Statement
Of Accounts
2010 / 11

Contents

Contents

Explanatory Foreword

1. Introduction

The purpose of this Statement of Accounts is to present the Council's financial performance for the year 2010/11 and the overall financial position of the Council as at 31 March 2011. This foreword aims to give a general guide to the main features of the information reported within the rest of the Accounts and provides a summary of the Council's overall financial position. The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Accounting Standards Board and the Government.

2. Statement of Accounts

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2010/11. The statements included, along with an explanation of what they show, are:

- **Comprehensive Income and Expenditure Statement -** This statement shows the net cost for the year of the functions for which the Council is responsible, and how these have been funded. The 'Surplus or Deficit on Provision of Services' (£205.014 million) is the best measure of the financial result in accordance with International Financial Reporting Standards (IFRS). There are certain gains and losses which the Council experiences, which are not reflected in the 'Surplus or Deficit on Provision of Services', as they are dependent on future events before they are realised (e.g. increases in asset values will only be realised if the asset is sold). These are recognised under 'Other Comprehensive Income and Expenditure', to give the 'Total Comprehensive Income and Expenditure for the Period'.

- **Balance Sheet** - This statement shows the Council's financial position at the end of the year. It details the assets that the Council has available to deliver services, as well as future obligations to make payments (liabilities). The net assets of the Council (assets less liabilities, £1,828.654 million) are matched by the reserves held by the Council. Reserves are reported in two categories; those which are useable (i.e. those that can be used to provide services) and those which are unusable (which relate to unrealised gains/ losses and differences between accounting treatments).

- **Movement in Reserves Statement** - This statement provides analysis of the movement in the reserves (as shown on the Balance Sheet) during the year. The first reserve analysed is the General Fund Balance. The overall movement in the General Fund Balance (£13.859 million) is what must be taken into account when determining the Council's budget requirement (and therefore its council tax demand). This movement statement shows the adjustments required between the 'Surplus or Deficit on Provision of Services' (from the 'Comprehensive Income and Expenditure Statement') to get to the General Fund Balance movement. The overall balance on the General Fund (£18.286 million) is available to support the future costs of providing services.

- **Cash Flow Statement**- This statement shows the flows of cash (and cash equivalents) in and out of the Council during the year. These flows are analysed based on whether they arise from operating, investing or financing activities.

Additional details of what each statement shows are set out alongside each statement, where it is presented within the 'Statement of Accounts'.

3. Financial summary – performance against budget

The Statement of Accounts provides comparatives with the previous year (2009/10), restated so that it is on a comparative basis. This is to give some context to the current year totals. This section provides a comparison of actual spend for the year with that budgeted. This provides an indication of financial stewardship (i.e. how well the Council has managed the resources that it allocated to service areas).

The following summary of the council's revenue monitor shows an underspend of £16.756 million against the latest approved budget as presented to the Cabinet on 20 June 2011.

	Latest Approved Budget £'000s	Actual £'000s	Over (under) spend £'000s	%
Children, Schools and Families	244,159	236,584	(7,575)	(3.1%)
Health and Community Services	338,549	338,755	206	0.1%
Environment and Commercial service	131,612	125,172	(6,440)	(4.9%)
Community Safety	43,550	43,056	(494)	(1.1%)
Corporate Services	11,976	6,114	(5,862)	(48.9%)
Capital Financing and Interest on Balances	47,944	46,568	(1,376)	(2.8%)
Contingency/Special Provision	(3,631)	477	4,108	113.1%
Precepts/Levies	2,252	2,231	(21)	(0.9%)
Non-distributed costs	977	977	-	-
Capital Charges	(26,502)	(26,502)	-	-
Pensions Interest Cost and Expected RoA	44,272	44,272	-	-
Pensions Reserve Appropriation	(31,097)	(31,097)	-	-
Central Unallocated Grants	(4,842)	(4,144)	698	14.4%
Net Revenue Budget	**799,219**	**782,463**	**(16,756)**	**(2.1%)**
Funded from Balances	(14,762)	(14,762)	-	
County Fund Total	**784,457**	**767,701**	**(16,756)**	**(2.1%)**

The underspend of £16.756 million represents the early delivery of transformation savings necessary to deliver the Council's medium term savings target and does not negate the need for the Council to reduce annual spending by £200 million per annum over the period 2010/11 to 2014/15. The underspend will be carried forward to support:

- A transfer of £8 million into the Invest to Transform Fund to fund the one-off costs relating to the changes in non-school staff Terms & Conditions
- A transfer of £8 million to the new Waste PFI reserve to recognise the risks that arise from such a major complex project.

The Council's internal management accounting structure, against which budget managers are held accountable, differs from that which is required to be presented in the Statement of Accounts. The Statement of Accounts is determined by the Chartered Institute of Public Finance and Accountancy (CIPFA) and set out in the Best Value Accounting Code of Practice (BVACOP). It is designed to facilitate comparison between different local authorities' Statement of Accounts.

The movement from the revenue monitor underspend to the position reported in these accounts is shown in the following table.

	£'000s
Revenue monitor underspend 2010/11	(16,756)
Less: Planned Use of Reserves as per 2010/11 budget incl. 2010/11 c/fwd	14,762
Less: Transfers to specific reserves	16,000
Write off & other adjustments resulting post final revenue monitor	(147)
	13,859
General Fund Balances as at 1 April 2010	(32,145)
General Fund Balances as at 31 March 2011	(18,286)

4. Capital programme & financing

In 2010/11 the council's capital expenditure amounted to £165.881 million for capital schemes on buildings, adaptations, roads, equipment and intangible assets with a life of more than one year. A summary of the expenditure and how it has been financed is shown in the notes to the accounts together with details of material projects and their associated gross capital expenditure in the year. The council regularly reviews its property portfolio to identify opportunities for recycling and disposal to assist the achievement of its capital programme.

In 2010/11 the capital receipts and payback reserves were reviewed as part of an overall examination of reserves and balances across the Council. This identified additional amounts to be applied to finance capital expenditure in 2010/11. The impact of this together with the slippage on the budgeted programme will be presented as part of a proposed revised capital programme to the County Council at their meeting on 20th July 2011.

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2010/11, earlier years and for future years. The balance currently stands at £290.472m as shown on the balance sheet. Total borrowing has reduced by £5.054 million in 2010/11.

5. Pensions liability

Local Authorities are required to comply with the disclosure requirements of IAS19 - Employee Benefits. Under IAS19, the Council is required to reflect in the primary statements of the Accounts, the assets and liabilities of the Pension Fund attributable to the Council and the cost of pensions. IAS19 is based on the principle that the Council should account for retirement benefits when it is committed to give them even though the cash payments may be many years into the future. This commitment is accounted for in the year that an employee earns the right to receive a pension in the future. These disclosures are reflected in the Comprehensive Income and Expenditure Account, the Balance Sheet and the Movement in Reserves Statement.

The primary reason for the decrease in Pension Fund deficit in 2010/11 is a favourable change in the financial assumptions used in the actuarial valuation. The real discount rate used to value the pension liabilities has increased significantly from 1.6% p.a. as at 31 March 2010 to 2.7% p.a. as at 31 March 2011 which has lead to a lower value being placed on the liabilities. This is principally due to the change in future pension increases being linked to CPI rather than RPI. The public sector pay restrictions have also proved favourable in the calculation of the Pension Fund liability.

6. Changes in accounting policies

The key changes to the accounting policies for 2010/11 result from the implementation of International Financial Reporting Standards (IFRS) and the requirement to produce an IFRS compliant set of accounts for 2010/11. The main changes are set out in the following paragraphs.

Treatment of grants and contributions – Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and now have to be recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Council has not satisfied. In cases where the conditions have not been satisfied and there is an explicit requirement to repay the grant if the conditions are not met, any balances unspent are treated as creditors (for revenue grants) and Capital Grants Received in Advance (for capital).

Leases – are classified as finance or operating on the basis of the extent to which the risks and rewards incidental to ownership of a leased asset lie with the Council. Property leases which were previously accounted for as a single lease must now be distinguished between their land and buildings elements.

If assets leased in by the Council are reclassified as finance leases, this results in a new fixed asset being recognised together with a related finance lease liability in the Council's balance sheet.

If assets leased out by the Council are identified as finance leases, the asset is derecognised and a debtor is created.

The Council also is required to review whether any of its contractual arrangements have 'embedded leases', i.e. where the agreement conveys to the Council the right to use (or control the use of) assets in return for a series of payments. The Council has no embedded leases.

Employee Benefits - Accumulating absences relating to annual leave, flexi-time and time in lieu that are carried forward and can be used in future periods if the current period entitlement is not used in full. These are now accrued at the balance sheet date**.**

Cash and cash equivalents - Cash has been extended to cover cash equivalents which comprise investments that are held to meet short-term liabilities rather than for investment or other purposes and bank overdrafts, repayable on demand and which form an integral part of the Council's treasury management**.**

Property Plant and Equipment – there is a requirement to re-classify some land and buildings as 'investment properties' (although not currently applicable to this Council) or as 'properties held for sale', along with the application of component accounting. A non-current asset is classified as held for sale if the asset's carrying amount will be recovered principally through a sale transaction rather than through continued use and it meets clearly defined criteria. The Council has £0.345 million of assets held for sale as at 31st March 2011.

Component Accounting – there is a requirement to ensure that Property, Plant and Equipment is accurately and fairly included in the Balance Sheet and that the Income and Expenditure statement properly reflects a depreciation charge equivalent to the consumption of economic benefits of those assets (the cost of their use) over their individual useful lives. Separate accounting is required where components have a different useful life and/or depreciation method and components are significant in relation to total cost of the item, for example the cost of a flat roof might be separated from the main building cost. The componentisation policy became effective from the 1 April 2010 and there is no impact on the 2009/10 restated accounts.

7. Changes in statutory functions

There have been no changes in statutory functions in 2010/11.

8. Significant provisions and write-offs

Icelandic Reserves

Early in October 2008, the Icelandic banks Landsbanki, Glitnir, and Kaupthing collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KSF) went into administration. The Council had £28m deposited across these institutions, with varying maturity dates and interest rates.

The potential impairment of the Icelandic deposits has been accounted for in accordance with guidance issued by the Local Authority Accounting Panel of the Chartered Institute of Public Finance and Accountancy (CIPFA) in May 2011.

For UK registered banks, Heritable and Kaupthing, Singer and Friedlander (KSF) the assumed return to creditors is based on the administrators' latest progress report. For Heritable, a report was issued in February 2011 estimating a total distribution in the range of 79p to 85p in the pound. For KSF, the administrators' April 2011 report estimated a total distribution in the range of 78p to 86p in the pound. The administrators for the two UK administered banks paid out dividends to the Council totalling £2.0m in 2010/11.

For Iceland based banks the assumed return is based on the assumption that local authorities will achieve preferential creditor status. In April 2011 the Icelandic Courts upheld a judgement of preferred creditor status for the Landsbanki and Glitnir holdings but this is still subject to further challenge by unsecured creditors. This is expected to be finally resolved during 2011/12.

To assist local authorities to manage the impact of the Icelandic banking collapse the government issued regulations permitting local authorities to defer recognising any loss on bank deposits for two years until the financial year 2010/11. The accounts recognise the impairment of £5.16m being the transfer of the net balance in relation to the impairment from the Financial Instruments Adjustment Account to the General Fund now that the regulations have expired.

9. Material events after the reporting date

There have been no material events after the reporting date, which require to be taken into account in the financial statements.

10. Impact of current economic conditions

The Council embarked on the Council for the Future (transformation programme) in December 2009. This programme, which has a savings target of £200 million for the period to 2010/11 to 2014/15, is designed to deliver an efficiencies programme which enables the Council to deal with its ongoing demographic, inflation and other pressures within a reducing resources base. The final underspend position in 2010/11 reflects early work to deliver the additional efficiencies target of £57 million in 2011/12.

In setting its medium term financial strategy the Council takes consideration of risks and uncertainties associated with projections of future pay, prices, interest rates, and projected levels and timing of income and potential liabilities. This is reflected in both the level of central contingency and the general reserves set aside to meet these risks.

Statement of Responsibilities

This statement sets out the respective responsibilities of the Council and the Chief Finance Officer for the accounts.

The County Council's responsibilities

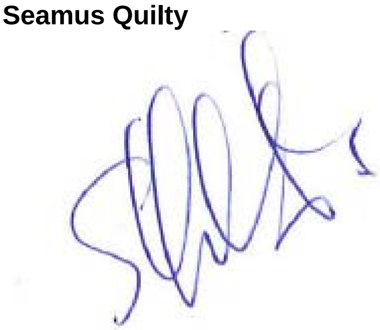
The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director Resources & Performance;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts before 30 September 2011.

I confirm that the final accounts were approved by the Audit Committee at the meeting held on 29 September 2011.

Signed on behalf of Hertfordshire County Council.

Seamus Quilty



Audit Committee
Date: 29 September 2011

Statement of Responsibilities

The Chief Finance Officer's responsibilities

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

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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

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.

Chief Finance Officer's Certificate

I certify that the Statement of Accounts give a true and fair view of the financial position of the council, the Hertfordshire County Council Pension Fund and the Firefighters' Pension Fund as at 31 March 2011 and the income and expenditure for the year then ended.

M Parsons

Director Resources & Performance
Date: 29 September 2011

Annual Governance Statement

1 Scope of responsibility

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

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

Hertfordshire County Council's Statement of Corporate Governance sets out its commitment to good governance and describes the Council's governance framework and processes. The governance principles that the Council adopts are consistent with those set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives document: *Delivering Good Governance in Local Government:*

- *Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area*
- *Members and officers working together to achieve a common purpose with clearly defined functions and roles*
- *Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour*
- *Taking informed transparent decisions which are subject to effective scrutiny and managing risk*
- *Developing the capacity and capability of members and officers to be effective*
- *Engaging with local people and other stakeholders to ensure robust public accountability.*

Hertfordshire's Statement of Corporate Governance is available on the Council's internet site, and every elected member is provided with a copy of the Statement.

2 The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Hertfordshire County Council for the year ended 31 March 2011 and up to the date of approval of this Annual Governance Statement and the statement of accounts.

3 The governance framework

The systems and processes that comprise Hertfordshire County Council's governance arrangements are set out in its Statement of Corporate Governance. Key elements include:

The Council's Corporate Plan, 'Hertfordshire – County of Opportunity' which was adopted in April 2009 and extends to 2012. The Plan sets out the seven challenging priorities that the Council has set itself including the commitment to ensuring that the services the Council provides continue to be of high quality and offer good value for money, whilst ensuring that services promote independence and are delivered in ways which give users a greater say in shaping the services they need.

The Council's Integrated Plan 2011/12 – 2014/15 which sets out how resources will be deployed to achieve objectives. The plan was developed through a robust policy choice and review and challenge process. The plan gives information on how the Council achieves value for money in provision of services.

The Council's Constitution sets out the rules under which the organisation conducts its business. The Constitution aims to enable the Council to provide clear leadership to the community, in partnership with the public, businesses and other organisations; support the active involvement of members of the public in decision-making; help Councillors represent their constituents; enable decisions to be taken efficiently and effectively; enable decision-makers to be held to account; and ensure that decision-makers are identifiable and that reasons are given for decisions. All the annexes to the Constitution were reviewed and updated during the year.

The Council's well developed Risk Management Strategy and embedded risk monitoring processes, which operate at the highest levels of the organisation. These arrangements included a review by Service Departments of risks associated with meeting budget targets.

The Council's well-established scrutiny arrangements, which act to hold the Executive to account by scrutinising decisions made by, or on behalf of the Council or Cabinet and any operational or policy aspect of the Council's business. Councillors are also able to scrutinise any issue which affects the County and its residents which may be outside the Council's control. Full details of the topics under scrutiny can be accessed on the Council's website

The Council's approach to Equality and Diversity which was reviewed this year through an Equality Framework for Local Government peer review, and upon which significant assurance was provided. Further work tightening up the Council's approach to Equality Analysis, in response to the Equality Act, has taken place to ensure decisions have due regard to the impact they will have on individuals and communities with 'protected characteristics'. This will be particularly important as the council makes difficult decisions as part of the Council for the Future transformation programme.

The Council's strategic and service level performance management processes, which have been strengthened to facilitate continuous improvement and identify and deal with failure in service delivery.

There is an ongoing Member development programme, with dedicated Learning and Development support, and the system of Deputy Cabinet members facilitates succession planning. Work to support Members in their local work, for example furnishing them with accessible community information, is being developed as part of the Hertfordshire Local programme.

The Council's Performance Management and Development scheme through which objectives for individual employees are set and monitored, and plans for individual development are agreed. This is supported by the Staff Development Charter which requires the Council to assess the learning and development needs of officers and to meet those needs. The Council has Investors in People accreditation for all Departments in relation to staff.

In its community leadership role, working together with its partners through Hertfordshire Forward, the Council has begun reshaping its approach partnership work following the demise of a number of external drivers such as the Audit Commission's Comprehensive Area Assessment and associated processes. This has provided an opportunity to re-consider how partners will work together in the future, determining the best way of working with partners to address future challenges and to deliver what matters most to communities.

In its financial management arrangements, ensuring compliance with the governance requirements of the CIPFA statement on the *Role of the Chief Financial Officer in Local Government.*

4 Review of effectiveness

Hertfordshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control; in practice the Council operates a continuous process of review and improvement.

The Executive, on behalf of the Council, charges the Audit Committee with keeping the effectiveness of the Council's systems for internal control under review and reporting any recommendations for improvement to the Executive.

The Council ensures corporate ownership of the Annual Governance Statement through requiring the Performance and Resources Officer Group to review the effectiveness of governance arrangements, and through considering the Statement at Strategic Management Board prior to signing by the Chief Executive and Leader. The Audit Committee scrutinises the Statement at its June meeting.

The arrangements for reviewing the Governance arrangements and control environment include:

A comprehensive review by the Chief Legal Officer and Internal Audit of the Governance Framework as detailed in the Statement of Corporate Governance.

A review of the internal control environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this consideration has been given to ensuring the Council's financial management arrangements conform to the governance requirements in the CIPFA statement on the *Role of the Chief Financial Officer in Local Government.*

The Head of Internal Audit's Annual report and opinion on the internal control environment, prepared in accordance with the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*, which provides an independent opinion on the adequacy and effectiveness of the Council's system of internal control, including in particular:

- the key controls operating within and around the core financial systems
- financial management in each Department and corporately
- arrangements for the letting and monitoring of contracts
- controls over information management and security

In the opinion of the Head of Assurance, the above arrangements were adequate and effective in 2010/11, with sound controls in all key areas, including strengthened financial reporting, budget management and asset accounting.

This opinion is based on a programme of audit work which was delivered:

- in accordance with the approved Internal Audit Plan, which in turn resulted from the systematic risk assessment of all auditable areas
- by suitably experienced and qualified auditors
- in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

This report consolidates assurance opinions and actions taken by management to address issues raised during internal audit reviews undertaken throughout 2010/11, and is informed by the comments of external auditors and inspectors.

A review of compliance with the CIPFA guidance document on the *Role of the Head of Internal Audit in Local Government.*

Individual Service Assurance Statements submitted by Assistant Directors with governance responsibilities, setting out each service's arrangements for meeting responsibilities in relation to:

- service plan preparation and agreement
- performance monitoring and reporting
- staff resources and responsibilities
- value for money
- partnership arrangements
- risk management
- the management of new developments
- consideration of safety and environmental impacts
- financial probity
- actions taken in response to external inspectorate reviews
- information and communication systems

Review of the recommendations, action plans and implementation of improvements arising from member scrutiny, officer led reviews and performance reports and 'Herts Consults' results.

Responses to comments and recommendations made by the external auditors in their annual governance report and other reports from external inspectorates.

A review of actions undertaken in response to the significant issues in the 2009/10 Annual Governance Statement confirmed improvements as follows:

In relation to responding to addressing financial challenges the Council for the Future programme plans to deliver significant savings. The Integrated Plan 2011/12 to 2014/15 set out the target of achieving £201 million savings by 31 March 2015, of which £31.458 million has already been delivered in 2010/11. The programme is supported by a clear governance structure to highlight and manage the risks and challenges posed by the task.

In relation to issues raised by the Council's External Auditors about the closure of the 2008/09 accounts the Council has taken robust actions to ensure a cleansed and verified asset database and fixed asset register. This enabled the External Auditors to issue an unqualified opinion on the 2009/10 accounts. The work has also enabled improved property hazard data to be collected, further enhancing the effective management of property related risks and issues.

In relation to preparing for the introduction of International Financial Reporting Standards (IFRS) the Council has established a Best Practice in Accounting Project to oversee this work. The restatement of accounts for 2009/10 has been completed on an IFRS basis and work to deliver a 2010/11 IFRS compliant statement of accounts is in place.

In relation to improvements in controls to address weaknesses in budget management in Children Schools and Families, monitoring arrangements have been strengthened and the delivery of early savings from service transformation is on course. Nonetheless social care budgets remain, by their nature, high risk budgets, and so senior management oversight of spending decisions will continue.

In relation to controls to address weaknesses in budget management in Property Services, work has been undertaken to ensure robust monitoring of performance against budget and clarify managerial accountabilities for budgetary control.

5 Significant governance issues

From the review of internal control the following matters have been identified as significant governance issues:

During 2010 the Council's External Auditors raised concerns about the timeliness and completeness of working papers prepared for External Audit and the capacity of the finance team to address these issues alongside the implementation of International Financial Reporting Standards requirements. The External Auditors made a 'Section 11' recommendation for improvement. The Council's Best Practice Accounting project has been established to address these issues, and regular progress on the project is reported to and monitored by members and senior officers. Permanent appointments have been made to the finance management and accountancy services team to provide resilience and capacity.

During 2010/11 Herts Property was restructured into a new Property and Technology service, with significant staff changes; Hertfordshire School Building Partnership Ltd (the Local Education Partnership for Buildings Schools for the Future) was established in January 2011; new contracts for maintenance and security were procured from April 2011; the approved list of consultants and contractors is being replaced by three framework contracts during 2011/12; the regional SMART East framework has been re-tendered; and the estate management consultant contract is being re-procured for March 2012. In this context of significant change, further work is underway to ensure effective programme delivery, the appropriate management of financial commitments and expenditure, and reporting of both capital and revenue is maintained.

The ongoing challenge of driving forward the delivery of savings as part of the Council for the Future programme whilst maintaining high performing and quality services, which is a challenge shared across similar organisations. The Council for the Future Programme is now well established with effective political and managerial governance, performance and risk management arrangements. This focus will need to be sustained as the programme involves a number of large-scale procurement projects; widespread reorganisation and restructuring; significant service re-design and business change initiatives throughout the Integrated Plan period.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Robert Gordon	Caroline Tapster
Leader Date: 26 September 2011	Chief Executive Date: 26 September 2011

on behalf of Hertfordshire County Council

Independent Auditor's Report to the Members of Hertfordshire County Council

Opinion on the Authority and firefighters' pension fund accounting statements

I have audited the accounting statements and the firefighters' pension fund accounting statements of Hertfordshire County Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hertfordshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, including the firefighters' pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Hertfordshire County Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the local government pension fund accounting statements

I have audited the local government pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The local government pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hertfordshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer’s Responsibilities, the Chief Finance Officer is responsible for the preparation of the local government pension fund’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the local government pension fund’s accounting statements:

- give a true and fair view of the financial transactions of the local government pension fund during the year ended 31 March 2011 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2011; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

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

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Hertfordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Hertfordshire County Council and Hertfordshire Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Hodgson

Officer of the Audit Commission
3rd Floor
Eastbrook
Shaftesbury Road
Cambridge CB2 8BF

29 September 2011

1. Comprehensive Income & 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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10					2010/11		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Note	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
6,091	(2,730)	3,361	Central service to the public		5,489	(2,907)	2,581
102,641	(12,455)	90,186	Cultural, environmental, regulatory & planning services		87,050	(12,518)	74,532
1,234,077	(951,091)	282,986	Education and children's services		1,258,050	(1,013,733)	244,317
100,278	(13,479)	86,799	Highways and transport services		96,564	(15,716)	80,848
24,268	(22,869)	1,399	Other housing services		23,944	(2,294)	21,650
407,328	(107,966)	299,362	Adult Social Care		402,103	(109,092)	293,011
44,430	(1,493)	42,937	Fire and Rescue Services		47,223	(1,703)	45,520
27,756	(14,684)	13,072	Corporate and Democratic core		10,296	(5,036)	5,259
46,812	(4,756)	42,056	Non distributed costs		12,123	(7,981)	4,142
-	-	-	Exceptional Items - Pension Costs	47	1,164	(206,674)	(205,510)
539	-	539	Exceptional Items - Icelandic Banks	43	-	-	-
1,994,220	**(1,131,523)**	**862,697**	**Cost of Services**		**1,944,006**	**(1,377,656)**	**566,350**
38,660	(3,139)	35,521	Other Operating expenditure	9	7,323	(16,043)	(8,720)
175,637	(118,273)	57,364	Financing and Investment Income & Expenditure	10	192,585	(141,496)	51,089
-	-	-	(Surplus) or Deficit of Discontinued Operations	29	-	-	-
-	(785,444)	(785,444)	Taxation and Non-Specific Grant Income	11	-	(813,734)	(813,734)
2,208,517	**(2,038,379)**	**170,138**	**(Surplus) or Deficit on Provision of Services (A)**		**2,143,914**	**(2,348,929)**	**(205,014)**
		(110,749)	Surplus or Deficit on revaluation of Property, Plant and Equipment	24			(8,642)
		-	Surplus or Deficit on revaluation of available for sale financial assets	24			-
		571,336	Actuarial gains / loses on pension assets / liabilities	24			(307,087)
		460,587	**Other Comprehensive Income & Expenditure (B)**				**(315,729)**
		630,726	**Total Comprehensive Income & Expenditure (A+B)**				**(520,744)**

Presentation of Financial Statements

2. Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories; usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations of their use and unusable reserves that the Council is not able to use to provide services.

1 April 2009		31 March 2010				31 March 2011	
£000s	£000s	£000s	£000s		Note	£000s	£000s
2,853,776		2,911,308		Property, Plant & Equipment	12	2,946,215	
-		-		Investment Property	13	-	
5,280		5,230		Intangible Assets	14	4,477	
-		-		Assets Held for Sale	20	-	
30,146		28,646		Long Term Investments	15	9,121	
32,948		24,647		Long Term Debtors	18	21,694	
	2,922,150		**2,969,831**	**Long Term Assets**			**2,981,506**
213,666		7,492		Short Term Investments	15	17,570	
3,848		3,002		Assets Held for Sale	20	345	
4,205		3,770		Inventories	16	4,250	
103,171		103,379		Short Term Debtors	18	103,032	
-		-		Financial Instruments Available for Sale	15	25,012	
338		16,126		Cash and Cash Equivalents	19	25,978	
	325,228		**133,769**	**Current Assets**			**176,187**
(83)		(8,073)		Short Term Borrowing	15	(2,985)	
(1,086)		(1,020)		Short Term Liabilities	15	(923)	
(260,354)		(198,575)		Short Term Creditors	21	(195,697)	
(2,704)		(2,015)		Amounts owed to Hertfordshire Police Authority	31	(2,424)	
(14,115)		(22,384)		Provisions for Accumulated Absences	24	(15,375)	
-		(9,899)		Short Term Provisions	22	(7,297)	
	(278,342)		**(241,966)**	**Current Liabilities**			**(224,701)**
-		-		Long Term Creditors	21	(599)	
(17,556)		(6,546)		Long Term Provisions	22	(6,039)	
(344,900)		(287,453)		Long Term Borrowing	15	(287,487)	
(599,011)		(1,185,433)		Liability relating to the defined benefit pension scheme	24	(708,229)	
(20,357)		(20,263)		Other Long Term Liabilities	15	(19,111)	
-		-		Donated Assets Account	38	-	
(48,576)		(54,030)		Capital Grants Receipts in Advance	38	(82,876)	
	(1,030,400)		**(1,553,725)**	**Long Term Liabilities**			**(1,104,341)**
	1,938,636		**1,307,909**	**Net Assets**			**1,828,654**
211,516		220,719		Usable Reserves	23	193,405	
1,727,120		1,087,190		Unusable Reserves	24	1,635,249	
	1,938,636		**1,307,909**	**Total Reserves**			**1,828,654**

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 24th June 2011

M Parsons

Director Resources & Performance
Date: 29 September 2011

3. Movement in Reserves Statement

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

	Note	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	**Total Usable Reserves £000s**	Unusable Reserves £000s	**Total Council Reserves £000s**
Balance at 31 March 2009		**36,495**	**115,267**	**19,626**	**40,128**	**211,516**	**1,727,120**	**1,938,636**
Movement in reserves during 2009/10								
Surplus or (deficit) on the provision of services		(170,138)	-	-	-	**(170,138)**	-	**(170,138)**
Other Comprehensive Income and Expenditure		-	-	-	-	**-**	(460,587)	**(460,587)**
Total Comprehensive Income and Expenditure		**(170,138)**	**-**	**-**	**-**	**(170,138)**	**(460,587)**	**(630,726)**
Adjustments between accounting basis & funding basis under regulations	7	166,241	-	(375)	13,477	179,343	(179,343)	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves		**(3,897)**	**-**	**(375)**	**13,477**	**9,203**	**(639,929)**	**(630,726)**
Transfer to / from Earmarked Reserves	8	(451)	451	-	-	**-**	-	**-**
Increase / Decrease in 2009/10		**(4,349)**	**451**	**(375)**	**13,477**	**9,203**	**(639,929)**	**(630,726)**
Balance at 31 March 2010 carried forward		**32,145**	**115,718**	**19,251**	**53,605**	**220,719**	**1,087,190**	**1,307,909**
Movement in reserves during 2010/11								
Surplus or (deficit) on the provision of services		205,014	-	-	-	**205,014**	-	**205,014**
Other Comprehensive Income and Expenditure		-	-	-	-	**-**	315,730	**315,730**
Total Comprehensive Income and Expenditure		**205,014**	**-**	**-**	**-**	**205,014**	**315,730**	**520,744**
Adjustments between accounting basis & funding basis under regulations	7	(199,526)	-	(16,158)	(16,644)	**(232,328)**	232,328	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves		**5,488**	**-**	**(16,158)**	**(16,644)**	**(27,314)**	**548,058**	**520,744**
Transfer to / from Earmarked Reserves	8	(19,347)	19,347	-	-	**-**	-	**-**
Increase / Decrease in 2010/11		**(13,859)**	**19,347**	**(16,158)**	**(16,644)**	**(27,314)**	**548,058**	**520,744**
Balance at 31 March 2011 carried forward		**18,286**	**135,065**	**3,093**	**36,961**	**193,405**	**1,635,249**	**1,828,654**

Note: Some roundings have occurred through the restatement of the Balance Sheet and Comprehensive Income & Expenditure Statement, which have been allowed to flow through the statements and notes, but have been corrected in the closing balances of the Movement in Reserves Statement above.

4. Cash Flow Statement

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

2009/10				2010/11	
£000s	£000s		Note	£000s	£000s
	(170,138)	Net surplus or (deficit) on the provision of services			205,014
201,512		Depreciation and impairment		118,875	
1,337		Amortisation		1,471	
(4,074)		Material impairment losses on Investments debited or credited on the provision of service in year		(148)	
-		Adjustments for effective interest rates		33	
1,004		Increase / decrease in impairment provision for bad debts		(736)	
(3,524)		Increase / decrease in interest creditors		(6,000)	
(57,460)		Increase / decrease in creditors		(23,786)	
344		Increase / decrease in interest and dividend debtors		(378)	
(5,736)		Increase / decrease in debtors		8,481	
435		Increase / decrease in stock		(481)	
15,176		Pension liability		(170,117)	
(1,111)		Contributions to / from Provisions		(2,032)	
-		Provision for Equal Pay		(1,077)	
36,423		Carrying amount of non-current assets sold		5,092	
71		Transfer of Deferred Capital receipts to the General Fund in relation to finance leases		74	
211,404		Carrying amount of short and long term investments sold		11,056	
(100)		Other non-cash items charged to the net surplus or deficit on the provision of services		2,098	
	395,702	Adjustments to net surplus or deficit on the provision of services for non cash movements			(57,574)
(64,580)		Capital Grants Credited to surplus or deficit on the provision of services		(75,164)	
(207,310)		Proceeds from short-term and long-term investments		(5,629)	
(3,194)		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(16,044)	
	(275,084)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities			(96,836)
	(49,520)	Net cash flows from Operating Activities	25		50,605
	117,926	Investing Activities	26		(33,430)
	(52,617)	Financing Activities	27		(7,323)
	15,788	**Net increase or decrease in cash and cash equivalents**			**9,852**
	338	Cash and cash equivalents at the beginning of the reporting period			16,126
	16,126	**Cash and cash equivalents at the end of the reporting period**	**19**		**25,978**

Statement of Accounting Policies

This section explains the accounting policies that the Council has applied in preparing these accounts. The Statement of Accounts summarises the Council's transactions for the financial year 2010/11 and its position at the year end 31st March 2011. The statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice (BVACOP). The Council has adopted the historical cost accounting convention modified by the revaluation of certain types of Property, Plant and Equipment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Accounting Treatment for Schools

Community Schools: As the council is normally the freeholder of Community School's premises and has a significant role in the running of the school, the school premises are recognised under Property, Plant and Equipment in line with the accounting policy stated above.

Voluntary Controlled Schools: Schools are owned by a charity but the council is responsible for the running the school, employing the staff and determining and administrating the admissions policy. The council will sometimes own the freehold of the land and buildings, but the schools buildings are maintained and controlled by the respective charities and the councils only statutory duty is for the playing fields. Based on substance over form, the council has determined that it holds significant control and therefore that all the land and buildings and not just the playing fields will be recognised by the council under Property, Plant and Equipment on the balance sheet of the council.

Voluntary Aided Schools: Schools are owned and managed by a charity but the council partially funds and also provides support services to the school. Although the council will sometimes own the freehold of the land and buildings, the schools buildings are maintained and controlled by the respective charities and the councils only statutory duty is for the playing fields. Hence it has been determined in conjunction with the council's valuers that the playing field element of the schools premises will be recognised by the council under Property, Plant and Equipment but that the building element fails the test of the council holding significant control to allow them to be retained on the balance sheet of the council. IFRIC 12 has been deemed not to apply as the council does not control to whom the services are provided as Governors are the admissions authority and the Government controls the service and sets curriculum. IFRIC 4 has been deemed not to apply as the council does not rely on the use of specific school to ensure sufficient schools available and hence the arrangement does not rely on specific assets.

Foundation Schools: Schools are owned and managed including the provision of any support services by the governing body, although funded by the council. The council is required to transfer all land and buildings including the playing fields to the Foundation School. As such the council does not own and has derecognised the land and buildings from Property, Plant and Equipment within its balance sheet. IFRIC 12 has been deemed not to apply as the council does not control to whom the services are provided as Governors are the admissions authority and the Government controls the service and sets curriculum. IFRIC 4 has been deemed not to apply as the council does not rely on the use of a specific school to ensure sufficient schools available and hence the arrangement does not rely on specific assets.

Academies: Schools are owned and managed completely independently of the council with funding provided directly by central government. The council has granted long leases as part of the Academies transfer which are covered under IAS definition of leases and treated accordingly. The council will retain the title and hence recognise the land on its balance sheet, however as responsibility for the buildings is with the school who will hold on their balance sheet, the council has derecognised the buildings element from Property, Plant and Equipment within its balance sheet. IFRIC 12 has been deemed not to apply as the council does not control to whom the services are provided as Governors are the admissions authority and the Government controls the service and sets curriculum. IFRIC 4 has been deemed not to apply as the council has leased the land to the Academy and therefore covered by lease arrangement under IAS 17 and treated in accordance with the leases policy above.

Accruals of Income and Expenditure

An activity is accounted for in the year that it takes place and not simply when cash payments are made or received.

In particular:

- The accounts are maintained on an accruals basis in accordance with the code. The accounts are prepared on the basis of income being due and expenditure becoming payable in the financial year. This means that sums due to or from the Council during the year are included in the accounts whether or not the cash has actually been received or paid in that year. Any differences between the actual and accrued amounts will be reflected in the accounts of the following year.

- Income and expenditure are credited and debited respectively to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

- A debtor or creditor for the relevant amount is recorded in the Balance Sheet where income and expenditure have been recognised but cash has not been received or paid at the balance sheet date.

- Where it is doubtful that debts will be settled, provisions are made for bad and doubtful debts.

- Supplies and services are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the balance sheet.

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.

- Interest receivable on cash deposits and interest payable on borrowings are accounted for on the basis of the effective rate of interest for the relevant financial instrument rather than the cash flow fixed or determined by the contract. The amounts due or receivable at the year-end are included in the balance sheet in current assets and liabilities respectively.

Area Based Grants

Area Based Grant (ABG) was a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Back Pay Arising From Unequal Pay Claims

Provision in accordance with the code has been made for back pay relating to unequal pay arising from the implementation of the single status agreement. In some cases these claims can take several years to settle. Central Government regulations provided discretion to authorities to defer charging unequal pay back pay expenditure or social security costs or other costs incurred by the Council in relation to the back payment to General Fund Balances, until the date on which the Council must pay the back payment have been applied. The difference between the amount of expenditure included in the Comprehensive Income and Expenditure Statement in each year for unequal pay back pay claims and the amount under the regulations charged to the General Fund is included as a reconciling item in the Movement in Reserves Statement and is the balance on the Equal Pay Reserve.

Capital Accounting Accounts

These comprise of:-

- the Revaluation Reserve which represents the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets analysed on an individual asset basis.

- the Capital Adjustment Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets, provision for the repayment of external loans and the reversal of amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the movement on the General Fund Balance for the year.

The above accounts are not available to fund future expenditure.

Capital Receipts

When an asset is disposed of the value of the asset in the balance sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve applicable to the asset disposed of are transferred to the Capital Adjustment Account. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement. The gain or loss on the disposal of an asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the asset.

