions regarding the delivery of a number of key projects, in particular the contract to refurbish Wallfields together with delays to some projects resulting in them slipping into 2011/12. In particular, Social Housing schemes, support for the Drill Hall and various asset enhancement works.

Nearly £1.1m was spent on the refurbishment of the "new" Hertford Theatre. This invest to save project has provided the Council with a flagship community asset that will enable the delivery of a number of Council priorities through a more diverse range of programmes.

The policy of giving capital grants towards community projects (inc. partnership funding) continued and over £200k was spent in the year. Over £848k was given in grants to private sector owners for renovation and provision of disabled facilities.

# STATEMENT OF ACCOUNTS 2010/11

## EXPLANATORY FOREWORD (continued)

### 4. Capital Expenditure & Financing (cont.)

Expenditure on environmental projects included £168k on play sites and equipment, £180k on Town Centre Enhancements, £1.65m on car parks including the acquisition of two car parks (under an invest to save scheme) and a major refurbishment of Gascoyne Way as well as £134k on refuse and recycling schemes.

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

No borrowing was undertaken in 2010/11 and the Council's overall long term borrowing is £7.5m as at 31st March 2011. The balance sheet shows a liability of £7.71m , however, this includes accrued interest of £210k ( see note 30 on page 53 ).

### 6. Pensions Liabilities

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. Since the introduction of (the former) FRS17 in 2003/04 the impact of any pension liability must be shown in the balance sheet. The Council's liability at 31st March 2011 is £22.093m which is a decrease of £19.975m compared to the position at 31st March 2010 This change is largely due to a reduction in the present value of fund liabilities. Further information is given on pages 48 - 50.

### 7. 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.

### 8. 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 Financial Support Services, Council Offices, Charrington House, The Causeway, Bishop's Stortford, Herts. CM23 2ER.

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 2010/11

### 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.

	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 2009</b>	3,854	3,642	11,251	512	2,997	22,256	93,269	115,525
<b>Movement in reserves during 2009/10</b>								
Deficit on provision of services	(5,666)	-	-	-	-	(5,666)	-	(5,666)
Other comprehensive Income and Expenditure	-	-	-	-	-	-	(23,833)	(23,833)
<b>Total Comprehensive Income and Expenditure</b>	(5,666)	-	-	-	-	(5,666)	(23,833)	(29,499)
Adjustments between accounting basis and funding basis under regulations <i>Note 4</i>	5,494	-	2,941	315	-	8,750	(8,750)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(172)	-	2,941	315	-	3,084	(32,583)	(29,499)
Transfers to/(from) Earmarked Reserves <i>Note 5</i>	172	56	(6,578)	-	(227)	(6,577)	6,577	0
Increase/Decrease in Year	0	56	(3,637)	315	(227)	(3,493)	(26,006)	(29,499)
<b>Balance as at 31 March 2010 carried forward</b>	<b>3,854</b>	<b>3,698</b>	<b>7,614</b>	<b>827</b>	<b>2,770</b>	<b>18,763</b>	<b>67,263</b>	<b>86,026</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 2010</b>	<b>3,854</b>	<b>3,698</b>	<b>7,614</b>	<b>827</b>	<b>2,770</b>	<b>18,763</b>	<b>67,263</b>	<b>86,026</b>
<b>Movement in reserves during 2010/11</b>								
Surplus on provision of services	2,916	-	-	-	-	2,916	-	2,916
Other comprehensive Income and Expenditure	-	-	-	-	-	-	11,018	11,018
<b>Total Comprehensive Income and Expenditure</b>	2,916	-	-	-	-	2,916	11,018	13,934
Adjustments between accounting basis and funding basis under regulations <i>Note 4</i>	(2,946)	-	1,289	(173)	-	(1,830)	1,830	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(30)	-	1,289	(173)	-	1,086	12,848	13,934
Transfers to/(from) Earmarked Reserves <i>Note 5</i>	30	(1,022)	(5,182)	-	992	(5,182)	5,182	0
Increase/Decrease in Year	0	(1,022)	(3,893)	(173)	992	(4,096)	18,030	13,934
<b>Balance as at 31 March 2011 carried forward</b>	<b>3,854</b>	<b>2,676</b>	<b>3,721</b>	<b>654</b>	<b>3,762</b>	<b>14,667</b>	<b>85,293</b>	<b>99,960</b>



# STATEMENT OF ACCOUNTS 2010/11

## 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.

	2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000	2009/10 Net Expenditure Restated £000
Central Services to the Public	10,036	(8,085)	1,951	2,131
Cultural & Related Services	8,930	(868)	8,062	6,543
Environmental & Regulatory Services	10,711	(3,611)	7,100	7,426
Planning & Development Services	4,664	(1,856)	2,808	2,601
Highways and Transport Services	5,868	(4,402)	1,466	3,928
Other Housing Services	31,025	(28,888)	2,137	2,056
Corporate & Democratic Core	2,515	(14)	2,501	2,675
Non Distributed Costs	0	(9,728)	(9,728)	242
<b>NET COST OF SERVICES</b>			<b>16,297</b>	<b>27,602</b>
Payments of precepts to parishes			3,514	3,454
Payments of housing capital receipts to government			5	15
(Gain) on disposal of non current (fixed assets)			(748)	(4,030)
<b>OTHER OPERATING EXPENDITURE/(INCOME)</b>			<b>2,771</b>	<b>(561)</b>
Interest payable and similar charges			661	681
Pensions interest costs and expected return on pension assets			1,007	1,562
Interest receivable and similar income			(871)	(2,494)
Income from investment properties			(549)	(642)
Direct expenditure incurred on investment properties.			353	325
Changes in Fair Value of Investment Properties			(1,414)	-
(Gain)/Loss on disposal of investment properties			(6)	575
<b>FINANCING AND INVESTMENT (INCOME)/EXPENDITURE</b>			<b>(819)</b>	<b>7</b>
Recognised capital grants and contributions			(160)	(590)
Council tax income			(12,787)	(12,411)
Non domestic rates			(7,144)	(6,614)
Non service related government grants			(1,074)	(1,767)
<b>TAXATION AND NON-SPECIFIC GRANT INCOME (see Note 23)</b>			<b>(21,165)</b>	<b>(21,382)</b>
<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>			<b>(2,916)</b>	<b>5,666</b>
Revaluation (Gains) / Losses			(25)	79
Impairment losses (chargeable to Revaluation Reserve)			188	-
<b>(SURPLUS)/DEFICIT ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			<b>163</b>	<b>79</b>
(Surplus)/Deficit on revaluation of available for sale financial assets			(23)	463
Actuarial (gain) / losses on pension liability			(11,158)	23,291
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(11,018)</b>	<b>23,833</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(13,934)</b>	<b>29,499</b>

All operations arise from continuing activities.

# STATEMENT OF ACCOUNTS 2010/11

## 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 '11		31 March '10	01 April '09
		£000	£000	Restated £000	Restated £000
Property, Plant & Equipment					
-	Other land and buildings	39,786		43,205	49,235
-	Vehicles, plant, furniture and equipment	4,884		5,001	4,231
-	Infrastructure assets	3,602		3,919	4,245
-	Community assets	1,193	49,465	797	755
Investment Properties		9,764		8,439	11,688
	Intangible Assets	712	10,476	640	510
			<b>59,941</b>	<b>62,001</b>	<b>70,664</b>
Long Term Investments		8		8	8
	Long Term Debtors	178	186	7,536	207
<b>TOTAL LONG TERM ASSETS</b>			<b>60,127</b>	<b>69,545</b>	<b>70,879</b>
Short Term Investments		66,914		71,128	75,904
	Short Term Debtors	13,160		6,400	6,183
	Cash and Cash Equivalents	1,986		2,150	2,025
<b>CURRENT ASSETS</b>			<b>82,060</b>	<b>79,678</b>	<b>84,112</b>
Bank Overdraft		(1,749)		(2,538)	(934)
	Short Term Borrowing	-		-	(401)
	Short Term Creditors	(10,088)		(5,399)	(5,195)
<b>CURRENT LIABILITIES</b>			<b>(11,837)</b>	<b>(7,937)</b>	<b>(6,530)</b>
	Provisions	(61)		(57)	(42)
	Long Term Borrowing	(7,710)		(7,710)	(7,710)
	Deferred liabilities	(222)		(5,101)	(6,790)
	Deferred credits	(266)		(324)	(452)
	Net Pension Liability	(22,093)		(42,068)	(17,942)
	Capital Grant Receipts in Advance	(38)		-	-
<b>LONG TERM LIABILITIES</b>			<b>(30,390)</b>	<b>(55,260)</b>	<b>(32,936)</b>
<b>NET ASSETS</b>			<b>99,960</b>	<b>86,026</b>	<b>115,525</b>
<b>USABLE RESERVES</b>					
-	General Fund	3,854		3,854	3,854
-	General reserve	3,762		2,770	2,536
-	Earmarked reserves	2,676		3,698	4,103
-	Capital Receipts Reserve	3,721		7,614	11,251
-	Capital grants Unapplied	654		827	512
			<b>14,667</b>	<b>18,763</b>	<b>22,256</b>
<b>UNUSABLE RESERVES</b>					
-	Revaluation Reserve	2,838		3,110	3,287
-	Available-for-Sale Reserve	23		-	463
-	Pensions Reserve	(22,093)		(42,068)	(17,942)
-	Capital Adjustment Account	104,384		106,173	107,527
-	Deferred Capital Receipts	159		160	161
-	Collection Fund Adjustment Account	62		(31)	(147)
-	Short-term Accumulating				
	Compensated Absences Account	(80)		(81)	(80)
			<b>85,293</b>	<b>67,263</b>	<b>93,269</b>
<b>TOTAL RESERVES</b>			<b>99,960</b>	<b>86,026</b>	<b>115,525</b>

