

EAST HERTS COUNCIL

AUDIT COMMITTEE - 26 JUNE 2007

REPORT BY THE EXECUTIVE MEMBER FOR RESOURCES AND
INTERNAL SUPPORT

10. STATEMENT OF ACCOUNTS 2006/07

WARD(S) AFFECTED: None specific

'D' RECOMMENDATION - that the following comments be referred to Council regarding the Statement of Accounts for the financial year ended 31 March 2007.

1.0 Purpose of Report

1.1 This report sets out the background to the requirement for Members to approve the Statement of Accounts together with some supporting comments on each of the main statements.

2.0 Contribution to the Council's Corporate Objectives

2.1 The approval of the Council's Accounts is a statutory requirement and as such contributes to objectives under the priority to deliver customer focussed services and developing a well managed and publicly accountable organisation.

3.0 Background

3.1 The Accounts and Audit Regulations 2003 set out the requirements for the production and publication of a Council's annual Statement of Accounts.

3.2 The Regulations require the Accounts to be approved by a relevant body of the Council (as defined within the Regulations) by 30 June following the relevant accounting year end. The relevant body under the Council's current constitution is full Council. There is also a

requirement for the person presiding at the meeting at which approval is given to sign the accounts at the end of the meeting.

- 3.3 The Audit Committee as part of its terms of reference provides the opportunity for a smaller Group of Members to scrutinise the accounts in depth prior to the final formal approval stage.
- 3.4 A separate report elsewhere on the agenda deals with requirements for the consideration and approval of the Council's Statement of Internal Control, which is required to be included within the Council's overall annual accounts.
- 4.0 Report
- 4.1 The Statement of Accounts is attached at Appendix 'A' (Pages *) to the report.
- 4.2 Given the earlier statutory deadline for approval of the Accounts now required the formal External Audit of the Accounts has not yet commenced. The Council's Auditors have, however, been provided with a draft copy of the Accounting Statements in order that any significant issues can be raised in advance of the approval by Members. No issues have been notified to officers at this stage.
- 4.3 The Statement of Accounts is produced in accordance with appropriate Regulations, guidance notes and "Codes of Practice" and there is a high level of prescription with regard to their form and content.
- 4.4 This item is technical by nature and it would be of assistance if any questions that Committee Members may have of a detailed nature could be referred to the Head of Accountancy Services in advance of the meeting in order that officers have time to research any particular issues.
- 4.5 The Council's financial performance for 2006/07, which is reflected in the accounts presented, will be reported in depth to the Executive on 17 July 2007.

For information and to facilitate Members' interpretation of the Accounts presented it should be noted that the Capital Outturn resulted in a performance of 80% of original budget being achieved (which is in line with the Council's local performance indicator.

Some £4.3 of Capital Receipts have been applied during the year to fund the Capital Programme. Allowing for additional receipts generated during the year the balance of usable receipts stands at £14.1M at 31 March 2007.

The revenue outturn for the year resulted in an overspend of £417,000 against the original estimate and Members will be aware of a number of specific financial pressures that the Council was faced with during the year. Taking into account the planned use of balances originally budgeted for the final outturn resulted in some £906k being utilised from the Council's General Reserve.

An additional £137k has been utilised from the Council's Local Plan Reserve in line with budgeted expectations.

- 4.6 The 2006 (Statutory) Accounting Code of Practice has introduced a number of fundamental changes to the main accounting Statements and in order to assist Members in understanding the changes it is intended that a training session to consider these changes will be held prior to the meeting of the Committee. The following comments are also aimed at summarising the purposes of the main Statements as well as highlighting any key issues.

4.6.1 Explanatory Foreword

The purpose of the foreword is to offer interested parties a guide to the Authority's overall financial position. An overview of Income sources, how the money is spent and spend against each main service area is given in the form of the pie-chart diagrams.

Details of Actual spend compared to the original budget are shown for both Revenue and Capital activities together with comments on significant variances.

Given the changes required to the accounts under the 2006 Accountancy Code of Practice this year's foreword also provides information on these changes together with an explanation of how the prior year comparatives have been restated.

4.6.2 Statement of Accounting Policies

The purpose of the Statement is to set out the basis for recognition, measurement and disclosure of transactions and other events in the Accounts.

In line with changes to the Accountancy requirements for 2006/07 the Council has adopted three new accounting policies. These changes relate to:

Capital financing charges for the use of the fixed assets which are no longer made to service revenue accounts, support services and trading accounts;

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

Gains and losses on the disposal of fixed assets which are now required to be recognised in the Income and Expenditure Account.

4.6.3 The Income and Expenditure Account Statement of Movement on the General Fund Balance and Statement of Recognised Gains and Losses

For the 2006/07 Accounts the former Consolidated Revenue Account and Statement of Total Movements on Reserve have been replaced by three statements namely:

The Income and Expenditure Account which is a summary of the resources generated and used by the authority in the year;

A Statement of the Movement on the General Fund Balance which provides a reconciliation of how the resources generated and used links to the statutory requirements for raising Council Tax; and

A Statement of Recognised Gains and Losses which demonstrates how the net worth in the Balance Sheet relates to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

The new Income and Expenditure Account is fundamental to the understanding of the Council's activities, in that it reports

the net cost for the year of all the functions for which the Council is responsible. It also demonstrates how the cost has been financed from Government Grants and Local Taxpayers.

It comprises of three separate sections.

The first section gives information on the cost of the Council's services net of specific grants and income from fees and charges. This section identifies what is known as the net cost of services.

The second section comprises income and expenditure relating to the Council as a whole. When added to the net cost of services it gives the Council's net operating expenditure.

The third section shows the income from local taxation and general government grants to give the net surplus of deficit for the year.

For 2006/07 the Council's Income and Expenditure Account shows a net deficit of £2.95M. This relates in the main to capital related charges (£3.44M), a gain in the year on the disposal of fixed assets (£1.64M CR) and the underlying deficit to be met from reserve (£1.043M).

A note to the accounts shows a reconciliation of this deficit to the movement on the General Fund balance.

4.6.4 The Balance Sheet

In line with the 2006 Code of Practice the word consolidated is no longer used in the name of this statement. This is considered more in keeping with the changes made to other statements rather than because of any substantive changes to its contents.

The Consolidated Balance Sheet includes the assets and liabilities of all activities of the Authority. It shows the balances and reserves at the Authority's disposal and its long term indebtedness together with the fixed and net current assets which are employed by the Council in delivering its services.