Capital receipts are required to be credited to the Usable Capital Receipts reserve and can then only be used to finance capital expenditure or to repay debt. Receipts are appropriated to the reserve from the Movement on Reserves Statement.

The written-off value of assets disposed of is not a charge to the General Fund Balance 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 Movement on Reserves Statement.

Such income that is not reserved for the repayment of external loans and has not been applied in financing capital expenditure is held on the balance sheet as usable capital receipts.

Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution, repayable without penalty and on notice of not more than twenty four hours. Cash equivalents comprise investments that are held to meet short-term liabilities rather than for investment or other purposes. Bank overdrafts, repayable on demand and which form an integral part of the Council's treasury management, are also included as a component of cash and cash equivalents.

Charges to Revenue for Non-current Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding property, plant & equipment during the year:

- depreciation attributable to property, plant & equipment used in service delivery
- amortisation of intangible assets used in service delivery
- impairment losses due to consumption of economic benefits on intangible assets and property, plant & equipment used in service delivery and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

Depreciation provided on surplus assets is charged to Non Distributed Costs.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisation charges are therefore reversed and replaced by a revenue provision for debt repayment in the Movement on Reserves Statement. These adjusting entries are reflected in the Capital Adjustment Account.

Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not provided for within the statement of accounts whilst uncertainty remains over the final outcome or if it is not practicable to estimate the amount involved. These items are disclosed by way of notes to the accounts.

Council Tax (Collection Fund Income)

From the year commencing 1 April 2009 the council tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement on Reserves Statement. The Council recognises debtors in the Balance Sheet for its attributable share of net cash collected from council tax by billing authorities but not paid over to it at the Balance Sheet date or creditors for cash received from billing authorities in advance of the billing authority receiving the cash from council tax payees.

Employee Benefits

Benefits payable during employment

Benefits payable during employment cover short-term employee benefits and other employee benefits (other than termination benefits) that are due to be settled within twelve months or more after the end of the reporting period. Short-term employee benefits include wages, salaries and social security contributions, compensated absences and non-monetary benefits, such as flexi-time.

Compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Annual leave, flexi-time and time in lieu are usually accumulating absences. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement. Where non-vesting, benefits lapse if an employee leaves before the vesting date.

The Government has issued regulations that mean the Council is only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used. 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

Non-accumulating absences are those that cannot be carried forward for use in future periods if the current period entitlement is not used in full. Sick leave, maternity leave, paternity leave and jury service will usually be non-accumulating. The cost of non-accumulating compensated absences is recognised when the absences occur. The cost of providing non-monetary benefits is recognised according to the same principles as benefits payable in cash. The amount recognised as a liability and an expense is the cost to the employer of providing the benefit.

Termination benefits

Termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. Termination benefits are payable as a result of either:

a) an employer's decision to terminate an employee's employment before the normal retirement date, or
b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

Termination benefits are often lump-sum payments, but also include:

a) enhancement of retirement benefits, and
b) salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

Voluntary early retirement benefits under scheme rules are not termination benefits since such benefits are a right of all scheme members. They are accounted for as post-employment benefits rather than termination benefits.

As termination benefits do not provide the Council with any future economic benefits or service potential they are always immediately posted as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the liability is recognised. The anticipated future savings expected to arise for the Council as a result of a termination do not provide an accounting justification for spreading the expense across future years.

Where the termination benefits are granted under the provisions of a pension scheme, they will be covered by the adjustment rules applicable to post employment benefits. Adjustments will then be permissible in the Movement in Reserves Statement to ensure the impact on the bottom line of the General Fund is limited to the amounts actually payable in the financial year.

Estimation Techniques

The accounting policy specifies the basis on which an item is measured. However where there is uncertainty over the monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves the amount is arrived at using an estimation technique that most closely reflects the economic reality of the transaction.

Events After The Balance Sheet Date

Where material, events that occur after the balance sheet date that provide additional evidence relating to conditions existing at that date are reflected within the accounting statements. Material post balance sheet events that relate to conditions that did not exist at the balance sheet date are disclosed by way of a note to the accounts.

Exceptional Items, Extraordinary Items and Prior Period Adjustments

Exceptional items are included in the cost of the service to which they relate when to do so would not distort the service expenditure. Otherwise they would be disclosed on the face of the Comprehensive Income and Expenditure Statement after ordinary activities of the Council. The Code prohibits the treatment of any items of income or expense as ‘extraordinary’, therefore the Council accommodates all items within one of the specified lines of the Surplus or Deficit on the Provision of Services or the Other Comprehensive Income and Expenditure. Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Prior period adjustments, if material, would be accounted for by restating comparative figures for the preceding accounting period.

Financial Instruments – Assets

<u>Loans and Receivables</u>

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

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to 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 and interest credited to the Comprehensive Income and Expenditure Statement as the amount receivable for the year in the loan agreement.

The Council has made a number of loans to third parties at less than market rates (soft loans). Where a soft loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the third party, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Financial Instruments – Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to 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. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council is not aware of any position where it has acted as guarantor in relation to the issue of a financial instrument. If the Council were to issue any such guarantee in the future it would be required to recognise such a liability at fair value. Fair value would be estimated by considering the probability of the guarantee being called and the likely amount payable under the guarantee. Such recognition at fair value would impact on the Council's general fund balances.

Grants and Contributions

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition (as distinct from a restriction) that the Council has not satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified. The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation).

In the cases, where the conditions of a grant has not been satisfied and there is an explicit requirement to repay the grant if the conditions have not been met, any balances unspent are treated as creditors (for revenue grants) or Capital Grants Received in Advance (capital).

When the conditions of a grant have been met and it has been reflected as income in the Consolidated Income & Expenditure Statement, the Council still has discretion to carry the grant income forward through an earmarked reserve if it deems this appropriate. This could arise in cases where there is no condition on the timescale in which a grant can be spent, but it has not been spent at the year-end.

In relation to capital grants or contributions which have been used to fund capital expenditure, when these are recognised as income in the Consolidated Income & Expenditure Statement then the effect of this is reversed through the Movement in Reserves Statement and added to the Capital Adjustment Account.

In relation to capital grants or contributions recognised as income in the Comprehensive Income and Expenditure Statement, where the expenditure has not been incurred at the Balance Sheet date, the grant recognised as income is transferred to Usable Reserves (Capital Grants Unapplied Account) representing capital resources not yet utilised. The transfer from the General Fund is recorded in the Movement in Reserves Statement. When expenditure is subsequently incurred, the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account. This transaction represents the application of capital resources to finance the expenditure incurred and is reported in the Movement in Reserves Statement for these Reserves or in the notes to the accounts.

Group Accounts

The Code requires a local authority to prepare Group Accounts where it has material interests in subsidiaries, associates or joint ventures. The Council, following Code guidance, has considered its relationships with and interests in other entities and either has no group relationship with or does not exercise significant control or influence over those entities. Therefore the Council has not prepared Group Accounts for itself and those entities in which it has an interest.

The Council accounts for these interests primarily as expenditure or income through the Consolidated Income and Expenditure account (for example as grant awards, contract payments in return for services or income collected on behalf of the Council). There is one organisation in which the Council has an investment (Exemplas Ltd), but this is of an immaterial value (£1) and therefore is not disclosed on the balance sheet but covered in the Investment in Companies note to the accounts.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the Council as a result of past events and future economic or service benefits are expected to flow from the intangible asset to the Council. The Council distinguishes between two classes of intangible assets, software & licences and portal & web design. The most common class of intangible asset in local authorities is computer software.

An intangible asset is measured initially at cost. After initial recognition, an intangible asset may be carried at a revalued amount where its fair value can be determined by reference to an active market. Otherwise, an intangible asset will be carried at cost less any accumulated amortisation and any accumulated impairment loss.

The depreciable amount of an intangible asset with a finite useful life is amortised on a systematic basis over its useful life, beginning when the intangible asset is available for use. The amortisation method used reflects the expected pattern of use of the economic or service benefits. If the pattern cannot be determined reliably, the straight-line method is used. The amortisation period and method is reviewed at least at the end of each reporting period.

An intangible asset with an indefinite life is not amortised, but is tested for impairment annually, and whenever there is an indication the asset may be impaired. The useful life of the asset is reviewed annually.

Investment Property

An investment property is one that is used solely to earn rentals or for capital appreciation or for both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property and is accounted for as property, plant and equipment.

An investment property is measured initially at cost. After initial recognition, an investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property is recognised in Surplus or Deficit on the Provision of Services for the period in which it arises. The fair value of investment property reflects market conditions at the balance sheet date. This means that a periodic revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. An investment property held at fair value is not depreciated.

The Council currently has no Investment Properties, however an annual assessment is undertaken to ensure that no such properties need recognition at each balance sheet date.

Inventories

Inventories comprise such items as vehicle spares, uniforms, stationery, equipment, other materials and some canteen stocks. All consumable and non-durable items are charged to the Comprehensive Income and Expenditure Statement in the year of purchase. Inventories are measured at the lower of cost and net realisable value.

Joint Ventures

A joint venture is a contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. There are three broad types of forms and structures that meet the definition of joint ventures:

- Jointly controlled entity – a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns income. It may enter into contracts in its own name and raise finance for the purposes of the joint venture activity. Each venturer is entitled to a share of the profits of the jointly controlled entity.

  An interest in a jointly controlled entity is consolidated in group accounts using proportionate consolidation or the equity method, unless the interest is not considered material.

- Jointly controlled operations – the operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities may be carried out by the venturer's employees alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the provision of the joint services and any expenses incurred in common are shared among the venturers.

  In respect of jointly controlled operations, the Council recognises the assets that it controls and the liabilities that it incurs, the expenses that it incurs and its share of the income that it earns from the provision of the joint services. Group accounts are not produced where the Council has an interest in a jointly controlled operation.

- Jointly controlled assets – some joint ventures involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits and service potential through its share of the jointly controlled asset. Group Accounts are not produced where the Council has an interest in jointly controlled assets.

Landfill Allowance Schemes

The Landfill Allowance Trading Scheme began on 1 April 2005 and will operate for a 15 year period to 31 March 2020. The Department for Environment, Food and Rural Affairs (DEFRA) has allocated tradable landfill allowances to each waste disposal authority in England.

If the council were to landfill waste in excess of its allowance it would need to:

- apply unused allowances brought forward; or
- buy the additional allowances required from another waste disposal authority; or
- with agreement, bring forward allowances from the following year; or
- pay a financial penalty to DEFRA

Any unused allowances as at 31 March 2011 can be sold to another waste disposal authority in respect of the scheme year 2010/11.

Allocated landfill allowances are shown as current assets. The liability for the current financial year in respect of waste disposed to landfill is reflected in provisions. Surplus allocated allowances, should they have a market value, are shown within specific reserves. Currently the council has assessed the landfill allowances as having no value.

Leases

Leases are classified as either finance leases or operating leases based on the extent to which the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

The Council as lessee

Finance leases - The Council, as lessee, recognises finance leases as assets and liabilities at amounts equal to the fair value of the asset or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciation policy for assets held under finance leases is consistent with the depreciation policy for owned assets.

Operating leases - Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

The Council as lessor

Finance leases - The Council, as lessor, recognises assets held under finance leases as a receivable at an amount equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal and finance income with the interest element shown in Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement and the principal element reducing a long term debtor on the Balance Sheet. The finance income is calculated so as to produce a constant periodic rate of return on the net investment

Operating leases - Items of property, plant and equipment let out under operating leases are presented according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term. The depreciation policy for depreciable leased assets is consistent with the depreciation policy for other similar assets.

Arrangements that may contain a lease

An arrangement (other than PFI arrangements), comprising a transaction that does not take the legal form of a lease but nevertheless conveys a right to use an item of property, plant and equipment, in return for a payment or series of payments, may be accounted for as though the arrangement is, or contains, a lease.

If an arrangement is, or contains, a lease, the lease is classified either as a finance lease or an operating lease as appropriate.

Long Term Contracts

Long term contracts are accounted for on the basis of the Comprehensive Income and Expenditure Statement being charged in the year during which the cost of goods or services were received or provided.

Non-Current Assets Held for Sale

A non-current asset is classified as held for sale if the asset’s carrying amount will be recovered principally through a sale transaction rather than through continued use and it meets the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A non-current asset classified as held for sale is measured at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting period.

No depreciation is charged on tangible assets and no amortisation is made in relation to intangible assets whilst they are classified as Assets Held for Sale.

The Code requires that an asset held for sale should be declassified as such, as soon as any of the qualifying criteria detailed above are no longer met. However an asset that is taking more than a year to sell will not automatically mean that it fails to meet the 'available for immediate sale' criterion if the delay is caused by events or circumstances beyond the Council's control and there is sufficient evidence that the Council remains committed to its plan to sell the asset, but it will be presented as a non-current asset. Where an asset is declassified as held for sale, the asset is valued at the lower of its carrying amount before the asset was classified as held for sale, adjusted for depreciation, amortisations or revaluations that would have taken place if the asset had not been put into Assets Held for Sale, or its recoverable amount at the date of the decision not to sell.

For assets previously held at historical cost, any adjustments in the carrying amount of the asset on declassification is posted to the Surplus or Deficit on the Provision of Services as gains and losses in Other Operating Expenditure. The impact on the General Fund Balance is neutralised by a compensating transfer to the Capital Adjustment Account in the Movement in Reserves Statement. For assets previously carried at a valuation, any adjustments in the carrying amount is treated as revaluation gains or losses and posted to the Revaluation Reserve. If there are insufficient revaluation gains in the reserve to absorb a loss, the excess is debited to the Surplus or Deficit on the Provision of Services as Other Operating Expenditure. If a debit is made, the impact on the General Fund Balance is neutralised by a compensating transfer to the Capital Adjustment Account in the Movement in Reserves Statement.

Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service with the exception of costs relating to the Corporate and Democratic Core and Non Distributed Costs which have been identified in accordance with the Best Value Accounting Code of Practice and are shown as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

Private Finance Initiative schemes (PFI)

Services received
The fair value of services received in the year is recorded under the relevant expenditure within the Comprehensive Income and Expenditure Statement.

PFI asset
The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IFRIC 12. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Council's approach for each relevant class of asset.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets (less any capital contributions) and is subsequently measured as a finance lease liability.

An annual finance cost is calculated by applying the impact interest rate in the lease to the opening lease liability for the period, and is charged to 'Interest Payable' in the Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. This amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expressed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent 'Interest Payable' in the Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

Lifecycle replacement
Components of the asset replaced by the operator during the contract (lifecycle replacement) are capitalised where they meet the Council's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

Lifecycle replacement (continued)
The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or pre-payment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Council to the operator for use in the scheme
Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Council's Balance Sheet.

Property, Plant and Equipment

Property, plant and equipment are tangible assets with physical substance that are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Recognition

The cost of an item of property, plant and equipment is recognised when it is probable that future economic benefits or service potential associated with the asset will flow to the Council and that the cost can be measured reliably.

Subsequent costs arising from day-to-day servicing of an asset (that is, labour costs and consumables), commonly referred to as 'repairs and maintenance', are not recognised as property, plant and equipment because the expenditure does not add to the future economic benefits or service potential of the asset. Rather, the expenditure maintains the asset's potential to deliver future economic benefits or service potential that it was expected to provide when originally acquired.

Where a component of an item of property, plant and equipment is replaced or restored, the carrying amount of the old component is derecognised and the cost of the new component reflected in the carrying amount, subject to the above recognition principle being met.

The Council applies the following de-minimis levels for the recognition of expenditure on the acquisition, creation or enhancement of property, plant and equipment:

Category of expenditure	**De-minimis level**
Property, integrated plant & equipment, and infrastructure (excluding schools)	£10,000
Vehicles, plant and equipment	£5,000
School's capital projects funded or supported by formula capital grants (see Note)	£2,000
Acquisition of furniture & fittings, which when grouped for a single project, exceeds the de minimis limit	£5,000
• HCC Assets	£5,000
• Schools	£2,000

Note: No de-minimis level exists for the purchase of ICT equipment using Devolved Formula Capital in Schools.

Measurement

An item of property, plant and equipment is initially measured at cost, comprising the purchase price and all expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use.

Subsequently, an item of property, plant and equipment is carried in the balance sheet using the following measurement bases:

Type of Asset	Basis of Valuation
Infrastructure Community Assets Assets Under Construction	Depreciated historical cost
Other Land & Buildings Vehicles, Plant, Equipment and Furniture	Fair value based on existing use value (EUV). Depreciated replacement cost (DRC) if EUV cannot be determined
Surplus Assets	Fair value based on existing use value
Investment Property	Market value
Assets Held For Sale	Market value

Land and buildings are revalued at intervals of no more than five years. Valuations are undertaken on a rolling basis by professionally qualified valuers. Revaluations also take place when there has been a significant change to the asset (e.g. major building works).

Where the carrying amount of an item of property, plant and equipment is increased as a result of a revaluation, the increase is recognised in the Comprehensive Income and Expenditure Statement and reversed into the Revaluation Reserve through the Movement Reserves Statement, unless the increase is reversing a previous impairment loss charged to Cost of Services on the same asset or reversing a previous revaluation decrease charged to Cost of Services on the same asset.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, (that is, a significant decline in an asset's carrying amount during the period that is not specific to the asset) as opposed to an impairment, the decrease is recognised in the Comprehensive Income and Expenditure Statement and reversed into the Revaluation Reserve through the Movement in Reserves Statement up to the credit balance existing in respect of the asset and thereafter in Cost of Services.

Impairment

At the end of each reporting period, an assessment is made of whether there is any indication that an item of property, plant and equipment may be impaired. If there is indication of impairment, the recoverable amount of the asset is estimated to determine any impairment loss.

If there has been an impairment loss, the asset is written down to its recoverable amount. The impairment loss is charged to the Comprehensive Income and Expenditure Statement and reversed into the Revaluation Reserve through the Movement in Reserves Statement, to the extent that it does not exceed the amount in the Revaluation Reserve for the same asset and, thereafter, to the Surplus or Deficit on the Provision of Services.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the carrying amount that would have been determined had there been no initial impairment loss. Any excess of the impairment loss reversed above this carrying amount is charged to the Comprehensive Income and Expenditure Statement and reversed into the Revaluation Reserve through the Movement in Reserves Statement.

Depreciation

Depreciation applies to all items of property, plant and equipment whether held at historical cost or revalued amount, with the exception of land where it can be demonstrated that the asset has an unlimited useful life.

The depreciation charge is based on the depreciable amount allocated over an asset's useful life. The methods of depreciation that reflect the pattern in which the future economic benefits or service potential of different assets are expected to be consumed, are determined as follows:

- Buildings: Straight-line allocation over the life of the property, generally between 10 and 100 years;
- Vehicles, plant and equipment: Straight line allocation over the life of the asset generally between 3 and 30 years;
- Infrastructure: Straight-line allocation over the life of the asset generally between 8 and 60 years.

Items of property, plant and equipment are not depreciated until they become available for use (that is, when the asset is in the location and condition necessary for its intended use). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

The residual value of an item of property, plant and equipment, its useful life and depreciation method are reviewed at least at each financial year end and, if expectations differ from previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition is the difference between the net disposal proceeds (if any) and the asset's carrying amount and is included in the Surplus or Deficit on the Provision of Services.

Componentisation:

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts are be grouped in determining the depreciation charge.

The Council has determined that only buildings over £1m are subject to componentisation and these are assessed against 3 components determined by the valuers, namely: -

Component	Useful Life
Flat Roof	20 years
Services (heat source, electrical installations, lifts, alarms, etc)	20 years
Window Walling/Concrete Cladding	50 years

In addition, a component is only separately identified if it represent 20% or greater of the total asset value. The balance of the cost of the total asset not assigned to components is held against the Main Structure and subject to depreciation over 10 to 100 years.

The Council has decided to apply the componentisation policy to an asset from 1st April 2010 when triggered by the following events: -

- When acquired as a new asset;
- Where an asset is enhanced, with components being recognised for existing components as well as to the enhancement work; and
- Where an asset is revalued.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain or there is uncertainty of the amount.

Provisions are charged to the appropriate service revenue account in the year that they are recognised and are detailed in the notes to the accounts. Expenditure incurred on items for which the provision was originally set up is charged directly to the provision. The level of each provision is reviewed at the balance sheet date. Provisions that are no longer required will be credited back to the original service revenue account from where the provision was created.

Post-Employment Benefits

The Council participates in three different pension schemes that meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

- Teachers - this is an unfunded scheme administered by the Teachers Pension Agency (TPA). The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme, that is, no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with the employer's contributions payable to the TPA for the year.
- Uniformed Fire Fighters - this scheme is unfunded. With effect from 1 April 2006 the Council pay an employer's pension contribution based on a percentage of pay into the Firefighter's Pension Fund. The Pension Fund will be balanced to nil at the end of the year through a cash settlement with central government.
- Other employees - subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The Council pay an employer contribution rate of a percentage of pensionable pay.

The Uniformed Fire Fighters and Local Government Pension Schemes are both accounted for, under IAS 19 Employee Benefits, as defined benefit schemes.

- The liabilities of these pension schemes attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the yield of a basket of AA-rated bonds (Iboxx Sterling Corporate Bond Index, AA over 15 Years).

The assets of the Local Government Pension Fund attributable to the Council are included in the balance sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – current bid price
- unitised securities – current bid price
- property – market value

The change in the net pension's liability is analysed into the following 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 revenue accounts of services for which the employees worked
- employer contributions paid to the pension funds
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- 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 to the Net Cost 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 Financing and Investment Income and Expenditure 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 Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

- 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 actuary has updated previous assumptions – debited or credited as Other Comprehensive Income and Expenditure.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Revenue

Revenue is the gross inflow of economic benefits from services provided during the reporting period. Revenue is recognised when and to the extent that performance occurs and is measured at the fair value of the consideration received or receivable

Revenue Expenditure Funded from Capital under Statute

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

Specific Reserves

Specific Reserves are sums of money earmarked to provide, in the main, flexibility in funding between years. A detailed make up of specific reserves is given in the notes to the accounts. Reserves are created by appropriating amounts in the Movement in Reserves Statement. Expenditure incurred on items for which the reserve was originally established is shown as service expenditure offset by a contribution from the reserve to the Movement in Reserves Statement.

Value Added Tax

Income and expenditure are shown net of Value Added Tax (VAT). VAT is included in the Comprehensive Income and Expenditure Statement to the extent that it is irrecoverable.

Note 1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS-based Code of Practice on Local Authority Accounting has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The Code requires the restatement of the Balance Sheet at 1 April 2009 and at 31 March 2010 and the restatement of the Comprehensive Income & Expenditure Statement for the year ended 31 March 2010.

The following tables show the total difference between the opening balance sheets at 1 April 2009 under the Code and under the previous Statement of Recommended Practice (SORP), and the difference in the balance sheets at 31 March 2010 presented in the 2009/10 audited financial statements and the equivalent 2009/10 comparative amounts presented in the 2010/11 financial statements under the Code.

The adjustments made are explained further in additional tables throughout this note. The two restated balance sheets are shown separately and followed by the restated Comprehensive Income & Expenditure Statement and more detailed explanations of the adjustments contained in them.

Opening Balance Sheet as at 1 April 2009

Notes 1.1a – 1.15a follow the restated balance sheets and Comprehensive Income & Expenditure Statement within Note 1and explain the IFRS Adjustments below.

1 April 2009		IFRS Adjustments	Note		1 April 2009 Restated	
£000s	£000s	£000s			£000s	£000s
2,812,467		41,309	1.1a	Property, Plant & Equipment	2,853,776	
-		-		Investment Property	-	
5,280		-		Intangible Assets	5,280	
-		-		Assets Held for Sale	-	
30,146		-		Long Term Investments	30,146	
26,803		6,145	1.2a	Long Term Debtors	32,948	
	2,874,695	**47,454**		**Long Term Assets**		**2,922,150**
214,561		(895)	1.3a	Short Term Investments	213,666	
-		3,848	1.4a	Assets Held for Sale	3,848	
4,205		-		Inventories	4,205	
102,444		727	1.5a	Short Term Debtors	103,171	
80,620		(80,282)	1.6a	Cash and Cash Equivalents	338	
	401,830	**(76,602)**		**Current Assets**		**325,228**
(81,177)		81,177	1.7a	Bank Overdraft	-	
(83)		-		Short Term Borrowing	(83)	
(468)		(618)	1.8a	Short Term Liabilities	(1,086)	
(358,881)		98,527	1.9a	Short Term Creditors	(260,354)	
(2,704)		-		Amounts owed to HPA	(2,704)	
-		(14,115)	1.10a	Provisions for Accumulated Absences	(14,115)	
-		-	1.11a	Short Term Provisions	-	
	(443,313)	**164,971**		**Current Liabilities**		**(278,342)**
-				Long Term Creditors	-	
(17,556)		-	1.12a	Provisions	(17,556)	
(344,900)		-		Long Term Borrowing	(344,900)	
(589,311)		(9,700)	1.13a	Liability relating to the defined benefit pension scheme	(599,011)	
(18,777)		(1,580)	1.14a	Other Long Term Liabilities	(20,357)	
(156,490)		156,490	1.15a	Deferred Government Grants	-	
-		-		Donated Assets Account	-	
-		(48,576)	1.16a	Capital Grants Receipts in Advance	(48,576)	
	(1,127,034)	**96,634**		**Long Term Liabilities**		**(1,030,400)**
	1,706,178	**232,458**		**Net Assets**		**1,938,636**
160,910		50,606	1.17a	Usable Reserves	211,516	
1,545,268		181,852	1.18a	Unusable Reserves	1,727,120	
	1,706,178	**232,458**		**Total Reserves**		**1,938,636**

Balance Sheet as at 31 March 2010

Notes 1.1b – 1.15b follow the restated balance sheets and Comprehensive Income & Expenditure Statement within Note 1 and explain the IFRS Adjustments below. References to other notes indicate where the figures for values at 31 March 2010 appear elsewhere in the accounts as comparators to the values at 31 March 2011.

31 March 2010		IFRS Adjustments	Note		31 March 2010 Restated	
£000s	£000s	£000s			£000s	£000s
2,869,325		41,983	1.1b / 12	Property, Plant & Equipment	2,911,308	
-		-	13	Investment Property	-	
5,230		-	14	Intangible Assets	5,230	
-		-	20	Assets Held for Sale	-	
28,646		-	15	Long Term Investments	28,646	
18,576		6,071	1.2b / 18	Long Term Debtors	24,647	
	2,921,777	**48,054**		**Long Term Assets**		**2,969,831**
18,693		(11,201)	1.3b / 15	Short Term Investments	7,492	
-		3,002	1.4b / 20	Assets Held for Sale	3,002	
3,770		-	16	Inventories	3,770	
103,284		95	1.5b / 18	Short Term Debtors	103,379	
27,031		(10,905)	1.6b / 19	Cash and Cash Equivalents	16,126	
	152,778	**(19,009)**		**Current Assets**		**133,769**
(22,106)		22,106	1.7b	Bank Overdraft	-	
(8,073)		-	15	Short Term Borrowing	(8,073)	
(553)		(467)	1.8b / 15	Short Term Liabilities	(1,020)	
(311,216)		112,641	1.9b / 21	Short Term Creditors	(198,575)	
(2,015)		-	31	Amounts owed to HPA	(2,015)	
-		(22,384)	1.10b / 24	Provisions for Accumulated Absences	(22,384)	
-		(9,899)	1.11b / 22	Short Term Provisions	(9,899)	
	(343,963)	**101,997**		**Current Liabilities**		**(241,966)**
-		-	15	Long Term Creditors	-	
(16,445)		9,899	1.12b / 22	Provisions	(6,546)	
(287,453)		-	15	Long Term Borrowing	(287,453)	
(1,170,833)		(14,600)	1.13b / 24	Liability relating to the defined benefit pension scheme	(1,185,433)	
(19,150)		(1,113)	1.14b / 15	Other Long Term Liabilities	(20,263)	
(195,101)		195,101	1.15b / 38	Deferred Government Grants	-	
-		-	38	Donated Assets Account	-	
-		(54,030)	1.16b / 38	Capital Grants Receipts in Advance	(54,030)	
	(1,688,982)	**135,257**		**Long Term Liabilities**		**(1,553,725)**
	1,041,610	**266,299**		**Net Assets**		**1,307,909**
162,088		58,631	1.17b / 23	Usable Reserves	220,719	
879,522		207,668	1.18b / 24	Unusable Reserves	1,087,190	
	1,041,610	**266,299**		**Total Reserves**		**1,307,909**

The Code also requires the restatement of the Comprehensive Income and Expenditure Statement for the year ended 31 March 2010. The following tables show the total difference between the opening Comprehensive Income and Expenditure Statement for the year ended 31 March 2010 presented in the 2009/10 audited financial statements and the equivalent 2009/10 comparative amounts presented in the 2010/11 financial statements under the Code.

The adjustments shown below are explained further in Note 1.19

2009/10			IFRS Adjustments			2009/10 Restated		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	Net Expenditure £000s		Note	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
5,691	(2,729)	2,962	399	Central service to the public		6,091	(2,730)	3,361
102,548	(12,658)	89,890	296	Cultural, environmental, regulatory & planning services		102,641	(12,455)	90,186
1,224,845	(963,949)	260,896	22,090	Education and children's services		1,234,077	(951,091)	282,986
100,211	(16,710)	83,501	3,298	Highways and transport services		100,278	(13,479)	86,799
24,265	(23,369)	895	504	Other housing services		24,268	(22,869)	1,399
408,680	(109,006)	299,674	(312)	Adult Social Care		407,328	(107,966)	299,362
44,127	(1,646)	42,481	456	Fire and Rescue Services		44,430	(1,493)	42,937
27,436	(14,598)	12,838	234	Corporate and Democratic core		27,756	(14,684)	13,072
48,902	(4,801)	44,101	(2,045)	Non distributed costs		46,812	(4,756)	42,056
539	-	539	-	Exceptional Items - Icelandic Banks	43	539	-	539
1,987,243	**(1,149,466)**	**837,777**	**24,920**	**Cost of Services**		**1,994,220**	**(1,131,523)**	**862,697**
38,933	(3,139)	35,794	(273)	Other Operating expenditure	9	38,660	(3,139)	35,521
176,077	(118,273)	57,806	(442)	Financing and Investment Income & Expenditure	10	175,637	(118,273)	57,364
-	-	-	-	(Surplus) or Deficit of Discontinued Operations	29	-	-	-
-	(720,864)	(720,864)	(64,580)	Taxation and Non-Specific Grant Income	11	-	(785,444)	(785,444)
2,202,255	**(1,991,742)**	**210,513**	**(40,375)**	**(Surplus) or Deficit on Provision of Services (A)**		**2,208,517**	**(2,038,379)**	**170,138**
		(112,383)	1,634	Surplus or Deficit on revaluation of Property, Plant and Equipment	23			(110,749)
		-	-	Surplus or Deficit on revaluation of available for sale financial assets	23			-
		566,436	4,900	Actuarial gains / loses on pension assets / liabilities	23			571,336
		454,053	6,534	**Other Comprehensive Income & Expenditure (B)**				**460,587**
		664,566	**(33,841)**	**Total Comprehensive Income & Expenditure (A+B)**				**630,726**

The following tables relate to the adjustments shown in the restated financial statements above. These are followed by an explanation of each of the changes that has necessitated these adjustments (accrued absences, leases, grants and s106 contributions, Cash & Cash Equivalents, reclassification of assets, assets held for sale, Voluntary and the Firefighters' Injury Compensation Scheme)

1.1 – Property, Plant & Equipment: these adjustments relate to the value of property, plant & equipment assets held on the Balance Sheet

1.1a

	Land and buildings	Vehicles, plant and equipment	Infrastructure assets	Surplus land and buildings	Assets under construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s
Original Balance Sheet at 1 April 2009	**2,183,671**	**69,699**	**419,884**	**130,738**	**8,475**	**2,812,467**
IFRS - reclassification of Non-Operational Assets at 1 April 2009	80,486	-	-	(85,986)	-	(5,499)
IFRS - derecognition of finance leases out	(6,207)	-	-	-	-	(6,207)
IFRS - recognition of finance leases in at 1 April 2009	(242)	2,627	-	-	-	2,385
IFRS - recognition of assets relating to Voluntary Controlled Schools at 1 April 2009	50,631	-	-	-	-	50,631
Total Adjustments to 1 April 2009	**124,668**	**2,627**	**-**	**(85,986)**	**-**	**41,309**
IFRS Restated Balance Sheet at 1 April 2009	**2,308,339**	**72,326**	**419,884**	**44,752**	**8,475**	**2,853,776**

1.1b

	Land and buildings	Vehicles, plant and equipment	Infrastructure assets	Surplus land and buildings	Assets under construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s
Original Balance Sheet at 31 March 2010	**2,214,124**	**80,556**	**463,649**	**103,490**	**7,506**	**2,869,325**
Adjustments to Opening Balance Sheet (see 1.1a)	124,668	2,627	-	(85,986)	-	41,309
IFRS - effects of reclassification of Non-Operational Assets at 31 March 2010	(4,554)	-	-	5,976	-	1,422
IFRS - effects of derecognition of finance leased assets at 31 March 2010	1,027	-	-	-	-	1,027
IFRS - effects of recognition of finance leased assets at 31 March 2010	(201)	(584)	-	(16)	-	(801)
IFRS - effect of recognition of assets of VC schools at 31 March 2010	(983)	-	-	-	-	(983)
IFRS - reclassification of assets as 'held for sale' at 31 March 2010	-	-	-	9	-	9
Total Adjustments to 31 March 2010	**119,957**	**2,043**	**-**	**(80,017)**	**-**	**41,983**
IFRS Restated Balance Sheet at 31 March 2010	**2,334,081**	**82,599**	**463,649**	**23,473**	**7,506**	**2,911,308**

1.2 – Long Term Debtors: these adjustments relate to the value of payments owed over periods greater than one year by the lessees of property let to them by the Council under finance leases

1.2a

	£000s
Original Balance Sheet at 1 April 2009	**26,803**
IFRS - derecognition of finance leases out	6,145
Total Adjustments to 1 April 2009	**6,145**
IFRS Restated Balance Sheet at 1 April 2009	**32,948**

1.2b

	£000s
Original Balance Sheet at 31 March 2010	**18,576**
Adjustments to Opening Balance Sheet (see 1.2a)	6,145
IFRS - effects of derecognition of finance leased assets at 31st March 2010	(74)
Total Adjustments to 31 March 2010	**6,071**
IFRS Restated Balance Sheet at 31 March 2010	**24,647**

1.3 – Short Term Investments: these adjustments relate to the reclassification of financial investments as cash equivalents

1.3a

	£000s
Original Balance Sheet at 1 April 2009	**214,561**
IFRS - reclassification of Cash & Cash Equivalents	(895)
Total Adjustments to 1 April 2009	**(895)**
IFRS Restated Balance Sheet at 1 April 2009	**213,666**

1.3b

	£000s
Original Balance Sheet at 31 March 2010	**18,693**
Adjustments to Opening Balance Sheet (see 1.3a)	(895)
IFRS – reclassification of Cash & Cash Equivalents	(10,306)
Total Adjustments to 31 March 2010	**(11,201)**
IFRS Restated Balance Sheet at 31 March 2010	**7,492**

1.4 – Assets Held for Sale: these adjustments relate to the reclassification of assets as 'held for sale' when they meet the relevant criteria as set out in the accounting policies

1.4a

	£000s
Original Balance Sheet at 1 April 2009	**-**
IFRS - reclassification of Non-Operational Assets	5,499
IFRS - effects of reclassification of assets as Held for Sale in the year	(1,651)
Total Adjustments to 1 April 2009	**3,848**
IFRS Restated Balance Sheet at 1 April 2009	**3,848**

1.4b

	£000s
Original Balance Sheet at 31 March 2010	**-**
Adjustments to Opening Balance Sheet (see 1.4a)	3,848
IFRS - reclassification of Non-Operational Assets	(1,948)
IFRS - effects of reclassification of assets as Held for Sale in the year	1,102
Total Adjustments to 31 March 2010	**3,002**
IFRS Restated Balance Sheet at 31 March 2010	**3,002**

1.5 – Short Term Debtors: these adjustments relate to the value of payments due to the Council within one year from the balance sheet date. These payments relate to grants and finance leases

1.5a

	£000s
Original Balance Sheet at 1 April 2009	**102,444**
IFRS - short term debtors related to finance lease payments	71
IFRS - reclassification of balances to show grant-related receivables	655
Total Adjustments to 1 April 2009	**727**
IFRS Restated Balance Sheet at 1 April 2009	**103,171**

1.5b

	£000s
Original Balance Sheet at 31 March 2010	**103,284**
Adjustments to Opening Balance Sheet (see 1.5a)	727
IFRS - change in short term debtors related to finance lease payments	3
IFRS - effect of changes to recognition of grant balances in the year	(634)
Total Adjustments to 31 March 2010	**95**
IFRS Restated Balance Sheet at 31 March 2010	**103,379**

1.6 – Cash & Cash Equivalents: these adjustments reflect the classification of short term financial assets as cash equivalents

1.6a

	£000s
Original Balance Sheet at 1 April 2009	**80,620**
IFRS - reclassification of bank overdraft as Cash & Cash Equivalents	(80,282)
Total Adjustments to 1 April 2009	**(80,282)**
IFRS Restated Balance Sheet at 1 April 2009	**338**

1.6b

	£000s
Original Balance Sheet at 31 March 2010	**27,031**
Adjustments to Opening Balance Sheet (see 1.6a)	(80,282)
IFRS - reclassification of reduction in bank overdraft as Cash & Cash Equivalents	69,377
Total Adjustments to 31 March 2010	**(10,905)**
IFRS Restated Balance Sheet at 31 March 2010	**16,126**

1.7 – Bank Overdraft: these adjustments show the reclassification of the Council's overdraft facility as a cash equivalent at the restated balance sheet dates