# STATEMENT OF ACCOUNTS 2010/11

## THE CASH FLOW STATEMENT

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

	2010/11		2009/10
	£000	£000	Restated £000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Council Tax receipts	(11,791)		(11,649)
NNDR receipts from national pool (Grant)	(7,144)		(6,614)
Revenue Support Grant	(1,037)		(1,527)
DWP grants for benefits	(35,406)		(35,388)
Other Government grants	(663)		(1,047)
Cash received for goods and services	(10,095)		(10,376)
Interest received	(697)		(2,729)
<b>Cash inflows generated from operating activities</b>	<b>(66,833)</b>		<b>(69,330)</b>
<b>Cash Out Flows</b>			
Cash paid to and on behalf of employees	12,581		12,981
Housing Benefit paid out	26,877		25,846
Other operating cash payments	19,515		22,341
Precepts paid to other authorities	3,514		3,454
Cash paid to suppliers of goods and services	-		258
Interest paid	661		681
<b>Cash outflows generated from operating activities</b>	<b>63,148</b>		<b>65,561</b>
<b>Net Cash (Inflow)/Outflow from operating activities</b>		<b>(3,685)</b>	<b>(3,769)</b>
<b>INVESTING ACTIVITIES</b>			
- Purchase of property plant and equipment, investment property and intangible assets	5,029		5,290
- Purchase of short-term and long-term investments	-		-
- Other payments for investing activities	5		15
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,294)		(606)
- Capital grants	(558)		(797)
- Proceeds from short-term and long-term investments	(4,214)		(4,776)
- Other receipts from investing activities	-		(87)
<b>Net cash (inflow)/outflow from investing activities</b>		<b>(1,032)</b>	<b>(961)</b>
<b>FINANCING ACTIVITIES</b>			
- Cash receipts of short and long-term borrowing	-		-
- Other receipts from financing activities	(1,141)		-
- Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	-		102
- Repayments of short and long-term borrowing	-		401
- Other payments for financing activities	5,233		5,706
<b>Net cash (inflow)/outflow from financing activities</b>		<b>4,092</b>	<b>6,209</b>
Net (increase) or decrease in cash and cash equivalents		<b>(625)</b>	1,479
Cash and cash equivalents at the beginning of the reporting period		388	(1,091)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(237)</b>	<b>388</b>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

i. The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, 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.

See Note 2 Transition to IFRS for details of prior period adjustments made as a result of the transition to IFRS.

# STATEMENT OF ACCOUNTS 2010/11

## 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 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 method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds [iBoxx Sterling Corporates AA Over 15 years Index at the IAS19 valuation date with one slight amendment - the removal of recently re-rated bonds from the index]).

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 2010/11

## 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.

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 2010/11

## 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 2011 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 17 to the Notes to the Core Statements.

No other financial guarantees were identified in 2010/11

#### Soft Loans

The Code requires that a discounted interest rate be recognised as a reduction in the fair value of the asset. The Council loans falling within this category relate to the assisted car purchase scheme, the amount of which is considered immaterial.

# STATEMENT OF ACCOUNTS 2010/11

## 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 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### ix. Government grants and contributions

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

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

With the exception of Section 106 receipts amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been substantially satisfied. Section 106 receipts are credited to the Comprehensive Income and Expenditure Statement on receipt given that under current agreements any liability to repay will not arise for ten years. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

#### **Area Based Grant (ABG) and Revenue Support Grant(RSG)**

These are general grants allocated by central government directly to local authorities as additional revenue funding. They are non-ringfenced and 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 2010/11

## 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 29)

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

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

## STATEMENT OF ACCOUNTS 2010/11

### 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.

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

##### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 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 2010/11

## 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 Best Value Accounting Code of Practice 2010/11 (BVACOP). 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 but not surface car parks, 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

From 1 April 2010, the Council revalues the 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.

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.

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

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

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 Internal Asset & Valuation Manager, Martin H Shrosbree MRICS as at 31 March 2011. The certificate is based on both valuations undertaken by the Council's Manager as well as valuers engaged from Wilks Head Eve (MRICS) and reviewed by the Council's Manager. 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

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 will consider 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.

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### 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.

### 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 then 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.

## STATEMENT OF ACCOUNTS 2010/11

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Transition to IFRS

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the date of transition to IFRS (April 2009)

Note	UK GAAP	EFFECT OF TRANSITION TO IFRS							IFRS
	Reported - 31/03/2009	Short-term accumulating compensated absences	Leases	Arrangement containing leases	Grants	Intangible Assets	Investment Properties	Cash and Cash Equivalents	Restated
	£000	1 £000	2 £000	3 £000	4 £000	5 £000	6 £000	7 £000	£000
Tangible Assets									
- Other land & Buildings	49,235								49,235
- Vehicles, plant & equipment	4,136		95						4,231
- Software	509					(509)			0
- Infrastructure assets	4,245								4,245
- Community assets	755								755
Investment Properties	11,951			(263)					11,688
Intangible assets	1					509			510
	70,832	-	95	(263)	-	-	-	-	70,664
Long Term Investments	8								8
Long Term Debtors									0
- Mortgages	47								47
- Finance Leases				160					160
LONG TERM ASSETS	70,887	-	95	(103)	-	-	-	-	70,879
Current Assets									
- Temporary Investments	77,929							(2,025)	75,904
- Debtors	6,182			1					6,183
- Cash and Cash Equivalents								2,025	2,025
CURRENT ASSETS	84,111	-	-	1	-	-	-	-	84,112
TOTAL ASSETS	154,998	-	95	(102)	-	-	-	-	154,991
Current Liabilities									
- Bank Overdraft	(934)								(934)
- Temporary Borrowing	(401)								(401)
- Creditors	(5,013)	(80)	(102)						(5,195)
CURRENT LIABILITIES	(6,348)	(80)	(102)	-	-	-	-	-	(6,530)
TOTAL ASSETS LESS CURRENT LIABILITIES	148,650	(80)	(7)	(102)	-	-	-	-	148,461
Provisions	(42)								(42)
Long Term Borrowing	(7,710)								(7,710)
Deferred Liabilities (finance lease liability)	(6,790)								(6,790)
Deferred Credits	(452)								(452)
Government/Other Grants Deferred	(3,956)				3,956				0
Liability related to Defined Benefit Pension Scheme	(17,942)								(17,942)
Capital Grants received in advance	-								0
TOTAL ASSETS LESS LIABILITIES	111,758	(80)	(7)	(102)	3,956	-	-	-	115,525
Usable Reserves:									
General Fund	3,854								3,854
Other Earmarked Reserves	3,642								3,642
Usable Capital Receipts Reserve	11,251								11,251
Capital Grants Unapplied General Reserve	-				512				512
	2,997								2,997
									0
Unusable Reserves:									
Revaluation Reserve	6,656			(68)			(3,301)		3,287
Available for Sale Reserve	463								463
Pensions Reserve	(17,942)								(17,942)
Capital Adjustment Account	100,984		(7)	(195)	3,444		3,301		107,527
Capital receipts deferred	-			161					161
Collection Fund adj account	(147)								(147)
Short-term Accumulating Compensated Absences Account	-	(80)							(80)
<b>TOTAL NET WORTH</b>	<b>111,758</b>	<b>(80)</b>	<b>(7)</b>	<b>(102)</b>	<b>3,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,525</b>