The value of Fixed assets has increased by some £2.0M over the year reflecting both new Capital Investment and a revaluation of assets during the year.

There has been no change to Long Term borrowing during the year and no material change in the net current assets.

Usable capital receipts have reduced by £1.77M reflecting the funding of the Capital Programme.

Revenue reserves and balances have reduced by £1.04M representing the net use of reserves appropriated to meet the Council's revenue spend in the year.

4.6.5 Collection Fund

This account reflects the statutory requirement for the Council as a billing authority to maintain a separate Collection Fund which shows the transactions in relation to both Non-Domestic Rates and Council Tax.

The balance on the fund (surplus of £0.383M at 31 March 2007) is attributable to the main precepting authorities in proportion to the precepts levied. This Council's proportion is £56k which will be available to support the Council Tax in future years.

In line with the 2006 SORP the proportions of the surplus attributable to the County Council and Police Authority are now included within the Council's creditors in the Balance Sheet.

4.6.6 Cash Flow Statement

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

4.6.7 Statement of Internal Control

This Statement is included within the Council's overall Statement of Accounts. See separate report on the Agenda.

5.0 Consultation

5.1 None

6.0 Legal Implications

6.1 The legal implications are contained in section 3 of the report.

7.0 Financial Implications

7.1 As stated in the report.

8.0 Human Resource Implications

8.1 None

9.0 Risk Management Implications

9.1 Any issues arising through the External Audit process may require further reporting arrangements.

10.0 Recommendation

10.1 Members are requested to consider the Statement of Accounts for the financial year ended 31 March 2007, and make any comments to Council.

Background Papers

Final Accounts Working Papers 2006/07

Contact Member: Councillor Mike Tindale, Executive Member for Resources and Internal Support

Contact Officer: Simon Chancellor, Head of Accountancy – Ext 2050

EAST HERTS COUNCIL

STATEMENT OF ACCOUNTS

2006/07

STATEMENT OF ACCOUNTS 2006/07

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STATEMENT OF ACCOUNTS 2006/07

EXPLANATORY FOREWORD

1. Summary of Contents

The Council's accounts for the year 2006/07 are set out on pages 11 to 36. They consist of:-

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

The Statement of Movement on the General Fund Balance - a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.

The Statement of Total Recognised Gains and Losses - is a demonstration of how the movement in net worth in the Balance Sheet is identified to the I & E Account surplus/deficit and to other unrealised gains and losses.

The Balance Sheet - which sets out the financial position of the Council on 31 March 2007.

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

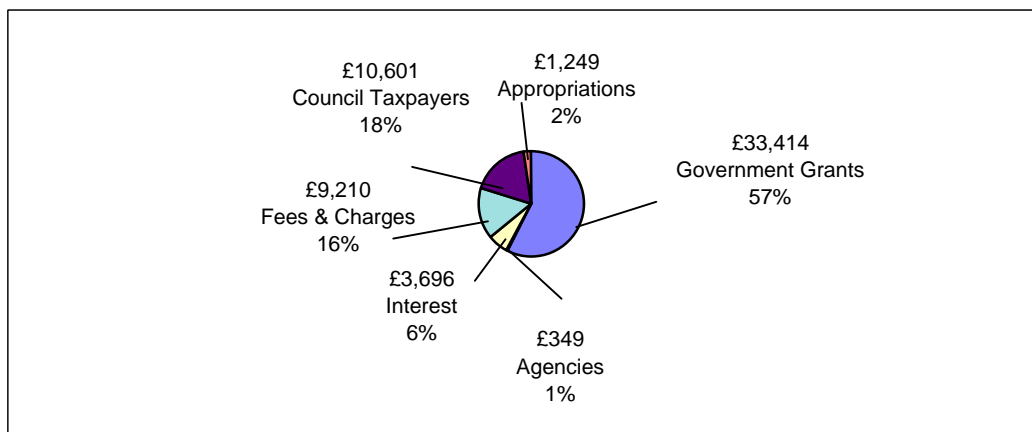
The Collection Fund Account - which shows the transactions of the Council in relation to the the collection and disbursement of Council Tax and Non Domestic Rates.

These accounts are supported by the Statement of Accounting Policies which follows this foreword, various notes to the accounts and the Statement on Internal Control.

2. Overview of Council's Activities

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

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

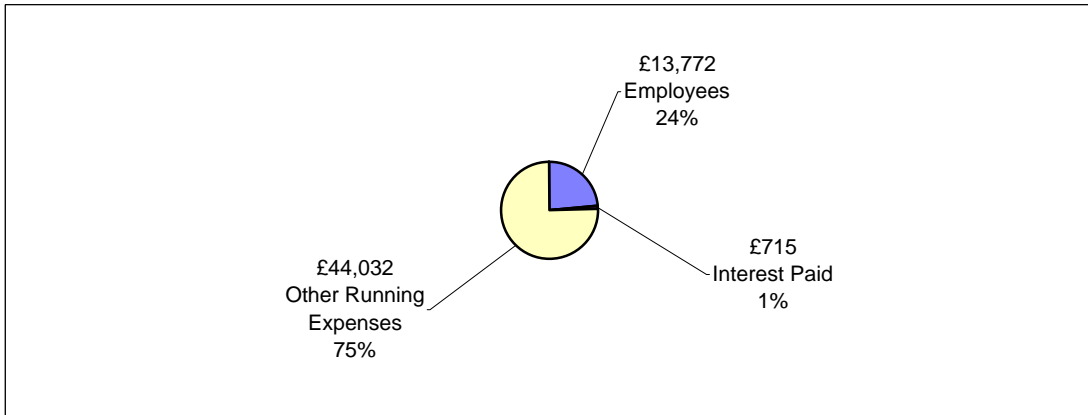


It can be seen that the largest source of the Council's income is from Government Grants.