1.7a

	£000s
Original Balance Sheet at 1 April 2009	**(81,177)**
IFRS - reclassification of bank overdraft as Cash & Cash Equivalents	81,177
Total Adjustments to 1 April 2009	**81,177**
IFRS Restated Balance Sheet at 1 April 2009	**-**

1.7b

	£000s
Original Balance Sheet at 31 March 2010	**(22,106)**
Adjustments to Opening Balance Sheet (see 1.7a)	81,177
IFRS - reclassification of reduction in bank overdraft as Cash & Cash Equivalents	(59,071)
Total Adjustments to 31 March 2010	**22,106**
IFRS Restated Balance Sheet at 31 March 2010	**-**

1.8 – Short Term Liabilities: these adjustments relate to payments owed by the Council to the lessors of assets leased by the Council under finance leases

1.8a

	£000s
Original Balance Sheet at 1 April 2009	**(468)**
IFRS - short term liability arising from recognition of finance leased assets	(618)
Total Adjustments to 1 April 2009	**(618)**
IFRS Restated Balance Sheet at 1 April 2009	**(1,086)**

1.8b

	£000s
Original Balance Sheet at 31 March 2010	**(553)**
Adjustments to Opening Balance Sheet (see 1.8a)	(618)
IFRS - movement in year to short term liability arising from recognition of finance leased assets	151
Total Adjustments to 31 March 2010	**(467)**
IFRS Restated Balance Sheet at 31 March 2010	**(1,020)**

1.9 – Short Term Creditors: these adjustments relate to changes in amounts owed by the Council to grant awarding bodies due to the recognition of these grants as income under IFRS

1.9a

	£000s
Original Balance Sheet at 1 April 2009	**(358,881)**
IFRS - reduction in creditor balances relating to grant and s106 contribution income resulting from new income recognition criteria	98,527
Total Adjustments to 1 April 2009	**98,527**
IFRS Restated Balance Sheet at 1 April 2009	**(260,354)**

1.9b

	£000s
Original Balance Sheet at 31 March 2010	**(311,216)**
Adjustments to Opening Balance Sheet (see 1.9a)	98,527
IFRS - reduction in creditor balances relating to grant and s106 contribution income resulting from new income recognition criteria	14,114
Total Adjustments to 31 March 2010	**112,641**
IFRS Restated Balance Sheet at 31 March 2010	**(198,575)**

1.10 – Provisions for Accumulated Absences: these adjustments relate to the recognition of a liability in relation to employees' entitlement to leave accrued at the balance sheet date

1.10a

	£000s
Original Balance Sheet at 1 April 2009	**-**
IFRS - recognition of liability in relation to accumulated employee absence entitlements	(14,115)
Total Adjustments to 1 April 2009	**(14,115)**
IFRS Restated Balance Sheet at 1 April 2009	**(14,115)**

1.10b

	£000s
Original Balance Sheet at 31 March 2010	**-**
Adjustments to Opening Balance Sheet (see 1.10a)	(14,115)
IFRS - adjustment in year of liability in relation to accumulated employee absence entitlements	(8,269)
Total Adjustments to 31 March 2010	**(22,384)**
IFRS Restated Balance Sheet at 31 March 2010	**(22,384)**

1.11 – Short Term Provisions: these adjustments relate to the classification of provisions between long and short term on the Balance Sheet

1.11a

	£000s
Original Balance Sheet at 1 April 2009	**-**
IFRS - classification of provisions between long and short term	-
Total Adjustments to 1 April 2009	**-**
IFRS Restated Balance Sheet at 1 April 2009	**-**

1.11b

	£000s
Original Balance Sheet at 31 March 2010	**-**
Adjustments to Opening Balance Sheet (see 1.11a)	-
IFRS - classification of provisions between long and short term	(9,899)
Total Adjustments to 31 March 2010	**(9,899)**
IFRS Restated Balance Sheet at 31 March 2010	**(9,899)**

1.12 – Long Term Provisions: these adjustments relate to the classification of provisions between long and short term on the Balance Sheet

1.12a

	£000s
Original Balance Sheet at 1 April 2009	**(17,556)**
IFRS - classification of provisions between long and short term	-
Total Adjustments to 1 April 2009	**-**
IFRS Restated Balance Sheet at 1 April 2009	**(17,556)**

1.12b

	£000s
Original Balance Sheet at 31 March 2010	**(16,445)**
Adjustments to Opening Balance Sheet (see 1.12a)	-
IFRS - classification of provisions between long and short term	9,899
Total Adjustments to 31 March 2010	**9,899**
IFRS Restated Balance Sheet at 31 March 2010	**(6,546)**

1.13 – Liability related to Defined Benefit Pension Scheme: these adjustments relate to the Firefighters' Injury Compensation Scheme

1.13a

	£000s
Original Balance Sheet at 1 April 2009	**(589,311)**
IFRS - adjustments relating to Firefighter's Injury Compensation Scheme	(9,700)
Total Adjustments to 1 April 2009	**(9,700)**
IFRS Restated Balance Sheet at 1 April 2009	**(599,011)**

1.13b

	£000s
Original Balance Sheet at 31 March 2010	**(1,170,833)**
Adjustments to Opening Balance Sheet (see 1.13a)	(9,700)
IFRS - adjustments relating to Firefighter's Injury Compensation Scheme	(4,900)
Total Adjustments to 31 March 2010	**(14,600)**
IFRS Restated Balance Sheet at 31 March 2010	**(1,185,433)**

1.14 – Other Long Term Liabilities: these adjustments relate to payments owed by the Council over more than one year to the lessors of assets leased by the Council under finance leases

1.14a

	£000s
Original Balance Sheet at 1 April 2009	**(18,777)**
IFRS - recognition of long term liabilities relating to finance leased assets	(1,580)
Total Adjustments to 1 April 2009	**(1,580)**
IFRS Restated Balance Sheet at 1 April 2009	**(20,357)**

1.14b

	£000s
Original Balance Sheet at 31 March 2010	**(19,150)**
Adjustments to Opening Balance Sheet (see 1.14a)	(1,580)
IFRS - recognition of long term liabilities relating to finance leased assets	467
Total Adjustments to 31 March 2010	**(1,113)**
IFRS Restated Balance Sheet at 31 March 2010	**(20,263)**

1.15 – Deferred Government Grants: these adjustments reflect the reclassification of capital grants previously deferred and amortised and now recognised as income

1.15a

	£000s
Original Balance Sheet at 1 April 2009	**(156,490)**
IFRS - reclassification of Deferred Government Grants	156,490
Total Adjustments to 1 April 2009	**156,490**
IFRS Restated Balance Sheet at 1 April 2009	**-**

1.15b

	£000s
Original Balance Sheet at 31 March 2010	**(195,101)**
Adjustments to Opening Balance Sheet (see 1.15a)	156,490
IFRS - effect of reclassification of deferred grants in the year	38,611
Total Adjustments to 31 March 2010	**195,101**
IFRS Restated Balance Sheet at 31 March 2010	**-**

1.16 – Capital Grants Receipts in Advance: these adjustments reflect the reclassification of capital grant and contribution balances as received in advance

1.16a

	£000s
Original Balance Sheet at 1 April 2009	**-**
IFRS - reclassification of capital grants and s106 contributions as Capital Grants RIA	(48,576)
Total Adjustments to 1 April 2009	**(48,576)**
IFRS Restated Balance Sheet at 1 April 2009	**(48,576)**

1.16b

	£000s
Original Balance Sheet at 31 March 2010	**-**
Adjustments to Opening Balance Sheet (see 1.16a)	(48,576)
IFRS - effect of reclassification of capital grants and s106 contributions as Capital Grants RIA in the year	(5,454)
Total Adjustments to 31 March 2010	**(54,030)**
IFRS Restated Balance Sheet at 31 March 2010	**(54,030)**

1.17 – Usable Reserves: these adjustments reflect the effects of adjustments above on the Council's usable reserves

1.17a

	General Fund	Specific reserves	Usable Capital Receipts Reserve	Capital Grants Unapplied	Total
	£000s	£000s	£000s	£000s	£000s
Original Balance Sheet at 1 April 2009	**(36,495)**	**(104,789)**	**(19,626)**	**-**	**(160,910)**
IFRS - increase in reserves following restatement of grants balances under new rules, involving recognition of income where conditions have been satisfied	-	(10,478)	-	(13,112)	(23,590)
IFRS - increase in reserves following restatement of s106 contribution balances under new rules, involving recognition of income where conditions have been satisfied	-	-	-	(27,016)	(27,016)
Total Adjustments to 1 April 2009	**-**	**(10,478)**	**-**	**(40,128)**	**(50,606)**
IFRS Restated Balance Sheet at 1 April 2009	**(36,495)**	**(115,267)**	**(19,626)**	**(40,128)**	**(211,516)**

1.17b

	General Fund	Specific reserves	Usable Capital Receipts Reserve	Capital Grants Unapplied	Total
	£000s	£000s	£000s	£000s	£000s
Original Balance Sheet at 31 March 2010	**(32,145)**	**(110,694)**	**(19,250)**	**-**	**(162,088)**
Adjustments to Opening Balance Sheet (see 1.14a)	-	(10,478)	-	(40,128)	(50,606)
IFRS - in-year effect on reserves of restatement of grants balances under new rules, involving recognition of income where conditions have been satisfied	-	5,451	-	(13,142)	(7,691)
IFRS - in-year effect on reserves of restatement of s106 contribution balances under new rules, involving recognition of income where conditions have been satisfied	-	-	-	(335)	(335)
Total Adjustments to 31 March 2010	**-**	**(5,027)**	**-**	**(53,605)**	**(58,632)**
IFRS Restated Balance Sheet at 31 March 2010	**(32,145)**	**(115,721)**	**(19,250)**	**(53,605)**	**(220,719)**

1.18 – Unusable Reserves: these adjustments reflect the effect of the adjustments above on the Council's unusable reserves

1.18a

	Capital Adjustment Account	Revaluation Reserve	Financial Instruments Adjustment Account	Equal Pay Reserve	Pension Reserve	Collection Fund Adjustment Account	Accrued Absence Account	Deferred Capital Receipts Reserve	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Original Balance Sheet at 1 April 2009	**(2,085,117)**	**(59,415)**	**11,289**	**1,077**	**589,311**	**(2,413)**	**-**	**-**	**(1,545,268)**
IFRS - derecognition of assets leased out under finance leases	6,488	-	-	-	-	-	-	-	6,488
IFRS - repayment of principal element of assets leased out under finance leases	(281)	-	-	-	-	-	-	(6,217)	(6,498)
IFRS - recognition of liability in relation to accumulated employee absence entitlements	-	-	-	-	-	-	14,115	-	14,115
IFRS - recognition of assets leased in under finance leases	(188)	-	-	-	-	-	-	-	(188)
IFRS - reclassification of deferred capital grants	(156,490)	-	-	-	-	-	-	-	(156,490)
IFRS - reclassification of assets as Held for Sale	950	701	-	-	-	-	-	-	1,651
IFRS - Recognition of assets relating to Voluntary Controlled schools	983	(51,613)	-	-	-	-	-	-	(50,630)
IFRS - Recognition of liability relation to Firefighter's Injury Compensation Scheme	-	-	-	-	9,700	-	-	-	9,700
Total Adjustments to 1 April 2009	**(148,538)**	**(50,912)**	**-**	**-**	**9,700**	**-**	**14,115**	**(6,217)**	**(181,852)**
IFRS Restated Balance Sheet at 1 April 2009	**(2,233,655)**	**(110,327)**	**11,289**	**1,077**	**599,011**	**(2,413)**	**14,115**	**(6,217)**	**(1,727,120)**

1.18b

	Capital Adjustment Account	Revaluation Reserve	Financial Instruments Adjustment Account	Equal Pay Reserve	Pension Reserve	Collection Fund Adjustment Account	Accrued Absence Account	Deferred Capital Receipts Reserve	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Original Balance Sheet at 31 March 2010	**(1,890,399)**	**(169,292)**	**10,218**	**1,077**	**1,170,833**	**(1,959)**	**-**	**-**	**(879,522)**
Adjustments to Opening Balance Sheet (see 1.15a)	(148,538)	(50,912)	-	-	9,700	-	14,115	(6,217)	(181,852)
IFRS - in-year effect of depreciation charges resulting from reclassification of surplus assets	527	-	-	-	-	-	-	-	527
IFRS - in-year effect of derecognition of assets leased out under finance leases	(1,428)	473	-	-	-	-	-	-	(955)
IFRS - repayment of principle element of assets leased out under finance leases	(71)	-	-	-	-	-	-	71	-
IFRS - adjustment of liability in relation to accumulated employee absence entitlements	-	-	-	-	-	-	8,269	-	8,269
IFRS - in-year effect of recognition of assets leased in under finance leases	85	98	-	-	-	-	-	-	183
IFRS - in-year effect of reclassification of deferred capital grants	(38,611)	-	-	-	-	-	-	-	(38,611)
IFRS - in-year effect of reclassification of assets as Held for Sale	(2,213)	1,102	-	-	-	-	-	-	(1,111)
IFRS - in-year effect of recognition of assets relating to Voluntary Controlled schools	983	-	-	-	-	-	-	-	983
IFRS - Adjustment to liability relation to Firefighter's Injury Compensation Scheme	-	-	-	-	4,900	-	-	-	4,900
Total Adjustments to 31 March 2010	**(189,267)**	**(49,239)**	**-**	**-**	**14,600**	**-**	**22,384**	**(6,145)**	**(207,667)**
IFRS Restated Balance Sheet at 31 March 2010	**(2,079,666)**	**(218,531)**	**10,218**	**1,077**	**1,185,433**	**(1,959)**	**22,384**	**(6,145)**	**(1,087,190)**

1.19 – Revenue Impact of IFRS Adjustments

	Reclassification of assets (depreciation)	Derecognition of assets leased out	Movement in liability for accumulated absences	Recognition of assets leased in	Reclassification of Deferred Grants	Reclassification of grant & s106 income	Reclassification of assets as Held for Sale	Recognition of assets relating to VC schools	Adjustments relating the Firefighter's Injury Compensation Scheme	Total IFRS & PPA Adjustments
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adult social care services	28	(1,323)	232	201	133	907	(491)	-	-	(312)
Central services to the public	-	-	400	-	3	(4)	-	-	-	400
Children's and education services	139	(3)	7,338	275	8,947	3,910	501	983	-	22,090
Cultural, environmental, regulatory and planning services	28	-	4	61	37	166	-	-	-	296
Fire and rescue services	53	-	98	152	7	146	-	-	-	456
Highways and transport services	-	-	60	7	3,289	(58)	-	-	-	3,298
Other housing services	-	-	4	-	-	500	-	-	-	504
Corporate and democratic core	272	-	44	5	31	(117)	-	-	-	234
Non-distributed costs	6	7	-	(668)	45	-	(1,436)	-	-	(2,047)
Exceptional Items - Icelandic Banks	-	-	-	-	-	-	-	-	-	-
Cost of Services	**527**	**(1,320)**	**8,180**	**33**	**12,492**	**5,451**	**(1,426)**	**983**	**-**	**24,920**
Loss on disposal of non-current assets	-	515	-	-	-	-	(788)	-	-	(273)
Precepts and levies	-	-	-	-	-	-	-	-	-	-
Surplus on trading undertakings	-	-	89	(9)	-	-	-	-	-	81
Interest payable and similar charges	-	(623)	-	101	-	-	-	-	-	(522)
Interest and investment income	-	-	-	-	-	-	-	-	-	-
Pensions interest cost	-	-	-	-	-	-	-	-	-	-
Expected return on pension assets	-	-	-	-	-	-	-	-	-	-
Fire pension top up grant	-	-	-	-	-	-	-	-	-	-
Insurance fund	-	-	-	-	-	-	-	-	-	-
Income from the collection fund	-	-	-	-	-	-	-	-	-	-
General government grants	-	-	-	-	(51,103)	(13,477)	-	-	-	(64,580)
Distribution from non-domestic rate pool	-	-	-	-	-	-	-	-	-	-
Deficit on Provision of Services	**527**	**(1,428)**	**8,269**	**126**	**(38,611)**	**(8,026)**	**(2,213)**	**983**	**-**	**(40,375)**
Surplus or Deficit on revaluation of PPE	-	473	-	59	-	-	1,102	-	-	1,634
Actuarial gains / loss on pension assets / liabilities	-	-	-	-	-	-	-	-	4,900	4,900
Other Comprehensive Income	**-**	**473**	**-**	**59**	**-**	**-**	**1,102**	**-**	**4,900**	**6,534**
Total Comprehensive Income	**527**	**(955)**	**8,269**	**185**	**(38,611)**	**(8,026)**	**(1,111)**	**983**	**4,900**	**(33,841)**

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 Council. 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 Council is required to accrue for any annual leave earned but not taken as 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 benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Provision for Accumulated Absences	-	(14,115)
Unusable Reserves	(1,545,268)	14,115

31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Provision for Accumulated Absences	-	(22,384)
Unusable Reserves	(879,522)	22,384

Comprehensive Income and Expenditure Statement for the year ended 31 March 2010

	2009/10 Statements	Adjustments Made
	£000s	£000s
Adult Social Care	299,674	232
Central service to the public	2,962	400
Education and children's services	260,896	7,338
Cultural, environmental, regulatory & planning services	89,890	4
Fire and Rescue Services	42,481	98
Highways and transport services	83,501	60
Other housing services	895	4
Corporate and Democratic core	12,838	44
Other Cost of Service not adjusted	44,640	-
Cost of Services	**837,777**	**8,180**
Financing and Investment Income & Expenditure	57,806	89
Other items not adjusted	(685,070)	-
(Surplus) or Deficit on Provision of Services (A)	**210,513**	**8,269**

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from the existing leases in the same way as it accounted for the income prior the introduction of the Code.

The Council has leases where the accounting treatment has changed following the introduction of the Code. These leases relate to property assets (both leases by the Council to other parties and leases of assets by other parties to the Council), a range of vehicles (including commercial vehicles and some specialist fire fighting and ambulance vehicles) and equipment.

As a consequence of the changes, the financial statements have been amended as follows to recognise assets leased by the Council from other parties:

- Leased property assets have been recognised on the balance sheet and accounted for in accordance with the policies set out in these accounts. Where applicable, liabilities have been recognised to reflect the future payments due under the leases (in some cases, there are no liabilities as rents are peppercorn),
- The leased vehicles and equipment have been recognised on the balance sheet at their present value and a long term liability has been created,
- The previous lease payments charged to the General Fund have been reversed,
- The depreciation charged to the Comprehensive Income & Expenditure (CI&E) statement over the lives of the leases has been reflected as well as the effect of this on the Capital Adjustment Account and consequently on the Minimum Revenue Provision,
- Additionally, the interest payments on the leases have been reflected in the restated CI&E statement.

The financial statements have also been amended to de-recognise property assets leased by the Council:

- Leased property assets have been derecognised from the balance sheet. Where applicable, a long-term debtor has been created to reflect the lease payments due to the Council under the lease (in some cases, there are no lease payment assets as the rents are peppercorn), along with recognising the Capital Receipts due in the Deferred Capital Receipts Reserve,
- The previous depreciation charges to the Comprehensive Income & Expenditure statement in relation to the assets have been reversed, as have any revaluations or impairments, and the effects of these on the Capital Adjustment Account and consequently on the Minimum Revenue Provision have been unwound,
- Lease payments made to the Council have been recognised as principal and interest elements and applied to the Comprehensive Income & Expenditure Statement

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Property, Plant & Equipment	2,812,467	(3,822)
Long Term Debtors	26,803	6,145
Short Term Debtors	102,444	71
Short Term Liabilities	(468)	(618)
Other Long Term Liabilities	(18,777)	(1,580)
Usable Reserves	(160,910)	-
Unusable Reserves	(1,545,268)	(197)

31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Property, Plant & Equipment	2,869,325	(3,596)
Long Term Debtors	18,576	6,071
Short Term Debtors	103,284	74
Short Term Liabilities	(553)	(467)
Other Long Term Liabilities	(19,150)	(1,113)
Usable Reserves	(162,084)	-
Unusable Reserves	(879,522)	(969)

Comprehensive Income and Expenditure Statement for the year ended 31 March 2010

	2009/10 Statements	Adjustments Made
	£000s	£000s
Adult Social Care	299,674	(1,122)
Education and children's services	260,896	272
Cultural, environmental, regulatory & planning services	89,890	61
Fire and Rescue Services	42,481	152
Highways and transport services	83,501	7
Corporate and Democratic core	12,838	5
Non distributed costs	44,101	(668)
Exceptional Items - Icelandic Banks	539	7
Cost of Service not adjusted	3,857	-
Cost of Services	**837,777**	**(1,286)**
Other Operating expenditure	35,794	515
Financing and Investment Income & Expenditure	57,806	(531)
Other items not adjusted	(720,864)	-
(Surplus) or Deficit on Provision of Services (A)	**210,513**	**(1,302)**
Surplus or Deficit on revaluation of Property, Plant and Equipment	(112,383)	532
Other items not adjusted	566,436	-
Other Comprehensive Income & Expenditure (B)	**454,053**	**532**
Total Comprehensive Income & Expenditure (A+B)	**664,566**	**(770)**

Government Grants & s106 Contributions

Deferred Government Grants

Under the Code, grants for capital schemes are recognised as income when they become receivable. Previously, capital grants were held in a Grants Deferred account and recognised as income over the life of the assets which they were used to fund. Capital contributions such as those received under s106 of the Town and Country Planning Act 1990 are treated in the same way as capital grants.

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 Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet,
- 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.

Other Grant Balances

The Code also makes changes to the treatment of grants (both revenue and capital) and contributions in that they are immediately recognised as income in the Comprehensive Income and Expenditure Statement, except where they have conditions that have not been satisfied. Previously, under the SORP, any unspent grants were treated as Creditors.

This has been interpreted therefore as follows:

- Grants will only be treated as Creditors (revenue) or Receipts in Advance (capital), where there are spending restrictions (within the grant conditions or other accompanying document) attached to the grant which have not been met as at the balance sheet date **AND** there is a requirement to pay the grant back should these restrictions not be met (within the grant contributions or other confirmation from the grant awarding body). This assumption is also applied to grants where they allow for the restrictions to be met in a later accounting period (e.g. allowed carry-forwards, academic year grants), as if no further events happened after the balance sheet date there would be a requirement to pay back,
- All other grants will be treated as income through the Comprehensive Income and Expenditure Statement.

In respect of Capital grants, there are two additional considerations for those which are treated as income:

- Where the grant has actually been 'spent', the income applied should then be transferred to the Capital Adjustment Account,
- If the grant has **not** actually been spent, then the funding amount can be moved to the Grants Unapplied Account (through the Statement of Movement on Reserves). When the grant is subsequently 'spent' the balance is then transferred to the Capital Adjustment Account.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements	**Adjustments Made**
	£000s	**£000s**
Short Term Debtors	102,444	655
Short Term Creditors	(358,881)	98,527
Deferred Government Grants	(156,490)	156,490
Capital Grants Receipts in Advance	-	(48,576)
Usable Reserves	(160,910)	(50,606)
Unusable Reserves	(1,545,268)	(156,490)

31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Short Term Debtors	103,284	21
Short Term Creditors	(311,218)	112,641
Deferred Government Grants	(195,101)	195,101
Capital Grants Receipts in Advance	-	(54,030)
Usable Reserves	(162,084)	(58,632)
Unusable Reserves	(879,522)	(195,101)

Comprehensive Income and Expenditure Statement for the year ended 31 March 2010

	2009/10 Statements	Adjustments Made
	£000s	£000s
Adult Social Care	299,674	1,040
Central service to the public	2,962	(1)
Education and children's services	260,896	12,857
Cultural, environmental, regulatory & planning services	89,890	203
Fire and Rescue Services	42,481	153
Highways and transport services	83,501	3,231
Other housing services	895	500
Corporate and Democratic core	12,838	(86)
Non distributed costs	44,101	45
Exceptional Items – Icelandic Banks	539	-
Cost of Services	**837,777**	**17,942**
Other items not adjusted	93,600	-
Taxation and Non-Specific Grant Income	(720,864)	(64,580)
(Surplus) or Deficit on Provision of Services (A)	**210,513**	**(46,638)**

Cash & Cash Equivalents:

The SORP required the Council to disclose cash held and overdraft balances separately on the Balance Sheet. Under the Code, these balances are combined along with short term investments with less than 24 hours maturity at the date of inception, on the basis that these investments are held to meet short-term liabilities rather than for investment or other purposes.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Short Term Investments	214,561	(895)
Cash and Cash Equivalents	80,620	(80,282)
Bank Overdraft	(81,177)	81,177

31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Short Term Investments	18,693	(11,201)
Cash and Cash Equivalents	27,031	(10,905)
Bank Overdraft	(22,106)	22,106

Reclassification of Assets:

Under IFRS, surplus assets are no longer shown separately but are included within the relevant category of asset (e.g. Land & Buildings). Some of these assets met the criteria of being 'Held for Sale' and these adjustments also reflect this change.

Opening 1 April 2009 Balance Sheet

	2009/10 Statements	**Adjustments Made**
	£000s	**£000s**
Property, Plant & Equipment	2,812,467	(5,499)
Assets Held for Sale	-	5,499

31 March 2010 Balance Sheet

	2009/10 Statements	**Adjustments Made**
	£000s	**£000s**
Property, Plant & Equipment	2,869,325	(4,078)
Assets Held for Sale	-	3,551
Unusable Reserves	(879,522)	527

Comprehensive Income and Expenditure Statement for the year ended 31 March 2010

	2009/10 Statements	**Adjustments Made**
	£000s	**£000s**
Adult Social Care	299,674	28
Education and children's services	260,896	139
Cultural, environmental, regulatory & planning services	89,890	28
Fire and Rescue Services	42,481	53
Corporate and Democratic core	12,838	272
Non distributed costs	44,101	6
Cost of Services not adjusted	87,897	-
Cost of Services	**837,777**	**527**

Assets Held for Sale:

The Code has made a number of changes to how the Council must classify its assets. Councils are required under the Code to account for assets held for sale and present in accordance with IFRS 5 - Non-current Assets Held for Sale and Discounted Operations. A non-current asset is classified as held for sale if the asset's carrying amount will be recovered principally through a sale transaction rather than through continued use and it meets the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets,
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated,
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value,
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements	**Adjustments Made**
	£000s	**£000s**
Assets Held for Sale	-	(1,651)
Unusable Reserves	(1,545,268)	1,651

31 March 2010 Balance Sheet

	2009/10 Statements	**Adjustments Made**
	£000s	**£000s**
Property, Plant & Equipment	2,869,325	9
Assets Held for Sale	-	(549)
Unusable Reserves	(879,522)	540

Comprehensive Income and Expenditure Statement for the year ended 31 March 2010

	2009/10 Statements	**Adjustments Made**
	£000s	**£000s**
Adult Social Care	299,674	(491)
Education and children's services	260,896	501
Non distributed costs	44,101	(1,436)
Cost of Services not adjusted	233,106	-
Cost of Services	**837,777**	**(1,426)**
Other Operating expenditure	35,794	(788)
Other items not adjusted	(663,058)	-
(Surplus) or Deficit on Provision of Services (A)	**210,513**	**(2,213)**
Other items not adjusted	566,436	-
Surplus or Deficit on revaluation of Property, Plant and Equipment	(112,383)	1,102
Other Comprehensive Income & Expenditure (B)	**454,053**	**1,102**
Total Comprehensive Income & Expenditure (A+B)	**664,565**	**(1,111)**

Voluntary Controlled (VC) Schools:

Voluntary Controlled (VC) schools are owned by a charity but the Council is responsible for the running of the school, employing the staff and determining and administrating the admissions policy. The council sometimes owns the freehold of the land and buildings, but the schools buildings are maintained and controlled by the respective charities and the Council's only statutory duty is for the playing fields. Based on substance over form, the council has determined that it holds significant control and therefore that all the land and buildings and not just the playing fields will be recognised by the Council under Property, Plant and Equipment on the balance sheet of the Council. This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Property, Plant & Equipment	2,812,467	50,631
Unusable Reserves	(1,545,268)	(50,631)

31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Property, Plant & Equipment	2,869,325	49,648
Unusable Reserves	(879,522)	(49,648)

Comprehensive Income and Expenditure Statement for the year ended 31 March 2010

	2009/10 Statements	Adjustments Made
	£000s	£000s
Education and children's services	260,896	983
Cost of Service not adjusted	576,881	-
Cost of Services	**837,777**	**983**

Firefighters' Injury Compensation Scheme

Under the Firefighters' Compensation Scheme (England) Order 2006, firefighters permanently disabled in the line of duty are entitled to a lump sum payment and a pension in respect of their lost earning capacity as a result of their injuries.

The liability for this scheme has previously been shown in the Council's accounts with the liability for the main Firefighters' Pension Scheme. In previous years, the liability included in the Council's accounts has been the cost of providing the future injury-related pension for those firefighters' who have been injured and become eligible to receive it.

The introduction of the Code means that as well as this liability, the Council's accounts will now include a liability for the cost of providing for those who may be injured in future. This liability is based on actuarial estimates. It is prepared and accounted for on the same basis as the other estimates of liabilities in relation to defined benefit pension schemes. There is a degree of volatility around these estimations and the liability may vary from year to year accordingly.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Liability relating to define benefit pension schemes	(589,311)	(9,700)
Unusable Reserves	(1,545,268)	9,700

31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£000s	£000s
Liability relating to define benefit pension schemes	(1,170,833)	(14,600)
Unusable Reserves	(879,522)	14,600

Comprehensive Income and Expenditure Statement for the year ended 31 March 2010

	2009/10 Statements	Adjustments Made
	£000s	£000s
(Surplus) or Deficit on Provision of Services (A) not adjusted	**210,513**	**-**
Other items not adjusted	(112,383)	-
Actuarial gains / losses on pension assets / liabilities	566,436	4,900
Other Comprehensive Income & Expenditure (B)	**454,053**	**4,900**
Total Comprehensive Income & Expenditure (A+B)	**664,565**	**4,900**

Note 2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

'Heritage assets (FRS 30)' applies from 2011/12 to all heritage assets that are held and maintained by the Council principally for their contribution to knowledge and culture. Heritage assets can have historical, artistic, scientific, geophysical or environmental qualities. Heritage assets are to be recognised by the Council as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS 30.

Currently the Council is unaware of any assets that may satisfy the criteria for being classed as Heritage assets.

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Icelandic Bank Deposits: The Council held deposits totalling £28m with Icelandic banks that defaulted on their obligations in October 2008. Since then the value of these deposits has been adjusted in the accounts, to reflect such repayments as have been received, and with the impairment value calculated in accordance with CIPFA guidance (LAAP Bulletin 82). Calculations in 2009/10 were made according to update 2 (May 2010); with adjustments for update 3 (September 2010) being determined as not material. The calculations for 2010/11 are based on the latest CIPFA guidance released in May 2011. The judges in the Icelandic District Court hearing that took place earlier this year ruled in favour of UK local authorities and other UK wholesale depositors, and their claims have been recognised as deposits with priority status over other creditors' claims. This decision means that these deposits will be recognised as priority claims by the administrators for the failed Icelandic banks, Glitnir and Landsbanki HF, and the rate of return will be at the top end of estimations by CIPFA. This decision will be appealed by the other creditor groups, and this appeal will be heard by the Icelandic Supreme Court some time later this year. The administrators for the other failed banks Heritable Ltd and Kaupthing, Singer & Friedlander Ltd, under UK administration, continue to make distributions in the form of dividends and the expectations of recovery for these two banks are also at the top end of estimations by CIPFA.

- Complex Leases: The Council owns the freehold to two buildings in Stevenage (known as Farnham House and Robertson House). These buildings are leased to a third party, and then sub-leased back to the Council. The Council use these assets as office accommodation. The arrangement has arisen from historical ownership and lease arrangements, and generates net income to the Council of £1.1m. This income is included within the 'non-distributed costs' within 'costs of services'. The lease and sub-lease arrangements will end on the same day (28/09/2018). The lease and sub-lease arrangements contain normal commercial terms and only restrict how the Council, as the current occupier of the buildings, can use the buildings in normal landlord and tenant terms. The leases do not pass any risks of ownership to the third party.

  In addition, the decision was taken to classify leases of care homes from the Council to Quantum Care as operating leases. This is viewed as a critical judgement, given the classification as a finance lease would have resulted in the de-recognition of a large number of assets. This means that assets are retained on the Council's Balance Sheet even though they are leased to Quantum Care on a long-term basis. This is because the lease of the properties is tied up with the provision of services by Quantum and so is not intended to transfer benefits of ownership, only to secure best value from service contracts.

- Exemplas: Judgement was made that the holding in Exemplas Ltd is only worth its nominal value, that is to say that there no inherent value in the stake because of the conditions and restrictions attached to it. Whilst the Council has not recognised a group relationship with Exemplas, there is potential for future income.

Note 4. Assumptions Made About the Future and Other Major Sources on Estimation Uncertainty

The Statement of Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The Council has Property, Plant and Equipment with a Net Book Value of £2,946 million on the Balance Sheet as at 31st March 2011, with £73.627 million charged as depreciation during the year.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £1.5 million for every year that useful lives had to be reduced.
Financial Instruments	The Council had £28 million invested in Icelandic banks which went into administration early in October 2008. All monies within these institutions are currently subject to the respective administration and receivership processes, which determine the amounts and timings of payments to depositors include the Council. Although the accounts reflect the latest creditor reports for each institution or verdicts per the Reykjavik District Court, as the available information is not definitive regarding the amounts and timings of payments, it is likely that further adjustments will be made to the accounts in future years.	The effect if the actual results differ is not possible to estimate due to the dependency on court verdicts and administrator adjustments.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The liability estimated as at 31st March 2011 was £708.229 million.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £129.128 million.

Note 5. Material Items of Income and Expense

The following items have been included as part of the Comprehensive Income and Expenditure Statement but have not been disclosed separately:

Services Income:

The Council receive income from PCTs in relation to clients who were formerly accommodated in long-stay hospitals to the value of £30.0m. This funding is transferred via the Joint Commissioning Pooled Budget (JCPB) and is paid to Health & Community Services (HCS). The funding will be part of Local Authority base funding from 2011/12.

The Council receives grant income for the funding of 16-18 in FE colleges of £24.7m which was paid out in the year to those colleges.

Services Expenditure:

The Council make contributions into the Joint Commissioning Pooled Budget in relation to Social Care for Working Age Mental Health Services (including Drugs and Alcohol). This funding, totalling £19.5m, is then provided to Herts Partnership Foundation Trust (HPFT) to provide these services.

County-wide block homecare is provided by Goldsborough. Block homecare providers have a level of minimum guaranteed hours, which for Goldsborough in 2010/11 was 405,000 hours per year. The average price paid for homecare is £16.88 per hour (calculated as used for charging). This means that the minimum payment to Goldsborough in 2010/11 would be £6.8m. Actual payments were more than this as their rate is higher than average, current commissioned hours are more than block (due to unavailability of other providers in certain areas) and commencement of an Enablement homecare contract (although as this gets established hours provided through this will count towards the guaranteed minimum). All other homecare blocks relate to individual areas and therefore the value of their guaranteed minimum hours would be less than £5m.

The Council make payments of funding to FE colleges for 16-18 learner responsive courses of £24.7m as stated above.

The Council has made significant payments to the following contractors that are not disclosed separately: -

- Amey LaFarge Ltd for the provision of highway maintenance works £29.6m;
- Waste Recycling Ltd for the provision of waste recycling services £9.2m;
- Mouchel Parkman Ltd for the provision of highway design and site supervision services £5.7m;
- BIFFA Waste Services for the provision of waste disposal services £5.5m.

Note 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources and Performance on 29 September. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date, provided information about conditions existed at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no material events after the reporting date, which require to be taken into account in the financial statements.