## STATEMENT OF ACCOUNTS 2010/11

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Transition to IFRS - continued

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the end of the latest period presented in the most recent financial statements under previous GAAP (31 March 2010)

Note	UK GAAP	EFFECT OF TRANSITION TO IFRS					IFRS	
	Reported - 31/03/2010	Short-term accumulating compensated absences	Leases	Grants	Intangible Assets	Investment Properties	Cash and Cash Equivalent s	Restated
	1	2	4	5	6	7		
	£000	£000	£000	£000	£000	£000	£000	£000
Tangible Assets								
- Other land & Buildings	43,205							43,205
- Vehicles, plant & equipment	5,001							5,001
- Software	620				(620)			0
- Infrastructure assets	3,919							3,919
- Community assets	797							797
Investment Properties	8,702		(263)					8,439
Intangible assets	20				620			640
	62,264	-	(263)	-	-	-	-	62,001
Long Term Investments	8							8
Long Term Debtors	7,350		159					7,509
- Mortgages	27							27
- Finance Leases	-							0
LONG TERM ASSETS	69,649	-	(104)	-	-	-	-	69,545
Current Assets								
- Temporary Investments	73,278					(2,150)		71,128
- Debtors	6,399		1					6,400
- Cash and Cash Equivalents	-						2,150	2,150
CURRENT ASSETS	79,677	-	1	-	-	-	-	79,678
TOTAL ASSETS	149,326	-	(103)	-	-	-	-	149,223
Current Liabilities								
- Bank Overdraft	(2,538)							(2,538)
- Temporary Borrowing	-							0
- Creditors	(5,318)	(81)						(5,399)
CURRENT LIABILITIES	(7,856)	(81)	0	-	-	-	-	(7,937)
TOTAL ASSETS LESS CURRENT LIABILITIES	141,470	(81)	(103)	-	-	-	-	141,286
Provisions	(57)							(57)
Long Term Borrowing	(7,710)							(7,710)
Deferred Liabilities (finance lease liability)	(5,101)							(5,101)
Deferred Credits	(324)							(324)
Government/Other Grants Deferred	(4,231)			4,231				0
Liability related to Defined Benefit Pension Scheme	(42,068)							(42,068)
Capital Grants received in advance	-							0
TOTAL ASSETS LESS LIABILITIES	81,979	(81)	(103)	4,231	-	-	-	86,026
Usable Reserves:								
General Fund	3,854							3,854
Other Earmarked Reserves	3,698							3,698
Usable Capital Receipts Reserve	7,614							7,614
Capital Grants Unapplied	-			827				827
General Reserve	2,770							2,770
Unusable Reserves:								
Revaluation Reserve	5,119		(68)			(1,941)		3,110
Available for Sale Reserve	0							0
Pensions Reserve	(42,068)							(42,068)
Capital Adjustment Account	101,023		(195)	3,404		1,941		106,173
Capital receipts deferred	-		160					160
Collection Fund adj account	(31)							(31)
Short-term Accumulating Compensated Absences Account	-	(81)						(81)
<b>TOTAL NET WORTH</b>	<b>81,979</b>	<b>(81)</b>	<b>(103)</b>	<b>4,231</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,026</b>



## STATEMENT OF ACCOUNTS 2010/11

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Transition to IFRS - continued

Reconciliation of total comprehensive income and expenditure under IFRS at the end of the latest period presented in the most recent financial statements under previous GAAP (year ended 31 March 2010)

Note	UK GAAP	EFFECT OF TRANSITION TO IFRS					IFRS
	Reported - 31/03/2010	Short-term accumulating compensated absences	Leases	Arrangement containing leases	Grants	Investment Properties	Restated
	£000	1 £000	2 £000	3 £000	4 £000	6 £000	£000
Gross expenditure, gross income and net expenditure of continuing operations							
Central Services to the Public	2,125	-	-	-	6	-	2,131
Cultural & Related Services	6,510	-	-	-	33	-	6,543
Environmental & Regulatory Services	7,303	1	-	(9)	131	-	7,426
Planning & Development Services	2,337	-	14	-	10	240	2,601
Highways and Transport Services	3,733	-	-	-	118	77	3,928
Other Housing Services	2,043	-	-	-	13	-	2,056
Corporate & Democratic Core	2,671	-	-	-	4	-	2,675
Non Distributed Costs	242	-	-	-	-	-	242
<b>NET COST OF SERVICES</b>	<b>26,964</b>	<b>1</b>	<b>14</b>	<b>(9)</b>	<b>315</b>	<b>317</b>	<b>27,602</b>
Other Operating Expenditure	14	-	-	-	-	(575)	(561)
Financing and Investment Income & Expenditure	(240)	-	(13)	2	-	258	7
Taxation and Non-Specific Grant Income	(20,792)	-	-	-	(590)	-	(21,382)
<b>Deficit on Provision of Services</b>	<b>5,946</b>	<b>1</b>	<b>1</b>	<b>(7)</b>	<b>(275)</b>	<b>0</b>	<b>5,666</b>
Deficit on revaluation of non current assets	79	-	-	-	-	-	79
Deficit on revaluation of available for sale financial assets	463	-	-	-	-	-	463
Actuarial losses on pension liability	23,291	-	-	-	-	-	23,291
<b>Other Comprehensive Income and Expenditure</b>	<b>23,833</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,833</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>29,779</b>	<b>1</b>	<b>1</b>	<b>(7)</b>	<b>(275)</b>	<b>-</b>	<b>29,499</b>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Transition to IFRS - continued

#### NOTES

##### 1. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the the benefits. Amounts are transferred to the Accumulating Absences Account until the benefits are used.

##### 2. Leases

The Authority has one property lease where the accounting treatment has changed following the introduction of the Code, relating to Pinders Lodge. 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 reclassified as a finance lease.

As a consequence of classifying the buildings element of the lease as a finance lease, the financial statements have been amended as follows:

- The Council has derecognised an asset (the building) and recognised a finance lease debtor.
- The operating lease income within Planning & Development services has been reduced by the amount that relates to the buildings element of the lease payments.
- The interest element of the lease payment in respect of the buildings element is credited to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

The net increase in the Deficit on the Provision of Services is removed by the transfer of the capital element of the operating lease repayments of £1k from the Deferred Capital Receipts Reserve, as per statutory guidance. This transfer is shown in the Movement in Reserves Statement.

##### 3. Arrangements containing a lease

The Council has also identified an arrangement containing a lease relating to vehicles used in the Refuse and Recycling contract with Enterprise. Under the Code, the Council is seen as effectively leasing 16 vehicles from Enterprise. The lease term is for 7 years starting from August 2002. The vehicles are specialised in nature and the term is for the full expected life of the asset therefore the vehicles are now classified as a finance lease.

As a consequence of classifying the vehicles element of the contract as a finance lease, the financial statements have been amended as follows:

- The Council has recognised an asset (the vehicles) and a finance lease liability.
- The contract payments within Environmental and Regulatory Services has been reduced by the notional lease payments (principal and interest) relating to the new finance lease in respect of the vehicles.
- The interest element of the notional lease payments in respect of the vehicles is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services. The principal element of the notional lease payments has been charged against the finance lease liability.
- A depreciation charge has been included within Environmental and Regulatory Services.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

The net increase of £7k in the Deficit on the Provision of Services is removed by the transfer of the depreciation charge of £95k and the capital element of the lease payments of £102k to the Capital Adjustment Account. These transfers are shown in the Movement in Reserves Statement.

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Transition to IFRS - continued

#### 4. Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government/Other Grants Deferred Account at 31 March 2009 has been transferred either to the Capital Adjustment Account in the opening 1 April 2009 balance sheet (when conditions have been met and expenditure has been incurred at 31 March 2009) or to the Capital Grants Unapplied Account, when conditions have been met but expenditure not yet incurred as at 31 March 2009.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- There were new grants received in 2009/10 where conditions had been met but no expenditure had been incurred as at 31 March 2010. Following the change in accounting policy, these grants has been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet. New grants received in 2009/10 where conditions had been met and expenditure incurred at 31 March 2010 have been transferred to the Capital Adjustment Account.

#### 5. Intangible Assets

Following review of the provisions of the Code, the Authority has reclassified the carrying amount of Software included within tangible fixed assets to intangible assets, as it is deemed not to be an integral part of the hardware.

#### 6. Investment Properties

Under the Code, gains or losses arising from a change in the fair value of investment properties should be recognised in Surplus or Deficit on the Provisions of Services. This is a change in accounting policy that requires Local Authorities to restate their opening balances appropriately.