STATEMENT OF ACCOUNTS 2006/07

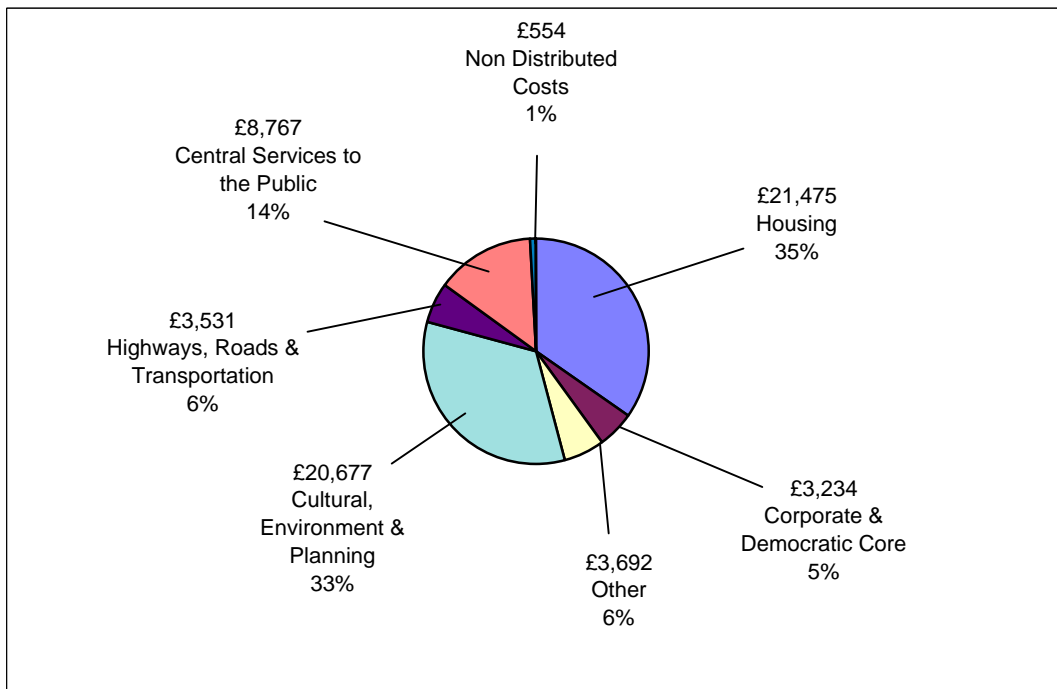
EXPLANATORY FOREWORD (continued)

HOW THE MONEY IS SPENT £000



Running expenses account for some 75% of the total expenditure with employee costs 24% of the total.

THE SERVICES PROVIDED £000



The cost of "The Services Provided" includes capital charges, deferred charges and deferred government grants totalling £3,410,592 which have been excluded from the chart "How the money is spent".

STATEMENT OF ACCOUNTS 2006/07

EXPLANATORY FOREWORD (continued)

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

A comparison of the budget with actual income and expenditure for 2006/2007 is shown below:

	Budget £'000	Actual £'000	Variance £'000
Net cost of services	23,285	22,983	(302)
Finance Transactions	(1,517)	(1,043)	474
Interest Transactions	(2,813)	(2,982)	(169)
Pensions Interest Cost & Expected Return on Pensions Assets	443	(149)	(592)
Appropriations - Financing Items	(139)	(69)	70
Appropriations - Deferred Charges	(3,694)	(2,368)	1,326
Movement on the Pensions Reserve	460	70	(390)
Net Expenditure	16,025	16,442	417
Contribution from NNDR Pool	(6,469)	(6,469)	0
Revenue Support Grant	(1,249)	(1,249)	0
Council Tax Raised	(7,681)	(7,681)	0
Use of Reserves	626	1,043	417

When the estimates for 2006/07 were approved it was anticipated that the total General Fund Net Expenditure (prior to the use of Reserves) would amount to some £16.025m. Use of Reserves of just over £625,000 was anticipated leaving the sum of £15.4m to be met from Government Grants and Local Taxation.

The final out-turn for the year resulted in net expenditure of just over £16.442m (before Government Grant) representing an overspend position of some £417,000 which equates to about 0.75% of the Council's gross revenue budget.

This has resulted in £1.043m being utilised from the Council's overall Reserve balances.

The variance of £417,000 against original budget has arisen owing to the Council being faced with a number of specific financial pressures during the year. In particular additional costs arose in respect of the senior management restructuring arrangements (£676,000) with further costs of £450,000 resulting from the Council's Leisure contractor going into liquidation in August 2006. The net cost of operating the Council's car parks also increased by some £312,000 largely due to reduced income from off street car parks and Building Control Income fell short of the budgeted sum by £84,000.

These additional costs have, however, been alleviated due to a number of favourable variances including the following:

Higher interest rates generally coupled with a higher average balance invested resulted in higher interest earnings of £182,000.

The net cost of the Council's Housing Benefit Service was £369,000 less than anticipated largely as a result of staff identifying increased levels of overpayments to be recovered which also attracts additional Government subsidy.

Additional income streams arose in respect of Land Charges income (£97,000) owing to the buoyant housing market and Development control fee income (£113,000) due to the economic climate.

Further favourable variances were also achieved through reductions in the cost due to efficiencies and other means of delivering both the Waste Collection and Recycling Services (£106,000 and £107,000 respectively) as well as the Council receiving a Government Grant in respect of stimulating business growth in the area (£140,000).

STATEMENT OF ACCOUNTS 2006/07

EXPLANATORY FOREWORD (continued)

4. Capital Expenditure

During 2006/07 the Council incurred expenditure of £5.45m. (see page 20, note 8) on capital projects compared with an original budget of £6.83m.

The underspend of £1.38m against the original estimate was due to a number of schemes 'slipping' into 2007/08 as well as various savings against original budgets.

About 42% of the Council's spending was in respect of housing services. Of this £0.90m was given in grants to private sector owners for renovation and provision of disabled facilities and £1.4m in assistance to Housing Associations.

The policy of giving capital grants towards Community projects (inc. partnership funding) continued and £0.66m was spent in the year. A further £0.3m was spent on a range of leisure activities.

The Council has secured significant funding of £2.2m under the Government's "Growth Area Fund" initiative for development work in Bishop's Stortford. The grant will be used to build a new footbridge over the River Stort as well as enhancements to associated public transport arrangements. This significant new project commenced in 2006/07 with over £0.5m being spent.

Expenditure on environmental projects included £100,000 on play equipment and £189,500 on car park improvements.

5. Changes to the Statement of Accounts introduced in the 2006 Statement Of Recommended Practice

For 2006/07 the statements show a substantial change from the statements that the authority produced in 2005/06 and earlier years. The focus of the 2005/06 Statement of Accounts was the Consolidated Revenue Account, which had the dual role of setting out the authority's financial performance as measured in accordance with proper accounting practices and determining the net expenditure to be charged against the council tax in the year.