Note 7. Adjustment 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2009/10 comparative figures	**Usable Reserves**			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	**£000s**	**£000s**	**£000s**
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Opening Balance Adjustments for Property, Plant & Equipment	-	-	-	-
Charges for depreciation and impairment of non current assets	201,658	-	-	(201,658)
Opening Balance Restatement for Revaluation losses on Property, Plant and Equipment	(146)	-	-	146
Movement in the market value of Investment Properties	-	-	-	-
Amortisation of intangible assets	1,337	-	-	(1,337)
Capital grants and contributions	(45,851)	-	-	45,851
Movement in the Donated Assets Account	-	-	-	-
Revenue expenditure funded from capital under statute	8,460	-	-	(8,460)
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	36,423	-	-	(36,423)
Use of Capital Reserves (Earmarked Reserves) to finance expenditure	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(21,469)	-	-	21,469
Capital expenditure charged against the General Fund balance	(15,201)	-	-	15,201
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(18,729)	-	18,729	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(5,252)	5,252
Adjustment involving the Capital Receipts Reserve				
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(3,139)	3,139	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(3,570)	-	3,570
Adjustment to Capital Receipts Reserve re: St Marys	-	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Capital receipts accrued in year	-	56	-	(56)

2009/10 comparative figures	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	**£000s**	**£000s**	**£000s**
Adjustments involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Transfer of deferred sale proceeds to the General Fund in relation to Finance Leases	71	-	-	(71)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(316)	-	-	316
Value of impairment on Icelandic investments charged to the Financial Instruments Adjustment Account in previous years and transferred to the General Fund in 2010/11, in accordance with statutory requirements	(703)	-	-	703
Adjustment for Equivalent Interest Rate on finance costs , in accordance with statutory requirements	32	-	-	(32)
Soft Loans	(84)	-	-	84
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	81,246	-	-	(81,246)
Employer's pensions contributions and direct payments to pensioners payable in the year	(66,070)	-	-	66,070
Adjustments involving the Collection Fund Adjustment Account				
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	453	-	-	(453)
Adjustment involving the Unequal Pay Back Pay Adjustment Account				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-
Adjustment involving the Accumulated Absences Account				
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	8,269	-	-	(8,269)
Total Adjustments	**166,241**	**(375)**	**13,477**	**(179,343)**

2010/11	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Reserve	
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Opening Balance Adjustments for Property, Plant & Equipment	1,613	-	-	(1,613)
Charges for depreciation and impairment of non current assets	118,874	-	-	(118,874)
Opening Balance Restatement for Revaluation losses on Property, Plant and Equipment	-	-	-	-
Movement in the market value of Investment Properties	-	-	-	-
Amortisation of intangible assets	1,471	-	-	(1,471)
Capital grants and contributions	(73,902)	-	-	73,902
Movement in the Donated Assets Account	-	-	-	-
Revenue expenditure funded from capital under statute	5,224	-	-	(5,224)
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	5,092	-	-	(5,092)
Use of Capital Reserves (Earmarked Reserves) to finance expenditure	(20,385)	-	-	20,385
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(26,047)	-	-	26,047
Capital expenditure charged against the General Fund balance	(9,556)	-	-	9,556
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,895)	-	2,895	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(18,011)	18,011
Repayment of Grant	1,633	-	(1,633)	-
Interest Allocation	(105)	-	105	-
Adjustment involving the Capital Receipts Reserve				
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(16,044)	16,044	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(33,867)	-	33,867
Adjustment to Capital Receipts Reserve re: St Marys	-	1,665	-	(1,665)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Capital receipts accrued in year	-	-	-	-

2010/11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Reserve	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Transfer of deferred sale proceeds to the general fund in relation to Finance Leases	74	-	-	(74)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(157)	-	-	157
Value of impairment on Icelandic investments charged to the Financial Instruments Adjustment Account in previous years and transferred to the General Fund in 2010/11, in accordance with statutory requirements	(5,155)	-	-	5,155
Adjustment for Equivalent Interest Rate on finance costs , in accordance with statutory requirements	33	-	-	(33)
Soft Loans	(81)	-	-	81
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(98,699)	-	-	98,699
Employer's pensions contributions and direct payments to pensioners payable in the year	(71,418)	-	-	71,418
Adjustments involving the Collection Fund Adjustment Account				
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	(1,012)	-	-	1,012
Adjustment involving the Unequal Pay Back Pay Adjustment Account				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(1,077)	-	-	1,077
Adjustment involving the Accumulated Absences Account				
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	(7,009)	-	-	7,009
Total Adjustments	**(199,526)**	**(16,158)**	**(16,644)**	**232,328**

Note 8 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

The following gives a short description of each reserve, with a summary table provided at the end of this note:

- School Balances - reserves carried forward from schools delegated underspend.
- Strategic Area Partnership - to finance the provision of new learning opportunities to deliver the learner entitlement for 14 to 19 year olds.
- Community Focused Extended School Activities - balances carried forward by schools relating to community focused activities.
- Supply Sickness Scheme - pooled arrangement to which schools can choose to subscribe, administered on behalf of the schools by the Council.
- Campus Reprovision Reserve - to support transition and other related revenue costs incurred as a result of people with Learning Disabilities moving from Campuses to housing in the community.
- Capital Payback - contributions from services in respect of approved capital programme projects in order to finance future capital expenditure.
- Capital Reserve - a reserve which is available to finance capital expenditure.
- CCRAG Reserve - funding held on behalf of a partnership of 40 Local Authorities to improve outcomes for all children and young people, to be used for database development.
- Childcare Litigation Reserves - reserves relating to the Childcare Litigation Unit.
- Children Schools & Families Service Reserve - surpluses within the education trading units of the Children, Schools & Families service.
- Community Transport Support Grant - to provide support for community transport and supported bus services in 2011/12.
- Commuted Maintenance - sums secured through development agreements to fund maintenance of specialist assets such as bridges and soak ways.
- Connect Digitally Reserve - reserve to meet the cost of the programme when it comes to completion.
- Corporate Carry Forwards - this relates to liabilities for 2010/11 in particular project savings from Shared Managed Services (SMS) which are loaded towards the back end of the contract creating a gap in 2011/12.
- County Council Elections - to meet the cost of elections to be held in June 2013.
- DCLG Planning Delivery Grant - support for the preparation of the waste core strategy and waste procurement programme.
- Education & Early Intervention Reserve - reserve to be used for education, support & intervention in Schools, Learning Centres and alternative education settings.
- Education Trading Section Carry Forwards - surpluses within the Education trading units.
- Enablement for Impower Reserve - HCC is committed to the Impower work. Funding provided by PCT to fund joint project with HCC to support intermediate care integration with HCC. Work will span two financial years.
- Energy & Water Conservation - to be applied to investment in energy and water saving measures.

- Fire & Rescue Reserve - Reserve to meet costs of new uniform, equipment and training for major instances.

- FSS Closing Balance - a reserve relating to the surpluses from the Financial Services for Schools trading operation with schools. The balances are required to support further development of trading models in 2011/12.

- Hadham Towers Restoration - to provide for essential restoration work to return the Hadham Towers Waste Disposal site to its original use as agricultural land when the tip is full.

- Highways Maintenance - a reserve established to ensure funding is available to support additional investment in highways maintenance.

- Hertfordshire Business Services (HBS) Repairs and Renewals - a reserve to cover the replacement and maintenance of equipment and the refurbishment of buildings.

- Hermis Development - to meet future expenditure incurred in the development of the Hermis software.

- Herts Property Artwork - a reserve created from the sale of works of art that has been ring fenced to finance future Council Artwork.

- Highways maintenance - a reserve was created to maintain an enhanced level of investment in highway maintenance

- Icelandic Bank Deposits - a reserve to provide for potential impairment of these deposits.

- Invest to Transform - to support innovative projects across the Council that will underpin service transformation and deliver future efficiencies.

- Key Worker Housing Surplus - the Council's share of realised gains on the disposal of properties under the Key Worker Housing Scheme.

- Leasehold Dilapidations - a reserve to meet any potential costs relating to repairs and maintenance occurring at leasehold premises under "The Way We Work" project.

- Local Standards Verification - a reserve to cover the costs associated with the testing of Trading Standards Instruments.

- LPSA Performance Reward Grant - balance of grant carried forward to finance expenditure in 2010/11.

- New Roads & Street Works Act 1991 - income received from public utilities under Section 74 of the Act that must be spent on specific transport related activities.

- NNDR Revaluation Reserve - to manage fluctuations associated with rateable values of the Council's properties.

- Private Finance Initiative (PFI) Equalisation Reserve - the excess of PFI credits over current expenditure levels carried forward to fund future obligations.

- Proceeds of Crimes Act (POCA) Receipts - Proceeds of Crimes Act held by the Council in respect of ongoing trading standards and SOCA court cases.

- Pooled Treatment Budget Reserve – funding awarded to the Strategic Commissioning Group for Drugs and Alcohol (which comprises HCC and the PCT) to be used on projects which span in to 2011/12.

- Quantum Care Rent Abatement - represents the estimated rents received from Quantum Care to be used to support the cost of the abatement. This is no longer required for future rents.

- Recruitment Advertisement Rebates - to be applied in part to finance the coordinated recruitment marketing work for all departments to improve the Councils standing as an employer of choice.

- Revenue Grants Carry-forwards - balances carried forward in relation to revenue grants treated as income in year which remained unspent at the balance sheet date.

- RSS Implementation & Investment Study LPSA - to provide the technical support to develop the community infrastructure levy in Hertfordshire.

- Safeguarding & Specialist Services - to be used to finance safeguarding vulnerable children.

- Salix - to provide for energy efficient changes and measures to reduce the cost of energy consumption.

- Schools Budget Central Expenditure - previous underspend against the central expenditure budgets within the Schools Budget. This will be used to finance the Council's Schools Budget in future years, in line with the requirements of the Dedicated Schools Grant.

- Social Care Reform Grant (SCRG) Reserve - funding to be used to finalise a number of transformation projects, with a focus on voluntary organisation preventative schemes.

- Shared Managed Services (SMS) Reserve - a reserve to meet the costs of implementations to the SMS procurement.

- Self Insurance - a reserve to cover for uninsured liabilities in respect of employer's liability, third party insurance and potential costs incurred as a result of storm damage.

- Statutory Planning Authority Inquiries - to meet costs associated with attending public meetings as the Statutory Planning Authority.

- Strategic Planning - a reserve to deal with issues relating to strategic planning questions that will enable the Council to continue to fight to protect Hertfordshire's environment.

- University Grants - a reserve for Care leavers, for whom HCC is corporate parent, who are going into high education and HCC are placing aside the amount they will need to repay their student loan.

- Waste PFI Reserve - to be applied as a result of the tendering being deferred pending preferred bidder selection on Waste PFI.

- Winter Pressures Reserve - additional resource from Department of Health, for Local Authorities and PCT's to work together and reach joint agreement on investment in Adult Social Care.

- Schools Library Trading Reserves - surpluses on trading activities with schools.

Balance at 1 April 2009	*Transfers Out 2009/10*	*Transfers In 2009/10*	Net Transfers during 2009/10	Balance at 31 March 2010		Capital (C) or Revenue (R)	Balance at 1 April 2010	*Transfers out 2010/11*	*Transfers in 2010/11*	Net Transfers during 2010/11	Balance at 31 March 2011
36,747	(658)	-	(658)	36,089	Schools Balances	R	36,089	-	1,192	1,192	37,281
5,192	(2,323)	-	(2,323)	2,869	Strategic Area Partnership	R	2,869	(189)	-	(189)	2,680
156	-	59	59	215	Community Focused Extended School Activities	R	215	-	249	249	464
-	-	5,573	5,573	5,573	Supply Sickness Scheme	R	5,573	-	1,312	1,312	6,885
42,095	(2,981)	5,632	**2,651**	**44,746**	**Balances held by schools under a scheme of delegation**		**44,746**	(189)	2,753	**2,564**	**47,310**
-	-	-	-	-	Campus Reprovision Reserve	C	-	-	75	75	75
12,962	-	7,442	7,442	20,404	Capital Payback	C	20,404	(15,278)	5,772	(9,507)	10,897
974	(974)	-	(974)	-	Capital Reserve	C	-	-	-	-	-
-	-	-	-	-	CCRAG Reserve	R	-	-	158	158	158
19	-	-	-	19	Childcare Litigation Reserves	R	19	(19)	-	(19)	-
718	(161)	-	(161)	557	Children Schools and Families Service Reserve*	R	557	(124)	392	268	825
-	-	-	-	-	Community Transport Support Grant	R	-	-	134	134	134
-	-	-	-	-	Commuted Maintenance	R	-	-	1,285	1,285	1,285
-	-	-	-	-	Connect Digitally Reserve	R	-	-	204	204	204
-	-	-	-	-	Corporate Carry Forwards	R	-	-	847	847	847
1,022	(427)	-	(427)	595	County Council Elections	R	595	-	157	157	752
-	-	-	-	-	DCLG Planning Delivery Grant	R	-	-	109	109	109
-	-	-	-	-	Education & Early Intervention Reserve	R	-	-	8,734	8,734	8,734
815	-	-	-	815	Education Trading Section Carry Forward	R	815	-	74	74	888
-	-	-	-	-	Enablement for Impower Reserve	R	-	-	90	90	90
150	-	-	-	150	Energy and Water Conservation	R	150	-	-	-	150
-	-	-	-	-	FSS Closing Balance*	R	-	-	142	142	142
-	-	-	-	-	Fire & Rescue Reserve	R	-	-	163	163	163
414	(26)	-	(26)	388	Hadham Towers Restoration	R	388	(236)	100	(136)	252
411	-	219	219	630	HBS Repairs and Renewals	R	630	(261)	-	(261)	369
681	-	270	270	951	Hermis Development	R	951	(1,672)	1,115	(557)	394
72	(20)	-	(20)	52	Herts Property Artwork	R	52	(52)	-	(52)	-

Balance at 1 April 2009	*Transfers Out 2009/10*	*Transfers In 2009/10*	Net Transfers during 2009/10	Balance at 31 March 2010		Capital (C) or Revenue (R)	Balance at 1 April 2010	*Transfers out 2010/11*	*Transfers in 2010/11*	Net Transfers during 2010/11	Balance at 31 March 2011
12,000	*(6,000)*	*-*	(6,000)	6,000	Highways Maintenance	C	6,000	*(6,000)*	*-*	(6,000)	-
10,000	*-*	*5,511*	5,511	15,511	Icelandic Bank Deposits	R	15,511	*(5,155)*	*-*	(5,155)	10,356
-	*-*	*-*	-	-	Invest to Transform	R	-	*(555)*	*16,295*	15,740	15,740
15	*(15)*	*-*	(15)	-	Key Worker Housing Surplus	R	-	*-*	*-*	-	-
304	*-*	*-*	-	304	Leasehold Dilapidations	R	304	*(304)*	*-*	(304)	-
18	*(3)*	*-*	(3)	15	Local Standards Verification	R	15	*(15)*	*-*	(15)	-
90	*(90)*	*1,803*	1,713	1,803	LPSA Performance Reward Grant - Revenue	R	1,803	*(1,454)*	*1,437*	(17)	1,786
-	*-*	*2,172*	2,172	2,172	LPSA Performance Reward Grant - Capital	C	2,172	*(688)*	*616*	(72)	2,100
460	*-*	*561*	561	1,021	New Road & Street Works Act 1991	R	1,021	*(4,379)*	*3,358*	(1,021)	-
2,577	*-*	*563*	563	3,140	NNDR Revaluation Reserve	R	3,140	*(3,140)*	*-*	(3,140)	-
1,467	*-*	*132*	132	1,599	PFI Equalisation Reserve	R	1,599	*-*	*12*	12	1,611
-	*-*	*-*	-	-	POCA Receipts	R	-	*-*	*78*	78	78
-	*-*	*-*	-	-	Pooled Treatment Budget Reserve	R	-	*-*	*230*	230	230
1,879	*(2,825)*	*947*	(1,879)	-	Quantum Care Rent Abatement	R	-	*-*	*-*	-	-
152	*(122)*	*-*	(122)	30	Recruitment Advertisement Rebates	R	30	*(112)*	*82*	(30)	-
10,478	*(5,451)*	*-*	(5,451)	5,027	Revenue Grants Carry-forwards	R	5,027	*(4,780)*	*-*	(4,780)	247
-	*-*	*-*	-	-	RSS Implementation & Investment Study LPSA	R	-	*-*	*161*	161	161
-	*-*	*-*	-	-	Safeguarding & Specialist Services	R	-	*-*	*255*	255	255
22	*-*	*-*	-	22	Salix	R	22	*-*	*88*	88	110
3,636	*(2,266)*	*-*	(2,266)	1,370	Schools Budget Central Expenditure	R	1,370	*-*	*10,301*	10,301	11,671
-	*-*	*-*	-	-	SCRG Reserve	R	-	*-*	*861*	861	861
9,596	*(3,101)*	*-*	(3,101)	6,495	Self Insurance	R	6,495	*(952)*	*-*	(952)	5,543
39	*(39)*	*-*	(39)	-	SLS Trading Reserve	R	-	*-*	*-*	-	-
500	*-*	*-*	-	500	SMS Reserve	R	500	*(255)*	*-*	(255)	245
924	*(172)*	*-*	(172)	752	Statutory Planning Authority Inquiries	R	752	*(500)*	*380*	(120)	632
655	*-*	*-*	-	655	Strategic planning	R	655	*(655)*	*-*	(655)	-
-	*-*	*-*	-	-	University Grants	R	-	*-*	*75*	75	75
-	*-*	*-*	-	-	Waste PFI reserve	C	-	*-*	*8,000*	8,000	8,000
-	*-*	*-*	-	-	Winter Pressures Reserves	C	-	*-*	*1,296*	1,296	1,296
122	*(127)*	*-*	(127)	(5)	Other Minor Balances	R	(5)	*-*	*294*	294	289
115,267	*(24,800)*	*25,252*	**451**	**115,718**	**Total**		**115,718**	*(46,776)*	*66,123*	**19,347**	**135,065**

* FSS Closing Balance Reserve was previously shown as part of CSF Reserve in the 2009/10 accounts

Note 9. Other Operating Expenditure

2009/10 £000s		2010/11 £000s
-	Parish Council Precepts	-
2,237	Levies	2,231
33,284	(Gains) / Losses on the disposal of non current assets	(10,951)
35,521	**Total**	**(8,720)**

Note 10. Financing and Investment Income and Expenditure

2009/10 £000s		2010/11 £000s
16,739	Interest payable and similar charges	15,534
45,366	Pensions interest cost and expected return on pensions assets	40,097
(5,698)	Interest receivable and similar income	(2,770)
-	Income and expenditure in relation to investment properties and changes in their fair value	-
(2,556)	Surplus or Deficit on Trading Operations	(1,772)
3,513	Other investment income – *Insurance Fund*	-
57,364	**Total**	**51,089**

Note 11. Taxation and Non Specific Grant Income

2009/10 £000s		2010/11 £000s
(499,275)	Council tax income	(500,226)
(140,953)	Non domestic rates	(153,653)
(145,216)	Non-ringfenced government grants	(159,855)
(785,444)	**Total**	**(813,734)**

Note 12. Property, Plant and Equipment

Movement on Balances

Comparative Movements in 2009/10	Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	**Total Property, Plant and Equipment** £000s	PFI Assets Included in Property, Plant and Equipment £000s
Cost or Valuation								
At 1 April 2009	**2,326,004**	**121,946**	**520,888**	**-**	**45,537**	**8,475**	**3,022,850**	**18,317**
Additions	92,474	18,939	60,744	-	1,556	10,304	**184,017**	7,670
Donations	-	-	-	-	-	-	**-**	-
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve	77,525	-	-	-	24,281	-	**101,806**	-
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services	(86,041)	-	-	-	(48,947)	-	**(134,988)**	(9,263)
Derecognition - Disposals	(34,904)	(141)	-	-	(712)	-	**(35,757)**	(1,643)
Derecognition - Other	-	-	-	-	-	-	**-**	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	(719)	-	**(719)**	-
Other movements in Cost or Valuation	6,435	2,071	-	-	2,867	(11,273)	**100**	3,277
At 31 March 2010	**2,381,494**	**142,815**	**581,632**	**-**	**23,862**	**7,506**	**3,137,309**	**18,358**
Accumulated Depreciation and Impairment								
At 1 April 2009	**(17,666)**	**(49,623)**	**(101,004)**	**-**	**(785)**	**-**	**(169,078)**	**(124)**
Depreciation Charge	(40,531)	(10,682)	(16,977)	-	(547)	-	**(68,736)**	(196)
Depreciation written out to the Revaluation Reserve	6,296	-	-	-	1,774	-	**8,070**	-
Depreciation written out to the Surplus / Deficit on the Provision of Service	-	-	-	-	-	-	**-**	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	2,251	-	-	-	323	-	**2,574**	-
Derecognition - Disposals	1,095	86	-	-	81	-	**1,262**	132
Derecognition - Other	-	-	-	-	-	-	**-**	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	**-**	-
Other movements in Depreciation and Impairments	1,140	-	-	-	(1,235)	-	**(95)**	-
At 31 March 2010	**(47,414)**	**(60,219)**	**(117,981)**	**-**	**(388)**	**-**	**(226,003)**	**(188)**
Net Book Value								
At 31 March 2009	**2,308,338**	**72,323**	**419,884**	**-**	**44,752**	**8,475**	**2,853,772**	**18,193**
At 31 March 2010	**2,334,079**	**82,596**	**463,651**	**-**	**23,474**	**7,506**	**2,911,306**	**18,170**

Movements in 2010/11	Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	**Total Property, Plant and Equipment** £000s	PFI Assets Included in Property, Plant and Equipment £000s
Cost or Valuation								
At 1 April 2010	**2,381,494**	**142,815**	**581,632**	**-**	**23,862**	**7,506**	**3,137,308**	**18,358**
Restatement	(2,309)	550	-	-	(79)	-	**(1,837)**	-
Restated Balance at 1 April 2010	**2,379,185**	**143,365**	**581,632**	**-**	**23,783**	**7,506**	**3,135,471**	**18,358**
Additions	77,066	14,648	58,643	-	144	205	**150,706**	-
Donations	-	-	-	-	-	-	**-**	-
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve	7,646	-	-	-	1,297	-	**8,943**	-
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services	(49,108)	-	-	-	(2,779)	-	**(51,887)**	-
Derecognition - Disposals	(2,051)	(22,205)	-	-	(15)	-	**(24,271)**	-
Derecognition – Other	(877)	-	-	-	-	-	**(877)**	-
Assets reclassified (to) / from Held for Sale	(3,874)	-	-	-	2,483	-	**(1,391)**	-
Other movements in Cost or Valuation	-	-	-	-	-	(1,519)	**(1,519)**	-
At 31 March 2011	**2,407,988**	**135,808**	**640,275**	**-**	**24,913**	**6,192**	**3,215,176**	**18,358**
Accumulated Depreciation and Impairment								
At 1 April 2010	**(47,415)**	**(60,219)**	**(117,981)**	**-**	**(389)**	**-**	**(226,003)**	**(188)**
Restatement	109	(118)	-	-	233	-	**224**	-
Restated Balance at 1 April 2010	**(47,305)**	**(60,337)**	**(117,981)**	**-**	**(155)**	**-**	**(225,778)**	**(188)**
Depreciation Charge	(41,947)	(12,744)	(18,782)	-	(154)	-	**(73,627)**	**(252)**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	**-**	.
Depreciation written out to the Surplus / Deficit on the Provision of Service	-	-	-	-	108	-	**108**	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	8,633	-	-	-	-	-	**8,633**	-
Derecognition - Disposals	49	22,205	-	-	-	-	**22,254**	-
Derecognition – Other	-	-	-	-	-	-	**-**	-
Assets reclassified (to) / from Held for Sale	86	-	-	-	(71)	-	**15**	-
Other movements in Depreciation and Impairments	(62)	(514)	-	-	10	-	**(566)**	-
At 31 March 2011	**(80,547)**	**(51,390)**	**(136,763)**	**-**	**(262)**	**-**	**(268,961)**	**(440)**
Net Book Value								
At 31 March 2010	**2,334,079**	**82,596**	**463,651**	**-**	**23,473**	**7,506**	**2,911,305**	**18,170**
At 31 March 2011	**2,327,441**	**84,418**	**503,512**	**-**	**24,651**	**6,192**	**2,946,214**	**17,918**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings: 10 – 100 years
- Vehicles, Plant, Furniture & Equipment: 3 – 30 years
- Infrastructure: 8 – 60 years

Capital Commitments

The value of capital contracts to which the council is committed to as at the 31 March 2011 is estimated at £65.272million (£44.570 million in 2009/10). For the purposes of this note a commitment is considered material if it exceeds a value of £100,000.

Description	**£000s**
Nobel School (HCC is committed to £8.727k balance to be financed by DfE grant funding).	29,554
Bushey, Highwood Primary School - New 2 FE School (Incl SureStart)	6,053
Quantum Care - Newhaven	5,730
Highways	5,718
Stevenage, Roebuck Primary School - New 1 FE school	4,032
St. Albans, Mandeville Primary School - Alterations works	2,794
Quantum Care –Belmont	2,000
Watford, Youth Service Office, Lower High Street - Alterations	1,603
Harpenden, Roundwood Park-Sports Hall	1,285
Borehamwood, Cowley Hill	1,013
Hoddesdon, Roselands Primary School Expansion to 1.5 FE	775
Welwyn Garden City, Hornbeams Hub 2, Bloor	595
St. Albans, Bernards Heath Junior School - Expansion from 2 to 3 FE	521
Cheshunt, Drill Hall, Crossbrook Street	436
Hemel Hempstead Yew Tree primary - Early Years programme	349
St. Albans, Butterwick - Day Centre refurbishment	380
Rickmansworth West Hyde respite centre	274
Bushey Meads School SSCC H8	253
Thundridge Primary - Mobile Replacement	219
SA5 Marshalswick Sherwood Park	169
Total	**63,753**

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The valuations were carried out by an external valuer, Roger Firth, a Fellow of the Royal Institution Chartered Surveyors (FRICS), in his capacity as a Director of Lambert Smith Hampton. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Assets are then carried in the balance sheet using the following measurement bases:

Type of Asset	Basis of Valuation
Operational land & buildings	Open market value for existing use, or where this could not be assessed because there was no market for the asset, depreciated replacement cost.
Operational vehicles, plant and equipment	Depreciated historic cost as a proxy for current replacement cost.
Infrastructure	Depreciated historic cost.
Surplus land & buildings, held for disposal	Market value.
Non Operational vehicles, plant and equipment	Depreciated historic cost.
Assets under construction	Historic cost.

There have been no significant assumptions applied in estimating the fair values, which are:

5 year revaluation table

	Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	**Total Property, Plant and Equipment** £000s	PFI Assets Included in Property, Plant and Equipment £000s
Valued at Historic Cost								
	-	84,418	503,512	-	-	6,192	**594,122**	-
Valued at Current Value in:								
2006/07	1,386,547	-	-	-	9	-	**1,386,556**	-
2007/08	-	-	-	-	-	-	**-**	-
2008/09	4,618	-	-	-	-	-	**4,618**	-
2009/10	638,928	-	-	-	17,306	-	**656,234**	17,918
2010/11	297,348	-	-	-	7,336	-	**304,684**	-
Grand Total	**2,327,441**	**84,418**	**503,512**	**-**	**24,651**	**6,192**	**2,946,215**	**17,918**

Note 13. Investment Properties

There are currently no assets held as Investment Properties by the Council.

Note 14. Intangible Assets

The Council 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 Council. The useful lives assigned to the major software suites used by the Council are:

5 Years	Lotus Notes, Oracle, Abacus
10 Years	Public PC Replacement Enhancement, Local Government Online, Trading Standards IT

The carrying amount of intangible assets is amortised on a straight-line basis. Centrally charged amortisation is absorbed as overheads across all service headings if deemed material.

For 2009/10 and 2010/11 all intangible assets are purchased. The movement of intangible asset balances during the year is as follows:

31 March 2010				31 March 2011		
Software & Licences £000s	**Portal & Web Design £000s**	**Total £000s**		**Software & Licences £000s**	**Portal & Web Design £000s**	**Total £000s**
			Balance at start of year:			
6,101	1,822	**7,923**	– Gross carrying amount	7,388	1,822	**9,210**
(1,914)	(729)	**(2,643)**	– Accumulated amortisation	(3,068)	(912)	**(3,980)**
4,187	1,093	**5,280**	Net carrying amount at start of year	4,320	910	**5,230**
			Additions:			
-	-	**-**	– Internal Development	-	-	**-**
1,287	-	**1,287**	– Purchases	718	-	**718**
-	-	**-**	– Acquired through business combinations	-	-	**-**
-	-	**-**	Assets reclassified as held for sale	-	-	**-**
-	-	**-**	Other disposals	-	-	**-**
-	-	**-**	Revaluation increases or decreases	-	-	**-**
-	-	**-**	Impairment loses recognised or reversed directly through the Revaluation Reserve	-	-	**-**
-	-	**-**	Impairment losses recognised in the Surplus / Deficit on the Provision of Services	-	-	**-**
-	-	**-**	Reversals of past impairment losses written back to the Surplus / Deficit on the Provision of Services	-	-	**-**
(1,154)	(183)	**(1,337)**	Amortisation for the period	(1,289)	(182)	**(1,471)**
-	-	**-**	Other changes	-	-	**-**
4,320	**910**	**5,230**	**Net carrying amount at end of year**	**3,749**	**728**	**4,477**
			Comprising:			
7,388	1,822	**9,210**	– Gross carrying amount	8,106	1,822	**9,928**
(3,068)	(912)	**(3,980)**	– Accumulated amortisation	(4,357)	(1,094)	**(5,451)**
4,320	**910**	**5,230**	**Net carrying amount at end of year**	**3, 749**	**728**	**4,477**

There are no items of capitalised software that are individually material to the financial statements.

Note 15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

31 March 2009		31 March 2010			31 March 2011	
Current £000s	Long Term £000s	Current £000s	Long Term £000s		Current £000s	Long Term £000s
				Investments		
213,666	30,146	7,492	28,646	Loans and receivables	17,570	9,121
-	-	-	-	Available-for-sale financial assets	25,012	-
-	-	-	-	Unquoted equity investment at cost	-	-
-	-	-	-	Financial assets at fair value through profit and loss	-	-
213,666	**30,146**	**7,492**	**28,646**	**Total investments**	**42,582**	**9,121**
				Debtors		
-	-	-	-	Loans and receivables	-	-
1,603		-	-	Soft Loans	-	-
17,633	-	20,007	-	Financial assets carried at contract amounts	18,505	-
19,236	**-**	**20,007**	**-**	**Total debtors**	**18,505**	**-**
				Borrowings		
(83)	(344,900)	(8,073)	(287,453)	Financial liabilities at amortised cost	(2,985)	(287,487)
-	-	-	-	Financial liabilities at fair value through profit and loss	-	-
(83)	**(344,900)**	**(8,073)**	**(287,453)**	**Total borrowings**	**(2,985)**	**(287,487)**
				Other Liabilities		
(468)	(18,504)	(553)	(18,909)	PFI liabilities	(585)	(18,324)
(618)	(1,580)	(467)	(1,112)	Finance lease liabilities	(338)	(775)
-	(210)	-	(210)	Keyworker Housing Advances	-	-
-	(63)	-	(32)	Future Repayments due on Mortgages and Advances	-	(12)
(1,086)	**(20,357)**	**(1,020)**	**(20,263)**	**Total other liabilities**	**(923)**	**(19,111)**
				Creditors		
-	-	-	-	Financial liabilities at amortised cost	-	-
(10,949)	-	(11,094)	-	Financial liabilities carried at contract amount	(16,053)	-
(10,949)	**-**	**(11,094)**	**-**	**Total creditors**	**(16,053)**	**-**

Reclassifications

In 2010/11 the Council did not have any reclassifications.

Income, Expenses, Gains and Losses

2009/10 Financial Liabilities measured at amortised cost £000s	2009/10 Financial Assets: Loans & Receivables £000s	2009/10 Financial Assets: Available for sale £000s	2009/10 Assets & Liabilities at Fair Value through Profit and Loss £000s	2009/10 Total £000s		2010/11 Financial Liabilities measured at amortised cost £000s	2010/11 Financial Assets: Loans & Receivables £000s	2010/11 Financial Assets: Available for sale £000s	2010/11 Assets & Liabilities at Fair Value through Profit and Loss £000s	2010/11 Total £000s
13,919	-	-	-	13,919	Interest expense	13,563	-	-	-	13,563
1,472	-	-	-	1,472	Losses on derecognition	-	-	-	-	-
-	-	-	-	-	Reductions in fair value	-	-	-	-	-
-	539	-	-	539	Impairment losses	-	5,007	-	-	5,007
8	45	-	-	53	Fee expense	15	88	-	-	103
15,399	**584**	**-**	**-**	**15,983**	**Total expense in Surplus or Deficit on the Provision of Services**	**13,578**	**5,095**	**-**	**-**	**18,673**
-	(2,007)	-	-	(2,007)	Interest income	-	(637)	-	-	(637)
-	(1,242)	-	-	(1,242)	Interest income accrued on impaired financial assets	-	(1,102)	-	-	(1,102)
-	-	-	-	-	Increases in fair value	-	-	-	-	-
(1,472)	-	-	-	(1,472)	Gains on derecognition	-	-	-	-	-
-	-	-	-	-	Fee income	-	-	-	-	-
(1,472)	**(3,249)**	**-**	**-**	**(4,721)**	**Total income in Surplus or Deficit on the Provision of Services**	**-**	**(1,739)**	**-**	**-**	**(1,739)**
-	-	-	-	-	Gains on revaluation	-	-	-	-	-
-	-	-	-	-	Losses on revaluation	-	-	-	-	-
-	-	-	-	-	Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-
-	-	-	-	-	**Surplus / Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure**	_	**-**	**-**	**-**	**-**
13,927	**(2,665)**	**-**	**-**	**11,262**	**Net gain / (loss) for the year**	**13,578**	**3,356**	**-**	**-**	**16,934**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables, and long-term debtors and creditors 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 instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2011 of 4.25% to 7.38% for loans from the PWLB and 3.11% to 3.91% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2009		31 March 2010			31 March 2011	
Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s		Carrying Amount £000s	Fair Value £000s
344,983	364,112	295,526	341,232	Financial Liabilities	290,472	346,657

The fair value of the liabilities is higher 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 prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current market rates.

31 March 2009		31 March 2010			31 March 2011	
Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s		Carrying Amount £000s	Fair Value £000s
243,812	245,965	36,138	37,553	Loans and Receivables	26,691	27,474
1,603	1,603	-	-	Soft Loans	-	-
-	-	-	-	Available for sale financial assets	25,012	25,012
17,633	17,633	20,007	20,007	Debtors	18,505	18,505

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest below current market rates.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Note 16. Inventories

31 March 2010 Trading Services £000s	31 March 2010 Education & Children's Serv £000s	31 March 2010 Fire & Rescue £000s	31 March 2010 Cultural, Env. & Planning Serv £000s	31 March 2010 Adult Social Care £000s	31 March 2010 Total £000s		31 March 2011 Trading Services £000s	31 March 2011 Education & Children's Serv £000s	31 March 2011 Fire & Rescue £000s	31 March 2011 Cultural, Env. & planning Serv £000s	31 March 2011 Total £000s
3,690	331	127	46	11	4,205	Balance outstanding at start of year	3,320	280	113	57	3,770
24,724	-	-	11	-	24,735	Purchases	25,352	1	-	42	25,395
(25,094)	(51)	(14)	-	(11)	(25,170)	Recognised as an expense in year	(24,713)	(20)	(7)	(45)	(24,785)
-	-	-	-	-	-	Written off balances	-	(130)	-	-	(130)
-	-	-	-	-	-	Reversals of write-offs in previous years	-	-	-	-	-
3,320	**280**	**113**	**57**	**-**	**3,770**	**Balance outstanding at end of year**	**3,959**	**131**	**106**	**54**	**4,250**

Note 17. Construction Contracts

At 31 March 2011 the Council had no construction contracts in progress.

Note 18. Debtors

Short-Term:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
13,631	13,354	Central government bodies	13,628
32,783	32,548	Other local authorities	32,775
5,076	5,039	NHS bodies	5,075
138	137	Public corporations and trading funds	138
63,693	63,236	Other entities and individuals	63,675
(12,150)	(11,114)	Provisions for doubtful debts	(12,259)
103,171	**103,379**	**Total**	**103,032**

Long-Term:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
-	-	Central government bodies	-
-	-	Other local authorities	-
-	-	NHS bodies	-
-	-	Public corporations and trading funds	-
33,952	24,647	Other entities and individuals	22,430
(1,004)	-	Provisions for doubtful debts	(736)
32,948	**24,647**	**Total**	**21,694**

Analysis of provisions for doubtful debts:

31 March 2010 £000s			31 March 2011 £000s	
		Short Term:		
(12,150)		Balance at start of the year	(11,114)	
1,036		Decrease / (Increase) in general provision	(1,145)	
	(11,114)	Balance at end of Year		(12,259)
		Long Term:		
(1,004)		Balance at start of the year	-	
1,004		Decrease / (Increase) in general provision	(736)	
	-	Balance at end of Year		(736)
	(11,114)	**Total**		**(12,995)**

Note 19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
80,620	27,031	Cash held by the Council with bank	10,117
(81,177)	(22,106)	Bank current account overdraft	(13,039)
895	11,201	Short-term deposits with building societies	28,900
338	**16,126**	**Total**	**25,978**

The bank position is managed on a daily basis as part of the Treasury Management function. The overdrawn position reflects:

- unpresented cheques drawn before the end of the financial year; and
- a central Schools Treasury Management account overdrawn position is partially offset against positive balances within the schools pooled banking account arrangements. The amount off set in 2010/11 was £69.3m, compared to £66.5m in 2009/10

In the 2009/10 statement of accounts, the overdraft has been shown against “Bank Overdraft” rather than netting it off the cash balances. However, under IFRS, the overdraft and cash figures have now been netted off, and are shown as Cash and Cash Equivalents.

Short-term deposits have been classified as Cash & Cash Equivalents if the deposits have a maturity of less than 24 hours at the date of inception.

Note 20. Assets held for Sale

31 March 2010			31 March 2011	
Non-Current £000s	Current £000s		Non-Current £000s	Current £000s
-	3,848	Balance outstanding at start of year	-	3,002
		Assets newly classified as held for sale:		
-	728	– Property, Plant and Equipment	-	3,247
-	-	– Intangible Assets	-	-
-	-	– Other assets / liabilities in disposal groups	-	-
-	(509)	Revaluation losses	-	(2,196)
-	873	Revaluation gains	-	362
-	-	Impairment losses	-	-
		Assets declassified as held for sale:		
-	(9)	– Property, Plant and Equipment	-	(998)
-	-	– Intangible Assets	-	-
-	-	– Other assets / liabilities in disposal groups	-	-
-	(1,929)	Assets sold	-	(3,072)
-	-	Transfers from non current to current	-	-
-	-	Other movements	-	-
-	**3,002**	**Balance outstanding at end of year**	**-**	**345**

Note 21. Creditors

Short-Term:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
(24,014)	(18,316)	Central government bodies	(18,050)
(24,748)	(18,873)	Other local authorities	(18,602)
(15,384)	(11,734)	NHS bodies	(11,564)
(186)	(142)	Public corporations and trading funds	(140)
(196,022)	(149,510)	Other entities and individuals	(147,341)
(260,354)	**(198,575)**	**Total**	**(195,697)**

Long-Term:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
-	-	Central government bodies	-
-	-	Other local authorities	-
-	-	NHS bodies	-
-	-	Public corporations and trading funds	-
-	-	Other entities and individuals	(599)
-	**-**	**Total**	**(599)**

Note 22. Provisions

The following provisions have been set aside in the 2010/11 accounts to meet future expenditure where liabilities are known or expected.