As a consequence of adopting the new accounting policy required by the Code, the financial statements have been amended as follows:

- The balances on the Revaluation Reserve in respect of investment properties as at 1 April 2009 have been transferred to the Capital Adjustment Account.
- There has been no changes in the fair value of investment properties in 2009/10, thus no transitional adjustments are required for the 2009/10 accounts.

The Code also requires the rental income and direct expenditure on investment properties to be disclosed as part of Financing and Investment Income & Expenditure in the Comprehensive Income and Expenditure Statement. Previously, they were disclosed as part of the Net Cost of Services.

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Transition to IFRS - continued

#### 6. Investment Properties

Under the Code, gains or losses arising from the disposal of investment properties should be recognised in Financing and Investment Income & Expenditure rather than in Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. This is a change in accounting policy that requires Local Authorities to restate their prior year balances appropriately.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The loss on disposal of investment properties has been reclassified from Other Operating Expenditure to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- The gains in the Revaluation Reserve relating to investment properties that were disposed off have been reclassified to the Capital Adjustment Account, as under the Code, all gains on revaluation of investment properties are recognised initially in the Surplus or Deficit on Provision of Services and then reclassified to the Capital Adjustment Account in the Movement in Reserves Statement.

#### 7. Cash and cash equivalents

The Code requires local Authorities to disclose cash and cash equivalents on the face of the Balance Sheet. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Reclassifying items to cash equivalents following IAS 7 is a change of accounting policy that requires councils to restate their opening balances in respect of cash and cash equivalents.

As a consequence of adopting the new accounting policy required by the Code, a portion of the balance on the Temporary Investments account as at 31 March 2009 and 31 March 2010 which meets the definition of a cash equivalent has been reclassified to Cash and Cash Equivalents.

### 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 31.3.11 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 2010/11

## 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>2009/10 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	2,096			(2,096)
Charges for depreciation refuse vehicles	97			(97)
Revaluation / Impairment on Property Plant and Equipment	5,480			(5,480)
Amortisation of intangible assets	328			(328)
Capital grants and contributions applied	(272)			272
Revenue expenditure funded from capital under statute	1,223			(1,223)
Revenue grants written down to the Capital Adjustment Account	(294)			294
Disposal of non current assets	(2,364)			2,364
Disposal of investment properties	1,864			(1,864)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory adjustment relating to capital element of principal payment for finance lease	(102)			102
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	(317)		317	
Application of grants to capital financing transferred to the Capital Adjustment Account			(2)	2
<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	(2,956)	2,956		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	15	(15)		
<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 27)	2,809			(2,809)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,974)			1,974
<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	(116)			116
<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	1			(1)
<b>Total Adjustments</b>	<b>5,494</b>	<b>2,941</b>	<b>315</b>	<b>(8,750)</b>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

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

	Usable Reserves			
	General Fund balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>2010/11</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	2,618			(2,618)
Revaluation / Impairment on Property Plant and Equipment	4,363			(4,363)
Movements in the market value of Investment Properties	(1,414)			1,414
Amortisation of intangible assets	296			(296)
Capital grants and contributions applied	(160)			160
Revenue expenditure funded from capital under statute	1,404			(1,404)
Revenue grants written down to the Capital Adjustment Account	(321)			321
Disposal of non current assets	450			(450)
Disposal of investment properties	90			(90)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
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	(48)		48	
Application of grants to capital financing transferred to the Capital Adjustment Account			(221)	221
<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	(1,294)	1,294		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	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 27)	(6,838)			6,838
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,979)			1,979
<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	(93)			93
<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	(1)			1
<b>Total Adjustments</b>	<b>(2,946)</b>	<b>1,289</b>	<b>(173)</b>	<b>1,830</b>

# STATEMENT OF ACCOUNTS 2010/11

## 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 2010/11.

	Balance 1 April 2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Balance 31 March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance 31 March 2011 £'000
Interest equalisation reserve	(2,204)	1,019	-	(1,185)	1,185	-	0
Insurance fund	(34)	24	-	(10)	-	-	(10)
Emergency Planning Reserve	(37)	-	-	(37)	-	-	(37)
VAT Partial Exemption Reserve	(145)	-	-	(145)	-	-	(145)
Service Improvement Fund	(899)	104	-	(795)	127	-	(668)
LDF/Green Belt Reserve	(142)	-	(221)	(363)	-	(150)	(513)
Housing Condition Survey Reserve	(28)	60	(55)	(23)	-	(14)	(37)
Council Elections Reserve	(25)	-	(25)	(50)	-	(25)	(75)
LABGI Reserve	(461)	145	-	(316)	182	-	(134)
AWC Reserve	(128)	128	-	-	-	-	-
Sinking fund - Leisure Utilities / Pension Reserve	0	-	(60)	(60)	-	(60)	(120)
Restructure fund	0	-	(33)	(33)	-	-	(33)
Legal Fees Reserve	0	-	(31)	(31)	19	-	(12)
Performance Reward Grant Reserve	0	-	(217)	(217)	178	(28)	(67)
Pension Strain Costs Reserve	0	-	(158)	(158)	79	(21)	(100)
Waste Recycling Reserve	0	-	(275)	(275)	-	-	(275)
Footbridge Reserve	0	-	-	-	-	(50)	(50)
Cost of Change Reserve	0	-	-	-	-	(400)	(400)
<b>Total</b>	<b>(4,103)</b>	<b>1,480</b>	<b>(1,075)</b>	<b>(3,698)</b>	<b>1,770</b>	<b>(748)</b>	<b>(2,676)</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. The balance on the reserve has been fully applied in 2010/11 in line with a Council decision.

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

New rules were introduced from 1 April 2007 relating to the provisions which allow Local Authorities to recover exempt input tax. The position has increased the possibility of the Council being unable to recover its exempt input tax in full in certain circumstances. 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.

During 2008/09 the Council established the following reserves in order to smooth the incidence of expenditure over the period of the Council's Medium Term Financial Plan (MTFP);

Local Development Framework, Stansted G2 and Green Belt review Reserve  
Housing Condition Survey Reserve  
Council Elections Reserve

Planned appropriations have been made to each of these reserves in 2010/11.

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

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

Local Authority Business Growth Incentives (LABGI) Reserve	In line with the Council's MTFP appropriations have been made in 2010/11 to support the economic development service and general Council Tax.
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. A further £19k has been applied in 2010/11.
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. In line with the planned use of the funding stream to support both the Council Tax and schemes by the Local Strategic Partnership, a total of £150k has been applied in 2010/11.
Pension Strain Costs Reserve	In line with Council decisions relating to flexible and early retirements an earmarked reserve was at 31 March 2010. This balance on the reserve represents the outstanding pension strain costs arising from decisions taken prior to 31 March 2011.
Waste Recycling Reserve	Further to the receipt of additional income of £275k under the county wide funding formula for waste recycling the Council determined to establish an earmarked reserve to assist with future initiatives in respect of its waste and recycling strategies. Release of the reserve is dependant on the Council's acceptance of a worked up business case for any initiative further to the re-letting of the waste collection contract
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.



# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Property, Plant & Equipment

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

Cost or Valuation	As at 01/04/2010 £000	Additions £000	Disposals £000	Reclassification £000	Revaluations £000	Total as at 31/03/2011 £000
Other Land & Buildings	43,582	2,854	(458)	-	25	46,003
Vehicles, Plant, furniture & Equip.	11,329	816	-	-	-	12,145
Infrastructure	7,507	63	-	-	-	7,570
Community Assets	815	403	-	-	-	1,218
	<u>63,233</u>	<u>4,136</u>	<u>(458)</u>	<u>0</u>	<u>25</u>	<u>66,936</u>

Depreciation & Impairment	As at 01/04/2010 £000	Charge for Year £000	Disposals £000	Revaluations £000	Total as at 31/03/2011 £000	Balance Sheet as at 31/03/11 £000
Other Land & Buildings	377	1,296	(8)	4,552	6,217	39,786
Vehicles, Plant, furniture & Equip.	6,328	933	-	-	7,261	4,884
Infrastructure	3,588	380	-	-	3,968	3,602
Community Assets	18	7	-	-	25	1,193
	<u>10,311</u>	<u>2,616</u>	<u>(8)</u>	<u>4,552</u>	<u>17,471</u>	<u>49,465</u>

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

	2010/11 £000
Additions in the year (as above)	4,136
Intangible assets	369
	<u>4,505</u>
plus REFUS (not included in note 6)	1,404
Total Capital Spend as per Note 25	<u>5,909</u>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Investment Properties