For the 2006/07 Accounts the former Consolidated Revenue Account and Statement of Total Movement on Reserves has been replaced by three statements namely:

The Income & Expenditure Account which is a summary of the resources generated and consumed by the authority in the year,

A Statement of Movement on the General Fund Balance which provides a reconciliation showing how resources generated and used in the year links in with the statutory requirements for raising council tax and,

A Statement of Total Recognised Gains and Losses which demonstrates how the movement in net worth in the balance sheet is identified to the Income & Expenditure Account surplus / deficit and to other unrealised gains & losses.

6. Explanation of 2005/06 Restatement Adjustments

In drawing up 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that also impact on the comparative figures for 2005/06 in the Income and Expenditure Account. These new policies relate to;

Capital financing charges for the use of the fixed assets which are no longer made to service revenue accounts, support services and trading accounts.

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

Gains and losses on the disposal of fixed assets are recognised in the Income & Expenditure Account.

STATEMENT OF ACCOUNTS 2006/07

EXPLANATORY FOREWORD (continued)

6. Explanation of 2005/06 Restatement Adjustments (Cont.)

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts

	Consolidated Revenue Account in 2005/06 Statement of Accounts £'000	Removal of capital financing charges £'000	Relocation of government grants deferred credits £'000	Recognition of gains and losses on disposal of fixed assets £'000	Interest Adjustment £'000	2005/06 comparatives in Income & Expenditure Account £'000
Central services to the public	2,026	(55)	(51)	-	-	1,920
Cultural, environmental and planning services	15,866	(1,102)	(73)	-	-	14,691
Highways, roads and transport services	577	(940)	(12)	-	-	(375)
Other housing services	2,965	(60)	(12)	-	-	2,893
Corporate and democratic core	3,098	(45)	(9)	-	-	3,044
Non distributed costs	591	0	0	-	-	591
Impact on Net Cost of Services	25,123	(2,202)	(157)	0	0	22,764
Internal Interest	-	-	-	-	14	14
Gain on the disposal of fixed assets	-	-	-	(1,854)	-	(1,854)
AMRA (Interest payable and similar charges in 2005/06)	(1,658)	2,202	157	-	-	701
Items not affected	(1,233)	-	-	-	-	(1,233)
Impact on net Operating Expenditure	22,232	0	0	(1,854)	14	20,392

7. Financial Reporting and the Euro

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

8. Provision of Leisure Facilities

A contract for the management of the Council's Leisure Facilities was awarded from 4 July 2005 to Aspire Leisure Trust following a competitive tendering exercise. Aspire Leisure Trust went into liquidation on 6 October 2006 at which time Stevenage Leisure Limited were contracted to take over the management arrangements for this service on an interim basis.

9. Exceptional Items

There were no items of an exceptional nature identified within the 2006/07 Accounts.

10. Further Information

Interested parties have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. Further information about the accounts can be obtained by contacting the Head of Accountancy Services, Council Offices, The Causeway, Bishop's Stortford, Herts.

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

STATEMENT OF ACCOUNTS 2006/07

STATEMENT OF ACCOUNTING POLICIES

INTRODUCTION

The accounts have been drawn up in accordance with the Accounts and Audit regulations 2003 and the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy, which is recognised by statute as representing proper accounting practice.

ACCOUNTING PRINCIPLES

1. Support Service Costs and Overheads

The costs of management and administration are allocated over all services as appropriate. The basis of allocation used for the main areas is outlined below:

Cost	Basis of Allocation
Support Services	Actual Time spent by staff
Administrative Buildings	Area Occupied
Information Technology	Time spent/actual use

2. Fixed Assets

The valuation of the Council's assets is undertaken in accordance with the RICS Appraisal and Valuation Manual, Guidance Note 11 and relevant Financial Reporting Standards (FRS's).

For valuation purposes the Council's land and property fall into the following groups:

- Non-operational property (i.e investment and surplus property) which is valued on the basis of Open Market Value
- Operational, non-specialised property, which is valued on the basis of Existing Use Value
- Operational, specialised property which is valued on the basis of Depreciated Replacement Cost
- Community assets and Infrastructure which are valued at a nominal value or at cost
- Intangible Assets and Enhancement to lease properties are valued at cost.

In 2002/03 the Council changed its policy from revaluing assets by geographic area every five years on a rolling programme, to revaluing the assets by category on a five yearly basis. An impairment review has been undertaken in 2006/07 in accordance with FRS11.

A further change in policy has been adopted for 2006/07 in respect of asset disposals during the year. The Council now undertakes a revaluation of the asset at the point of proposed disposal. This change in policy is considered more appropriate following the new accounting requirement to disclose gains or losses on disposal within the Income & Expenditure Account. In the interests of consistency prior year figures have also been restated.

The current asset values used in the accounts are based upon a certificate issued by the Council's Head of Property as at 31 March 2007. Fixed Assets are classified in the Balance Sheet in line with the current Accounting Codes of Practice.

STATEMENT OF ACCOUNTS 2006/07

STATEMENT OF ACCOUNTING POLICIES (continued)

3. Depreciation

All fixed assets, other than freehold land, Community Assets (with two exceptions) and non-operational investment properties are depreciated on a straight line basis over the period of the assets useful economic life. The following periods are used:

Freehold Land	no depreciation
Hostels	60 years
Other Council Buildings	20 to 60 years
Infrastructure	20 years
Equipment, Furniture & Fittings	5 to 10 years
Community Assets	30 years, otherwise no depreciation
Non-Operational Assets:	
Investment Properties	no depreciation
Other non-operational	60 years
Intangible Assets	5 years
Enhancement to leased properties	10 to 25 years

4. Capital Charges (Asset Rentals)

The 2006 Accounting Code of Practice has removed the requirement to make a capital financing charge (notional Interest) to service accounts. A charge for depreciation as well as impairment of fixed assets (if appropriate) is still required to be shown as a cost of service.

5. Employee Costs

The cost of employees, including holiday pay, is charged in full in each year's accounts.

6. Pension Costs (FRS 17)

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

The Income & Expenditure Account (I&E) reflects the following pension costs:

Current service cost is based on the most recent actuarial valuation (2004) with financial assumptions updated to reflect conditions at 31 March 2007. The cost is net of employee's contributions and is included in the reported cost of all services.

Past service costs are disclosed on a straight line basis over the period in which the increases in benefits become unconditional and are shown as part of the Non-Distributed costs.

Curtailment costs have been measured at the date on which the Authority has become demonstrably committed to the transaction and are shown as part of Non-distributed costs.

An interest cost is based on the discount rate and present value of the scheme liabilities at the beginning of the period. The expected return on assets is based on the long term expectations at the beginning of the period as assessed by the actuary. The interest cost and expected return on assets are presented as a single net figure within net operating expenditure.