2009/10	**Insurance Provision £000s**	**Teachers Pension Provision £000s**	**Equal Pay Provision £000s**	**Other Liabilities (*) £000s**	**Equal Pay Provision Non-schools £000s**	**Equal Pay Provision Schools £000s**	**Total £000s**
Balance at 1 April 2009	14,630	770	1,077	1,079	-	-	**17,556**
Additional provisions made in 2009/10	-	-	-	-	-	-	**-**
Amounts used in 2009/10	(32)	-	-	(281)	-	-	**(313)**
Unused amounts reversed in 2009/10	-	-	-	(798)	-	-	**(798)**
Unwinding of discounting in 2009/10	-	-	-	-	-	-	**-**
Balance at 31 March 2010	**14,598**	**770**	**1,077**	**-**	**-**	**-**	**16,445**

(*) Other Liabilities relates to Mental Health Act 1983 (S117) to meet the reimbursement to Social Services clients of costs associated with aftercare services. Released in 2009/10 and Minority Ethnic Curriculum Support Service (MECSS) Modernisation to support the transitional costs in 2009/10 following transformation of the service.

2010/11	**Insurance Provision £000s**	**Teachers Pension Provision £000s**	**Equal Pay Provision £000s**	**Other Liabilities £000s**	**Equal Pay Provision Non-schools £000s**	**Equal Pay Provision Schools £000s**	**Total £000s**
Balance at 1 April 2010	14,598	770	1,077	-	-	-	**16,445**
Additional provisions made in 2010/11	4,936	-	-	-	463	442	**5,842**
Amounts used in 2010/11	(4,387)	-	-	-	-	-	**(4,387)**
Unused amounts reversed in 2010/11	(3,469)	-	(1,077)	(17)	-	-	**(4,563)**
Unwinding of discounting in 2010/11	-	-	-	-	-	-	**-**
Balance at 31 March 2011	**11,678**	**770**	**-**	**(17)**	**463**	**442**	**13,336**

Insurance Provisions
Insurance provisions have been set aside to meet known claims for which it is anticipated the Council may be liable The Council operates insurance provisions and reserves to meet self-insured liabilities in respect of fire damage, employers and third party liability and storm damage.

Teachers Pension Provision
Relating to the backdated costs for pension liabilities following changes to the pension provisions for part-time staff.

Equal Pay Provision
Provision in accordance with the Code of Practice has been made for back pay relating to unequal pay arising from the implementation of the single status agreement. In some cases these claims can take several years to settle. Central government regulations providing discretion to authorities to defer charging unequal pay back pay expenditure, or social security costs or other costs incurred by the Council in relation to that back payment to General Fund Balances, until the date on which the Council must pay the back payment have been applied.

The proposed final settlement has now been calculated and will be presented to the individuals around June. There is still uncertainty over whether it will be accepted and therefore the amount that will be paid. It is expected payment will be made in July 2011. The original provision has been reversed, as we are now able to charge exact amounts for each claim, to the corresponding cost centres. The overall provision has reduced from £1.07M to £906K, with the provision now split between schools and non-schools.

Other Provisions

Mental Health Act 1983 (Section 117) – to meet the reimbursement to Social Services clients of costs associated with aftercare services. This provision is no longer required and has been released in 2009/10.

MECSS (Minority Ethnic Curriculum Support Service) Modernisation - this provision was to support the transitional costs in 2009/10 following transformation of the service

Expected outflow of economic benefits:

2009/10	**Insurance Provision £000s**	**Teachers Pension Provision £000s**	**Equal Pay Provision £000s**	**Other Provisions £000s**	**Equal Pay Provision Non-schools £000s**	**Equal Pay Provision Schools £000s**	**Total £000s**
Not later than one year	9,129	770	-	-	-	-	**9,899**
Later than one year and not later than five years	5469	-	1,077	-	-	-	**6,546**
Later than five years	-	-	-	-	-	-	**-**
	14,598	**770**	**1,077**	**-**	**-**	**-**	**16,445**

2010/11	**Insurance Provision £000s**	**Teachers Pension Provision £000s**	**Equal Pay Provision £000s**	**Other Provisions £000s**	**Equal Pay Provision Non-schools £000s**	**Equal Pay Provision Schools £000s**	**Total £000s**
Not later than one year	5,639	770	-	(17)	463	442	**7,297**
Later than one year and not later than five years	6,039	-	-	-	-	-	**6,039**
Later than five years	-	-	-	-	-	-	**-**
	11,678	**770**	**-**	**(17)**	**463**	**442**	**13,336**

Note 23. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Capital Receipts Reserve

The Capital Receipts Reserve represents the capital receipts available to either repay external debt or finance capital expenditure.

31 March 2010 £000s			31 March 2011 £000s	
	19,626	Balance at 1 April		19,251
3,139		Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	16,044	
56		Sales proceeds accrued in year	-	
-		Adjustment on Capital Receipts Reserve re: St Marys	1,665	
(3,570)		Use of the Capital Receipts Reserve to finance new capital expenditure	(33,867)	
-		Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	
-		Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	
-		Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	
	(375)			(16,158)
	19,251	**Balance at 31 March**		**3,093**

Capital Grants Unapplied

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 allocated to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

31 March 2010 £000s			31 March 2011 £000s	
	40,128	Balance at 1 April		53,605
18,729		Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,895	
(5,252)		Application of grants to capital financing transferred to the Capital Adjustment Account	(18,011)	
-		Interest Allocation	106	
-		Repayments of grants	(1,633)	
	13,477			(16,644)
	53,605	**Balance at 31 March**		**36,961**

Note 8 provides further details about Earmarked Reserves.

Note 24. Unusable Reserves

31 March 2010 £000s		31 March 2011 £000s
218,531	Revaluation Reserve	224,121
-	Available for Sale Financial Instruments Reserve	-
2,079,667	Capital Adjustment Account	2,130,548
(10,218)	Financial Instruments Adjustment Account	(4,858)
(1,185,433)	Pensions Reserve	(708,229)
6,145	Deferred Capital Receipts Reserve	6,071
1,959	Collection Fund Adjustment Account	2,971
(1,077)	Unequal Pay Back Pay Account	-
(22,384)	Accumulating Compensated Absences Adjustment Account	(15,375)
1,087,190	**Total**	**1,635,249**

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.

31 March 2010 £000s			31 March 2011 £000s	
	110,328	Balance at 1 April		218,531
	(146)	In year opening balance restatement		-
119,682		Upward revaluation of assets	14,747	
(8,932)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,105)	
	110,749	Surplus of Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		8,642
(1,659)		Difference between fair value depreciation and historical cost depreciation	(2,934)	
(741)		Accumulated gains on assets sold or scrapped	(118)	
	(2,400)	Amount written off to the Capital Adjustment Account		(3,052)
	218,531	**Balance at 31 March**		**224,121**

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 Council had no Available for Sale Financial Instruments as at 31st March 2010, however now the Council recognises some of its financial instruments as available for sale, although there has not been any revaluations in 2010/11.

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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve

31 March 2010 £000s			31 March 2011 £000s	
	2,233,656	**Balance at 1 April**		**2,079,667**
	-	Opening Balance Adjustment		(1,613)
	2,233,656	**Restated Opening Balance at 1 April**		**2,078,054**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(201,658)		– Charges for depreciation and impairment of non-current assets	(118,874)	
146		– Revaluation losses on Property, Plant and Equipment	-	
(1,337)		– Amortisation of intangible assets	(1,471)	
(8,460)		– Revenue expenditure funded from capital under statute	(5,224)	
(36,423)		– Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,092)	
(247,732)			(130,662)	
2,400		Adjusting amounts written out of the Revaluation Reserve	3,052	
	(245,332)	Net written out amount of the cost of non-current assets consumed in the year		(127,609)
		Capital financing applied in the year:		
3,570		– Use of the Capital Receipts Reserve to finance new capital expenditure	33,867	
-		– Adjustment to Capital Receipts Reserve re: St. Mary's	(1,665)	
		– Use of the Capital Reserve to finance new capital expenditure	20,385	
45,851		– Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	73,903	
5,252		– Application of grants to capital financing from the Capital Grants Unapplied Account	18,011	
21,469		– Statutory provision for the financing of capital investment charged against the General Fund	26,047	
15,201		– Capital expenditure charged against the General Fund	9,556	
	91,343			180,103
	-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
	-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
	2,079,667	**Balance at 31 March**		**2,130,548**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

31 March 2010 £000s			31 March 2011 £000s	
	(11,289)	Balance at 1 April		(10,218)
-		Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
316		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	157	
703		Value of impairment on Icelandic investments charged to the Financial Instruments Adjustment Account in previous years and transferred to the General Fund in 201/11, in accordance with statutory requirements	5,155	
(32)		Adjustment for Equivalent Interest Rate on finance costs, in accordance with statutory requirements	(33)	
84		Soft Loans	81	
	1,071	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		5,360
	(10,218)	**Balance at 31 March**		**(4,858)**

Pension 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 fund 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.

31 March 2010 £000s		31 March 2011 £000s
(599,011)	Balance at 1 April	(1,185,433)
(571,246)	Actuarial gains or losses on pensions assets and liabilities benefits debited or credited to the Comprehensive Income and Expenditure Statement	307,087
(81,246)	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	98,699
66,070	Employer’s pensions contributions and direct payments to pensioners payable in the year	71,418
(1,185,433)	**Balance at 31 March**	**(708,229)**

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, except in the case of finance leases where amounts are transferred to the General Fund.

31 March 2010 £000s			31 March 2011 £000s	
	6,216	Balance at 1 April		6,145
-		Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-	
(71)		Transfer to General Fund upon receipt of cash	(74)	
	(71)			(74)
	6,145	**Balance at 31 March**		**6,071**

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.

31 March 2010 £000s		31 March 2011 £000s
2,412	Balance at 1 April	1,959
(453)	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	1,012
1,959	**Balance at 31 March**	**2,971**

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

31 March 2010 £000s			31 March 2011 £000s	
	(1,077)	Balance at 1 April		(1,077)
-		Increase/(Decrease) in provision for back pay in relation to Equal Pay cases	1,077	
-		Cash settlements paid in the year	-	
	-	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		1,077
	(1,077)	**Balance at 31 March**		**-**

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 and flexi 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.

31 March 2010 £000s			31 March 2011 £000s	
	(14,115)	Balance at 1 April		(22,384)
14,115		Settlement or cancellation of accrual made at the end of the preceding year	22,384	
(22,384)		Amounts accrued at the end of the current year	(15,375)	
	(8,269)	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		7,009
	(22,384)	**Balance at 31 March**		**(15,375)**

Note 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000s		2010/11 £000s
6,042	Interest received	2,392
(18,315)	Interest paid	(15,523)
-	Dividends paid	-

Note 26. Cash Flow Statement – Investing Activities

2009/10 £000s		2010/11 £000s
(180,632)	Purchase of property, plant and equipment, investment property and intangible assets	(137,017)
3,042	Purchase of short-term and long-term investments	(26,120)
(13,971)	Other payments for investing activities	-
3,191	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,673
207,310	Proceeds from short-term and long-term investments	5,629
98,985	Other receipts from investing activities	114,406
117,926	**Net cash flows from investing activities**	**(33,430)**

Note 27. Cash Flow Statements – Financing Activities

2009/10 £000s		2010/11 £000s
4,980	Cash receipts of short- and long-term borrowing	-
453	Council Tax & NNDR adjustments	(1,012)
-	Other receipts from financing activities	-
(1,086)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,020)
(56,965)	Repayments of short- and long-term borrowing	(5,292)
-	Other payments for financing activities	-
(52,617)	**Net cash flows from financing activities**	**(7,323)**

Note 28. Amounts Reported for Resources Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice (BVACOP). However, decisions about resource allocation are taken by the Chief Operating Decision Maker on the basis of budget reports analysed across departments.

The Chief Operating Decision Maker (CODM) is the individual or body charged with allocating resources between segments of the organisation. In the case of Hertfordshire, this is the Cabinet comprised of executive elected members.

Reports to the CODM are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- Capital charges for certain operational assets are shown against services in the segmental analysis but these are not shown in line with the Best Value definition of total cost. This definition is applied to the figures shown in the Comprehensive Income & Expenditure Account where all capital charges, revaluations, impairment losses in excess of the balance on the revaluation reserve and amortisations are shown against services if applicable
- The cost of retirement benefits are treated as uncontrollable and the actual current service cost of benefits accrued in the year is only reflected at the end of the year
- Expenditure on some support services is budgeted for centrally and not charged to services
- Various adjustments required by BVACOP are not reflected (e.g. certain pension costs)

Subjective analysis of these balances is not required by Chief Operating Decision Maker, but is a required disclosure for the purposes of financial reporting. The analysis below is based on internal categorisations, so will be on a different basis to income and expenditure as shown in the Comprehensive Income and Expenditure Statement.

2009/10 Comparatives	Children's Schools & Families £000s	Adult Care Services £000s	Environmental and Commercial Services £000s	Fire and Rescue £000s	Strategy and Partnership £000s	Resources and Performance £000s	Central Items £000s	Total £000s
Expenditure								
- Employee	736,917	63,478	32,059	31,989	12,181	41,427	-	918,051
- Depreciation, amortisation and impairment (capital charges)	42,529	3,702	1,201	2,121	152	1,015	(68,629)	(17,909)
- Support Service recharges	53,230	13,718	7,845	859	(4,784)	(43,008)	-	27,860
- Interest & Capital Financing	-	-	-	-	-	-	33,148	33,148
- Precepts & Levies	-	-	-	-	-	-	2,237	2,237
- Gain/Loss on disposal of non-current assets	-	-	-	-	-	-	-	-
- Other service expenses	510,051	730,373	129,707	6,904	10,264	53,953	4,115	1,445,367
- Net pension costs	-	-	-	-	-	-	14,807	14,807
Income								
- Fees, charges and other service income	(458,627)	(493,367)	(47,805)	(1,395)	(5,053)	(47,852)	-	(1,054,100)
- Government grants and other contributions	(661,531)	(28,520)	(576)	(202)	(2,328)	(269)	(698)	(694,124)
Net Expenditure as reported to the County Council	**222,570**	**289,385**	**122,430**	**40,276**	**10,431**	**5,266**	**(15,020)**	**675,338**

2010/11	Children's Schools & Families £000s	Health and Community Services £000s	Environmental and Commercial Services £000s	Community Safety £000s	Corporate Services £000s	Central Items £000s	Total £000s
Expenditure							
- Employee	1,169,870	81,505	46,708	34,837	39,902	-	1,372,822
- Depreciation, amortisation and impairment (capital charges)	42,319	5,266	20,648	-	2,755	(26,502)	44,487
- Support Service recharges	63,351	22,166	8,444	1,217	(56,567)	-	38,610
- Interest & Capital Financing	-	-	-	-	-	46,568	46,568
- Precepts & Levies	-	-	-	-	-	2,231	2,231
- Gain/Loss on disposal of non-current assets	-	-	-	-	-	-	-
- Other service expenses	602,688	667,696	126,301	10,524	53,071	1,454	1,461,734
- Net pension costs	-	-	-	-	-	13,175	13,175
Income							
- Fees, charges and other service income	(570,343)	(425,705)	(75,555)	(2,350)	(33,043)	-	(1,106,996)
- Government grants and other contributions	(1,012,518)	(12,174)	(1,372)	(1,172)	(4)	(4,144)	(1,031,384)
Net Expenditure as reported to the County Council	**295,368**	**338,755**	**125,172**	**43,056**	**6,114**	**32,782**	**841,247**

Reconciliation to Cost of Services in the Comprehensive Income and Expenditure Statement

2009/10 £000s		2010/11 £000s
675,338	Net Expenditure in the Segmental Analysis	841,247
15,020	Amounts included in the Segmental analysis and included below the Net Cost of Services on the Comprehensive Income & Expenditure Statement	(28,794)
(15,572)	Amounts included in the Segmental analysis and not included in the Comprehensive Income & Expenditure Statement	(28,473)
187,911	Amounts in the Comprehensive Income & Expenditure Statement not included in the segmental analysis	(217,630)
862,697	**Cost of Services in Comprehensive Income & Expenditure Account**	**566,350**

In addition to the service amounts shown above, there are further differences between the reports to the Chief Operating Decision Makers and the statutory financial reports, which can be categorised as:

- amounts reported to management but not required by statutory reporting (e.g. certain capital financing costs which are not accounted for through the Comprehensive Income & Expenditure Statement)

- amounts not reported to management but required by statutory reporting (e.g. gains/losses on disposal of assets)

These adjustments are summarised in the table below:

2009/10 Comparatives	Per Segment Analysis £000s	Amounts included in segmental reporting and excluded from CI&E £000s	Amounts Included in CI&E and excluded from Segmental Reporting £000s	CI&E Total £000s
Employee	918,051	-	16,300	934,351
Depreciation, amortisation and impairment (capital charges)	(17,909)	68,629	148,656	199,376
Support Service recharges	27,860	-	-	27,860
Interest Payments	33,148	(16,409)	-	16,739
Precepts & Levies	2,237	-	-	2,237
Gain/Loss on disposal of non-current assets	-	-	33,284	33,284
Other service expenses	1,445,367	(15,243)	7,768	1,437,892
Surplus / Deficit on provision of traded services	-	-	(2,556)	(2,556)
Net Pension Costs	14,807	-	30,559	45,366
Total Expenditure	**2,423,562**	**36,977**	**234,011**	**2,694,550**
Fees, charges and other service income	(1,054,100)	-	191,055	(863,045)
Government grants and other contributions	(694,124)	-	(462,270)	(1,156,393)
Income from Council Tax	-	-	(499,275)	(499,275)
Interest & investment income	-	-	(5,698)	(5,698)
Total Income	**(1,748,224)**	**-**	**(776,188)**	**(2,524,411)**
Net Expenditure	**675,338**	**36,977**	**(542,176)**	**170,138**

2010/11	Per Segment Analysis £000s	Amounts included in segmental reporting and excluded from CI&E £000s	Amounts Included in CI&E and excluded from Segmental Reporting £000s	CI&E Total £000s
Employee	1,372,822	-	(218,547)	1,154,276
Depreciation, amortisation and impairment (capital charges)	44,487	(763)	76,621	120,345
Support Service recharges	38,610	-	-	38,610
Interest Payments	46,568	(31,161)	127	15,534
Precepts & Levies	2,231	-	-	2,231
Other service expenses	1,461,734	(23,803)	(139,485)	1,298,446
Net Pension Costs	13,175	-	26,922	40,097
Total Expenditure	**2,979,628**	**(55,727)**	**(254,362)**	**2,669,539**
Fees, charges and other service income	(1,106,996)	-	-	(1,106,996)
Government grants and other contributions	(1,031,384)	-	(222,225)	(1,253,609)
Income from Council Tax	-	-	(500,226)	(500,226)
Interest & investment income	-	-	(2,770)	(2,770)
Gain/Loss on disposal of non-current assets	-	-	(10,951)	(10,951)
Total Income	**(2,138,380)**	**-**	**(736,172)**	**(2,874,553)**
Net Expenditure	**841,247**	**(55,727)**	**(990,534)**	**(205,014)**

Note 29. Acquired and Discontinued Operations

The Council had no discontinued operations during 2010/11.

During 2010/11, the Council took on responsibility for the planning and commissioning of 14-19 year old learning provision. This function transferred from the Young People's Learning Agency. The net spend on this activity in the year was £388k and it falls within the Education & Children's Services line of the Comprehensive Income & Expenditure Statement.

Note 30. Trading Operations

The Council has established 5 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units for 2010/11 are as follows:

Hertfordshire Catering

Hertfordshire Catering is the Council's education caterer, who provides a quality catering service to over 500 primary, middle and secondary schools in Hertfordshire, as well as to other organisations.

Hertfordshire Business Services (HBS)

HBS offers a professional purchasing, supply and contract management service to the Council. HBS acts as client manager for the school meals service and vehicle maintenance. HBS is a leading member of the Central Buying Consortium consisting of 17 local authorities and negotiates both joint and Council specific contracts.

Hertfordshire Reprographics

Hertfordshire Reprographics are the Council's in-house print unit. It provides a range of reprographic services including printing, fast print, plan print and photocopying.

Childcare Litigation Unit

The Childcare Litigation Unit provides legal support for the Council's children's services.

Financial Services for Schools (FSS)

FSS provides quality, value for money financial services to Hertfordshire schools, working closely with school staff, head teachers and governors, operating a financial systems help line, visiting schools on a regular or ad-hoc basis to provide financial support and training, and running group training courses for school staff and governors. FSS also provides support for local and central government initiatives, (such as the Financial Management Standard in Schools), as well as support to schools causing concern and school reorganisations under a service level agreement with the Council.

Summary

2009/10 £000s			2010/11 £000s	
(20,925)		Turnover for Hertfordshire Catering	(22,030)	
20,506		Expenditure for Hertfordshire Catering	21,912	
	(419)	**(Surplus) / Deficit for Hertfordshire Catering**		**(118)**
(30,989)		Turnover for Hertfordshire Business Services (HBS)	(39,816)	
29,910		Expenditure for Hertfordshire Business Services (HBS)	38,328	
	(1,079)	**(Surplus) / Deficit for Hertfordshire Business Services**		**(1,488)**
(3,327)		Turnover for Hertfordshire Reprographics	(1,517)	
2,479		Expenditure for Hertfordshire Reprographics	1,441	
	(848)	**(Surplus) / Deficit for Hertfordshire Reprographics**		**(76)**
(1,547)		Turnover for Childcare Litigation Unit	(1,957)	
1,476		Expenditure for Childcare Litigation Unit	1,933	
	(71)	**(Surplus) / Deficit for Childcare Litigation Unit**		**(24)**
(1,963)		Turnover for Financial Services for Schools (FSS)	(1,920)	
1,823		Expenditure for Financial Services for Schools (FSS)	1,855	
	(140)	**(Surplus) / Deficit for Financial Services for Schools (FSS)**		**(65)**
	(2,557)	**Net Surplus on trading operations**		**(1,771)**

Note 31. Agency Services

The Council provides a treasury management service to Hertfordshire Police Authority (HPA) for an annual fee as detailed below. As part of this service the Council prepares an annual treasury management strategy after discussion and agreement with HPA on their future cash flow, borrowing needs and investment. The Council invests on behalf of the HPA any surplus cash in conjunction with agreed investment criteria, outlined in this investment strategy, and also undertakes borrowing for HPA as per their capital funding requirements. The Council officers submit regular reports to HPA committees covering treasury management activity and strategy and meet with the HPA treasurer to discuss the HPA cash flow, future borrowing needs and investment portfolio.

31 March 2010 £000s		31 March 2011 £000s
2,015	Temporary Borrowing	2,427
(1)	Accrued Interest on managed cash balances	(4)
2,014		**2,423**
	The temporary borrowing position comprises:-	
8,465	Cash balances held on behalf of HPA	11,922
(6,450)	Less: Investments placed on behalf of HPA	(9,498)
2,015		**2,424**

The entries relating to agency services in the Comprehensive Income and Expenditure table are detailed below

30 March 2010			30 March 2011	
£000s	£000s		£000s	£000s
431		Expenditure incurred on behalf of HPA	474	
(457)		Expenditure recovered from HPA	(466)	
	(26)	**Net expenditure on service for HPA**		**8**
	(95)	Fees charged to HPA		(75)
	(121)			**(67)**

Note 32. Road Charging Schemes Under the Transport Act 2000

The Council had no road charging schemes during 2010/11.

Note 33. Pooled Budgets

Partnership arrangements were established in December 2001 between Hertfordshire County Council and the Hertfordshire Partnership NHS Foundation Trust for the provision of services to the following client groups, Mental Health, Learning Disability, Drug and Alcohol Services and Children and Adolescent Mental Health Services. Mental Health Services for Older People were added to the agreement in 2005-06.

The purpose of the partnership is to provide integrated health and social care services with a single management structure. Social care staff have transferred from Hertfordshire County Council to Hertfordshire Partnership NHS Foundation Trust for Mental Health, Drug and Alcohol and Children and Adolescent Mental Health services. Learning Disability nurses have transferred from Hertfordshire Partnership NHS Foundation Trust to Hertfordshire County Council. Social care staff for mental health services for older people were seconded to Hertfordshire Partnership NHS Foundation Trust from 1 April 2005.

The Joint Commissioning Partnership Board was established in 2002 by the Primary Care Trusts (PCTs) in Hertfordshire and Hertfordshire County Council in order to implement and direct joint commissioning for Health and Social Care services. A pooled budget funded by PCTs and Hertfordshire County Council has been set up to fund services for all the client groups plus the Joint Commissioning Team.

In April 2004 the Hertfordshire PCTs and Hertfordshire County Council set up an Integrated Community Equipment Service. The service provides both health and social care equipment which enables service users to maintain their independence within their own home. A pooled budget was also set up which is hosted by the Council. The service is managed by a Management Board which includes representatives from all contributing partners.

In March 2006 a partnership agreement and a pooled budget were set up between South East Herts PCT (now NHS Hertfordshire PCT) and Hertfordshire County Council to provide care services for older people at Westgate Nursing Home, Emmanuel Lodge and Kingfisher Nursing Home. The pooled budget is hosted by the Council.

Summary information for 2010/11, for the pooled budgets that the Council contributed to is shown below:

2009/10				2010/11		
Joint Commissioning Partnership Board £000s	Integrated Community Equipment Service £000s	Westgate – East and North Herts £000s		Joint Commissioning Partnership Board £000s	Integrated Community Equipment Service £000s	Westgate – East and North Herts £000s
			Funding provided to the pooled budget			
(117,465)	(2,836)	(2,508)	– the Council	(122,359)	(3,062)	(2,528)
(170,010)	(1,474)	(610)	– PCTs	(177,011)	(1,715)	(616)
(287,475)	**(4,310)**	**(3,118)**		**(299,370)**	**(4,777)**	**(3,144)**
287,391	4,660	3,098	Expenditure met from the pooled budget	299,328	3,990	3,099
(84)	**350**	**(20)**	**Net surplus / deficit arising on the pooled budget during the year**	**(42)**	**(787)**	**(45)**

Note 34. Member Allowances

The Council paid the following amounts to Members of the Council during the year:

2009/10 £000s		2010/11 £000s
1,353	Allowances	1,386
61	Expenses	62
1,414	**Total**	**1,448**

Note 35. Officers' Remunerations

The Accounts and Audit Regulations 2009 extended the disclosure requirements for Officers' remuneration. The new requirements provide greater transparency in respect of the total remuneration package for the senior team charged with stewardship of the organisation.

For senior members of the organisation disclosure is also made under the following categories:

- salary, fees and allowances
- bonuses
- expenses allowances
- compensation for loss of employment
- employer's pension contribution
- any other emoluments

The remuneration paid to the Council's employees earning over £50,000 is shown overleaf. Remuneration is defined in the Accounts and Audit Regulations 2003 as including:

Sums paid to or receivable by an employee:
Remuneration is usually taken to comprise gross pay (i.e. before the deduction of employee's pension contributions), compensation for loss of office and any other payments receivable on the termination of employment, even where these are not taxable and any ex gratia payments other than those for direct reimbursement of costs. Remuneration does not include employer's pension contributions.

Expense allowances chargeable to tax:
For example the profit element of car allowances.

The money value of benefits:
Other benefits, such as car loans, leased cars, travel cards and mobile phones.

2009/10		2010/11
HCC Employees	**Remuneration Band (£'s)**	**HCC Employees**
394	50,000 - 54,999	339
222	55,000 - 59,999	237
137	60,000 - 64,999	156
54	65,000 - 69,999	58
26	70,000 - 74,999	38
33	75,000 - 79,999	26
23	80,000 - 84,999	20
8	85,000 - 89,999	15
14	90,000 - 94,999	18
10	95,000 - 99,999	12
5	100,000 -104,999	5
1	105,000 - 109,999	1
2	110,000 - 114,999	2
1	115,000 - 119,999	1
0	120,000 -124,999	1
1	125,000 -129,999	1
0	130,000 -134,999	0
1	135,000 -139,999	1
1	140,000 -144,999	0
0	145,000 -149,999	0
0	150,000 -154,999	1
0	155,000 -159,999	0
1	160,000 -164,999	1
1	165,000 -169,999	1
0	170,000 -174,999	0
0	175,000 -179,999	0
0	180,000 -184,999	0
0	185,000 -189,999	0
0	190,000 -194,999	0
0	195,000 -199,999	0
0	200,000 -204,999	0
1	205,000 -209,999	1
0	210,000 -214,999	0
1	215,000 -219,999	0

The following table sets out the remuneration disclosures for Senior Officers whose salary is £150,000 or more per year.

Position	Notes	Year	Salary £	Benefits in Kind £	Compensation Payments £	Total Remuneration excluding pension contributions £	Pension Contributions £	Remuneration including Pension Contributions £
Chief Executive - C Tapster		2010/11	203,427	4,785	-	208,212	41,906	250,118
		2009/10	203,427	5,857	-	209,284	41,906	251,190
Director of Environment and Commercial Services - J Wood		2010/11	167,134	688	-	167,822	34,621	202,443
		2009/10	168,201	-	-	168,201	33,990	202,191
Director of Children, Schools & Families - J Harris		2010/11	160,004	-	-	160,004	32,301	192,305
		2009/10	160,004	-	-	160,004	32,301	192,305
Director Resources & Performance – M Parsons		2010/11	150,701	-	-	150,701	30,385	181,086
	1	2009/10	102,482	-	-	102,482	20,683	123,165
Director of People & Property – A Warner until 31 May 2009		2010/11	-	-	-	-	-	-
	2	2009/10	25,148	442	81,228	106,818	5,180	111,998

Note 1: The Director Resources & Performance started on 1 July 2009. The annualised salary was £150,701 in 2009/10. This was a new post following a restructure of senior management in 2009/10.
Note 2: The Director People & Property left the organisation on 31 May 2009. The annualised salary was £150,852. This post no longer exists following a restructure of senior management in 2009/10.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to, or more than, £50,000 per year. For the purposes of this disclosure Senior Officers have been defined as the Chief Executive, her direct reports, deputy chief officers and the Monitoring Officer. The total number of employees whose remuneration is between £50,000 and £150,000 is shown within £5,000 bands in the earlier table within this Note.

Position	Notes	Year	Salary £	Benefits in Kind £	Compensation Payments £	Total Remuneration excluding pension contributions £	Pension Contributions £	Remuneration including Pension Contributions £
Director Health & Community Services – S. Pickup		2010/11	134,387	3,689	-	138,076	27,684	165,760
		2009/10	134,959	4,026	-	138,985	27,802	166,787
Director Community Protection (CFO) – R Wilsher		2010/11	126,347	2,722	-	129,069	26,651	155,720
	3	2009/10	125,124	3,724	-	128,848	26,651	155,499
Chief Legal Officer – K Pettitt		2010/11	103,749	-	-	103,749	20,866	124,615
	4	2009/10	51,674	-	-	51,674	10,233	61,907
Deputy Chief Fire Officer – J Mills		2010/11	101,290	2,495	-	103,785	21,574	125,359
	5	2009/10	92,248	2,136	-	94,384	19,649	114,033
Deputy Director (Chief Education Officer) – J Donovan		2010/11	110,708	-	-	110,708	22,805	133,513
	6	2009/10	110,708	459	-	111,167	22,805	133,972
Director of Safeguarding & Specialist Services – J Coles		2010/11	61,014	-	-	61,014	12,569	73,583
	7	2009/10	-	-	-	-	-	-
Director of Strategy & Partnerships from 1 October 2009 until December 2010 – J Sellgren		2010/11	93,750	1,832	-	95,582	19,312	114,894
	8	2009/10	62,500	2,132	-	64,632	12,875	77,507
Finance, Information and Commercial Services Director – until 19 April 2009 – C Sweeney		2010/11	-	-	-	-	-	-
	9	2009/10	6,870	33	73,843	80,746	1,415	82,161
County Secretary – until 1 November 2009 – A Laycock		2010/11	-	-	-	-	-	-
	10	2009/10	72,989	3,226	67,374	143,589	15,036	158,625

Note 3: Benefits in kind includes expenses allowances in 2009/10 of £523 relating to taxable mileage payments.
Note 4: The Chief Legal Officer started on 1 October 2009. The annualised salary was £103,749 in 2009/10. This was a new post following a restructure of senior management in 2009/10.
Note 5: The incumbent was previously employed within the council but not classed in 2009/10 as a senior officer.
Note 6: The incumbent was previously employed within the council but not classed in 2009/10 as a senior officer.
Note 7: The Director of Safeguarding & Specialist Services is a new position commencing on 20 September 2010. The annualised salary is £115,000.
Note 8: The Director of Strategy & Partnerships started on 1 October 2009. The annualised salary was £125,000. This was a new post following a restructure of senior management in 2009/10. The post holder left 31 December 2010. The post no longer exists following a further restructure of senior management in 2010/11.
Note 9: The Finance, Information and Commercial Services Director left the organisation on 19 April 2009. The annualised salary was £130,164 in 2009/10. This post no longer exists following a restructure of senior management in 2009/10.
Note 10: The County Secretary left the organisation on 30 October 2009. The annualised salary was £125,124 in 2009/10. This post no longer exists following a restructure of senior management in 2009/10

Note 36. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2009/10 £000s		2010/11 £000s
320	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	375
18	Fees payable to the Audit Commission in respect of statutory inspections	-
41	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	26
-	Fees payable in respect of other services provided by the Audit Commission during the year	2
379	**Total**	**403**

Note 37. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010/11			**665,315**
Brought forward from 2009/10			1,370
Less: Carry forward to 2011/12 agreed in advance			(1,311)
Agreed budgeted distribution in 2010/11	**87,661**	**577,713**	**665,374**
Less: Actual central expenditure	(77,301)	-	(77,301)
Less: Actual ISB deployed to schools	-	(577,713)	(577,713)
Add: Local authority contribution for 2010/11	-	-	-
2010/11 in year balance carried forward to 2011/12	**10,360**	**-**	**10,360**
Carry forward to 2011/12 agreed in advance			1,311
Total carry forward to 2011/12			**11,671**

Comparatives for 2009/10 of the deployment of DSG received are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000	**Individual Schools Budget £000**	**Total £000**
Final DSG for 2009/10			**642,065**
Brought forward from 2008/09			3,636
Carry forward to 2010/11 agreed in advance			(2,093)
Agreed budgeted distribution in 2009/10	**85,609**	**557,999**	**643,608**
Less: Actual central expenditure	(86,332)	-	(86,332)
Less: Actual ISB deployed to schools	-	(557,999)	(557,999)
Add: Local authority contribution for 2009/10	-	-	-
2009/10 in year balance carried forward to 2010/11	**(723)**	**-**	**(723)**
Carry forward to 2010/11 agreed in advance			2,093
Total carry forward to 2010/11			1,370

Note 38. Grant Income

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

Credited to Taxation and Non Specific Grant Income

2009/10 £000s		2010/11 £000s
(42,859)	Area Based Grant	(58,236)
(32,534)	Revenue Support Grant	(22,312)
(4,545)	Fire Pension Top-up Grant	(4,144)
(698)	Local Authority Business Growth Incentive Scheme	-
(64,580)	Capital Grants & contributions	(75,164)
(145,216)	**Total**	**(159,856)**

Credited to Services

2009/10 £000		2010/11 £000
	Young People's Learning Agency	
(83,222)	Grant for Sixth Formers	(107,957)
(2,265)	Post 16 Teachers Pay Grant	(2,265)
(338)	Other grants less than £1m each	(1,346)
	Department for Children, Schools and Families	
(643,608)	Dedicated Schools Grant	(665,374)
(57,503)	Standards Fund	(72,162)
(34,561)	School Standards Fund	(35,491)
(22,669)	Sure Start	(27,854)
	Gateway to education services	(1,923)
211	Other grants less than £1m each	(3,344)
	Department of Health	
(360)	Social Care Reform	(4,105)
-	Winter pressures	(2,128)
(895)	Other grants less than £1m each	(2,471)
	Youth Justice Board	
(1,339)	Youth Offending Team Grants	(852)
	Department for Communities and Local Government	
(21,501)	Supporting people – services and implementation	-
(165)	New Burdens	-
-	PFI Credits	(1,871)
(426)	Other grants less than £1m each	(363)
	Home Office	
(2,247)	Unaccompanied Asylum Seeking Children	(2,444)
(782)	Drug Intervention Programme	(780)
4	Other grants less than £1m each	(260)
	Children's Workforce Development Council (CWDC)	
199	Other Grants less that £1m each	(700)
	Training & Development Agency	
(110)	Other Grants less that £1m each	(897)
	Skills Funding Agency	
-	Other Grants less that £1m each	(1,968)
	Various other bodies	
(190)	Other grants less than £1m each	(2,240)
(871,767)		**(938,795)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver in the event that these conditions are not met. The balances at the year-end are as follows:

Capital Grants Received in Advance

2009/10 £000s		2010/11 £000s
48,576	Balance at start of year	54,030
32,902	New grants received in advance	110,658
(27,448)	Application of grants used in year	(81,812)
54,030	**Balance at end of year**	**82,876**

Note 39. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. These grants are in addition to the Council's share of the revenue support grant and redistributed business rates income as calculated by central government.

Members and Officers

Mr Terry Douris, a member of the County Council, supplies various Hertfordshire County Council schools drama lighting, sound and audio-visual equipment; payments made during the year for these supplies were approximately £40k.

Mr John Barfoot, a member of the County Council, supplies various printing and design services to Hertfordshire County Council; payments made during the year for these supplies were approximately £3K.

In addition the following members sit on the Boards of the following organisations. The table overleaf records the total value of transactions in the year with these organisations.