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

	2010/11 £000	2009/10 £000
Rental income from investment property	(549)	(642)
Direct operating expenses arising from investment property	353	325
Net gain	<u>(196)</u>	<u>(317)</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:

	2010/11 £000	2009/10 £000
Balance at start of the year	8,439	11,688
Additions:		
Subsequent expenditure	-	16
Disposals	(90)	(3,265)
Net gains/losses from fair value adjustments	1414	-
Balance at end of the year	<u>9,763</u>	<u>8,439</u>

### 8. 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:

	2010/11	Total	2009/10	Total
	Software £000	Other intangible assets £000	Software £000	Other intangible assets £000
Balance at start of year:				
• Gross carrying amounts	2,238	21	1,799	2
• Accumulated amortisation	(1,618)	(1)	(1,290)	(1)
Net carrying amount at start of year	620	20	509	1
Additions:				
• Purchases	368	-	439	19
Amortisation for the period	(291)	(5)	(328)	-
Net carrying amount at end of year	<u>697</u>	<u>15</u>	<u>620</u>	<u>20</u>
Comprising:				
• Gross carrying amounts	2,606	21	2,238	21
• Accumulated amortisation	(1,909)	(6)	(1,618)	(1)
	<u>697</u>	<u>15</u>	<u>620</u>	<u>20</u>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 9. 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'

	31 March '11 £000	Long Term 31 March '10 £000	01 April '09 £000	31 March '11 £000	Current 31 March '10 £000	01 April '09 £000
<b>Borrowing</b>						
Financial Liabilities at amortised cost	7,932	12,811	7,710	10,822	6,685	6,363
<b>Total Borrowing</b>	<b>7,932</b>	<b>12,811</b>	<b>7,710</b>	<b>10,822</b>	<b>6,685</b>	<b>6,363</b>
<b>Investments</b>						
Loans and Receivables	194	7,544	215	14,861	6,821	12,367
Available for Sale Financial Assets	-	-	-	65,867	70,062	68,309
<b>Total Investments</b>	<b>194</b>	<b>7,544</b>	<b>215</b>	<b>80,728</b>	<b>76,883</b>	<b>80,676</b>

See also Notes 29 and 30 to the Core Statements. (Investments and Borrowings)

### 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

	2010/11 £000
Balance brought forward	-
Net unrealised gain on investments	23
Realised gain to Revenue	-
Balance carried forward	<u>23</u>

See also Note 17, page 38.

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 10. 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:

2010/11	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for Sale Assets	
	£000	£000	£000	
Interest Expense	(661)	-	-	(661)
Realised losses	-	-	-	0
<b>Interest Payable and Similar Charges</b>	<b>(661)</b>	<b>0</b>	<b>0</b>	<b>(661)</b>
Interest Income	-	42	368	410
Realised Gains	-	-	461	461
<b>Interest and Investment Income</b>	<b>0</b>	<b>42</b>	<b>829</b>	<b>871</b>
Gains on revaluation	-	-	23	23
Impairments taken to I & E	-	-	-	0
<b>Loss arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>23</b>
<b>Net Gain / (Loss) for year</b>	<b>(661)</b>	<b>42</b>	<b>852</b>	<b>233</b>

2009/10	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for Sale Assets	
	£000	£000	£000	
Interest Expense	(681)	-	-	(681)
Realised losses	-	-	-	0
<b>Interest Payable and Similar Charges</b>	<b>(681)</b>	<b>0</b>	<b>0</b>	<b>(681)</b>
Interest Income	-	130	502	632
Realised Gains	-	-	1,862	1,862
<b>Interest and Investment Income</b>	<b>0</b>	<b>130</b>	<b>2,364</b>	<b>2,494</b>
Gains on revaluation	-	-	-	0
Impairments taken to I & E	-	-	-	0
<b>Loss arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Gain / (Loss) for year</b>	<b>(681)</b>	<b>130</b>	<b>2,364</b>	<b>1,813</b>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 11. 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:

- PWLB has provided the Fair Value Calculation for their 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 2011		31st March 2010		1st April 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>	18,532	22,223	19,496	22,965	14,073	18,352

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 2011		31st March 2010		1st April 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Loans and Receivables *</b>	13,992	14,097	13,292	13,189	11,594	11,764

\* Excludes Fund Managers cash included within Note 9.

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 29 and 30 to the Core Statements. (Investments and Borrowings)

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Debtors

<b>Short Term Debtors</b>	<b>31 March '11 £000</b>	<b>31 March '10 £000</b>	<b>01 April '09 £000</b>
Central government bodies	1,278	2,362	1,965
Other local authorities	448	939	1,678
Bodies external to general government (ie all other bodies)	11,434	3,099	2,540
	<b>13,160</b>	<b>6,400</b>	<b>6,183</b>

<b>Long Term Debtors</b>	<b>31 March '11 £000</b>	<b>31 March '10 £000</b>	<b>01 April '09 £000</b>
Bodies external to general government (ie all other bodies)	178	7,536	207
	<b>178</b>	<b>7,536</b>	<b>207</b>

### 13. Cash and Cash Equivalents

	<b>31 March '11 £000</b>	<b>31 March '10 £000</b>	<b>01 April '09 £000</b>
Short-term deposits with banks	1,986	2,150	2,025
<b>Total Cash and Cash Equivalents</b>	<b>1,986</b>	<b>2,150</b>	<b>2,025</b>

### 14. Creditors

<b>Short Term Creditors</b>	<b>31 March '11 £000</b>	<b>31 March '10 £000</b>	<b>01 April '09 £000</b>
Central government bodies	1,208	1,366	314
Other local authorities	205	207	211
Bodies external to general government (ie all other bodies)	8,675	3,826	4,670
	<b>10,088</b>	<b>5,399</b>	<b>5,195</b>

<b>Long Term Creditors</b>	<b>31 March '11 £000</b>	<b>31 March '10 £000</b>	<b>01 April '09 £000</b>
Bodies external to general government (ie all other bodies)	222	5,101	6,790
	<b>222</b>	<b>5,101</b>	<b>6,790</b>

#### Deferred liabilities

The deferred liability of £5.101m at 31 March 2010 consists of a £5m deferred premium (including dilapidation compensation) in respect of the Council's surrender of the Causeway Lease and £101k liability in respect of a rent accrual for the Causeway Car Park.

At 31 March 2010 this deferred liability was offset by a long term debtor representing deferred consideration on disposal of the Causeway.

At 31 March 2011 both the liability and debtor relating to this transaction are included within short term creditors/debtors.

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 15. 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.

	Other Provisions £000	Total £000
<b>Balance at 1 April 2010</b>	57	57
Additional provisions made in 2010/11	9	9
Amounts used in 2010/11	(5)	(5)
<b>Balance at 31 March 2011</b>	<u>61</u>	<u>61</u>

### 16. 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.

### 17. Unusable Reserves

	31 March '11 £000	31 March '10 £000	01 April '09 £000
Revaluation Reserve	2,838	3,110	3,287
Available for Sale Financial Instruments Reserve	23	-	463
Capital Adjustment Account	104,384	106,173	107,527
Deferred Capital Receipts Reserve	159	160	161
Pensions Reserve	(22,093)	(42,068)	(17,942)
Collection Fund Adjustment Account	62	(31)	(147)
Accumulated Absences Account	(80)	(81)	(80)
<b>Total Unusable Reserves</b>	<u>85,293</u>	<u>67,263</u>	<u>93,269</u>

#### 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.

	2010/11		2009/10
	£000	£000	£000
<b>Balance at 1 April</b>		3,110	3,287
Upward revaluation of assets	25		299
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(214)		(379)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(189)	(80)
Difference between fair value depreciation and historical cost depreciation		(83)	(97)
<b>Balance at 31 March</b>		<u>2,838</u>	<u>3,110</u>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Unusable Reserves - continued

#### 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.

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	-	463
Upward revaluation of investments	23	-
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0	(463)
<b>Balance at 31 March</b>	<u>23</u>	<u>0</u>

#### 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 and gains recognised on donated assets 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.