Actuarial gains and losses may arise from any new valuation or updating of the latest actuarial valuation to reflect conditions at the balance sheet date. Gains / losses are recognised in the Statement of Total Recognised Gains and Losses and are taken directly to the Pensions Reserve.

The Balance Sheet reflects the net position of attributable assets and liabilities. Attributable assets are measured at fair value, based on either published market information or by the opinion of an expert valuer at the balance sheet date. Attributable liabilities are measured on an actuarial basis using the projected unit method.

STATEMENT OF ACCOUNTS 2006/07

STATEMENT OF ACCOUNTING POLICIES (continued)

7. Past Service Contributions (Pension Backfunding)

With the introduction of FRS 17 past service contributions are no longer a current revenue item but are included as part of the payments to the pension fund (in accordance with pension scheme regulations) and are treated as a cash flow item which reduces the pensions liability.

8. Pension Fund Accounts

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

9. Premises Related Expenses

Premises related expenses are accrued and accounted for in the period to which they relate with the exception of quarterly utility payments where no actual apportionment is made for bills spanning two financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

10. Transport Related Expenses

Transport related expenses are accrued and charged to services in the period to which they relate.

11. Supplies and Services

The cost of supplies and services are accrued and accounted for in the period during which they are consumed or received, with the exception of electricity and other quarterly utility payments. (See Premises Related Expenses - above).

12. Interest

Interest on external borrowings is accrued and charged in the accounts of the period to which it relates.

13. Government Grants and Third Party Contributions

Revenue grants are accounted for on an accruals basis and income has been credited to the appropriate revenue account.

Capital grants are currently received in respect of Mandatory Disabled Facilities Grants given by the Council (which are treated as deferred charges) and are now (in line with the 2006 SORP) credited to the service revenue account to match the write off of the deferred charge. Capital grants are also received in respect of a range of capital schemes together with various partner contributions. These grants and contributions are now (in line with the 2006 SORP) credited to the relevant service revenue account.

STATEMENT OF ACCOUNTS 2006/07

STATEMENT OF ACCOUNTING POLICIES (continued)

14. Customer and Client Receipts

Customer and client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate. Provision is made for doubtful debts and known uncollectable debts are written off.

15. Investment Income

Investment income is accrued and accounted for in the period to which it relates.

16. Investments

The majority of the Council's internally managed investments are money market deposits but investments placed with our External Fund Managers also include Certificates of Deposit and Treasury Stock which are valued at the lower of cost or market value. (See Note 10, Page 21)

17. Post Balance Sheet Event

Where it is considered that a material event has occurred since the date of the balance sheet (31 March 2007) details will be provided including an estimate of any financial effects, as a disclosure to the Accounts.

18. Reserves

Amounts appropriated to / from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. Details of the total movements in both capital and revenue reserves are shown on page 26, note 23.

19. Basis of Capital Financing

The Local Authorities (Capital Finance & Accounting) Regulations 2003 established a new framework for accounting for capital under a new Prudential Capital Finance System from 1 April 2004. Under the new system the controls operate to ensure that decisions regarding capital spend are taken with regard to the affordability of borrowing or other financing arrangements.

The Minimum Revenue Provision (MRP) is not charged against the Income & Expenditure Account, but in line with the 2006 SORP is required to be included by statute when determining the movement on the General Fund balance for the year (see page 18)

20. Minimum Revenue Provision (Redemption of debt)

In accordance with current legislation the 2006/07 minimum revenue provision (MRP) for the redemption of debt is required to be calculated at 4 % of an authority's Capital Financing Requirement. Following the disposal of the Council's Housing stock the calculated MRP is now nil. However, in accordance with special rules issued by the Department for Communities and Local Government, the Council is still able to bring into account a credit in respect of a commutation adjustment relating to loan charges on Renovation Grants.

21. Deferred Charges

In line with recent changes to the Code of Practice on Local Authority Accounting, the Council amended its policy for accounting for deferred charges from April 2004. Deferred Charges represent expenditure which may properly be capitalised, but which does not result in, or remain matched with tangible fixed assets. Deferred charges are now amortised to revenue in the year in which they occur.

STATEMENT OF ACCOUNTS 2006/07

STATEMENT OF ACCOUNTING POLICIES (continued)

22. Capital Receipts

Capital Receipts arise from the sale of fixed assets. Further to the introduction of the Prudential Capital Finance System on 1 April 2004, capital receipts are all deemed to be "usable" and are held within the Capital Receipts Reserve.

Prior to this date, in accordance with Government legislation, a proportion of certain receipts had to be "set aside " and are retained within the Capital Financing Account as provision for the repayment of debt.

23. Debtors and Creditors

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Statement of Recommended Practice. Sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and other quarterly utility payments as detailed above.

24. Stocks and Work in Progress

Stocks and Work in Progress are included in the accounts at historic cost.

25. Leases

The Council accounts for any leasing arrangements in line with the current accounting requirements. Details of operating leases are shown at Note 13, page 22. The Council had no finance leases in the financial year being reported. It should be noted that the lease of the Causeway offices in Bishop's Stortford continues to be treated as an operating lease within the accounts.

STATEMENT OF ACCOUNTS 2006/07

INCOME AND EXPENDITURE ACCOUNT

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

	2006/07 Gross Expenditure £000	2006/07 Gross Income £000	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
Central Services to the Public	8,767	(6,602)	2,165	1,920
Cultural, Environmental & Planning Services	20,677	(6,228)	14,449	14,691
Highways, Roads & Transport	3,531	(3,277)	254	(375)
Housing	21,475	(19,133)	2,342	2,893
Corporate & Democratic Core	3,235	(16)	3,219	3,044
Non Distributed Costs	554	0	554	591
NET COST OF SERVICES	58,239	(35,256)	22,983	22,764
Gain on the disposal of fixed assets			(1,639)	(1,855)
Parish Council Precepts			2,919	2,565
Interest payable and similar charges			714	716
Contribution of housing capital receipts to Government Pool			137	28
Interest and investment income			(3,696)	(4,166)
Pensions interest cost and expected return on pensions assets			(149)	340
NET OPERATING EXPENDITURE			21,269	20,392
Demand on the Collection Fund			(10,601)	(9,760)
General government grants			(1,249)	(3,332)
Non-domestic rates redistribution			(6,469)	(3,777)
DEFICIT FOR THE YEAR			2,950	3,523

STATEMENT OF ACCOUNTS 2006/07

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from usable capital receipts balance rather than council tax.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

		2006/07 £000	2005/06 £000
Deficit for the year on the Income and Expenditure Account		2,950	3,523
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	Note 6	(2,950)	(3,623)
Increase in General Fund Balance for the year		0	(100)
General Fund Balance brought forward		(3,854)	(3,754)
General Fund Balance carried forward		<u>(3,854)</u>	<u>(3,854)</u>

STATEMENT OF ACCOUNTS 2006/07

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account (page 11), it includes gains relating to the revaluation of fixed assets (note 17, Page24) and re-measurement of the net liability to cover the cost of retirement benefits.