Total of Council's transactions with the organisation 2009/10 £s	Name	Organisation	Total of Council's transactions with the organisation 2010/11 £s
7,619,874	Richard Thake (09/10 and 10/11) David Billing (09/10 and 10/11)	Hertfordshire Career Services Ltd	**3,080,791**
177,210	Stuart Pile (09/10 and 10/11) Brian Lee (09/10) Peter Ruffles (10/11)	Hertfordshire Groundwork Trust	**173,833**
65,015	Stephen Holmes (09/10)	Hemel Hempstead Day Centre	**n/a**
n/a	Bryan Hammond (10/11)	Community Development Agency for Hertfordshire	**63,053**
525,125	Sally Newton (09/10)	Vale House Stabilisation Services	**n/a**
n/a	Sally Newton (10/11)	Herts AID	**107,668**
54,124	Barbara Lamb (09/10) Derek Scudder (09/10 and 10/11)	Watford Sheltered Workshops Ltd	**58,069**
n/a	Sara Johnston (10/11)	Welwyn Hatfield Women's Refuge	**72,147**
117,333	Clare Berry (09/10) Matthew Hurst (10/11)	Hertfordshire Care Trust	**78,382**
n/a	Barbara Lamb (10/11)	Signpost Ltd	**28,107**
n/a	Fiona Hill (10/11)	Royston Day Centre	**12,287**
n/a	Nigel Bell (10/11)	West Watford Community Association	**9,718**
n/a	Richard Roberts (10/11)	Hertfordshire Community Foundation	**213,776**
8,558,683	**Total**		**3,897,831**

n/a = reflects that there are no related party relationships with these organisation, however the Council may still be transacting with them.

Where there is a new entry for 2010/11 the comparative level of total transactions with the organisation have not been included in the 2009/10 details. The amounts disclosed in the 2009/10 accounts have also been shown for comparative purposes even if no ongoing relationship exists.

In addition to the above, although no material transactions occurred during 2010/11, it should be noted that the following senior officers sit on the Boards of the following organisations which are related parties: -

C. Tapster – Director of Exemplas
M. Parsons – Director of 3 BSF PFI Joint Ventures.

Hertfordshire County Council Pension Fund

The Council administers the Pension Fund on behalf of its employees and those of District Councils within the county and other admitted bodies. In 2009/10 Cash balances were mainly invested by investment managers appointed by the Pension Fund with smaller amounts being pooled with Council cash balances for which the Pension Fund received a contribution in lieu of interest of £472,036. On 1 April 2010, pension fund cash was separated from Hertfordshire County Council funds and from that date pensions cash was separately invested and all interest received applied directly to the Pension Fund. No investments were made by Hertfordshire County Council on behalf of the Pension Fund and therefore, no interest was due.

Locality Budgets

Each elected member of the County Council has £10,000 per year to spend on grants in their local community. The approach is flexible and based on two fundamental principles. The funding from the Locality Budgets scheme must be used for purposes which promote the social, economic or environmental wellbeing of Hertfordshire having regard to the Council's sustainable community strategy. Locality Budgets cannot be used for purposes which would be contrary to the County Council's prevailing policies or be used for any purposes prohibited by law.

Note 40. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £000s	2009/10 £000s		2010/11 £000s	2010/11 £000s
	518,921	Opening Capital Financing Requirement		621,342
		Capital investment		
184,017*		Property, Plant and Equipment	150,706	
-		Investment Properties	-	
1,287		Intangible Assets	718	
15,880		Revenue Expenditure Funded from Capital under Statute	14,457	
	201,184			165,881
		Sources of finance		
(3,570)		Capital receipts	(33,866)	
		Capital Reserves	(20,385)	
(51,103)		Government grants and other contributions	(91,913)	
		Sums set aside from revenue:		
(21,469)*		Minimum Revenue Provisions	(26,046)	
(15,201)		Direct revenue contributions	(9,556)	
(7,420)		Revenue Expenditure Funded from Capital	(9,232)	
	(98,763)			(190,998)
	621,342 *	**Closing Capital Financing Requirement**		**596,224**
		Explanation of movements in year:		
	-	Increase in the underlying need to borrow (supported by government financial assistance)		-
	102,421	Increase in the underlying need to borrow (unsupported by government financial assistance)		(25,118)
	-	Assets acquired under finance leases		-
	-	Assets acquired under PFI/PPP contracts		-
	102,421*	**Increase/(decrease) in Capital Financing Requirement**		**(25,118)**

* These figures have been restated as a result of the IFRS transition. The movements are as a result of recognising Leases In and Embedded Leases, increasing the Capital Investment and Minimum Revenue Provisions.

Note 41. Leases

Council as Lessee

Finance Leases

The Council has acquired a number of vehicles and non-property assets under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
26,840	32,589	Other Land and Buildings	32,187
2,627	2,043	Vehicles, Plant, Furniture and Equipment	1,529
29,466	**34,632**	**Total**	**33,716**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
		Finance lease liabilities (Net Present Value of minimum lease payments):	
618	467	– current	337
1,576	1,109	– non-current	775
309	208	Finance costs payable in future years	139
2,503	**1,785**	**Minimum Lease Payments**	**1,251**

The minimum lease payments will be payable over the following periods:

30 March 2009		30 March 2010			30 March 2011	
Finance Lease Liabilities £000s	Minimum Lease Payments £000s	Finance Lease Liabilities £000s	Minimum Lease Payments £000s		Finance Lease Liabilities £000s	Minimum Lease Payments £000s
618	719	467	537	Not later than one year	337	386
1,226	1,399	881	1,000	Later than one year and not later than five years	676	753
351	386	228	248	Later than five years	99	109
2,194	**2,503**	**1,576**	**1,785**		**1,112**	**1,251**

Operating Leases

The Council has a number of arrangements classified as operating leases, consisting of Land & Buildings and Vehicles. The future minimum lease payments due under non-cancellable leases in future years are:

30 March 2010		30 March 2011
£000s		£000s
2,720	Not later than one year	2,814
6,941	Later than one year and not later than five years	4,837
4,003	Later than five years	3,294
13,664		**10,944**

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

2009/10		2010/11
£000s		£000s
780	Land & Buildings	737
1,983	Vehicles	1,983
2,763		**2,720**

Council as Lessor

Finance Leases

The Council has leased out a number of land & buildings assets under finance leases. These assets are derecognised from the Council's Balance Sheet.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. 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:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
		Finance lease liabilities (Net Present Value of minimum lease payments):	
71	74	– current	78
3,786	3,712	– non-current	3,634
13,519	12,896	Finance income receivable in future years	12,276
2,359	2,359	Un-guaranteed residual interest in property	2,359
19,736	**19,041**	**Minimum Lease Payments**	**18,347**

The minimum lease payments will be payable to the Council over the following periods:

30 March 2009		30 March 2010			30 March 2011	
Gross investment in the lease £000s	Minimum Lease Payments £000s	Gross investment in the lease £000s	Minimum Lease Payments £000s		Gross investment in the lease £000s	Minimum Lease Payments £000s
695	695	695	695	Not later than one year	695	695
2,779	2,779	2,779	2,779	Later than one year and not later than five years	2,779	2,779
16,263	13,903	15,568	13,208	Later than five years	14,873	12,514
19,736	**17,377**	**19,042**	**16,682**		**18,347**	**15,987**

Operating Leases

The Council has a number of arrangements classified as operating leases consisting of land & buildings. These are arrangements where Council-owned properties are leased to other organisations for a range of purposes. These include leases of land for electricity substations or communications infrastructure, leases to other public or voluntary sector organisations for use in delivery of their services or leases to private sector individuals or organisations where the land is surplus to the Council's operating requirements. The future minimum lease payments receivable under non-cancellable leases in future years are:

30 March 2010		30 March 2011
£000s		£000s
4,387	Not later than one year	4,039
15,486	Later than one year and not later than five years	15,178
117,352	Later than five years	113,621
137,225		**132,838**

Note 42. Private Finance Initiatives and Similar Contracts

The Code of Practice 2010/11 requires that PFI schemes should be accounted for on the basis of IFRIC 12 “Service Concessions”. To be within the scope of IFRIC 12, the PFI scheme must contractually oblige the private sector operator to deliver, on behalf of the Council, public services related to infrastructure. In addition, IFRIC 12 requires the Council to:

- control or regulate what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and to
- control any significant residual interest, through beneficial entitlement or otherwise, in the infrastructure at the end of the term of the scheme.

The Council entered into a PFI scheme in June 2007 for the design, finance and maintenance of seven new childrens' homes, a family assessment centre, a disability resource centre, a children’s centre and the refurbishment of five family support centres, through a private sector operator, with a facility for 25 years. The PFI scheme involves rebuilding /refurbishing existing Council buildings and the operation of those centres.

The units became operational at various times from 2007/08 to 2009/10. The scheme is due to end on 31 March 2033 at which stage all the assets will revert to the Council. The value of these assets (land & buildings) following revaluation as at the dates they became operational’ were £17.92m as at 31 March 2011 (£18.17m as at 31 March 2010). The PFI assets used are recognised on the Council’s Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

During 2010/11 a number of the homes were converted from six to seven bed units. This was a low cost change achieved by converting a staff sleep in room to a resident’s room, any revenue costs as a result of this change will be minimum.

The Council's PFI obligation for the capital (finance lease) element is:

31 March 2009			31 March 2010				31 March 2011		
Capital £000s	Interest £000s	Service £000s	Capital £000s	Interest £000s	Service £000s		Capital £000s	Interest £000s	Service £000s
468	1,325	590	553	1,291	824	Payable in 2012/13	585	1,254	876
2,169	4,943	3,783	2,159	4,798	4,091	Payable within two to five years	2,139	4,654	4,525
3,024	5,349	6,117	3,224	5,144	6,311	Payable within six to ten years	3,424	4,925	6,688
4,104	4,181	7,254	4,367	3,902	7,498	Payable within eleven to fifteen years	4,649	3,606	7,939
5,033	2,636	9,524	5,096	2,299	10,287	Payable within sixteen to twenty years	5,248	1,957	11,189
5,131	822	9,015	4,063	497	6,682	Payable within twenty-one to twenty-five years	2,864	244	4,497
19,929	**19,256**	**36,283**	**19,462**	**17,931**	**35,693**	**Total**	**18,909**	**16,640**	**35,714**

The PFI assets are recognised as Property Plant and Equipment when they come into use. The assets are measured initially at fair value in accordance with the principles of IFRIC 12. Subsequently, the assets are measured at fair value which is kept up to date in accordance with the Council's approach for each relevant class of asset.

The private sector operator is paid for its services over the period of the scheme by means of an annual unitary charge which is allocated between capital and service elements. The service element includes a full FM service, caretaking services, cleaning and utility (gas, electricity and water) costs.

The Council's key risks in connection with this PFI contract is that the SPV (Special Purpose Vehicle), Young Herts, the Operator ceases to trade. If this occurs the finance providers, Sumitomo Mitsui Banking Corporation (SMBC) would step in and replace them with a new operator. This would create some short term operation difficulties.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2009/10 £000s		2010/11 £000s
19,930	Balance outstanding at start of year	19,462
(468)	Payments during the year	(553)
-	Capital expenditure incurred during the year	-
-	Other movements	-
19,462	**Balance outstanding at end of year**	**18,909**

In January 2011 the Council entered into a contract with Balfour Beatty Education Limited under the national Building Schools for the Future (BSF) programme. This contract is for the rebuilding of Marriots and Lonsdale schools in Stevenage. Balfour Beatty Education Ltd will design, build, finance and provide facilities management services to the schools over the 25 year life of the contract. At the end of the 25 year contract the ownership of the facilities will rest with the Council. The school facilities are expected to come into operation in September 2012.

The Council's PFI obligation for the capital (finance lease) element is:

31 March 2010				31 March 2011		
Capital £000s	Interest £000s	Service £000s		Capital £000s	Interest £000s	Service £000s
-	-	-	Payable in 2012/13	-	-	-
-	-	-	Payable within two to five years	2,327	14,100	6,444
-	-	-	Payable within six to ten years	5,082	18,153	9,958
-	-	-	Payable within eleven to fifteen years	6,473	15,512	12,904
-	-	-	Payable within sixteen to twenty years	9,644	11,804	15,425
-	-	-	Payable within twenty-one to twenty-five years	13,836	6,618	19,059
-	-	-	Payable within twenty-six to thirty years	5,879	553	4,709
-	**-**	**-**	**Total**	**43,241**	**66,741**	**68,499**

There is currently no liability outstanding to pay the liability to the contractor for capital expenditure incurred.

Note 43. Impairment Losses

Last year's impairment of Icelandic investments was separately disclosed on the Comprehensive Income and Expenditure Statement under 'Exceptional Items'. This was due to the previous year's figures for 2008/09 being of a higher materiality level and to avoid distorting the usefulness of these accounts for year on year or inter Council comparison. This year's impact has been shown in the Movements in Reserves, see note 7 above.

2009/10 £000s		2010/11 £000s
539	Icelandic Investments	5,007
539	**Total**	**5,007**

Icelandic Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £28m deposited across these institutions, with varying maturity dates and interest rates.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council are being determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. A latest creditor progress report issued by the administrators Ernst and Young, in February 2011, outlined that the return to creditors was currently projected to be 79p to 85p in the £; 56.31% of the claim has been repaid, as at April 2011. The Council has therefore decided to recognise an impairment based on it recovering 84.96% of its claim. The strategy of winding up the bank is expected to produce a return at the top end of the range quoted by the administrators.

Therefore in calculating the impairment the Council has made the following assumptions re timing of recoveries:

July	2009	16.13%}
Dec	2009	12.66%} Received
March	2010	6.19%}
July	2010	6.27%}
Oct	2010	4.10%}
Jan	2011	4.71%}
April	2011	6.25%}
July	2011	5.0%
Oct	2011	5.0%
Jan	2012	5.0%
April	2012	5.0%
July	2012	5.0%
Oct	2012	3.65%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008. Details of the Council's deposits with Heritable Bank and the associated impairment are shown below:

Date Invested	Maturity Date	Amount Invested	Interest Rate	Recovered by 31/3/11 £'000	Carrying Amount £'000	Impairment £'000
15/09/08	15/04/09	£2m	6.00%	1,006	669	510
19/09/08	23/12/08	£5m	6.05%	2,513	1,671	1,279

Kaupthing, Singer and Friedlander Ltd (KSF)

The latest creditor report issued by the administrators Ernst and Young, in April 2011, outlined that the return to creditors was projected to be in the range of 78p to 86p in the £. The council has recognised an impairment based on it recovering 82% of its claim, (the mid point of the range estimated by the administrators).

In calculating the impairment the council has therefore made the assumption that the total recovery will be split as set out below:

July	2009	20%}
Dec	2009	10%} Received
April	2010	5%}
July	2010	10%}
Dec	2010	8%}
May	2011	5%
Jan	2012	8%
July	2012	8%
Jan	2013	8%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 7 October 2008. Details of the Council's deposits with Kaupthing, Singer & Friedlander Ltd. and the associated impairment are shown below:

Date Invested	Maturity Date	Amount Invested	Interest Rate	Recovered by 31/3/11 £'000	Carrying Amount £'000	Impairment £'000
04/01/07	04/01/11	£2m	5.46%	1,070	545	541
14/08/07	16/08/10	£2m	6.35%	1,104	568	532

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The Reykjavik District Court issued a verdict on 1 April 2011 confirming the local authorities' claims qualified for priority under Article 112 of the Icelandic Bankruptcy legislation. These decisions are being appealed to the Icelandic Supreme Court, however the current court ruling confirms the priority status assumed in the Council's accounts.

The council has, therefore, recognised impairment based on it recovering 94.85% of its claim. In calculating the impairment the Council has assumed that the total recovery will be split as set out below:

Dec 2011	22.17%
Dec 2012	8.87%
Dec 2013	8.87%
Dec 2014	8.87%
Dec 2015	8.87%
Dec 2016	8.87%
Dec 2017	8.87%
Dec 2018	19.46%

Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009. Details of the Council's deposits with Landsbanki Islands hf and the associated impairment are shown below:

Date Invested	Maturity Date	Amount Invested	Interest Rate	Recovered by 31/3/11 £'000	Carrying Amount £'000	Impairment £'000
11/07/08	15/10/08	£3m	5.90%	-	2,360	1,274
05/08/08	31/10/08	£5m	5.85%	-	3,924	2,070
29/08/08	28/11/08	£2m	5.83%	-	1,565	798

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (New Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Based on this information, it remains the case that if local authority deposits retain priority status, 100% of claims will be repaid. As with Landsbanki Islands, although the April 2011 decision of the Reykjavik District Court is being appealed, the current court ruling confirms this priority status.

The Council has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 22 April 2009 in the future. The impairment therefore reflects the loss of interest to the Council until the funds are repaid.

It is estimated that the earliest date by which payment could be made is the end of December 2011 and in calculating the impairment the Council has made an assumption that the repayment of priority deposits will be made in December 2011.

Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009. Details of the Council's deposits with Glitnir Bank hf and the associated impairment are shown below:

Date Invested	Maturity Date	Amount Invested	Interest Rate	Recovered by 31/3/11 £'000	Carrying Amount £'000	Impairment £'000
18/04/07	20/04/09	£2m	6.00%	-	2,027	330
15/05/07	17/05/10	£3m	6.00%	-	3,030	494
15/02/08	16/02/09	£2m	5.42%	-	2,044	343

Accounting

The impairment loss recognised in the Comprehensive Income and Expenditure Account in 2010/11, a reduction of -£0.147m, (£8.171m cumulative to 31 March 2011) has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. Further adjustments to the assumptions will be made in future accounts as more information becomes available.

Interest credited to the Comprehensive Income and Expenditure account in respect of the investments is as follows:

Bank	Credited 2007/08 £000	Received 2007/08 £000	Credited 2008/09 £000	Received 2008/09 £000	Credited 2009/10 £000	Received 2009/10 £000	Credited 2010/11 £000
Heritable	-	-	224.7	-	254.7	-	168.5
KSF	189.9	109.2	214.9	127.3	75.4	-	70.3
Landsbanki	-	-	1,050.7	-	489.6	-	450.1
Glitnir	287.2	-	431.7	301.8	422.5	-	413.2
Total	477.1	109.2	1,922.0	429.1	1,242.2	-	1,102.1

In the 2008/09 and 2009/10 financial years, the Council has taken advantage of the Capital Financing Regulations to defer the impact of impairment on the General Fund. As at 31 March 2010, a net balance of £5.15m was held on the Financial Instruments Adjustments Account (FIAA), comprising £8.319m impairment less £3.164m interest owed. Under the regulations, the Council has transferred the balance on the FIAA to the General Fund during 2010/11, as the protection offered by the regulations has expired.

The amounts transferred from the Financial Instruments Adjustment Account during 2010/11 and the Balance at 31st March 2011, are made up as follows:

Comparatives for 2009/10

Bank	Balance on FIAA at 31st March 09 £000	2009/10 Amount transferred to Financial Instruments Adjustment Account £000	Balance on FIAA at 31st March 10 £000
Heritable	1,931.5	(622.9)	1,308.6
KSF	2,112.8	(894.9)	1,217.9
Landsbanki	1,868.9	656.3	2,525.2
Glitnir	(55.6)	158.7	103.1
Total	5,857.6	(702.8)	5,154.8

2010/11

Bank	Balance on FIAA at 31st March 10 £000	2010/11 Amount transferred to Financial Instruments Adjustment Account £000	Balance on FIAA at 31st March 11 £000
Heritable	1,308.6	(1,308.6)	-
KSF	1,218.0	(1,217.9)	-
Landsbanki	2,525.1	(2,525.2)	-
Glitnir	103.1	(103.1)	-
Total	5,154.8	(5,154.8)	-

Note 44. Capitalisation of Borrowing Costs

There were no capitalisation of borrowing costs in 2010/11.

Note 45. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £2,438k. None of this total for 2010/11 is payable to Directors in the form of compensation for loss of office and enhanced pension benefits, as confirmed above in Note 35. The £2,438kis payable to 292 officers.

Note 46. Pensions Schemes Accounted for as Defined Contributions Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers Pension Agency (TPA) in the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The pension cost charged to the accounts is the contribution rate of 14.1% for 2010/11.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme - no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with the employer's contributions payable for the year.

Council contributions to the Teacher's Pensions Agency in respect of teachers' retirement benefits have amounted to £52.944m for 2010/11 (£52.536m in 2009/10).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

Note 47. Defined Benefit Pension Schemes

<u>Participation in Defined Benefit Pension Schemes:</u>

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

The Council participates in three pension schemes:

- The Local Government Pension Scheme for employees other than teachers and fire-fighters. This scheme is administered by Hertfordshire County Council and is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- The Fire-fighters pension scheme – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liability. Employer and employee contributions together will meet the full costs of pension liabilities being accrued in respect of currently serving employees while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

- The Teachers pension scheme – further information relating to this scheme which provides retirement benefits for teaching staff is shown in the note to the accounts "Defined Contribution Scheme – Teachers' Pension Scheme". IAS 19 does not apply to the Council's contribution to this pension scheme.

Hymans Robertson, an independent firm of actuaries, has valued the Council's fund asset share and liabilities for both the Local Government Pension Scheme and Fire-fighters Pension Scheme.

The actuary report stated that 'in June 2010 Emergency Budget, the Chancellor announced that public sector pension increase will henceforth be linked to the Consume Prices Index (CPI) rather than the Retail Prices Index (RPI). The Government has since issued consultation on this proposal. Therefore, the assumption regarding future pension increases for the March 2011 FRS17/IAS 19 will be linked to CPI. We estimate that CPI will be approximately 0.5%below RPI on average.

This reduction in the pension increase assumption will cause a fall in the FRS17/IAS19 liabilities.' This explains the large change in past service costs for the Local Government Pension Scheme in the table overleaf.

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31 March together with the movement from the previous year are shown below.

Transactions relating to retirement benefits:

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

2009/10			2010/11	
Local Government Pension Scheme £000s	**Fire-Fighters Pension Scheme £000s**		**Local Government Pension Scheme £000s**	**Fire-Fighters Pension Scheme £000s**
		Comprehensive Income and Expenditure Statement		
		Cost of Service:		
29,567	4,700	– Current service cost	57,814	8,900
742	-	– Past service cost*	(173,074)	(33,000)
871	-	– Settlements and curtailments*	564	-
		Financing and Investment Income and Expenditure:		
78,025	14,700	– Interest cost	95,682	15,900
(47,359)	-	– Expected return on scheme assets	(71,485)	-
61,846	**19,400**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(90,499)**	**(8,200)**
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
478,531	92,715	– Actuarial gains and losses	(274,463)	(32,624)
540,377	**112,115**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(364,962)**	**(40,824)**

*Due to the value being of a higher materiality level and to avoid distorting the usefulness of these accounts for year on year or inter Council comparison, the Past Service Costs along with Settlements and Curtailments have been disclosed separately on the Comprehensive Income & Expenditure Statement.

2009/10 Local Government Pension Scheme £000s	2009/10 Fire-Fighters Pension Scheme £000s		2010/11 Local Government Pension Scheme £000s	2010/11 Fire-Fighters Pension Scheme £000s
		Movement in reserves statement:		
(61,846)	(19,400)	– Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	90,499	8,200
		Actual amount charged against council tax for pensions in the year		
54,243	3,564	– employers' contributions payable to scheme	59,810	3,432
-	4,551	– top-up grant contribution	-	4,144
3,712	-	– retirement benefits payable to pensioners	4,032	-
(3,891)	**(11,285)**		**154,341**	**15,776**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a gain of £292.5m.

Assets and liabilities in relation to retirement benefits:

Reconciliation of present value of the scheme liabilities

31 March 2010 Local Government Pension Scheme £000s	31 March 2010 Fire-Fighters Pension Scheme £000s		31 March 2011 Local Government Pension Scheme £000s	31 March 2011 Fire-Fighters Pension Scheme £000s
1,129,418	224,700	Opening balance at 1 April	1,868,863	328,700
29,567	4,700	Current service costs	57,814	8,900
78,025	14,700	Interest costs	95,682	15,900
16,682	1,900	Contributions by scheme participants	17,131	1,900
659,033	92,715	Actuarial gains and losses	(271,055)	(31,900)
(41,763)	(10,015)	Benefits paid	(55,800)	(10,200)
742	-	Past service costs	(173,074)	(33,000)
(3,712)	-	Entity combinations	(4.032)	-
871	-	Curtailments	3,868	-
-	-	Settlements	(4,792)	-
1,868,863	**328,700**	**Closing balance at 31 March**	**1,534,605**	**280,300**

Reconciliation of fair value of the scheme assets

31 March 2010			31 March 2011	
Local Government Pension Scheme £000s	Fire-Fighters Pension Scheme £000s		Local Government Pension Scheme £000s	Fire-Fighters Pension Scheme £000s
755,107	-	Opening balance at 1 April	1,012,130	-
47,359	-	Expected return on assets	71,485	-
180,502	-	Actuarial gains and losses	3,407	724
54,243	8,115	Employer contributions	59,810	7,576
16,682	1,900	Contributions by scheme participants	17,131	1,900
3,712	-	Contributions in respect to unfunded benefits	4,032	-
(41,763)	-	Benefits paid	(55,800)	-
(3,712)	-	Unfunded benefits paid	(4,032)	-
-	(10,015)	Pension and lump sum expenditure	-	(10,200)
-	-	Settlements	(1,488)	-
1,012,130	**-**	**Closing balance at 31 March**	**1,106,675**	**-**

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 £90.5m, and in 2009/10 the return was £245.5m.

Scheme History

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Present Value of Liabilities:					
Local Government Pension Scheme	(1,328,218)	(1,138,562)	(1,129,418)	(1,868,863)	(1,534,605)
Fire-fighters Pension Scheme	(247,200)	(215,600)	(224,700)	(328,700)	(280,300)
Fair value of assets in the Local Government Pension Scheme	975,930	950,976	755,107	1,012,130	1,106,675
Surplus / (Deficit) in the Scheme	**(599,488)**	**(403,186)**	**(599,011)**	**(1,185,433)**	**(708,230)**
Compromising of:					
Local Government Pension Scheme	(352,288)	(187,586)	(374,311)	(856,733)	(427,930)
Fire-fighters Pension Scheme	(247,200)	(215,600)	(224,700)	(328,700)	(280,300)
Total	**(599,488)**	**(403,186)**	**(599,011)**	**(1,185,433)**	**(708,230)**

The above asset values as at 31 March 2011 are at bid value as required under IAS 19. For previous accounting periods the value of assets may have been reported at mid-market value. The fair value of assets was taken as at bid value at 31 March 2010 and, on the grounds of materiality, figures for previous accounting periods have not been restated.

The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The total liability as at 31 March 2011 of £708.2m has a substantial impact on the net worth of the Council as recorded on the balance sheet. However, statutory arrangements for funding the deficit mean:-

- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, and
- in the case of Fire-fighters pensions the underlying principle is that employer and employee contributions together will meet the full costs of pension liabilities being accrued in respect of currently serving employees while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

The total contributions estimated to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £53.6m. Expected contributions for the Fire- fighters Pension Scheme in the year to 31 March 2012 have not been estimated as being an unfunded scheme, the employer contribution depends on the benefits that will be paid in the year, the employee contributions and transferred in amounts received.

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. Both the Fire-fighters Scheme and the Local Government Pension Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary are shown overleaf:

The principal assumptions used by the actuary have been:

2009/10			2010/11	
Local Government Pension Scheme	Fire-Fighters Pension Scheme		Local Government Pension Scheme	Fire-Fighters Pension Scheme
		Long-term expected rate of return on assets in the scheme:		
7.8%	n/a	– Equity investments	7.5%	n/a
5.0%	n/a	– Bonds	4.9%	n/a
5.8%	n/a	– Property	5.5%	n/a
4.8%	n/a	– Cash	4.6%	n/a
		Mortality assumptions:		
		– Longevity at 65 for current pensioners:		
22.7 years	27.6 years	o Men	21.0 years	27.9 years
26.1 years	31.0 years	o Women	23.8 years	30.8 years
		– Longevity at 65 for future pensioners:		
24.8 years	29.2 years	o Men	22.9 years	29.5 years
28.3 years	32.7 years	o Women	25.7 years	32.3 years
3.8%	3.8%	Rate of inflation	3.6%	3.6%
5.3%	5.3%	Rate of increase in salaries	5.1%	4.6%
3.8%	3.8%	Rate of increase in pensions	2.8%	2.8%
5.5%	5.5%	Rate for discounting scheme liabilities	5.5%	5.5%
75%	90%	Take-up of option to convert annual pension into retirement lump sum	75%	90%

The Fire-fighters' Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

2009/10 %		2010/11 %
71	Equity Investments	73
19	Bonds	19
3	Property	4
7	Cash	4
100	**Total**	**100**

History of experience gains and losses

The actuarial experience gains or (losses) identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
LGPS Differences between the expected and actual return on assets	0.2	(12.1)	(40.6)	19.6	1.72
Experience gains and losses on liabilities	0.0	5.9	(0.6)	0.2	5.22
Fire-fighters pension scheme differences between the expected and actual return on assets	0.9	(2.9)	3.4	2.6	4.32

Defined Contribution Scheme – Teachers' Pension Scheme

The scheme is a defined benefit scheme, administered by the Teacher's Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pension liability shown in the preceding note. During 2010/11 the cost of these unfunded discretionary awards amounted to £4.032 million (2009/10 - £3.712 million).

Note 48. Contingent Liabilities

At 31 March 2011 the Council was aware of the following potential liability it may face in the future. This item has not been reflected in the accounts as there is no certainty that an actual liability may arise, or because there is uncertainty as to the amount of liability or when it will arise.

The Contingent liability identified relates to:

Municipal Mutual Insurance

In common with many other local authorities, the Council insured with the Municipal Mutual Insurance (MMI) Company until 31 March 1993 and continues to be dependent on its continued solvency for the payment of a significant number of claims. The latest Scheme of Arrangement issued by MMI as at 31 March 2011 indicates that the amount liable to clawback from the Council, should the Company not remain solvent is estimated at a maximum amount of £4.549 million.

Note 49. Contingent Assets

There were no contingent assets as at 31 March 2011.

Note 50. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

- By formally adopting the requirements of the Code of Practice (adopted on 23 February 2010 by the members of the County Council)
- By approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

For the 2010/11 financial year the prudential indicators and treasury management strategy were reported and approved at the County Council's meeting on 23 February 2010. The annual treasury management strategy outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure, which can be summarised as follows:

- To reduce exposure of cash balances by funding the 2011/12 Capital Programme from balances and seeking opportunities to repay debt early,
- Only specified investments to be made i.e. with UK government or local authorities and institutions with high credit ratings,
- Institution and Group limits are applied,
- Only lending to banks outside the UK if the country has a sovereign rating of AAA,
- UK Investments limited to a maximum of 364 days and Overseas to 3 months,
- The criteria specify action to be taken upon credit rating downgrades.

Actual performance is reported annually to the Council's Audit Committee. These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council's treasury management strategy for 2010/11 set out the minimum acceptable criteria for investments by reference to credit ratings from Fitch, Moody's and Standard & Poor's.

Credit Risk

The following analysis summarises the Council's potential maximum exposure to credit risk. The table (from an average of the default rates from Fitch, Moody's and Standard & Poor's) gives details of corporate finance average cumulative default rates (including financial organisations) for the period 1981 – 2010 on investments out to five years. There were no investment grade defaults at all in 2010, so there is no need to make an adjustment for market conditions at 31 March 2011. The risk of default by trade debtors is based on the average amount of debt written off as a percentage of total debt over the last three financial years (2007/08 to 2009/10).

Estimated maximum exposure to default 2010 £000s	Deposits with banks and financial institutions	Amount at 31 March 2011 £000s	Historical experience of default %	Adjustment for market conditions at 31 March 2011 ^	Estimated maximum exposure to default 2011 £000s
		(a)	(b)	(c)	(a * b)
1	AAA rated counterparties	25,012	-	-	-
20	AA rated counterparties	12,997	0.03%	-	4
-	A rated counterparties	-	-	-	-
59	BBB rated counterparties	4,192	0.48%	-	19
-	Other counterparties	20,000	-	-	-
54	Trade debtors	18,505-	0.326%	-	60
134		**80,706**			**83**

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £28m invested in this sector at that time, £10m of which was in breach of the Council's criteria. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact on the principal invested and interest income has been mitigated in the accounts according to government regulations (see the impairment disclosure note for details). These outstanding Icelandic Investments have been excluded from the exposure to credit risk table above 2011 above.

Following these events and the continued volatility in financial markets, the Council implemented even stricter criteria for investment counterparties in 2010/11. At the balance sheet date, £4m out of a total of £62.0m (excluding the Icelandic Investments), remained invested with counterparties no longer meeting the minimum investment criteria.

Financial Assets that are past due

The Council does not generally allow credit for its trade debtors. The amount of debt past its due date for payment amounted to £6.4 million. The past due amount can be analysed by age as follows

31 March 2010 £000s		31 March 2011 £000s
2,746	Not later than three months	3,864
1,451	Three to nine months	562
2,400	More than nine months	2,005
6,597		**6,431**

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
83	8,073	Not later than one year	2,985
5,028	1	One to two years	-
7,074	0	Two to seven years	-
11,803	8,645	Seven to fifteen years	8,645
320,995	278,807	More than fifteen years	278,841
344,983	**295,526**		**290,471**

The maturity analysis of financial assets is as follows

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
214,561	18,692	Not later than one year	71,483
9,088	15,725	One to two years	4,319
9,413	6,091	Two to three years	787
11,645	6,830	More than three years	4,015
244,707	**47,338**		**80,604**

The Icelandic investments are included in the table above on the basis of the anticipated recoveries over future years.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates could have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement could rise;
- borrowings at fixed rates – the fair value of the borrowing liability could fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement could rise; and
- investments at fixed rates – the fair value of the assets could fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

According to this assessment strategy, at 31 March 2011, if interest rates had moved by 1% with all other variables held constant, the financial effect would be:

2009/10 1% Increase £000s	2009/10 1% Decrease £000s		2010/11 1% Increase £000s	2010/11 1% Decrease £000s
302	(6)	Increase in interest payable on variable rate borrowings	499	-
(307)	212	Increase in interest receivable on variable rate investments	(369)	259
-	-	Increase in government grant receivable for financing costs	-	-
(5)	**206**	Impact on Surplus or Deficit on the Provision of Services	**130**	**259**

The impact of a 1% decrease in interest rates is not equivalent to a 1% increase in rates because, with bank base rate at only 0.5% on 31st March 2011, the rate of interest on a number of investments is below 1% and could not, therefore, effectively fall by a further 1%. In addition, the borrowing figures contain a number of Lender's Option Loans which are only likely to be exercised if interest rates increase.

Price risk

The Council, excluding the pension fund, has no investments in equity shares and so is not subject to any form of price risk currently.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in currencies.

Note 51. Investments in Companies

The council holds the following investments in companies. The accounting treatment in respect of the following investments is explained in the accounting policy applicable to group accounts. Copies of the accounts for these companies can be obtained from the Chief Legal Officer, Hertfordshire County Council, County Hall, Hertford SG13 8DQ (Contact telephone: 01992 555527).

Name	Nature of Business	Owned %	Nominal Value £
Exemplas Holdings Ltd	Learning and Development consultancy	1%	£1
HCS Careers Ltd	Provision of careers guidance, information and employment services	Not Applicable	A company limited by guarantee
Hertfordshire Building Preservation Trust	To preserve buildings of special historic or architectural interest	Not Applicable	A company limited by guarantee
The Hertfordshire Groundwork Trust Limited	A registered charity which carries out environmental improvement in Hertfordshire	Not Applicable	A company limited by guarantee
Smarte East Ltd	A jointly owned and managed not for profit limited liability company established to develop a plan for a regional joint procurement consortium, including constructors and material suppliers for the procurement of capital works	Not Applicable	Company is registered as Dormant
East of England Regional Control Centre Ltd	Management of proposed Regional Fire Control Centres, which was abandoned by the Government in December 2010	Not Applicable	Company is being wound up
Hertfordshire Schools Building Partnership Ltd	A company created for the delivery of the Hertfordshire Building Schools for the Future (BSF) programme.	20%	£200
Hertfordshire Schools Building Partnership Phase 1 Holdings Ltd	A company created for the delivery of the Hertfordshire Building Schools for the Future (BSF) programme.	Less than 1%	£18
Hertfordshire Schools Building Partnership Phase 1 Ltd	A company created for the delivery of the Hertfordshire Building Schools for the Future (BSF) programme.	Less than 1%	N/A

Note 52. Trust Funds

The council acts as Treasurer and Financial Adviser primarily to a number of educational prize funds, endowments, scholarships and bequests that generally have specific trustees to manage them. Capital is invested in accordance with the trustee's instructions in a range of external investments or, if held as cash by the council, such balances will earn interest at the market seven-day rate. These funds do not represent assets of the council and have not been included in the balance sheet. As at 31 March 2011 the total value of educational endowments is £488792 (31 March 2010 - £474300).

Local Government Pension Fund Accounts

The council is the Administering Authority for the Hertfordshire Pension Fund ("Pension Fund") which is managed and administered in accordance with the Local Government Pension Scheme Regulations (Benefits, Membership and Contributions) Regulations 2007 (as amended). These accounts give a stewardship report of the financial transactions of the Pension Fund during 2010/11, and of the deposition of its assets at 31 March.

The Local Government Pension Scheme ("Scheme") is a funded scheme, financed by contributions from employees and employers and by earnings from investments. The Pension Fund has published a Funding Strategy Statement, which sets out the Pension Fund's strategy for meeting employers' pension liabilities. The aim of the funding strategy is to ensure the long-term solvency of the Pension Fund and to ensure that sufficient funds are available to meet all benefits as they fall due for payment.

The Pension Fund covers staff employed by the council, the ten district councils in Hertfordshire and 157 other bodies (excluding schools). The Pension Fund is available to all local authority employees within Hertfordshire, except teachers and fire personnel for whom separate pension arrangements apply. The Pension Fund provides pensions and other benefits for employees, their spouses, civil partners, nominated co-habiting partners or dependants. The income of the Pension Fund arises from contributions by the employees and by their employers and from dividends and interest on investments. The membership of the Pension Fund at 31 March 2011 was as follows:

Pension Fund Membership	31 March 2011
Contributors	28,005
Pensioners	20,776
Deferred Benefits (former contributors)	25,125
Total Members	**73,906**

The table below provides a summary of the Pension Fund accounts for the year 2010/11:

2009/10 £000s		2010/11 £000s
1,639,566	Value of the Pension Fund at 1 April	2,188,656
32,090	Net additions / (withdrawals) from dealing with those directly involved in the scheme	38,557
517,000	Net returns on investments	194,438
549,090	Increase / (Decrease) in the Pension Fund during the year	232,995
2,188,656	**Value of the Pension Fund at 31 March**	**2,421,651**

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Pension Fund's assets, which at 31 March 2010 were valued at £2,194 million, were sufficient to meet 74.3% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £757million. The actuarial valuation includes the expected benefit from Early Retirement Income, which were not included in the opening value in the Pension Fund Accounts. The amount included in the actuarial valuation was £4.4 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Pension Fund's funding policy as set out in its FSS.