	2010/11		2009/10
	£000	£000	£000
<b>Balance at 1 April</b>		106,173	107,527
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
· Charges for depreciation of non current assets	(2,618)		(2,193)
· Charges for depreciation on revalued assets	84		97
· Revaluation/Impairment on Property, Plant and Equipment	(4,363)		(5,480)
· Amortisation of intangible assets	(296)		(328)
· Revenue expenditure funded from capital under statute	(1,404)		(1,223)
· Revenue grants written down to the Capital Adjustment Account	321		294
· Disposal of property, plant and equipment	(450)		2,364
· Disposal of investment properties	(90)		(1,864)
		<u>(8,816)</u>	<u>(8,333)</u>
Capital financing applied in the year:			
· Use of the Capital Receipts Reserve to finance new capital expenditure	5,182		6,578
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	160		272
· Application of grants to capital financing from the Capital Grants	221		2
· Statutory adjustment for the capital element of finance lease repayments - Refuse trucks	-		102
· Capital expenditure charged against the General Fund	25		25
		<u>5,588</u>	<u>6,979</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,439	0
<b>Balance at 31 March</b>		<u>104,384</u>	<u>106,173</u>



# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Unusable Reserves - continued

#### Pensions Reserve

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

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	(42,068)	(17,942)
Actuarial gains or (losses) on pensions assets and liabilities	11,158	(23,291)
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	6,838	(2,809)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,979	1,974
<b>Balance at 31 March</b>	<u>(22,093)</u>	<u>(42,068)</u>

#### 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.

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	160	161
Transfer to the General Fund for the capital element of finance lease payments	(1)	(1)
<b>Balance at 31 March</b>	<u>159</u>	<u>160</u>

#### 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.

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	(31)	(147)
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	93	116
<b>Balance at 31 March</b>	<u>62</u>	<u>(31)</u>

#### 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.

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	(81)	(80)
Settlement or cancellation of accrual made at the end of the preceding year	81	80
Amounts accrued at the end of the current year	(80)	(81)
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	1	(1)
<b>Balance at 31 March</b>	<u>(80)</u>	<u>(81)</u>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 18. 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 2010/11	Revenues & Benefits	Other Internal Services	Planning & Building Control	Other Neighbourhood Services	Recycling	Car Parking	Other Customer & Community	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(248)	(521)	(1,376)	(449)	(1,060)	(4,162)	(2,004)	(12)	(9,832)
Government grants	(35,762)	(331)	(17)	(571)	(730)	(212)	(270)	0	(37,893)
<b>Total Income</b>	<b>(36,010)</b>	<b>(852)</b>	<b>(1,393)</b>	<b>(1,020)</b>	<b>(1,790)</b>	<b>(4,374)</b>	<b>(2,274)</b>	<b>(12)</b>	<b>(47,725)</b>
Employee expenses	1,469	3,616	2,114	1,840	0	0	2,869	578	12,486
Other service expenses	34,808	2,979	398	819	2,025	2,647	8,962	86	52,724
Support service recharges	0	(161)	0	(25)	0	0	0	33	(153)
Depreciation, amortisation & Impairment	73	599	95	1,237	170	1,178	5,322	19	8,693
<b>Total Expenditure</b>	<b>36,350</b>	<b>7,033</b>	<b>2,607</b>	<b>3,871</b>	<b>2,195</b>	<b>3,825</b>	<b>17,153</b>	<b>716</b>	<b>73,750</b>
<b>Net Expenditure</b>	<b>340</b>	<b>6,181</b>	<b>1,214</b>	<b>2,851</b>	<b>405</b>	<b>(549)</b>	<b>14,879</b>	<b>704</b>	<b>26,025</b>

Services Income & Expenditure 2009/10 Comparative Figures	Revenues & Benefits	Other Internal Services	Planning & Building Control	Other Neighbourhood Services	Recycling	Car Parking	Other Customer & Community	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(248)	(537)	(1,203)	(562)	(1,327)	(4,275)	(2,355)	(7)	(10,514)
Government grants	(33,868)	(278)	(408)	(467)	0	0	(71)	0	(35,092)
<b>Total Income</b>	<b>(34,116)</b>	<b>(815)</b>	<b>(1,611)</b>	<b>(1,029)</b>	<b>(1,327)</b>	<b>(4,275)</b>	<b>(2,426)</b>	<b>(7)</b>	<b>(45,606)</b>
Employee expenses	1,389	3,558	1,959	1,786	0	0	2,717	604	12,013
Other service expenses	32,943	3,173	499	992	2,013	2,265	9,832	113	51,830
Support service recharges	0	(132)	0	0	0	0	0	32	(100)
Depreciation, amortisation & Impairment	49	584	110	1,035	141	3,911	3,374	19	9,223
<b>Total Expenditure</b>	<b>34,381</b>	<b>7,183</b>	<b>2,568</b>	<b>3,813</b>	<b>2,154</b>	<b>6,176</b>	<b>15,923</b>	<b>768</b>	<b>72,966</b>
<b>Net Expenditure</b>	<b>265</b>	<b>6,368</b>	<b>957</b>	<b>2,784</b>	<b>827</b>	<b>1,901</b>	<b>13,497</b>	<b>761</b>	<b>27,360</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.

	2010/11 £000	2009/10 £000
<b>Net expenditure in the Service Analysis</b>	<b>26,025</b>	<b>27,360</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	(9,728)	242
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>16,297</b>	<b>27,602</b>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

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

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

2010/11	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	(9,832)		(9,832)		(9,832)
Interest and Investment income				(1,420)	(1,420)
Income from Council Tax				(12,787)	(12,787)
Government grants and contributions	(37,893)		(37,893)	(8,378)	(46,271)
<b>Total Income</b>	<b>(47,725)</b>	<b>0</b>	<b>(47,725)</b>	<b>(22,585)</b>	<b>(70,310)</b>
Employee expenses	12,486	(9,728)	2,758	1,007	3,765
Other service expenses	52,724		52,724	353	53,077
Support Service recharges	(153)		(153)		(153)
Depreciation, amortisation and impairment	8,693		8,693		8,693
Interest payments				661	661
Precepts and Levies				3,514	3,514
Payments to Housing Capital Receipts Pool				5	5
Changes in value of Investment Properties				(1,414)	(1,414)
Gain or loss on disposal of fixed assets				(754)	(754)
<b>Total Expenditure</b>	<b>73,750</b>	<b>(9,728)</b>	<b>64,022</b>	<b>3,372</b>	<b>67,394</b>
<b>Surplus or deficit on the provision of services</b>	<b>26,025</b>	<b>(9,728)</b>	<b>16,297</b>	<b>(19,213)</b>	<b>(2,916)</b>

2009/10 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	(10,514)		(10,514)		(10,514)
Interest and Investment income				(3,136)	(3,136)
Income from Council Tax				(12,411)	(12,411)
Government grants and contributions	(35,092)		(35,092)	(8,971)	(44,063)
<b>Total Income</b>	<b>(45,606)</b>	<b>0</b>	<b>(45,606)</b>	<b>(24,518)</b>	<b>(70,124)</b>
Employee expenses	12,013	242	12,255	1,562	13,817
Other service expenses	51,830		51,830	325	52,155
Support Service recharges	(100)		(100)		(100)
Depreciation, amortisation and impairment	9,223		9,223		9,223
Interest payments				681	681
Precepts and Levies				3,454	3,454
Payments to Housing Capital Receipts Pool				15	15
Gain or loss on disposal of fixed assets				(3,455)	(3,455)
<b>Total Expenditure</b>	<b>72,966</b>	<b>242</b>	<b>73,208</b>	<b>2,582</b>	<b>75,790</b>
<b>Surplus or deficit on the provision of services</b>	<b>27,360</b>	<b>242</b>	<b>27,602</b>	<b>(21,936)</b>	<b>5,666</b>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 19. 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:

	2010/11 £000	2009/10 £000
Basic Allowances	235	250
Special Responsibility Allowances	149	166
	<u>384</u>	<u>416</u>

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

### 20. Officer Emoluments

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

Remuneration Band	2010/11		2009/10	
	Total	Left During Year	Total	Left During Year
£50,000 to £54,999	2	-	2	-
£55,000 to £59,999	5	-	3	-
£60,000 to £64,999	6	1	8	-
£65,000 to £69,999	1	-	-	-
£70,000 to £74,999	-	-	-	-
£75,000 to £79,999	1	-	1	-
£80,000 to £84,999	1	-	1	-
£85,000 to £89,999	-	-	-	-
£90,000 to £94,999	1	-	2	1
£95,000 to £99,999	-	-	-	-
£100,000 to £104,999	2	-	1	-
£105,000 to £109,999	-	-	-	-
£110,000 to £114,999	-	-	-	-
£115,000 to £119,999	-	-	-	-
£120,000 to £124,999	-	-	-	-
£125,000 to £129,999	-	-	-	-
£130,000 to £134,999	-	-	1	-

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 21. 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 20, whose salary is more than £50,000 per year:-