	2006/07 £000	2005/06 £000
Deficit for the year on the Income and Expenditure Account	2,950	3,523
Surplus arising on revaluation of fixed assets	(1,864)	(8,574)
Actuarial gains on pension fund assets and liabilities	(5,010)	(2,870)
Any other (gains) and losses	38	(66)
Total recognised gains for the year	<u>(3,886)</u>	<u>(7,987)</u>

STATEMENT OF ACCOUNTS 2006/07

BALANCE SHEET

		31 March '07		31 March '06
		£000	£000	£000
Intangible assets	<i>Note 7</i>	683		744
Tangible fixed assets				
Operational assets:				
- Other land and buildings		55,414		54,058
- Vehicles plant & equipment		4,131		3,345
- Infrastructure assets		2,653		2,288
- Community assets		665		625
- Enhancement to Leased Props		392		409
Non-operational assets				
- Investment Properties		9,750		10,142
			73,688	71,611
Long Term Investments	<i>Note 10</i>		5,110	5,110
Long Term Debtors				
- Mortgages			83	124
			78,881	76,845
TOTAL LONG TERM ASSETS				
Current assets				
- Stocks & Work in Progress	<i>Note 12</i>	4		2
- Debtors	<i>Note 14</i>	6,243		6,607
- Temporary Investments	<i>Note 10</i>	74,274		75,402
- Temporary Invest. Kemp Trust	<i>Note 26</i>	911		714
			81,432	
			160,313	159,570
Current Liabilities				
- Creditors	<i>Note 15</i>	(6,928)		(5,635)
- Trust Fund	<i>Note 26</i>	(1,324)		(1,000)
- Temporary Borrowing		(2)		(2)
- Bank Overdraft		(1,091)		(1,270)
			(9,345)	(9,345)
TOTAL ASSETS LESS CURRENT LIABILITIES			150,968	151,663
Long Term Borrowing	<i>Note 16</i>	(7,894)		(7,894)
Provisions	<i>Note 22</i>	(33)		(27)
Deferred Credits	<i>Note 18</i>	(617)		(718)
Government/Other Grants-deferred	<i>Note 21</i>	(2,327)		(1,732)
Liability related to defined benefit pension scheme	<i>Note 28</i>	(14,357)		(19,438)
			(25,228)	(25,228)
TOTAL ASSETS LESS LIABILITIES			125,740	121,854
FINANCED BY:				
Fixed Assets Restatement Account	<i>Note 17 & note 23</i>		5,633	4,849
Capital Financing Account	<i>Note 19 & note 23</i>		113,808	112,979
Usable Capital Receipts Reserve	<i>Note 20 & note 23</i>		14,127	15,898
Pensions Reserve	<i>Note 28 & note 23</i>		(14,357)	(19,438)
Collection Fund			56	50
Balances				
- General Fund	<i>Note 23</i>		3,854	3,854
General Reserve	<i>Note 23</i>		1,988	2,895
Other Earmarked Reserves	<i>Note 23</i>		631	767
TOTAL NET WORTH			125,740	121,854

STATEMENT OF ACCOUNTS 2006/07

THE CASH FLOW STATEMENT

	2006/07		2005/06
	£000	£000	£000
REVENUE ACTIVITIES			
Cash Outflows			
Cash paid to and on behalf of employees	13,772		13,438
Other operating cash payments	17,921		16,862
Housing Benefit paid out	17,650		16,311
NNDR payments to national pool	36,361		32,193
Precepts paid to other authorities	64,861		60,500
Payments to Capital Receipts Pool	-		28
Total Cash Outflows	150,565		139,332
Cash Inflows			
Council Tax receipts	(65,752)		(63,342)
Local Non-domestic rate receipts	(36,492)		(32,458)
NNDR receipts from national pool (Grant)	(6,469)		(3,777)
Revenue Support Grant	(1,249)		(3,332)
Other Government grants <i>Note 34</i>	(24,904)		(22,971)
Cash received for goods and services	(13,625)		(9,595)
VAT payments (net)	(23)		(173)
Other operating cash payments/receipts	(23)		(63)
Total Cash Inflows	(148,537)		(135,711)
Net Cash Outflow from Revenue Activities		2,028	3,621
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Cash Outflows			
Interest paid	701		701
Cash Inflows			
Interest received	(3,696)		(4,176)
Net Cash (Inflow) from Servicing of Finance <i>Note 29</i>		(2,995)	(3,475)
CAPITAL ACTIVITIES			
Cash Outflows			
Purchase of Assets	5,720		6,207
Other Capital Cash Payments	-		-
Total Cash Outflows	5,720		6,207
Cash Inflows			
Sale of Assets	(2,387)		(1,825)
Capital grants received	(904)		(1,143)
Other capital cash receipts	(513)		(610)
Total Cash Inflows	(3,804)		(3,578)
Net Cash Outflow from Capital Activities		1,916	2,629
NET CASH OUTFLOW BEFORE FINANCING		949	2,775
MANAGEMENT OF LIQUID RESOURCES			
Net Increase / (Decrease) in Short Term Deposits <i>Note 31</i>		297	(2,604)
FINANCING			
Cash Outflows			
Repayments of amounts borrowed		-	-
NET DECREASE IN CASH <i>Note 30</i>		1,246	171

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

1. Publicity Expenditure

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

	2006/07 £000	2005/06 £000
Recruitment Advertising	69	140
Local Authority Periodical	39	36
	<u>108</u>	<u>176</u>

2. Building Regulations Charging Account

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

The following statement sets out the costs and income for 2006/07 divided between chargeable and non-chargeable activities.