The Administering Authority publishes a separate Annual Report and Statement of Accounts for the Pension Fund which provides detailed information and is accessible from the Pension Fund website at www.yourpension.org.uk/agencies/HCC.

All references in the Local Government Pension Fund Accounts below relate to the Pension Fund Accounts document published separately.

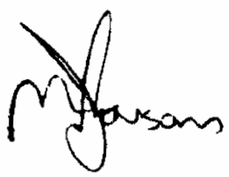
Fund Account

2009/10				2010/11	
£000s	£000s		Note	£000s	£000s
32,935		Contributions receivable from members	6.1	32,999	
110,143		Contributions receivable from employers	6.1	115,250	
11,428		Transfers in from other schemes	6.2	15,641	
-		Other income		2	
	154,506	**Additions from dealings with those directly involved in the scheme**			**163,892**
(81,120)		Pensions		(84,741)	
(20,633)		Commutation of pensions and lump sum retirement benefits		(22,468)	
(2,187)		Lump sum death benefits		(3,193)	
	(103,940)	**Benefits payable to members**	6.3		**(110,402)**
(24)		Refunds of contributions		(28)	
(12)		State scheme premiums		(11)	
(16,537)		Transfers out to other schemes	6.4	(12,803)	
	(16,573)	**Payments to and on account of leavers**			**(12,842)**
(1,852)		Administrative expenses	6.5	(1,996)	
(51)		Interest		(94)	
-		Bad debts		(1)	
	(1,903)	**Total administrative expenses and other payments**			**(2,091)**
	32,090	**Net additions / (withdrawals) from dealings with those directly involved in the scheme**			**38,557**
61,555		Investment Income	6.6	66,441	
(3,133)		Taxes on income		(3,636)	
(8,059)		Investment Management Expenses	6.7	(9,579)	
466,637		Profits and losses on disposals of investments and changes in value of investments	6.8	141,212	
	517,000	**Net Return on Investments**			**194,438**
	549,090	**Net increase / (decrease) in the net assets available for benefits during the year**			**232,995**

Net Assets Statement

1 April 2009		31 March 2010			Note	31 March 2011	
£000s	£000s	£000s	£000s			£000s	£000s
				Fixed interest securities			
123,991		133,554		Public sector fixed interest securities		127,191	
116,165		195,015		Other fixed interest securities		204,364	
				Equities			
407,007		618,747		UK Equities		688,188	
562,962		836,114		Overseas Equities		925,490	
				Index linked securities			
66,903		74,009		Public sector index linked securities		88,659	
5,643		8,251		Other index linked securities		10,806	
				Pooled investment vehicles			
68,439		74,556		Property		123,386	
10,929		17,750		Unit Trusts		14,177	
94,801		94,447		Other managed funds		124,510	
				Derivatives			
54		39		Futures	6.10	82	
2,213		3,063		Forward foreign exchange contracts	6.10	1,391	
97,177		106,454		Cash deposits		85,175	
33,162		32,160		Other investment balances	6.9	32,031	
	1,589,446		**2,194,159**	**Total investment assets**			**2,425,450**
				Derivatives			
(2,691)		(3,800)		Forward foreign exchange contracts	6.10	(5,446)	
(30,857)		(25,751)		Other investment balances	6.9	(25,856)	
	(33,548)		**(29,551)**	**Total investment liabilities**			**(31,302)**
	1,555,898		**2,164,608**	**Total investment assets and liabilities**			**2,394,148**
-		-		Non-current assets		877	
	-		**-**	**Total non-current assets and liabilities**			**877**
86,393		27,692		Current assets	6.11	30,884	
(2,725)		(3,644)		Current liabilities	6.12	(4,258)	
	83,668		**24,048**	**Total current assets and liabilities**			**26,626**
	1,639,566		**2,188,656**	**Net assets of the scheme available to fund benefits as at 31 March**			**2,421,651**

The financial statements summarise the transactions and net assets of the Pension Fund. They do not take account of the liabilities to pay pensions and other benefits after 31 March 2011. The treatment of these liabilities is explained in the following Notes to the Accounts (Sections 6.14 and 6.15).



M Parsons

Director Resources & Performance
Date: 29 September 2011

Statement of Accounting Policies

General Principles

The accounts have been prepared in accordance with the provisions of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, Chapter 2 of the Statement of Recommended Practice Financial Reports of Pension Schemes 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

The accounts summarise the transactions and net assets of the Pension Fund. The actuarial present value of promised retirement benefits at the Net Asset Statement date is detailed in section 6.14.

Basis of Preparation

The accounts have been prepared on an accruals basis, with the exception of transfer values which have been treated on a cash basis as the amount payable or receivable by the Pension Fund is not determined until payment is actually made and accepted by the recipient.

Valuation of Assets

Investments, including foreign currencies, are shown in the accounts at market value, determined as follows:

- Quoted securities are valued at bid price at the close of business on the balance sheet date.
- Unit Trust and managed fund investments (including property) are valued at the closing bid price if both bid and offer prices are quoted by the respective Investment Managers. If only a single price is quoted, investments are valued at the closing single price.
- Unquoted securities are valued having regard to the latest dealings, professional valuations, the advice of directors, asset values and other appropriate financial information.
- Indirect private equity investments are interests in limited partnerships and are stated at the partnership's estimate of fair value. For private equity limited partnerships there is usually a time delay in receiving information from the private equity Investment Managers. The valuations shown in the Net Assets Statement for these investments are the latest valuations provided to the Pension Fund, adjusted for cash movements between the valuation date and the balance sheet date.
- Futures contracts are valued at the exchange price for closing out the contract at the balance sheet date. This represents the unrealised profit or loss on the contract.
- Forward foreign exchange contracts are stated at fair value which is determined as the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract.
- Investment assets and liabilities include cash balances held by the Investment Managers and debtor and creditor balances in respect of investment activities as these form part of the net assets available for investment.
- Rights issues are processed on ex date. If the value of the rights on ex date is 15% or more of the value of the underlying security, cost is allocated from the parent to the rights. If the value is less than 15%, the rights are allocated at zero cost.

Foreign Currency Translation

All investments are shown in sterling. The market value of overseas securities and cash is shown in sterling based on exchange rates applicable at 31 March 2011.

Gains and losses on exchange arising from foreign currency investment and cash balances are included within the Fund Account for the year.

Investment Management Expenses

The external Investment Managers' fees are agreed in the respective mandates governing their appointment. Fees are based on the market value of the portfolio under management.

In previous years where an Investment Manager's fee note has not been received for the final period, an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2010/11, £1,029,385 were based on such estimates.

Contributions

In previous years where participating employers have not submitted certified returns of contributions payable by the due date for preparation of these accounts, an estimate of these contributions has been made. In 2010/11, £12,832 contributions were based on such estimates.

Investment Income
Investment income in the form of interest on fixed interest stocks and cash deposits and announced dividends on equity securities is accrued as at the financial year end.

Accrued interest on investment cash balances, available for sale assets and cash balances not held for investment purposes has been added to the carrying value of the cash deposit to give the fair value of the cash balances at 31 March 2011.

The Pension Fund is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Tax is deducted from dividends paid on UK equities. This is not recoverable. Income from overseas investments suffers a withholding tax in the country of origin, unless exemption is permitted. The Pension Fund has been granted exemption from US taxation and in some instances partial recovery of other withholding tax is possible. Provision is made for the estimated sums to be recovered and income grossed up accordingly.

VAT
The Pension Fund is exempt from VAT and is therefore able to recover such deductions. Investment management and administrative expenses are therefore recognised net of any recoverable VAT.

Acquisition Costs

Acquisition costs of investments are included in the purchase price.

Additional Voluntary Contribution Investments

The County Council has arrangements with the Standard Life Assurance Company and the Equitable Life Assurance Society to enable employees to make Additional Voluntary Contributions (AVCs) to enhance their pension benefits. AVCs are invested separately from the Pension Fund's main assets and the assets purchased are specifically allocated to provide additional benefits for members making AVCs. As these contributions do not form part of the Pension Fund's investments, the value of AVC investments are excluded from the Pension Fund's Net Assets Statement in accordance with regulation 4(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093).

Security Lending

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit the Pension Fund to lend up to 35% of its securities from its portfolio of stocks to third parties in return for collateral. The Pension Fund has set a limit of 20% of the total Fund value. The securities on loan are included in the Net Assets Statement to reflect the Pension Fund's continuing economic interest of a proprietorial nature in these securities.

Transition to International Financial Reporting Standards (IFRS)
The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. In accordance with the transitional requirements, comparative Net Asset Statements and relevant notes have been prepared as at 31 March 2010 and 1 April 2009.

Adoption of the IFRS based Code of Practice on Local Authority Accounting did not result in any material differences on transition. While restatement of the Net Asset Statements was therefore not required for IFRS purposes, they have been restated to reflect reclassification of some securities between asset classes.

The main changes under IFRS that affect the 2010/11 Annual Report and Accounts are:

- Early retirement contributions have been included in the accounts on an accruals basis. In previous financial years, this has been accounted for on a receipts basis.
- Additional disclosures have been made in the accounts for:
    - Current assets: Analysis between types of debtor at 31 March 2011, 31 March 2010 and 1 April 2009 (section 6.11)
    - Current liabilities: Analysis between types of creditor at 31 March 2011, 31 March 2010 and 1 April 2009 (section 6.12)
    - Nature and extent of risks arising from financial instruments (section 6.13)
    - Actuarial present value of promised retirement benefits (section 6.14)

Prior Period Adjustments

Comparative financial statements have been restated due to the following:

- The Fund account for 2009/10 has been restated to reflect the reclassification of Investment Consultant fees as an investment management expense rather than as an administrative expense.
- Net Asset Statements at 31 March 2009 and 31 March 2010 have been restated due to the reclassification of securities between asset classes by the Pension Fund's Custodian and the reclassification of accrued interest from other investment balances to the carrying value of cash in accordance with accounting requirements.

The impact on the financial statements of these prior period adjustments are detailed in the tables below. These changes have not resulted in any changes to the opening net assets of the scheme.

2009/10 Fund account

	Fund Account in 2009/10 accounts	**Reclassification of Investment Consultant Fees**	**2009/10 comparatives in 2010/11 accounts**
	£000s	**£000s**	**£000s**
Administrative expenses	(1,914)	62	(1,852)
Net additions / (withdrawals) from dealings with those directly involved in the scheme	**32,028**	**62**	**32,090**
Investment Management expenses	(7,997)	(62)	(8,059)
Net Return on Investments	**517,062**	**(62)**	**517,000**
Net increase / (decrease) in the net assets available for benefits during the year	**549,090**	**-**	**549,090**

2008/09 Net Asset Statement

	Net Asset Statement 2008/09 accounts	**Reclassification of securities**	**Reclassification of accrued interest**	**2008/09 comparatives in 2010/11 accounts**
	£000s	**£000s**	**£000s**	**£000s**
Fixed interest securities				
Public sector fixed interest securities	124,835	(844)	-	123,991
Other fixed interest securities	115,321	844	-	116,165
Equities				
UK Equities	407,893	(886)	-	407,007
Overseas Equities	562,026	936	-	562,962
Pooled Investment Vehicles				
Other managed funds	94,851	(50)	-	94,801
Cash deposits	97,114	-	63	97,177
Other investment balances	33,225	-	(63)	33,162
Total investment assets	**1,589,446**	**-**	**-**	**1,589,446**

2009/10 Net Asset Statement

	Net Asset Statement 2009/10 accounts	**Reclassification of securities**	**Reclassification of accrued interest**	**2009/10 comparatives in 2010/11 accounts**
	£000s	**£000s**	**£000s**	**£000s**
Fixed interest securities				
Public sector fixed interest securities	134,511	(957)	-	133,554
Other fixed interest securities	192,418	2,597	-	195,015
Equities				
UK Equities	620,423	(1,676)	-	618,747
Overseas Equities	835,592	522	-	836,114
Pooled Investment Vehicles				
Unit trusts	18,160	(410)	-	17,750
Other managed funds	94,523	(76)	-	94,447
Cash deposits	106,442	-	12	106,454
Other investment balances	32,172	-	(12)	32,160
Total investment assets	**2,194,159**	**-**	**-**	**2,194,159**

Critical judgements in applying accounting policies and significant estimation techniques
The main areas where the Pension Fund has had to make judgements in applying the above accounting policies to complex transactions or those involving uncertainty about future events or been required to estimate figures based on assumptions about the future or that are otherwise uncertain were:

- **Valuation of private equity investments:** as stated above, the valuations for private equity investments shown in the Net Assets Statement are based on the latest valuations provided to the Pension Fund, adjusted for cash movements between the valuation date and the balance sheet date. This may be result in a material difference between the valuation included in the Financial Statements and the actual value of the Funds investments as at 31 March issued by each of the private equity investment managers.
- **Contractual commitments:** Commitments to the private equity funds are made in local currency (sterling, euros and US dollars). The total remaining commitment to each private equity fund at 31 March 2011 has been converted to base currency, based on exchange rates applicable at the balance sheet date. The exact timing and amounts of when the Pension Fund's commitment will be drawn down is uncertain and therefore the actual payments made by the Pension Fund may be materially different from the estimates calculated.
- **Actuarial present value of promised retirement benefits:** Estimation of the liability to pay retirement benefits depends on a number of complex judgements relating to the discount rate used to value the liabilities, the rate at which salaries increase, and changes in retirement ages and mortality rates. The consulting Actuary to the Pension Fund, Hymans Robertson, is engaged to provide the Pension Fund with expert advice about the assumptions to be applied. Further information about the key assumptions used to calculate the actuarial present value of promised retirement benefits is included in section 6.14.

Notes to the Accounts

Note 6.1. Contributions Receivable

2009/10			2010/11	
£000s	£000s		£000s	£000s
		Members		
32,194		Normal	32,293	
741		Additional	706	
	32,935	**Total Members**		**32,999**
		Employers		
79,727		Normal	80,069	
30,416		Deficit Funding	35,181	
	110,143	**Total Employers**		**115,250**
	143,078	**Total contributions receivable**		**148,249**

Members' additional contributions represent contributions from members to purchase additional years of membership or pension in the Scheme.

Employers' normal contributions represent the ongoing contributions paid into the Pension Fund by employers in accordance with the Rates and Adjustments Certificate, issued by the Pension Fund Actuary. These reflect the cost of benefits accrued by current members over the year.

Employers' deficit funding includes:

- £23,588,956 (£23,419,782 in 2009/10) past service adjustment which represents the additional contributions required from employers towards the deficit where an employer's funding level is less than 100%, as per the Rates and Adjustments Certificate. The deficit recovery period varies depending on the individual circumstances of each employer. For statutory bodies, the Pension Fund normally targets the recovery of any deficit over a period not exceeding 20 years. For transferee Admission Bodies the deficit recovery period would be the shorter of the end of the employer's contract or the expected future working lifetime of the remaining Scheme members. Further information can be found in the Pension Fund's Funding Strategy Statement on page 57 and accessible from www.yourpension.org.uk/agencies/HCC/
- £277,109 (£1,122,813 in 2009/10) paid by employers in excess of the minimum contribution levels required by the Actuary in the Rates and Adjustments Certificate.

- £11,012,452 (£5,250,347 in 2009/10) towards early retirements representing the actuarial strain on the Pension Fund where a member retires early and is entitled to immediate access to their benefits. This includes contributions from employers towards the cost of enhancing/augmenting members' benefits. From 1 April 2010, early retirement contributions have been accounted for on an accruals basis in accordance with the Code of Practice on Local Authority Accounting 2010/11. Early retirement contributions not due to be received within 12 months, are shown as a non current asset in the Net Asset Statement. In previous years, early retirement income was accounted for on a receipts basis with income expected in future years disclosed in a note to the accounts.
- £302,500 in respect of termination payments where an employer had ceased to be a participating employer in the Pension Fund.

Contributions received are further analysed by type of employer:

2009/10 £000s		2010/11 £000s
70,525	Administering Authorities	76,862
61,175	Other Scheduled Bodies	59,240
11,378	Admitted Bodies	12,147
143,078	**Total contributions receivable**	**148,249**

Note 6.2. Transfers in from other schemes

The transfers in figure represent the payments received by the Pension Fund in relation to individual members' transfers of benefits into the Pension Fund. No amounts were received during the year for group transfers from other schemes.

Note 6.3. Benefits Payable

2009/10 £000s		2010/11 £000s
44,623	Administering Authorities	48,648
51,413	Other Scheduled Bodies	52,124
7,904	Admitted Bodies	9,630
103,940	**Total benefits payable**	**110,402**

Note 6.4. Transfers out to other schemes

The transfers out figure represents the payments made by the Pension Fund in relation to individual members' transfers of benefits out of the Pension Fund. No amounts were paid during the year for group transfers to other schemes.

Note 6.5. Administrative Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, allow the Administering Authority to charge pension administration expenses direct to the Pension Fund. The expenses listed below include a charge made for the work carried out on the Pension Fund by Hertfordshire County Council's Finance Service on pension administration and investment matters. Expenses incurred by the Pension Fund's Investment Managers are listed in section 6.7.

2009/10 £000s		2010/11 £000s
1,674	Administration and processing	1,779
123	Actuarial Fees	154
	Audit Fees	
43	Statutory	44
2	Other	-
10	Legal and other professional fees	19
1,852	**Total administrative expenses**	**1,996**

Note 6.6. Investment Income

a) Analysis of Investment Income

2009/10 £000s		2010/11 £000s
	Income from fixed interest securities	
4,732	Public Sector	4,616
10,345	Other	10,461
	Dividends from equities	
22,277	UK	24,229
15,346	Overseas	16,304
	Income from index linked securities	
2,667	Public Sector	3,527
-	Other	351
	Income from pooled investment vehicles	
4,212	Property	5,021
443	Other managed funds	1,040
779	Interest on cash deposits	375
	Other investment income	
394	Securities lending	359
280	Class action proceeds	157
76	Underwriting commission	1
4	Other	-
61,555	**Total investment income**	**66,441**

b) Securities Lending

The Pension Fund has an arrangement with its Custodian to lend securities from within its portfolio of stocks to third parties in return for collateral. Collateralised lending generated income of £359,210 for 2010/11 (£393,514 for 2009/10). This is included within investment income in the Fund Account.

The Pension Fund obtains collateral at 102% of the market value of securities loaned for collateral denominated in the same currency as that of the loans, or 105% in the case of cross-currency collateral. The market value of securities on loan and collateral held at 31 March 2011 and 2010 is shown in the table below, analysed by collateral type.

2009/10			2010/11	
Market value of securities on loan £000s	Collateral held £000s		Market value of securities on loan £000s	Collateral held £000s
26,291	28,477	Government debt and Supranationals	28,936	31,119
1,036	1,056	Euroclear (Triparty)	816	832
16,108	17,035	UK Equity DBV	3,480	3,655
12,394	12,704	UK Gilt DBV	17,383	17,817
55,829	**59,272**	**Total**	**50,615**	**53,423**

Note 6.7. Investment Management Expenses

The Pension Fund's Investment Managers are remunerated on the basis of fees calculated as a percentage of total assets under management. Some Investment Managers also have a performance related fee, payable where performance exceeds the performance target, as set out in Appendix C to the Statement of Investment Principles on page 51.

The Pension Fund's assets are held in custody by an independent custodian. The Custodian is responsible for the safekeeping of the Pension Fund's financial assets, the settlement of transactions, income collection, tax reclamation and other administrative actions in relation to the Pension Fund's investments.

The Pension Fund subscribes to the performance measurement service of The WM Company. An analysis of the Pension Fund's performance is shown in the Investment Performance section on pages 54-55.

2009/10 £000s		2010/11 £000s
7,487	Administration and management	8,950
480	Custody	511
62	Investment Consultancy	88
30	Performance measurement services	30
8,059	**Total investment management expenses**	**9,579**

Note 6.8. Change in Market Value of Investments

a) Analysis of Change in Market Value of Investments

The following tables show the change in market value of Investments from 1 April 2009 to 31 March 2011.

Value at 1 April 2009 £000s		Purchases at cost and derivative payments £000s	Sale proceeds and derivative receipts £000s	Profits and losses on disposals of investments and change in value of investments £000s	Value at 31 March 2010 £000s
	Fixed interest securities				
123,991	Public Sector	370,436	(357,104)	(3,769)	133,554
116,165	Other	96,573	(45,447)	27,724	195,015
	Equities				
407,007	UK	353,223	(307,707)	166,224	618,747
562,962	Overseas	849,072	(832,648)	256,728	836,114
	Index linked securities				
66,903	Public Sector	24,195	(21,895)	4,806	74,009
5,643	Other	4,738	(3,258)	1,128	8,251
	Pooled investment vehicles				
68,439	Property	-	-	6,117	74,556
10,929	Unit trusts	16	(1,302)	8,107	17,750
94,801	Other managed funds	9,846	(8,071)	(2,129)	94,447
	Derivatives				
54	Futures	436	(430)	(21)	39
(478)	Forward foreign exchange	-	(5,079)	4,820	(737)
97,177	Cash deposits	12,375	-	(3,098)	106,454
1,553,593	**Subtotal**	**1,720,910**	**(1,582,941)**	**466,637**	**2,158,199**
2,305	**Net Other Investment Balances**				**6,409**
1,555,898	**Total investments assets / (liabilities)**				**2,164,608**

Value at 31 March 2010 £000s		Purchases at cost and derivative payments £000s	Sale proceeds and derivative receipts £000s	Profits and losses on disposals of investments and change in value of investments £000s	Value at 31 March 2011 £000s
	Fixed interest securities				
133,554	Public Sector	315,763	(322,527)	401	127,191
195,015	Other	66,377	(56,938)	(90)	204,364
	Equities				
618,747	UK	164,922	(152,697)	57,216	688,188
836,114	Overseas	868,819	(827,236)	47,793	925,490
	Index linked securities				
74,009	Public Sector	51,347	(39,572)	2,875	88,659
8,251	Other	2,886	(1,046)	715	10,806
	Pooled investment vehicles				
74,556	Property	53,877	(11,146)	6,099	123,386
17,750	Unit trusts	21	(5,340)	1,746	14,177
94,447	Other managed funds	17,511	(11,110)	23,662	124,510
	Derivatives				
39	Futures	568	(862)	337	82
(737)	Forward foreign exchange	-	(3,903)	585	(4,055)
106,454	Cash deposits	17,647	(38,799)	(127)	85,175
2,158,199	**Subtotal**	**1,559,738**	**(1,471,176)**	**141,212**	**2,387,973**
6,409	**Net Other investment Balances**				**6,175**
2,164,608	**Total investments assets / (liabilities)**				**2,394,148**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at year end and profits and losses realised on the sale of investments during the year. Derivative receipts and payments represent the realised gains and losses on futures contracts and forward foreign exchange contracts during the year. The sale proceeds and derivative receipts for cash deposits represent the net movement in cash held by the Investment Managers during the year. The change in market value of cash results from gains and losses on foreign currency cash transactions.

b) Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Pension Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £3.5 million (£4.8 million in 2009/10). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Pension Fund.

Note 6.9. Investment Analysis

a) Analysis of Investments Assets at Market Value

2008/09		2009/10			2010/11	
£000s	£000s	£000s	£000s		£000s	£000s
				Investment Assets: -		
				Fixed interest securities		
63,040		86,854		UK Public Sector	73,172	
60,951		46,700		Overseas Public Sector	54,019	
83,286		154,397		UK other	160,822	
32,879		40,618		Overseas other	43,542	
	240,156		**328,569**	**Total fixed interest securities**		**331,555**
				Equities		
407,007		618,630		UK quoted	688,140	
-		117		UK unquoted	48	
559,528		836,114		Overseas quoted	925,490	
3,434		-		Overseas unquoted	-	
	969,969		**1,454,861**	**Total equities**		**1,613,678**
				Index linked securities		
66,903		74,009		UK Public Sector	88,212	
-		-		Overseas Public Sector	447	
3,245		2,748		UK other	4,752	
2,398		5,503		Overseas other	6,054	
	72,546		**82,260**	**Total index linked securities**		**99,465**
				Pooled investment vehicles		
68,439		74,556		UK Property	100,428	
-		-		Overseas Property	22,958	
2,677		3,953		UK unit trusts	4,532	
8,252		13,797		Overseas unit trusts	9,645	
9,652		13,882		UK managed funds	17,910	
85,149		80,565		Overseas managed funds	106,600	
	174,169		**186,753**	**Total pooled investment vehicles**		**262,073**
				Derivatives		
54		39		Futures	82	
2,213		3,063		Forward foreign exchange	1,391	
	2,267		**3,102**	**Total derivatives**		**1,473**
	97,177		**106,454**	**Cash deposits**		**85,175**
				Other investment Balances		
21,854		19,104		Amounts receivable from the sale of investments	18,724	
9,620		11,508		Investment income due	11,988	
1,688		1,548		UK and overseas recoverable tax due	1,319	
	33,162		**32,160**	**Total other investment balances**		**32,031**

Note: Table continues overleaf

2008/09		2009/10			2010/11	
£000s	£000s	£000s	£000s		£000s	£000s
				Investment liabilities: -		
				Derivative contracts		
(2,691)		(3,800)		Forward foreign exchange contracts	(5,446)	
	(2,691)		**(3,800)**	**Total derivatives contracts**		**(5,446)**
				Other investment balances		
(29,131)		(24,147)		Amounts payable for the purchase of investments	(24,151)	
(1,726)		(1,604)		Non recoverable tax payable	(1,705)	
	(30,857)		**(25,751)**	**Total other investment balances**		**(25,856)**
	1,555,898		**2,164,608**	**Total investments assets at market value**		**2,394,148**

No single investment held by the Pension Fund exceeded 5% of the total net assets available for benefits. No individual equity holding exceeded 5% of its asset class.

Cash deposits (including cash and cash instruments) and other investment balances (including accrued dividend entitlements) are accounted for as investment assets as these form part of the net assets available for investment within the investment portfolio.

The 2008/09 and 2009/10 analysis of investments has been restated to reflect a change in classification of some securities between investment types.

b) Contractual Commitments

As at 31 March 2011, the Pension Fund had a commitment of a further £54.6 million to private equity limited partnerships based on exchange rates applicable at the balance sheet date (£68.2 million at 31 March 2010).

c) Analysis by Investment Manager

The value of investments held by each Investment Manager together with investments in private equity limited partnerships on 31 March were as follows:

31 March 2009		31 March 2010			31 March 2011	
£000s	%	£000s	%		£000s	%
230,492	14.8	338,940	15.7	AllianceBernstein Ltd.	353,345	14.8
168,590	10.8	258,142	11.9	Baillie Gifford & Co.	303,819	12.7
315,329	20.3	425,246	19.5	BlackRock Investment Management (UK) Ltd.	448,619	18.7
182,022	11.7	273,824	12.7	Jupiter Asset Management Ltd.	302,757	12.7
109,423	7.0	119,425	5.5	CB Richard Ellis Investors/Inhouse property unit trust fund	131,801	5.5
47,870	3.1	52,012	2.4	HarbourVest	65,221	2.7
4,996	0.3	5,404	0.2	Permira	5,577	0.2
40,489	2.6	29,832	1.4	Standard Life Investments	45,436	1.9
1,613	0.1	1,598	0.1	TTP Venture Managers Ltd.	1,619	0.1
145,086	9.3	220,458	10.2	Global Thematic Partners, LLC	255,309	10.7
152,428	9.8	226,559	10.5	JP Morgan Asset Management (UK) Ltd.	252,401	10.5
156,128	10.1	211,739	9.8	RCM (UK) Ltd.	228,132	9.5
1,432	0.1	1,429	0.1	Residual funds from previous portfolios	112	0
1,555,898	**100**	**2,164,608**	**100**	**Subtotal: Funds externally managed**	**2,394,148**	**100**
83,668		**24,048**		**Funds held at Hertfordshire County Council and non-investment balances**	**27,495**	
1,639,566		**2,188,656**		**Net Assets of the Scheme**	**2,421,643**	

The market values in the table above include the value of investments, cash and net current assets held by each Investment Manager at 31 March. The funds held by Hertfordshire County Council include net current assets and cash required to manage the payment of benefits and collection of contributions.

Residual funds from previous portfolios represent residual cash and investment income still due to the portfolios previously run by the outgoing Investment Managers following the restructure of the Pension Fund in previous financial years.

d) Encumbrance of Assets
The Custodian has a lien over the Pension Fund's assets in order to recover any outstanding debts. This is held for the protection of the Custodian and has never been invoked.

Note 6.10. Derivatives

a) Futures
Futures contracts are exchange traded. They are standardised contracts, traded on a futures exchange. Futures are held for the purpose of equitising cash; taking a given amount of cash, turning it into an equity position whilst still retaining cash like liquidity.

Futures are disclosed in the accounts at fair value which is the exchange price for closing out of the contract at the balance sheet date. This represents the unrealised profit or loss on the contract. The notional value represents the Pension Fund's economic exposure which is the value of the securities purchased under the futures contract and therefore the value subject to market movements.

2008/09		2009/10		Contract	Duration	2010/11	
Notional Value £000s	Fair Value £000s	Notional Value £000s	Fair Value £000s			Notional Value £000s	Fair Value £000s
-	-	281	2	FTSE 100	1-3 months	-	-
555	54	1,421	17	S&P 500 e mini	1-3 months	2,637	60
-	-	1,297	9	DJ EURO STOXX 50	1-3 months	3,877	22
-	-	276	11	TOPIX INDEX FUTURE (TSE)	1-3 months	-	-
555	**54**	**3,275**	**39**	**Total futures**		**6,514**	**82**

b) Forward Foreign Exchange Contracts
Forward foreign exchange contracts are over the counter contracts with non-exchange counterparties. The counterparties at 31 March 2010 and 31 March 2011 were UK and overseas investment banks. The contracts in the table below represent various forward contracts involving 9 foreign currencies (10 at 31 March 2010). Forward foreign exchange contracts are used to hedge against foreign currency movements.

Forward foreign exchange contracts are disclosed in the accounts at fair value which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date. The notional value of the contract reflects the current value of the currency purchased under the contract.

2008/09			2009/10			Duration	2010/11		
Notional Value £000s	Fair Value £000s	Liability £000s	Notional Value £000s	Fair Value £000s	Liability £000s		Notional Value £000s	Fair Value £000s	Liability £000s
2,777	-	(131)	248,255	2,966	(3,666)	Within 1 month	304,012	1,391	(4,668)
200,804	2,213	(2,560)	30,062	97	(134)	2-3 months	48,970	-	(757)
-	-	-	-	-	-	3-6 months	1,745	-	(21)
203,581	**2,213**	**(2,691)**	**278,318**	**3,063**	**(3,800)**	**Total**	**354,727**	**1,391**	**(5,446)**

Note 6.11. Current Assets

2008/09 £000s	2009/10 £000s		2010/11 £000s
6,454	11,643	Contributions due from employers	15,080
79,007	15,201	Cash with Hertfordshire County Council	-
-	-	Cash balances	4,536
-	-	Available for sale assets	9,004
729	531	VAT due from HMRC	709
20	13	Securities lending/commission recapture	50
183	304	Other debtors and prepayments	1,505
86,393	**27,692**	**Total current assets**	**30,884**

In 2009/10, Pension Fund cash balances were pooled with those of the Administering Authority and surplus cash invested in accordance with the Administering Authority's treasury management strategy. The Pension Fund's cash was shown in the accounts as 'Cash with Hertfordshire County Council'.

From 1 April 2010, separate treasury management arrangements were in place for the Pension Fund's cash in accordance with the Local Government Pension Scheme Management and Investment of Funds Regulations 2009 (as amended). 'Cash balances' of £4.536 million in the table above includes cash in hand and deposits with financial institutions, repayable without penalty and on notice of not more than 24 hours and investments that are held to meet short term liabilities rather than for investment or other purposes.

Current assets are further analysed by type of debtor organisation:

2008/09		2009/10			2010/11	
£000s	£000s	£000s	£000s		£000s	£000s
729		531		Central government bodies	709	
3,433		8,024		Other local authorities	12,666	
170		111		NHS bodies	55	
3,054		3,825		Other entities and individuals	3,914	
	7,386		**12,491**	**Total debtors**		**17,344**
79,007		15,201		Cash with Hertfordshire County Council	-	
-		-		Cash balances	4,536	
-		-		Available for sale assets	9,004	
	79,007		**15,201**	**Total cash balances**		**13,540**
	86,393		**27,692**	**Total current assets**		**30,884**

Note 6.12. Current Liabilities

2008/09 £000s	2009/10 £000s		2010/11 £000s
774	788	Tax payable to HMRC	878
1,019	1,743	Investment management fees	2,318
135	295	Other creditors	170
797	818	Unpaid benefits	892
2,725	**3,644**	**Total current liabilities**	**4,258**

Current liabilities are further analysed by type of creditor organisation:

2008/09 £000s	2009/10 £000s		2010/11 £000s
774	792	Central government bodies	878
20	140	Other local authorities	-
1,931	2,712	Other entities and individuals	3,380
2,725	**3,644**	**Total current liabilities**	**4,258**

Note 6.13. Nature and Extent of Risks Arising from Financial Instruments

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

a) Overall procedures for managing risk
The principle powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money.

The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

The Pension Fund has prepared a Statement of Investment Principles which sets out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. Further information can be found in the Statement of Investment Principles on pages 44-51.

Pension Fund cash held by the Administering Authority is invested in accordance with the Pension Fund's treasury management strategy and lending policy ("Treasury Management Strategy"), prepared in accordance with the CIPFA Prudential Code, CIPFA Treasury Management in the Public Services Code of Practice and the legal framework and investment guidance set out and issued through the Local Government Act 2003. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Pension Fund's financial instrument exposure.

Investment performance by external Investment Managers and the Administering Authority is reported to the Pensions Committee quarterly. Performance of Pension Fund investments managed by external Investment Managers is compared to benchmark returns. For Pension Fund cash held by the Administering Authority, performance of the treasury function is assessed against treasury management performance measures modelled on the CIPFA Treasury Management Code of Practice which has been adopted by Hertfordshire County Council.

b) Credit risk and counterparty risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pension Fund.

For cash managed by the Administering Authority, credit risk arises from its deposits with banks and financial institutions. The Pension Fund's Treasury Management Strategy for 2010/11 sets out the type and minimum acceptable criteria for investments by reference to credit ratings from Fitch, Moody's and Standard & Poor's and outlines the process to be followed for credit rating downgrades.

The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by the review of the Managers annual internal control reports to ensure that Managers exercise reasonable care and due diligence in its activities for the Pension Fund, such as in the selection and use of brokers. The Investment Management Agreement for the Pension Fund's bond manager prescribes the investment restrictions on the securities it can invest in, including the minimum acceptance criteria for investments.

The following analysis summarises the Pension Fund's potential maximum exposure to credit risk on its UK and overseas corporate bonds. The historical experience of default rates are based on Standard and Poor's (credit rating agency) average cumulative default rates for the period 1981 – 2010 for each rating classification. The Pension Fund's corporate bond portfolio represents 9% of the Net Assets available to fund benefits at 31 March 2011.

Counterparty rating	Value of investments at 31 March 2011 £000s	Historical experience of default %	Estimated maximum exposure to credit risk £000s
AAA rated counterparties	41,822	0.6	271
AA rated counterparties	28,906	0.7	193
A rated counterparties	83,662	1.6	1,339
BBB rated counterparties	53,488	4.8	2,551
BBB rated counterparties	1,233	16.5	204
B rated counterparties	124	29.6	37
Non rated	5,935		-
Total	**215,170**		**4,595**

c) Liquidity risk
Liquidity risk is the risk that the Pension Fund will not be able to meet its financial obligations when they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension Fund has a comprehensive cashflow management system that seeks to ensure that cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours.

The Pension Fund has set a cap of £20 million on the amount of cash held by the Administering Authority to balance the need for the Pension Fund to be as fully invested as possible whilst maintaining liquidity to avoid the need to sell assets at inopportune times. Where there are surplus funds in excess of the cap, these funds are distributed to Investment Managers, after taking advice from the Pension Fund's Investment Consultant.

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. The Pension Fund's investments are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable.

d) Market risk
Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices.

The Pension Fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. The change in the market value of its investments during the year was £141,211,795.

In order to manage market value risk, the Pension Fund has set restrictions on the type of investments it can hold, subject to investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Details of these can be found in the Pension Fund's Statement of Investment Principles on pages 44-51. The Pension Fund has adopted a specific benchmark and the weightings of the various asset classes within the benchmark from the basis for asset allocation within the Pension Fund. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic regions within each class.

Market risk is also managed by constructing a diversified portfolio across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Pension Fund. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Agreement and ensure that the agreed limit on maximum exposure to any one issuer or class of asset is not breached.

For cash managed by the Administering Authority, the Pension Fund has set institution and group limits to diversify the Pension Fund's investment across a range of individual holdings, sectors and countries.

The Pension Fund's funding position is sensitive to changes in equities (which affect the net assets available to fund benefits) and bond yields (which affects the value placed on the Pension Fund's liabilities).

The table below shows the impact of future changes in the bond yields and equities (using the FTSE100 Index as a proxy for equity markets generally both in the UK and overseas) on the funding position and deficit. The starting point for this is the projected results as at 31 March 2011 which has been highlighted in the table.

The calculations assume that these changes occur immediately. In practice any changes will occur over time and the actual funding level will therefore also be affected by a number of factors including further benefit accruals, contributions and differences between expected and actual investment returns. Crucially, the calculations assume that all other factors and assumptions remain unchanged.