Post Holder	Salary (inc expense allowance)	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
<b>2010/11</b>					
Chief Executive	98,918	2,102	101,020	54,916 *	155,936
Director of Neighbourhood Services	85,365	5,909	91,274	19,256	110,530
Director of Customer and Community Programme Director	78,670	3,061	81,731	16,249	97,980
Director of Internal Services	79,260	-	79,260	16,385	95,645
	103,508	-	103,508	21,800	125,308
<b>2009/10</b>					
Chief Executive	130,930	1,362	132,292	61,986 *	194,278
Director of Neighbourhood Services	84,568	6,582	91,150	19,421	110,571
Director of Customer and Community Programme Director	78,132	1,902	80,034	16,249	96,283
Director of Internal Services	78,011	-	78,011	16,249	94,260
	103,477	-	103,477	21,800	125,277

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

### 22. 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 2010/11 East Herts District Council incurred the following fees relating to external audit and inspection:

	2010/11 £000	2009/10 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	132	154
Fees payable to the Audit Commission in respect of statutory inspection	(9)	9
Fees payable to Grant Thornton for the certification of grant claims and returns	21	23
Fees payable to the Audit Commission in respect of the National Fraud Initiative	1	1
	<u>145</u>	<u>187</u>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax	12,787	12,411
Non-Domestic Rates	7,144	6,614
Revenue Support Grant	1,037	1,527
Area Based Grant	37	23
Performance Reward Grant	-	434
Big Lottery - capital grant	-	123
Other Capital Grants	160	12
HCC Blue Box contribution	-	151
Developer Contributions	-	87
	21,165	21,382
<b>Credited to Services</b>		
<u>Grants</u>		
DWP	35,753	33,847
DCLG	438	792
Environment Agency	223	190
LAA	80	99
DCMS	39	63
DEFRA	8	24
Home Office	5	12
Go East	49	71
EEDA	116	-
	36,711	35,098
<u>Other Contributions</u>		
Contributions from Other Authorities	1,347	973
Income from Other Bodies	732	811
	2,079	1,784

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:

	2010/11 £000	2009/10 £000
<b>Capital Grants Receipts in Advance</b>		
Performance Reward Grant	31	-
Other grant	7	-
	38	-

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 24. 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 presumed 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 elsewhere in this Statement of Accounts. 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.

There are no transactions to report in respect of Members or Chief Officers.

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 page 36 within notes 12 & 14.

### 25. Capital Expenditure and Capital Financing

In 2010/11 capital expenditure of £5,908,544 was incurred as follows:

	£000
Housing	214
Renewal and Other Housing Grants	848
Information Technology	650
Community Grants	209
Leisure Centres and Swimming Pools	140
Other Leisure & Cultural Projects	1,507
Planning & Town Centre Schemes	253
Recycling & Environment	1,951
Other	137
<b>Total</b>	<b>5,909</b>

The capital expenditure programme is financed as follows:

FINANCED:	£000	CAPITAL EXPENDITURE:	£000
Government Grants	292	Fixed Assets	4,136
Revenue Financing	25	Intangible Assets	369
Capital Receipts	5,182	REFCUS	1,404
Other Contributions	410		
	<b>5,909</b>		<b>5,909</b>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 26. 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 contract with Enterprise. Under the Code, the Council is seen as effectively leasing 16 vehicles from Enterprise. The lease term is for 7 years starting from August 2002. 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 nil carrying value, due to the assets being fully depreciated at 31 March 2011.

The Council has no commitment to make minimum payments under the lease as at 31 March 2011, as the lease ended in August 2009, and all outstanding payments had been made by 31 March 2010.

##### Operating leases

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

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 2010/11, 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 11</b>	<b>31 March 10</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	449	449
Later than one year and not later than five years	1,775	1,780
Later than five years	5,960	6,404

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

	<b>2010/11</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	449	284
Contingent rents	0	113
Lease payments payable	(97)	(45)
	<b>352</b>	<b>352</b>



# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Leases - continued

#### Council as a lessor

##### Finance leases

The Council has one property lease where the accounting treatment has changed following the introduction of the Code, relating to Pinders Lodge. 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>£000</b>
Finance lease debtor as at 31 March 2011	159
Unearned finance income	343
Gross investment in lease as at 31 March 2011	<u>502</u>

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

	<b>Gross investment in lease 31 March '11</b>
Not later than 1 year	14
Later than 1 year and not later than 5 years	56
Later than 5 years	432
	<u>502</u>

##### 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 '11 £000</b>
Not later than one year	474
Later than 1 year and not later than 5 years	1,557
Later than 5 years	25,568

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 2010/11 £180k contingent rents were receivable by the Council (2009/10 £258k).

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 27. 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.

The following transactions set out the position for the year:

Comprehensive Income & Expenditure Statement:	2010/11	2009/10
	£000	£000
Net Cost of Services:		
Current service cost	1,883	1,005
Non Distributed Costs	(9,728)	242
Net Operating Expenditure:		
Interest cost	5,165	4,424
Expected returns on assets in the scheme	(4,158)	(2,862)
Costs charged against CI&E	(6,838)	2,809
Amounts to be met from Government Grants & Local taxation:		
movement on the pensions reserve	8,817	(835)
Actual amount charged against council tax for pensions in the year:		
Employers contributions payable to scheme	1,979	1,974

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

Reconciliation of present value of the scheme liabilities:

	2010/11	2009/10
	£000	£000
<b>1 April</b>	102,115	64,699
Current Service Cost	1,883	1,005
Interest Cost	5,165	4,424
Contributions by scheme participants	590	610
Actuarial gains and losses	(10,921)	34,188
Benefits paid	(3,788)	(3,053)
Past service costs (Gains)	(9,764)	170
Losses on Curtailments	36	72
<b>31 March</b>	<b>85,316</b>	<b>102,115</b>

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Hertfordshire County Council Pension Fund by £9,764k and has been recognised as a past service gain in accordance with guidance set down in UTIF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Pension Scheme - continued

Reconciliation of fair value of the scheme assets:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
1 April	60,047	46,757
Expected rate of return	4,158	2,862
Actuarial gains and losses	237	10,897
Employer contributions	1,979	1,974
Contributions by scheme participants	590	610
Benefits paid	(3,788)	(3,053)
31 March	<u>63,223</u>	<u>60,047</u>

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

The actual return on scheme assets in the year was £14,264,000 (2009/10 £14,859,000).

Scheme history

	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of liabilities	(85,316)	(102,115)	(64,699)	(67,273)	(81,005)
Fair value of assets	63,223	60,047	46,757	61,676	66,648
(Deficit) in the scheme	<u>(22,093)</u>	<u>(42,068)</u>	<u>(17,942)</u>	<u>(5,597)</u>	<u>(14,357)</u>

The Council elected not to restate fair value of schemes from mid-market to bid price as permitted by IAS 19. On the basis of immateriality, as advised by the actuary, 2006/07 and 2007/08 have not been restated.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £85,316k has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £22,093k.

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 2012 is £1,847k.

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 27. 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 '11	31 March '10	
Long-term expected rate of return on assets in the scheme:			
Equity investments	7.5%	7.8%	
Bonds	4.9%	5.0%	
Other	10.1%	10.6%	
Mortality assumptions:			
Longevity at 65 for current pensioners:			
Men	21.0	years	22.7
Women	23.8	years	26.1
Longevity at 65 for future pensioners:			
Men	22.9	years	24.8
Women	25.7	years	28.3
Rate of inflation/ Pension increase	2.8%	3.8%	
Rate of increase in salaries	5.1%	5.3%	
Expected Return on Assets	6.8%	7.0%	
Discount Rate	5.5%	5.5%	
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 '11	31 March '10
	%	%
Equity investments	73	71
Bonds	19	19
Other assets	8	10
	<u>100</u>	<u>100</u>

History of experience gains and losses	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
	%	%	%	%	%
Differences between the expected and actual return on assets	1.30	19.98	(40.90)	(13.70)	1.39
Experience gains and losses on liabilities	1.76	0.00	0.02	8.89	(0.03)

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 28. 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 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 @ 31.3.11 £000	Historical Experience Default
UK Treasury	AAA	F1	No limit	0	0
Canadian Banks	AA	F1	5,500	4,700	0
UK Banks	AA	F1	30,000	14,366	0
French Banks	AA	F1	5,500	4,729	0
Netherlands Banks	AA	F1	5,500	3,531	0
Building Societies	AA	F1	5,500	2,928	0
German bank	AA	F1	5,500	3,419	0
SWIP Money Market Funds	AAA		No limit	34,239	0
SWIP Cash Fund	AAA		No limit	988	0
				<u>68,900</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 20)

	31 March '11 £000	31 March '10 £000
Less than three months	932	491
Three months to six months	192	129
Six months to one year	476	446
More than one year	1,163	949
	<u>2,763</u>	<u>2,015</u>

In addition to the above there is a debtor of £7,350,000 where payment is not due until 16 October 2011. 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 30, page 53).