	2006/07		Building Control Total £000
	Chargeable £000	Non Chargeable £000	
Expenditure			
Employee Expenses	507	102	609
Premises	21	6	27
Transport	24	6	30
Supplies and Services	30	8	38
Support Service Charges	116	18	134
Total Expenditure	<u>698</u>	<u>140</u>	<u>838</u>
Income			
Bldg Regulation Charges	628	0	628
Total Income	<u>628</u>	<u>0</u>	<u>628</u>
(Surplus) / Deficit	<u>70</u>	<u>140</u>	<u>210</u>

The cumulative position on this account from 1999/00 - 2006/07 shows an overall surplus of £519,000 . Although this amount is held within General Fund balances, its use is restricted to supporting the Building Control activities

3. Members' Allowances

The total payment made to Members of East Herts Council, under its Members' Allowance Scheme for the year ending 31 March 2007, was as follows:-

	2006/07 £	2005/06 £
Basic Allowances	262,382	253,169
Special Responsibility Allowances	161,180	158,267
Total Payment	<u>423,562</u>	<u>411,436</u>

A full disclosure of payments can be obtained from the Head of Democratic Services
Tel. 01279 655261 ext 2170.

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

4. Officer Emoluments

The number of employees whose remuneration, excluding pension contributions, is £50,000 or more in bands of £10,000 were:-

Remuneration Band	2006/07		2005/06	
	Total	Left During Year	Total	Left During Year
£50,000 to £59,999	5	-	3	-
£60,000 to £69,999	-	-	3	1
£70,000 to £79,999	2	-	2	-
£80,000 to £89,999	-	-	1	-
£90,000 to £99,999	1	1	-	-
£100,000 to £109,999	1	1	1	1
£110,000 to £119,999	1	-	-	-
£120,000 to £129,999	-	-	-	-
£130,000 to £139,999	-	-	-	-
£140,000 to £149,999	1	1	-	-

5. Audit Costs

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

In 2006/07 East Herts District Council incurred the following fees relating to external audit and inspection:

	2006/07 £000	2005/06 £000
Fees payable to Robson Rhodes with regard to external audit services carried out by the appointed auditor	120	114
Fees payable to the Audit Commission in respect of statutory inspection	8	10
Fees payable to Robson Rhodes for the certification of grant claims and returns	37	25
Fees payable to the Audit Commission in respect of the National Fraud Initiative	1	0
	<u>166</u>	<u>149</u>

STATEMENT OF ACCOUNTS 2006/07

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

6. Note of reconciling items for the Statement of Movement on the General Fund Balance

	2006/07 £000	2005/06 £000
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		
Amortisation of intangible fixed assets	(261)	(244)
Depreciation and impairment of fixed assets	(1,524)	(1,224)
Government Grants Deferred amortisation	742	157
Write down of deferred charges to be financed from capital resources	(2,368)	(3,765)
Net gain on sale of fixed assets	1,639	1,855
Net charges made for retirement benefits in accordance with FRS17	(2,336)	(2,323)
	(4,108)	(5,544)
 Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing	(94)	(251)
Capital expenditure charged in year to the General Fund Balance	25	25
Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(137)	(28)
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	2,406	2,092
	2,200	1,838
 Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Net transfer to or (from) earmarked reserves	(1,042)	83
	(1,042)	83
Net additional amount required to be credited to the General Fund Balance for the year	(2,950)	(3,623)

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

7. Fixed Assets and Depreciation

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

Fixed Assets	Gross Asset value 31 March '06 £000	Additions in year £000	Transfers in year £000	Disposals in year £000	Revaluations in year £000	Gross Asset value 31 March '07 £000
Other Land & Buildings	57,068	873	-	(654)	1,825	59,112
Vehicles, Plant & Equip.	7,023	1,315	-	(11)	-	8,327
Infrastructure	4,615	610	-	-	-	5,225
Community Assets	625	44	-	-	-	669
Investment Properties	10,142	13	-	(445)	40	9,750
Enhancement Leased Prop	431	23	-	-	-	454
Intangible Assets	1,147	200	-	-	-	1,347
	81,051	3,078	0	(1,110)	1,865	84,884

Depreciation	Total Depreciation 31 March '06 £000	Depreciation for year £000	Depreciation transferred assets £000	Depreciation on sold assets £000	Total Depreciation 31 March '07 £000	Net Asset value 31 March '07 £000
Other Land & Buildings	(3,010)	(717)	-	29	(3,698)	55,414
Vehicles, Plant & Equip.	(3,678)	(518)	-	-	(4,196)	4,131
Infrastructure	(2,327)	(245)	-	-	(2,572)	2,653
Community Assets	-	(4)	-	-	(4)	665
Investment Properties	-	-	-	-	0	9,750
Enhancement Leased Prop	(22)	(40)	-	-	(62)	392
Intangible Assets	(403)	(261)	-	-	(664)	683
	(9,440)	(1,785)	0	29	(11,196)	73,688

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

8. 2006/07 Capital Expenditure

In 2006/07 capital expenditure of £5,446,038 was incurred as follows:

	£000
Social Housing	1,405
Renewal and Other Housing Grants	900
Information Technology	405
Community Grants	658
Swimming Pools	344
Other Leisure & Cultural Projects	280
Planning & Town Centre Schemes	621
Recycling & Environment	358
Other	475
	5,446

The capital expenditure programme is financed as follows:

FINANCED:		£000	CAPITAL EXPENDITURE:		£000
Government Grants	1,012		Fixed Assets	2,855	
Revenue Financing	25		Enhancement to Leased Properties	23	
Capital Receipts	4,310		Intangible Assets	200	
Other Contributions	99		Deferred Charges	2,368	
	5,446			5,446	

9. Analysis of Number of Fixed Assets

		31 March '07 (Nos.)			31 March '06 (Nos.)
Council Dwellings	-Hostels	2			2
	-Hostel under disposal	-			1
	-Houses	3			3
Offices	- Freehold	1			1
	- Leasehold	1			1
Cash Offices		3			3
Off-Street Car Parks (incl. Leasehold)		31			31
Swimming Pools (including 3 joint-use pools)		5			5
Parks and Recreation Grounds/Open spaces		187	HA		187
Public Halls/Community Centres (incl leasehold)		9			9
Commercial Property Rented Out		55	Units		58
Land Awaiting Development		3	Acres		3
					Acres

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

10. Investments

The Council's investments consist of:-

	31 March 07		31 March 06
	£000	£000	£000
Long Term Investments	110		110
Bank Deposits	5,000		5,000
		5,110	
Temporary Investments			
Loans to:			
Public Corporations	8,672		27,359
Building Society Deposits	7,399		5,500
Bank Deposits	58,203		42,543
		74,274	
		79,384	80,512

Long term investments include a £100,000 debenture stock with the A.D.C. and £5,000,000 invested with Toronto Dominion Bank which matures on 14.12.09.