Fixed Interest Gilt, semi-annual yield (% p.a.)	Equity – FTSE 100 Price Index (proxy)						
	5150	**5400**	**5650**	**5909**	**6150**	**6400**	**6650**
3.85	64% (1,219.9)	67% (1,141.5)	69% (1,063.0)	71% (981.8)	73% (906.1)	76% (827.7)	78% (749.2)
4.00	66% (1,135.3)	68% (1,056.8)	71% (978.4)	73% (897.2)	75% (821.5)	78% (743.0)	80% (664.6)
4.15	67% (1,053.3)	70% (974.9)	72% (896.4)	75% (815.2)	77% (739.5)	80% (661.1)	82% (582.6)
4.30	69% (973.9)	72% (895.5)	74% (817.0)	**77% (735.8)**	79% (660.1)	82% (581.7)	84% (503.2)
4.45	71% (897.0)	73% (818.6)	76% (740.1)	79% (658.9)	81% (583.2)	84% (504.8)	86% (426.3)
4.60	72% (822.5)	75% (744.1)	78% (665.7)	80% (584.5)	83% (508.8)	86% (430.3)	88% (351.9)
4.75	74% (750.4)	77% (671.9)	80% (593.5)	82% (512.3)	85% (436.6)	88% (358.1)	90% (279.7)

e) Exchange rate risk

The Pension Fund holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31 March 2011, the Pension Fund had overseas investments (excluding forward foreign exchange contracts) of £1,168,755,326 and £15,137,888 cash denominated in currencies other than sterling.

A 1% change in the sterling value of cash held in foreign currencies as at 31 March 2011 would have increased or decreased the value of cash by £151,379.

External Investment Managers manage this risk through the use of forward foreign exchange contracts and futures, to hedge currency exposures back to the base currency. Further information can be found in section 6.10.

The Treasury Management Strategy does not permit the Administering Authority to invest in foreign currency denominated deposits.

Note 6.14. Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits of the Pension Fund at 31 March 2011 and 31 March 2010 are set out in the following table. This is the underlying commitment of the Pension Fund in the long term to pay retirement benefits to its active (employee), deferred and pensioner members.

31 March 2010 £m		31 March 2011 £m
3,625	Present value of promised retirement benefits	3,257

Liabilities have been projected using a roll forward approximation from the latest formal valuation as at 31 March 2010. The liability at 31 March 2011 is estimated to comprise of £1,429, in respect of employee members, £600m in respect of deferred members and £1,228m in respect of pensioners. The principal assumptions used by the Actuary were:

31 March 2010 % p.a.		31 March 2011 % p.a.
	Financial assumptions	
3.8%	Inflation/pension increase rate	2.8%
5.3%	Salary increase rate	5.1%
5.5%	Discount rate	5.5%
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
22.7	• Men	21.0
26.1	• Women	23.8
	Longevity at 65 for future pensioners:	
24.8	• Men	22.9
28.3	• Women	25.7

Future pensioners are assumed to elect to exchange pension for additional tax free cash up to 50% of HMRC limits for service to 31 March 2008 and 75% of HMRC limits for service from 1 April 2008.

The actuarial present value of promised retirement benefits is sensitive to changes in actuarial assumptions. The significant changes and their impact on the value of the Pension Fund's liabilities between 31 March 2010 and 31 March 2011 were:

Actuarial assumption:	£m	%
Allowance for short term salary growth assumptions at 2011 of 1% for 1 year and RPI for 3 years relative to the long term assumption adopted for 2010	(190)	5.8%
Move to CPI for pension increases and deferred revaluation at 2011 from RPI at 2010	(325)	10.0%
Lower expectation of price and salary inflation at 2011 compared to 2010	(120)	3.7%

The assumptions used by the Actuary to calculate the present value of promised retirement benefits are those required by the Code of Practice. The liability set out in the table is used for statutory accounting purposes and should not be compared against the value of liabilities calculated on a funding basis, which is used to determine contribution rates payable by employers in the Pension Fund. Further information on the Pension Fund's policy for funding its liabilities is set out in the following note.

Note 6.15. Funding Policy

The Pension Fund's approach to funding its liabilities is set out in its Funding Strategy Statement. The statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

The Pension Fund Actuary is required to report on the "solvency" of the Pension Fund at least every three years.

The last actuarial valuation of the Pension Fund was carried out as at 31 March 2010 to determine contribution rates for the financial years 2011/12 to 2013/14. The market value of the Pension Fund's assets at the valuation date was £2,194m and represented 74.3% of the Pension Fund's accrued liabilities, allowing for future pay increases.

In accordance with the Scheme regulations, employer contribution rates were set to meet 100% of the Pension Fund's existing and prospective liabilities.

The contribution rates were calculated using the projected unit actuarial method (or the attained age method for employers closed to new entrants) and the main actuarial assumptions were as follows:

Rate of return on investments	6.1%
Rate of general pay increases	5.3%
Rate of price inflation	3.3%

Further information can be found in the Funding Strategy Statement on page 58 and Actuarial Valuation report on page 17.

Note 6.16. Additional Voluntary Contributions (AVCs)

Scheme members have the option to make AVCs to enhance their pension benefits. These contributions are invested separately from the Pension Fund, with either the Standard Life Assurance Company or the Equitable Life Assurance Society.

2009/10							2010/11					
Standard Life		Equitable Life		Total Avc's			Standard Life		Equitable Life		Total Avc's	
£000s	£000s	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
	4,282		**2,469**		**6,751**	**Value at 1 April**		**5,194**		**2,394**		**7,588**
						Income						
426		15		441		Contributions received	382		20		402	
-		-		-		Transfer values received	4		-		4	
	426		**15**		**441**	**Total Income**		**386**		**20**		**406**
						Expenditure						
(466)		(304)		(770)		Retirement benefits	(591)		(333)		(924)	
(5)		-		(5)		Transfer values paid	(41)		(7)		(48)	
(10)		-		(10)		Lump sum death benefit	-		(2)		(2)	
	(481)		**(304)**		**(785)**	**Total expenditure**		**(632)**		**(342)**		**(974)**
	967		**214**		**1,181**	**Change in market value**		**337**		**86**		**423**
	5,194		**2,394**		**7,588**	**Value at 31 March**		**5,285**		**2,158**		**7,443**

Note 6.17. Related Parties

a) Hertfordshire County Council

The majority of the Pension Fund's cash is invested with Investment Managers. However, an amount is invested by Hertfordshire County Council in order to manage cashflow requirements for the payment of members' benefits and the collection of contributions.

From 1 April 2010, the Pension Fund had separate treasury management arrangements for cash held by Hertfordshire County Council. All Pension Fund cash is transferred to a Pension Fund bank account for separate investment and the interest earned is directly attributed to the Pension Fund. Therefore, for 2010/11 no interest was due to the Pension Fund from Hertfordshire County Council. In 2009/10, Hertfordshire County Council paid the Pension Fund £472,036 interest in relation to cash invested on its behalf. The interest was calculated on the basis of the average actual rate of return earned on funds invested by Hertfordshire County Council.

The amount of cash in transit on 31 March 2011 related to the Pension Fund was £2.1 million. This is included within cash balances in the current assets table in section 6.11.

b) Pensions Committee
Five members of the Hertfordshire County Council Pensions Committee were councillor members of the Hertfordshire Local Government Pension Scheme during 2010/11. One member of the Pensions Committee was in receipt of pension benefits from the Scheme during the year.

Note 6.18. Statement of Investment Principles

Regulation 12.1 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires the Pension Fund to publish a Statement of Investment Principles. This is set out on pages 44-51.

Investment Management

Powers of Investment

The principle powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund.

These regulations permit a range of investments, subject to specific restrictions. Investments may be made:

- in any security on any recognised stock exchange (no single holding to exceed 10% of the value of all investments);
- in unlisted securities (subject to a maximum of 10% of the total value of investments);
- in Unit Trusts and other Managed Funds subject to a maximum of 25% of the total value of investments with any one Investment Manager;
- by deposit with any bank (subject to a maximum of 10% of the value of all investments to any one bank, excepting National Savings Bank) or Local Authority (the total of such deposits not to exceed 10% of the total value of all investments).

The regulations require that the Administering Authority's investment policy must be formulated with a view to:

- the advisability of investing Pension Fund money in a wide variety of investments;
- the suitability of particular investments and types of investments;
- obtaining proper advice at reasonable intervals about their investments.

A local authority may elect to impose its own restrictions in addition to the legal restraints laid down in the regulations. The additional limits which have been determined by the County Council are set out in the Pension Fund's Statement of Investment Principles on pages 44-51.

Responsibility for Investing the Pension Fund

The Pensions Committee of the County Council is responsible for setting the overall investment strategy of the Pension Fund and monitoring investment performance. During 2010/11 the Pensions Committee set up a sub-committee to review the investment strategy.

The majority of the Pension Fund's investments are managed by external Investment Managers, who have substantial discretionary powers regarding their individual portfolios. The split of the Pension Fund between these managers at
31 March 2011 is shown in the following table.

Investment Manager	% of Fund
AllianceBernstein Ltd.	14.8%
Baillie Gifford & Co.	12.7%
BlackRock Investment Management (UK) Ltd.	18.7%
CB Richard Ellis Investors	5.5%
Global Thematic Partners, LLC	10.7%
Jupiter Asset Management Ltd	12.7%
JPMorgan Asset Management (UK) Ltd.	10.5%
RCM (UK) Ltd.	9.5%
Private Equity	4.9%

An amount of cash is held by Hertfordshire County Council in order to manage the payment of members' pensions benefits and the collection of contributions. This is invested in accordance with the Treasury Management Strategy for the Pension Fund which is reviewed annually by the Pensions Committee of Hertfordshire County Council. The 2011/12 Treasury Management Strategy was approved by the Pensions Committee on 9 March 2011.

The Statement of Investment Principles details the extent to which the Administering Authority complies with the principles of good governance and investment practice, set out in the Myners review of Institutional Investment in the UK.

Statement of Investment Principles 2011

Introduction
The County Council is responsible for the administration of the Pension Fund. The County Council has a statutory duty to ensure that any funds, not immediately required to pay pension benefits, are suitably invested.

As required by statute, the County Council has approved a Statement of Investment Principles which is applied to the management of the Pension Fund's investments.

In accordance with government guidelines, the extent to which the Pension Fund complies with the statutory guidance "Investment decision making and disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles" is set out at Appendix A to this Statement on page 48.

Who Makes the Investment Decisions?
The Pensions Committee of the County Council, advised by the Chief Finance Officer, is responsible for setting the overall investment strategy, monitoring investment performance and then implementing relevant policies. The Pensions Committee consists of eight County Council members, three (non-voting) District Council members elected by the Hertfordshire Local Government Association and a non-voting UNISON representative.

Day to day operational decisions are delegated to the County Council's Chief Finance Officer.

The Pension Fund's governance arrangements are set out in full in the Governance Policy and Compliance Statement on the Pension Fund website www.yourpension.org.uk/agencies/HCC/

What are the Investment Objectives of the Pension Fund?

1. To comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, specifically to ensure that all:

   - funds are suitably invested;
   - investments are diversified;
   - relevant investment limits are not exceeded;
   - investments and investment arrangements are regularly monitored and reviewed.

2. To ensure that the Pension Fund has sufficient assets to pay Scheme benefits.

3. To achieve a long term rate of return on the invested funds (both capital gains and income) which assists in controlling the level of employers' contributions to the Pension Fund and also the cost of the pensions to the local taxpayers where appropriate by:

   i) as a minimum, matching the Actuary's rate of return assumptions made when assessing the Pension Fund's level of funding; and

   ii) exceeding the Pension Fund benchmark by 1% measured over three year rolling periods.

Link to Funding Strategy Statement
This Statement of Investment Principles is linked to the Funding Strategy Statement, which sets out the Pension Fund's strategy for meeting employers' pension liabilities. The aim of the funding strategy is to ensure the long-term solvency of the Pension Fund while not unnecessarily restraining the investment strategy set out in this document.

The two strategies set out the common objective of the Pension Fund to maximise returns on investments to control the level of employers' contributions.

The Funding Strategy Statement can be found in Appendix 3 on page 58.

Achieving the Investment Objectives

The County Council, having taken appropriate professional advice, has made the arrangements set out below to reduce the risk that one or more of the investment objectives for the Pension Fund are not achieved over the long term.

1. Suitable Investments

The Pensions Committee considers that the following types of investments, within specific limits, are suitable for the purposes of a pension fund:

- cash, bank deposits and other short term money market investments;
- quoted fixed interest securities, individual securities and pooled investment vehicles;
- quoted equity investments, individual securities and pooled investment vehicles;
- property unit trusts;
- derivative instruments, but not to be used for speculative purposes;
- unquoted equity investments and private equity pooled vehicles.

2. Fund Benchmark and Asset Allocation

The Pension Fund has adopted a specific benchmark which has been approved by the Pensions Committee, following appropriate professional advice from the Investment Consultant, Investment Managers and the performance measurement consultant. The composition of the Pension Fund benchmark, implemented in May 2008, is set out at Appendix B to this Statement on page 50.

The weightings of the various asset classes within the benchmark form the basis for asset allocation within the Pension Fund.

The asset allocation set out in the benchmark is designed to spread the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic regions within each class.

3. Management of Investment

The main choices when selecting a fund management style are:

- Active or passive – making independent decisions when buying or selling investments (“active”) or buying stocks to replicate a specific index (“passive”).

- Balanced or specialist – investing across a broad range of asset classes (“balanced”) or in a narrow, specific asset class (“specialist”).

The Pension Fund currently uses “active, specialist” Investment Managers only on the advice of the Investment Consultant to increase the potential return of the Pension Fund.

The number of Investment Managers and the share of the Pension Fund by type as at 31 March 2011 are shown in the table below, along with comparative figures for March 2010.

Share of total Pension Fund at 31 March 2010			Share of total Pension Fund at 31 March 2011	
%	Number of Investment Managers		%	Number of Investment Managers
86.9%	7	External, active, specialist	95.1%	8
6.1%	4	Private Equity	4.9%	4
7.0%	N/A	In-House, active, specialist (property unit trusts)	0%	N/A

The percentages in the table above are calculated using the value of investments, cash and net current assets held by each Investment Manager at 31 March. During 2010/11 property unit trusts, previously managed in house by the Administering Authority, were transferred to an external Investment Manager.

Full details of the Investment Managers, their mandates and fee basis are shown at Appendix C to the main Pension Fund Statement of Accounts on page 51.

All the Investment Managers need the approval of the Chief Finance Officer to acquire shares in any securities that are not listed on a recognised stock exchange.

4. Responsible Ownership including Social, Environmental and Ethical Considerations

The Investment Managers are expected to apply their professional expertise to maintain suitably diversified portfolios for a pension fund. When making investment decisions the Investment Managers are expected to take account of what they reasonably believe are all relevant considerations.

The Pension Fund routinely votes on all matters raised by the largest 350 listed UK companies where it owns shares. The Pension Fund's voting policy is to vote in accordance with the current principles of corporate governance best practice, as advised by the RREV (Research, Recommendations and Electronic Voting) Service, except when the advice of the Investment Managers indicates such action would not be in the best financial interests of the Pension Fund.

5. Investment Restrictions

The following investment restrictions apply to the funds under management:

i) all limits determined under the Local Government Pension Scheme Investment and Management of Funds) Regulations 2009; and

ii) additional limits which have been determined by the County Council:

Private Equity	-	Total investments are not to exceed a maximum of 7.5% of the value of the Pension Fund. In general the Committee expects private equity to be no more than 5%. The 2.5% headroom allows for fluctuations in the value of other assets.
Options, futures and contracts for differences	-	A maximum of 25% of UK equity portfolio. Only to be used to protect against possible adverse fluctuations in the values of other investments or cash in the portfolio.
Individual equity holdings	-	The total holding in a single company is not to exceed 5% of the issued share capital.

There are no other restrictions placed on Investment Managers' investment decision making. Any breaches of the restrictions above are reported to the next available meeting of the Pensions Committee.

6. Investment Performance Management

The investment performance of Investment Managers is measured by an independent organisation, The WM Company, which reports quarterly to the Chief Finance Officer and at least annually to the Pensions Committee.

7. Monitoring of Investment Managers

The Pensions Committee meets quarterly to consider reports from each Investment Manager. Each Investment Manager makes a presentation in person to the Pensions Committee on an annual basis and to the Chief Finance Officer (or his/her representative) on a more regular basis.

8. Actuarial Valuation

The Pension Fund is subject to triennial valuations by an independent actuary. Employers' contributions are determined by the Actuary to ensure that in the long term the Pension Fund's assets will match its liabilities. The framework for this is set out in the Funding Strategy Statement.

9. Stock Lending

The Pension Fund operates a stock lending programme through its custodian bank. The Fund limits the lending to 20% of the total of its portfolios and ensures that the collateral is in cash or bonds and is valued on a daily basis to be on average 105% of the value of the stock which has been lent.

10. Custody Arrangements

The Pension Fund's assets are held in custody by an independent custodian, where reasonable controls have been certified by an appropriate auditor.

This Statement of Investment Principles was presented for approval by the Pensions Committee of Hertfordshire County Council on 10 March 2010 and is published on the Pension Fund website. Copies are available on request for participating Scheme employers, Scheme members, pensioners and deferred beneficiaries. The Statement is reviewed on an annual basis by the Pensions Committee.

Compliance with Myners Principles	
Principle	**Current Position**
1. Effective Decision Making *Administering authorities should ensure that:* • *decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation;* *and* • *those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.*	Day to day operational decisions are delegated to the County Council's Chief Finance Officer, who, with relevant members of his staff, regularly attends seminars and briefing sessions to maintain a high level of skills and knowledge in investment matters. Members of the Pensions Committee act in the role of trustees for the Pension Fund. They attend training sessions organised by the County Council. Both members and officers involved with making investment decisions take advice from appropriately qualified professionals where appropriate. **Development Areas** • Use the CIPFA Knowledge and Skills framework to assess members and officers to develop a training plan. • Develop a medium term business plan for the Pension Fund.
2. Clear Objectives *An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.*	The Pension Fund's main investment objective, as set out in this Statement of Investment Principles, acknowledges the need to meet the Pension Fund's liabilities and states that the aim is to ensure the impact on local taxpayers is minimised. The Statement of Investment Principles is circulated to the Pension Fund's advisors and investment managers and is published on the Pension Fund's website. **Development Area** • Clearly define in the Statement of Investment Principles the Pension Fund's attitude to risk and how it feeds into the objectives.
3. Risk and Liabilities *In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.*	The Pension Fund's main investment objective, as set out in this Statement of Investment Principles, acknowledges the need to meet the Pension Fund's liabilities and states that the aim is to ensure the impact on local taxpayers is minimised. **Development Areas** • Consider the form and structure of liabilities as well as non-investment risks more explicitly in the next review of strategy. • Develop a pension fund specific risk management framework.

Principle	Current Position
4. Performance Assessment *Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.* *Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.*	The Pensions Committee formally measures performance of investment managers and investments on a quarterly basis. **Development Areas** • Develop a framework to formally measure the performance of the Pension Fund's advisors. • Develop a framework to enable the Pensions Committee to make an assessment of their effectiveness.
5. Responsible ownership *Administering authorities should:* • *adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents* • *include a statement of their policy on responsible ownership in the statement of investment principles* • *report periodically to scheme members on the discharge of such responsibilities.*	The Pension Fund's investment managers have adopted the Institutional Shareholders' Committee Statement of Principles. A statement regarding responsible ownership is included in the Statement of Investment Principles, which is part of the Annual Report published on the Pension Fund website for all scheme members to access.
6.Transparency and reporting *Administering authorities should:* • *act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives* • *provide regular communication to scheme members in the form they consider most appropriate.*	The Pension Fund communicates with its stakeholders through the publication of the following documents, in addition to this one, on the Pension Fund's website • Governance Statement • Annual report • Communication Statement In addition a meeting is held for all employers on an annual basis. Communication with Scheme members is through the website and through the Pension Fund's employers.

Composition of Total Benchmark		
30%	UK Equities	FTSE All Share (including Private Equity)
45%	Global Equities	MSCI AC World Index
4%	UK Gilts	FT-A Conventional Gilts All Stocks
4%	Corporate Bonds	Merrill Lynch Sterling non-gilts, all stocks index
4%	UK Index Linked	FT-A Over 5 Year Index Linked Gilt
4%	Overseas	Lehman Global Aggregates ex UK
1%	Cash	GBP 7 Day LIBID
8%	UK Property	IPD All Properties Index

Pension Fund Investment Managers as at 31 March 2011				
Investment Manager	**Value of Portfolio at 31/03/2011**	**Type of Mandate**	**Performance Target (% above benchmark)**	**Fee Type**
Jupiter Asset Management Ltd.	302.8	Active, Specialist, UK Equities	2%	Performance Related
Baillie Gifford & Co.	303.8	Active, Specialist, UK Equities	1.25%	Ad valorem
AllianceBernstein Ltd.	353.3	Active, Specialist, Global Equities	2%	Performance Related
Global Thematic Partners, LLC	255.3	Active, Specialist, Global Equities	4%	Ad valorem
JPMorgan Asset Management (UK) Ltd	252.4	Active, Specialist, Global Equities	4%	Ad valorem
RCM (UK) Ltd	228.1	Active, Specialist, Global Equities	3%	Ad valorem
BlackRock Investment Management (UK) Ltd.	448.6	Active, Specialist, Bonds	0.5%	Ad valorem
Permira	5.6	Active, Specialist, Private Equity	Not applicable	Performance Related
HarbourVest	65.2	Active, Specialist, Private Equity	Not applicable	Performance Related
Standard Life Investments	45.4	Active, Specialist, Private Equity	Not applicable	Performance Related
TTP Ventures	1.6	Active, Specialist Private Equity	Not applicable	Performance Related
CB Richard Ellis Investors	131.8	Active, Specialist Property	0.5%	Performance Related

Fee types: **Ad valorem** - based only on the value of the portfolio
Performance Related - additional fees payable where performance exceeds the target

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2011

	Note	2010 £000	2011 £000
Contributions receivable			
From employer			
- contributions in relation to pensionable pay	3	(3,573)	(3,443)
- ill health early retirements	3	(62)	(64)
From members			
- Firefighters’ contributions	3	(1,926)	(1,891)
Total - Contributions receivable		(5,561)	(5,398)
Transfers in			
- from other authorities	4	(34)	(51)
Total - Transfers in		(34)	(51)
Benefits payable			
- pensions		6,966	7,297
- commutations and lump sum retirement benefits		3,138	2,227
- lump sum death benefits		0	68
Total - Benefits payable		10,104	9,592
Payments to and on account of leavers			
- refunds of contributions		1	7
- transfers out to other authorities	4	35	-
Total - Payments to and on account of leavers		36	7
Deficit for the year before top-up grant receivable from central Government		4,545	4,150
Top-up grant payable by central Government	5	(4,545)	(4,150)
		-	-

NET ASSETS STATEMENT AS AT 31 MARCH 2011

2009 £000		2010 £000	2011 £000
	Current assets		
2,028	Top-up grant receivable from central Government	2,440	807
	Current liabilities		
(1,691)	Amount owing to the General Fund	(2,185)	(800)
(337)	Unpaid pension benefits	-	-
-	Top-up grant payable to central Government	(255)	(7)
(2,028)		(2,440)	(807)
-	**Net Assets**	-	-

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. In accordance with the transitional requirements, comparative Net Asset Statements and relevant notes have been prepared as at 31 March 2010 and 1 April 2009.

Adoption of the IFRS based Code of Practice on Local Authority Accounting did not result in any material differences on transition.

M Parsons

Director Resources & Performance
Date: 29 September 2011

Notes to the Firefighter's Pension Fund Accounts

1. Summary of the Firefighters' Pension Fund Operations

The Firefighters' Pension Fund was established under the Firefighters' Pension Scheme (Amendment) Order 2006.

Until the end of March 2006 the council was responsible for paying the pensions of its former fire fighting employees on a 'pay-as-you-go' basis. This meant that employees' contributions were paid into the council's accounts from which pensions awards were made and the council received funding from central government as part of general Formula Grant to support payments of pensions.

From 1 April 2006 the council has continued through its scheme administrator, Serco Solutions Ltd, to administer and discharge its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the new and existing pension schemes.

Regular firefighters employed before 6 April 2006 were eligible for membership of the 1992 Firefighters' Pension Scheme. When this scheme closed a new 2006 Firefighters' Pension Scheme was introduced for regular and retained firefighters employed since 6 April 2006. The new financial arrangements are for both the 1992 and 2006 Firefighters' Pension Schemes and have no impact on the terms and conditions of either scheme.

The Firefighters' Pension Fund is an unfunded defined benefits scheme meaning that there are no investment assets available to meet pension liabilities. Employee contributions and a new employer's contribution are paid into the pension fund from which pension payments are made. The fund is topped up by central Government grant if the contributions are insufficient to meet the cost of pension payments and any surplus in the fund is recouped by central Government. The underlying principle is that employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees, while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

The financing of pension payments was taken out of the Formula Grant from April 2006 which instead now takes into account the funding needed to support the cost of the employer contributions and lump sum payments in respect of ill-health early retirements.

2. Accounting Policies

The accounts have been prepared in accordance with the 2010 Code of Practice on Local Authority Accounting in the United Kingdom based on IFRS and summarise the transactions and net assets of the Firefighters' Pension Fund and do not take account of liabilities to pay pensions and other benefits after 31 March 2011.

Transfer values have been treated on a cash basis and all other amounts have been prepared on an accruals basis.

3. Contributions Receivable

<u>Employer and Employee Contributions</u>

Employees' and employer's contribution levels are set nationally by central government and are subject to triennial revaluation by the central Government Actuary's Department.

The purpose of the employee and employer contribution rates under the new arrangements is to meet the accruing pension liabilities of currently serving Firefighters. This means the council must meet the full cost of employing Firefighters, including the cost of future pension liabilities, at the time of employing them.

3. Contributions Receivable (continued)

Separate contribution rates, as a percentage of pensionable pay, apply to the 1992 Firefighters' Pension Scheme and the 2006 Firefighters' Pension Scheme, as shown below.

	Employer	Employee
	%	%
1992 Firefighters' Pension Scheme	21.3	11.0
2006 Firefighters' Pension Scheme	11.0	8.5

Contributions received by the Fund are analysed below.

	Employer		Employee	
	2010	2011	2010	2011
	£000	£000	£000	£000
1992 Firefighters' Pension Scheme	3,275	3,052	1,695	1,589
2006 Firefighters' Pension Scheme	298	391	231	302
	3,573	3,443	1,926	1,891

Ill Health Early Retirements

Early retirements due to ill-health could, with effect from 1 April 2006, have required the council to make a lump sum payment into the pension fund of 4× average pensionable pay in respect of all higher tier ill-health retirements and 2× average pensionable pay in respect of all lower tier ill-health retirements, reintroducing some in-year financial volatility, as the number of firefighters who retire on grounds of ill-health will vary from year to year.

However, to deal with this volatility, authorities are required to spread the charges credited to the pension fund equally over a period of three years. The initial payment tranche being made at the time of retirement and subsequent tranches made, without the addition of interest, on 1 April each financial year.

Other approved early retirements have a real cost, which must be covered by employers. These costs will be actuarially calculated for each individual, using a table of factors, and the council will be required to make a payment into the pension fund.

4. Transfers to or from other schemes

Where a firefighter transfers to or from another Fire and Rescue Authority within England there is no need for a cash transfer. A firefighter who transfers out of the Firefighters' Pension Scheme to another pension scheme, or to the Firefighters' Pension Scheme in Scotland, Wales or Northern Ireland, is entitled to ask for a Cash Equivalent Transfer Value to be paid across, equivalent to the value of their pension rights on leaving the Firefighters' Pension Scheme.

This would be paid from the Firefighters' Pension Fund and similarly an inward Transfer Value should be paid into the fund.

5. Top-up Grant

Since 1 April 2006, where employer and employee contributions paid into the Firefighters’ Pension Fund are not sufficient to meet pension payments for the year, the deficit has been met by a Central Government top-up grant paid by the Department for Communities and Local Government. Any surplus in the fund must be paid back to central Government as the party that brings the account back to a nil balance at the end of each year.

6. Liabilities after year end

The Fund’s financial statements do not take account of the liabilities to pay pensions and other benefits after 31 March 2011, which are disclosed separately in note 47 of the main HCC accounts.

Glossary of Terms

The glossary's definitions are intended to provide the reader with a clear and concise explanation of the technical terms used in this report.

Accounting Policies
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

Accrual Accounting
The inclusion of income and expenditure within the accounts for the financial year in which they are earned or incurred, not when the money is received or paid.

Actuarial Gains and losses
For defined benefit pension schemes, the changes in actuarial deficits or surpluses that arise because:
- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- the actuarial assumptions have changed.

Agency Services
Services that are performed by or for another Authority or Public Body, where the principal, the authority responsible for the service, reimburses the agent, the authority carrying out the work, for the cost of the work carried out.

Amortised Cost Using the Effective Interest Rate Method
The amortised cost using the effective interest rate method applies to both financial assets and liabilities carried at amortised cost. It is a method of determining, from the expected cash flows, the balance sheet carrying amount of such assets and liabilities and the periodic charges or credits to the Income and Expenditure Account of a financial instrument.

Asset
An item that has value owned by the council. Examples would be land, buildings and stocks.

Audit Commission
An independent body established under the Local Government Finance Act 1982, The Audit Commission is responsible for appointing external auditors to local authorities and setting standards for those auditors, carrying out national studies to promote economy, efficiency and effectiveness in the provision of Council services and defining comparative indicators of Council performance that are published annually.

Balance Sheet
This represents a summary of all the assets and liabilities of the council, bringing together all the accounts of the council except the Pension Fund and various Trust Funds whose assets are not at the disposal of the council.

Best Value Accounting Code of Practice
The code that establishes 'proper practices' with regard to consistent financial reporting for services.

Billing Authority
The local authority responsible for collecting the council tax from residential properties in their area. In Hertfordshire this is the responsibility of the borough and district councils.

Budget
A statement of the council's policy expressed in financial terms. This includes both revenue and capital expenditure.

Capital Adjustment Account
The opening balance on this account represents the combined total of the Fixed Asset Restatement Account and the Capital Financing Account which were replaced at 1 April 2007. From 2007/08 the movements on the Capital Adjustment Account reflects financing of capital expenditure from revenue and capital resources together with the reversal of amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing Requirement
The amount of debt outstanding relating to capital expenditure. The minimum Revenue Provision in relation to this debt is calculated with reference to estimated life of the asset for which borrowing is undertaken at the end of the preceding financial year.

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

Capital Receipts Reserve
Income from the sale of capital assets. These receipts are available to either finance capital expenditure or repay debt.

Carry-forwards
These are underspends at the year-end which Members and officers, under delegated powers, have agreed to carry forward to the next year to support that year’s expenditure plans.

Central Support Services
Services organised on a corporate basis that support the delivery of services to the public.

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

Code of Practice on Local Authority Accounting
The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

Collection Fund
A fund administered by each billing authority. Council tax monies are paid into the fund whilst part of the net revenue expenditure of the council is met from the Collection Fund.

Component Accounting
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Where there is more than one significant part of the same asset which have the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

Comprehensive Income & Expenditure Account

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; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

Constructive Obligation
An obligation that derives from an authority’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Liability
A potential liability at the balance sheet date, the outcome of which is uncertain, as it is dependent on a future event.

Corporate and Democratic Core
Comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those that would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax
A property based tax that is administered by district, borough and unitary councils.

Creditors
Amounts owed by the council at the balance sheet date for goods and services supplied. This will include receipts in advance that have not been applied at the balance sheet date.

Current Asset
An asset that is realisable or disposable within one year.

Current Liability
Amounts that are due to be settled within one year.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liability expected to arise from employee service in the current period.

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

- termination of employee's services earlier than expected; and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Amounts due to the council at the balance sheet date.

Deferred Credits
Capital income potentially due to be received in future periods.

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

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

Depreciated Replacement Cost
The method employed in valuing land and buildings where a market value basis is not readily available.

Depreciation
The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers such as The Local Government (Discretionary Payments) Regulations 2006.

Doubtful Debts
A provision made by the council based on age and particular circumstances relating to amounts owed to the council.

Earmarked Reserves
Sums set aside to meet revenue or capital expenditure needs in the future. Reserves offer the scope for greater flexibility in financing future expenditure.

Emoluments
Amounts paid to employees, including expenses or non-monetary benefits that are taxable.

Estimation Techniques
The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence in order to give fair presentation of the accounts.

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

Extraordinary Items
Material abnormal items which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fees and Charges
Income raised by charging users of services for the facilities. For example, the supply of school meals and home helps.

Finance Lease
Arrangements whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

Formula Grant
Central Government provides funding to local authorities through a general grant known as Formula Grant, made up of Revenue Support Grant and Re-distributed Business Rates, in support of its general revenue expenditure.

Foundation School
A school that receives funding from the council but owns its land and buildings.

General Fund Balance
The excess to date of income over expenditure in the Income and Expenditure Account.

Going Concern
The concept that the authority will remain in operational existence for the foreseeable future. Income and expenditure accounts and the balance sheet are produced on the basis that there is no intention to curtail significantly the scale of operations.

Government Grants
Assistance by government and inter-government agencies and similar bodies. When applied, revenue grants are credited to the appropriate service revenue account.

Historical Cost
Capital expenditure originally incurred.

International Financial Reporting Standards
The Code of Practice is the first to be based on International Financial Reporting Standards and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the balance sheet. Examples would include loss in value due to physical damage or decline in market value due to a general fall in prices.

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

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

Investments (Non-Pensions Fund)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments, other than those in relation to the Pension Fund, that do not meet this criteria are classified as current assets.

Investments (Pensions Fund)
The investments of the Pension Fund will be accounted for in the statements of that Fund. FRS17 Retirement Benefits requires authorities to disclose their attributed share of pension scheme assets.

LASAAC
Local Authority (Scotland) Accounts Advisory Committee

Liquid Resources
Current asset investments that are readily disposable by the authority without disrupting its business and are readily convertible to known amounts of cash.

Long Term Borrowing
Loans repayable more than one year after the balance sheet date.

Long Term Contracts
A contract entered into for the provision of a service where the time taken to complete the contract is such that the contract falls into different accounting periods.

Long Term Debtors
Amounts due to the council more than one year after the balance sheet date.

Minimum Revenue Provision
An amount that the council considers prudent which must be charged to the statement of movement on the general fund balance to provide for the repayment of debt related to capital expenditure.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

National Non-Domestic Rates
A rate in the pound, set by Central Government at a standard countrywide rate, applied to the rateable value of each premise not being used for domestic purposes.

Net Book Value
The amount at which fixed assets are included in the balance sheet. This would be either the asset’s historic cost or current value less the cumulative amount provided for depreciation.

Net Current Replacement Cost
The cost of replacing an asset in its existing condition and its existing use.

Net Debt
For cash flow statement presentation purposes, net debt comprises the authority's borrowings plus bank overdrawn positions less positive bank and cash balances, short and long term investments.

Non Distributed Costs
Costs that cannot be directly attributed to services.

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

Overhanging Discounts and Premiums
Discounts or premiums occurring as a result of debt restructuring that cannot be linked with the replacement loan.

Past Service Cost
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

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

Post Balance Sheet Events
Events both favourable and unfavourable that occur between the balance sheet date and the date on which the responsible financial officer signs the Statement of Accounts.

Precept
The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

Precepting Authorities
Those authorities which are not billing authorities (i.e. do not collect council tax). County councils, police authorities and joint authorities are 'major precepting authorities' and parish, community and town councils are 'local precepting authorities'.

Prior Period Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Private Finance Initiative
The private finance initiative provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. In return the private sector receives payment linked to performance in meeting agreed standards of provision.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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

Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate realisation of which can be assessed with reasonable certainty.

Public Works Loan Board
A government agency established to provide long-term loans to local authorities to finance part of their capital expenditure.

Rateable Value
Rateable value of a property is based on an assessment of the annual rental value for non-domestic property. Rateable value multiplied by the rate in the £ levied equals the rate payments for the year.

Related Parties
For a relationship to be treated as a related party relationship there has to be some element of control or influence by one party over another, or by a third party over the two parties.

Related Party Transaction
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.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revaluation Reserve
Gains and losses on an individual asset basis arising from revaluations are reflected within the Revaluation Reserve.

Revenue Contingency
A sum set-aside for future pay and price increases.

Revenue Contributions to Capital Outlay
Contributions from revenue to finance capital expenditure.

Revenue Expenditure and Income
This is expenditure on day-to-day running costs and consists primarily of salaries and wages, premises related costs and supplies and services. Revenue income will include fees and charges and service specific grants.

Revenue Expenditure Funded from Capital under Statute
Expenditure which may properly be deferred, but which does not result in, or remain matched with, assets controlled by the authority.

Revenue Support Grant
A grant paid by central government in aid of local authority services in general, as opposed to specific grants, which may only be used for a specified purpose.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Short Term Borrowing
Loans repayable within one year of the balance sheet date.

Short Term Investments
Deposits with approved financial institutions which, when placed, had a maturity date of less than one year.

Soft Loans
Loans that local authorities may make for policy reasons that are interest free or at rates below prevailing market rates.

Specific Grants
Government grants to local authorities in aid of particular projects or services.

Statement of Standard Accounting Practice
A statement of accounting practice issued by the Accounting Standards Board.

Stocks
The amount of unused or unconsumed stocks held in expectation of future use. When use will not occur until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Total Cost
The total cost of providing a service reflects all costs, including an appropriate share of all support services and overheads.

Transfer Value
The value of an employee's pension rights when transferring from one pension scheme to another.

Useful Life
The period over which the Council will derive benefits from the use of a fixed asset.

Vested Rights
In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- for deferred pensioners, their preserved benefits;
- for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses, civil partners or other dependants.

Voluntary Provision
Any additional provision over and above the minimum revenue provision required.