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

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Nature and Extent of Risks arising from Financial Instruments (cont.)

#### 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 2011 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 of the authority's cost of borrowing 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.

The prolonged low interest rates resulted in lower returns than originally budgeted for in 2010/11. The Council had established an Interest Equalisation Reserve (£1.185m) in order to assist in managing interest rate fluctuations. The balance on the reserve has been fully applied in 2010/11 in line with a Council decision

Based on the current Treasury Management position at 31 March 2011, 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	20
Increase in government grant receivable for financing costs	de-minimis
Impact on Income and Expenditure Account	<u>20</u>
Decrease in fair value of fixed rate investment assets (impact on Comprehensive I & E Statement)	<u>161</u>
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive I & E Statement)	<u>875</u>

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

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Nature and Extent of Risks arising from Financial Instruments (cont.)

#### 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.

### 29. Investments

The Council's investments consists of:

	31 March 2011 £000	31 March 2010 £000	1st April 2009 £000
Long term investments	8	8	8
Temporary investments:			
Money market fund	34,239	34,697	33,355
Building Society Deposits	2,928	5,302	5,210
Bank deposits	29,747	31,129	34,325
Uk Treasury Securities	-	-	3,014
	<u>66,922</u>	<u>71,136</u>	<u>75,912</u>

### 30. Borrowing

Source of Loan	Range of interest rates payable (%)	Total Outstanding	
		31 March '11 £000	31 March '10 £000
Public Works Loan Board	8.875 - 10.125	1,521	1,521
Bonds	8.785	6,189	6,189
		<u>7,710</u>	<u>7,710</u>

An analysis of loans by maturity is:-

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

Also see notes 9 and 11 to the Core Statements.

### 31. Deferred Credits

Deferred Credits include 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 and sums receivable under planning agreements.

	2010/11		Total £000
	Mortgages £000	Sec 106 £000	
Balance as at 1 April	28	296	324
Movements in the year	(7)	(51)	(58)
Balance as at 31 March	<u>21</u>	<u>245</u>	<u>266</u>

# STATEMENT OF ACCOUNTS 2010/11

## NOTES TO THE FINANCIAL STATEMENTS

### 32. 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:

	2010/11 £000	2009/10 £000
Recruitment Advertising	6	13
Local Authority Periodical	41	44
<b>Total</b>	<b>47</b>	<b>57</b>

### 33. 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 2010/11 divided between chargeable and non-chargeable activities.

	2010/11		Building Control Total £000
	Chargeable £000	Non Chargeable £000	
<b>Expenditure</b>			
Employee Expenses	404	107	511
Premises	28	7	35
Transport	28	7	35
Supplies and Services	48	13	61
Support Service Charges	151	33	184
<b>Total Expenditure</b>	<b>659</b>	<b>167</b>	<b>826</b>
<b>Income</b>			
Bldg Regulation Charges	651	0	651
<b>Total Income</b>	<b>651</b>	<b>0</b>	<b>651</b>
<b>(Surplus) / Deficit</b>	<b>8</b>	<b>167</b>	<b>175</b>

### 34. Analysis of Fixed Assets

		31 March '11 (Nos.)	31 March '10 (Nos.)
Council Dwellings	Hostels	1	2
	Houses	3	3
Council Offices	Freehold	1	1
	Leasehold	1	1
Service Centre	Leasehold	1	1
Cash Offices		2	2
Off-Street Car Parks ( incl. Leasehold)		31	31
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		51 Units	52 Units
Land Awaiting Development		3 Acres	3 Acres

### 35. Post Balance Sheet Event

With effect from May 2011 the Council relet its Refuse, Recycling and Street Cleansing contract which will result in revenue savings of £1.469m compared to 2010/11.

On 20 April 2011 the Council placed a Structured Deposit of £10m with Lloyds TSB bank for a period of 4 years.



# STATEMENT OF ACCOUNTS 2010/11

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

INCOME		2010/11 £000	2009/10 £000
Council Tax	<i>Note 2</i>	79,795	78,662
Transfers from General Fund - Council Tax Benefits	<i>Note 2</i>	6,896	6,722
Income collectable from business ratepayers	<i>Note 3</i>	40,513	39,998
Contribution towards previous years deficit		108	898
		<u>127,312</u>	<u>126,280</u>
EXPENDITURE			
Precepts and Demands	<i>Note 4</i>	85,911	85,267
Business Rate			
- Payment to National Pool	<i>Note 3</i>	40,310	39,793
- Costs of Collection	<i>Note 3</i>	203	205
Bad Debt Provision - Increase: Council Tax		260	221
		<u>126,684</u>	<u>125,486</u>
MOVEMENT ON FUND			
Net (Income)/Expenditure		(628)	(794)
Balance as at 1 April		211	1,005
(Surplus)/Deficit as at 31 March	<i>Note 5</i>	<u>(417)</u>	<u>211</u>

# STATEMENT OF ACCOUNTS 2010/11

## 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 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	707.50	6/9	471.67
B	4,881.25	7/9	3,796.53
C	12,917.25	8/9	11,482.00
D	13,323.00	9/9	13,323.00
E	9,528.75	11/9	11,646.25
F	6,595.75	13/9	9,527.19
G	4,879.00	15/9	8,131.67
H	688.75	18/9	1,377.50
	<u>53,521.25</u>		<u>59,755.81</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.

(1,965.19)

2010/11 Estimated Council Tax Base

57,790.62

#### Tax Collection

**£000**

10/11 Tax Base of 57,790.62 x £1,486.59 (Average Band D Charge)

85,911 Estimated Tax Due

10/11 Council Tax Income (including Council Tax Benefits)

86,691 Actual Tax Income

(780) Surplus

This surplus is explained by movements in the tax base.

The actual Tax Base for 2010/11 equates to

58,315.66

This compares to an estimated Tax Base for 2011/12 of

58,123.00

# STATEMENT OF ACCOUNTS 2010/11

## 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 2010/11 was 41.4p. 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 £118.012 million.

The amounts included in the accounts for 2010/11 can be analysed as follows:

	<b>£000</b>
Gross rates payable in respect of 2010/11	41,102
Less allowances and other adjustments	(589)
Income collectable from business ratepayers	40,513
Less Costs of Collection	(203)
Payable to national NNDR pool	40,310

### 4. Precepts and Demands

	<b>£000</b>
East Hertfordshire District Council	12,710
Hertfordshire County Council	64,658
Police Authority	8,543
	85,911

### 5. Balance on Fund

The balance on the Collection Fund as at 31 March 2011 is represented by:-

	<b>£000</b>
(Surplus) on Council Tax element of the Fund	(417)
	(417)

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

	<b>£000</b>
East Hertfordshire District Council	(62)
Hertfordshire County Council	(314)
Police Authority	(41)
	(417)

**STATEMENT OF ACCOUNTS 2010/11**

**ANNUAL GOVERNANCE STATEMENT**

# STATEMENT OF ACCOUNTS 2010/11

## 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

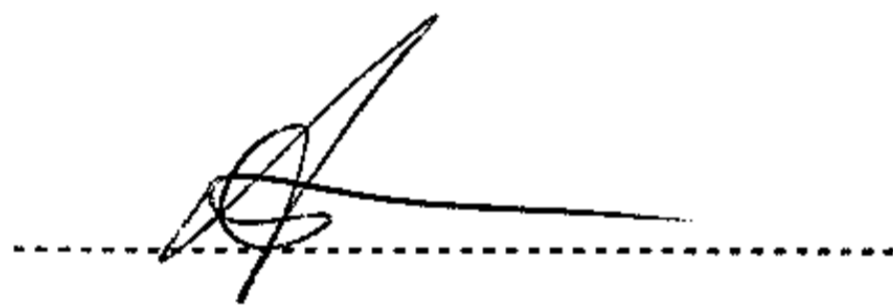
The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("The Code of Practice").

## 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 accounting date and its income and expenditure for the year ended 31 March 2011.

Signed



Dated

29 June 2011

**A Madin**  
Director of Internal Services  
East Hertfordshire District Council

**#REF!**

**INDEPENDENT AUDITORS' REPORT TO EAST HERTFORDSHIRE DISTRICT COUNCIL**

**Signed** .....

**Dated** .....