The above investments include an allocation of £60.204m placed with External Fund Managers

11. Deferred Charges

Because of the types of expenditure to which deferred charges usually apply, eg improvement grants, a local authority will seldom control the economic benefits arising from the expenditure and in such cases 100% of the deferred charge is amortised to revenue in the year the deferred charge is recognised. Consequently there will be no balances carried forward in the balance sheet.

2006/07 Actual

	Balance B/fwd 1/4/06 £000	Additions during year w/o in year £000	Deferred Charge £000	Balance C/fwd 31/3/07 £000
Comm Capital Grants	-	94	94	-
Partnership Funding	-	73	73	-
HGF Capital Grants	-	902	902	-
Comm Planning Grants	-	27	27	-
Energy grant	-	22	22	-
Rhodes Centre	-	15	15	-
Village Hall Community Challenge	-	24	24	-
Historic Building Grant	-	53	53	-
Social Housing Schemes	-	743	743	-
Penstocks River Lea	-	12	12	-
Castle & Garden Walls	-	86	86	-
Sele Farm Comm. Centre	-	17	17	-
Ware Town Council	-	300	300	-
	0	2,368	2,368	0

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

12. Stocks and Work-in-Progress

	31 March 07 £000	31 March 06 £000
Rechargeable Works:		
Highways and Other	4	2
	<u>4</u>	<u>2</u>

13. Operating Leases

The Authority leases the Buntingford Service Centre, the Causeway Offices in Bishop's Stortford and a unit at Bircherley Green Hertford, which have been accounted for as operating leases. The rentals payable in 2006/07 were £420,000 (2005/06 £420,000).

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

The authority was committed at 31 March 2006 to making payments of £420,000 under operating leases in 2006/07, comprising the following elements:

	Other Land & Buildings £000	Equipment £000
Leases expiring 2007/08	0	0
Leases expiring 2008/09 to 2012/13	5	0
Leases expiring in excess of 5 years	415	0
	<u>420</u>	<u>0</u>

With regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £8,975,802 as at 31 March 2007. During the year land rented for car parking and a property used as doctors surgery were sold. The income receivable of £738,391 in 2006/07, comprising the following elements:

	Value £000	Income £000
Shops	4,321	356
Offices & Industrial units	3,160	260
Miscellaneous	1,645	122

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

14. Debtors

	31 March 07 £000	31 March 06 £000
Amounts falling due in one year		
Government Departments		
DWP	3	746
Dept for Communities & Local Government	600	1,292
HM Revenues & Customs	229	252
Council Tax Payers	1,894	1,691
NNDR Payers	965	657
Other Sundry Debtors/Prepayments	3,888	3,198
	<hr/> 7,579	<hr/> 7,836
Amounts falling due after one year		
Car Loans to Employees	1	2
	<hr/> 7,580	<hr/> 7,838
Provision for doubtful debts	(1,337)	(1,231)
	<hr/> <u>6,243</u>	<hr/> <u>6,607</u>

15. Creditors

	31 March 07 £000	31 March 06 £000
Government Departments		
DWP	579	14
Home Office	-	25
HM Revenues & Customs	270	260
HCC Superannuation Fund	187	183
Council Taxpayers	186	365
NNDR Payers	1,100	453
Collection Fund - County & Police	327	296
Sundry Creditors/Receipts in Advance	4,279	4,039
	<hr/> 6,928	<hr/> 5,635

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

16. Borrowing

Source of Loan	Range of interest rates payable (%)	Total outstanding	
		31 March 07 £000	31 March 06 £000
Public Works Loan Board	8.875 - 10.125	1,894	1,894
Bonds	8.785	6,000	6,000
		7,894	7,894
		7,894	7,894

An analysis of loans by maturity is:-

	£000	£000
Maturing within one year	-	-
Maturing in 1-2 years	-	-
Maturing in 2-5 years	394	394
Maturing in 5-10 years	-	-
Maturing in more than 10 years	7,500	7,500
	7,894	7,894
	7,894	7,894

17. Fixed Asset Restatement Account

	2006/07 £000	2005/06 £000
Balance as at 1 April	(4,849)	3,144
Revaluation and Restatement of Fixed Assets (Surplus)	(1,864)	(8,574)
Disposal of Fixed Assets	1,080	581
Balance as at 31 March	(5,633)	(4,849)
	(5,633)	(4,849)

18. Deferred Credits

Deferred Credits include amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sales of council houses and sums receivable under planning agreements.

	Mortgages £000	2006/07 Sec 106 £000	Total £000
Balance as at 1 April	124	594	718
Movements in the year	(41)	(60)	(101)
Balance as at 31 March	83	534	617
	83	534	617

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

19. Capital Financing Account

	2006/07 £000	2005/06 £000
Balance as at 1 April	(112,979)	(112,672)
Capital Receipts applied	(4,310)	(5,609)
Appropriations		
- MRP	94	251
- Depreciation	1,784	1,468
- Deferred grants / contributions	(742)	(157)
- Financing of Fixed Assets	(25)	(25)
Deferred Debtors principal repaid in year	2	-
Write down on Deferred Charges	2,368	3,765
Balance as at 31 March	<u>(113,808)</u>	<u>(112,979)</u>

20. Usable Capital Receipts

	2006/07 £000
Balance as at 1 April	15,898
Usable Proportion of Capital Receipts	
Received in Year	2,720
Applied in Year	
- capital financing	(4,310)
- transferred	(44)
- pooling	(137)
Balance as at 31 March	<u>14,127</u>

21. Government & Other Grants-deferred

This figure in the accounts relates to Government grant funding as well as capital contributions from other third parties. Both the grant and the contributions are written off over the useful life of the asset to match the depreciation of the asset to which it relates.

	31 March 07 £000	31 March 06 £000	Movement in year £000
Government Grants	1,322	1,021	301
Third Party Contributions	1,005	711	294
	<u>2,327</u>	<u>1,732</u>	<u>595</u>

STATEMENT OF ACCOUNTS 2006/07

22. Provisions

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

	31 March 07 £000	31 March 06 £000	Movement in year £000
Provisions	33	27	6
	33	27	6

23. Movement in Reserves

	Capital Reserves			Revenue Reserves		
	Fixed Asset Restatement Account £000	Capital Financing Account £000	Usable Capital Receipts £000	General Fund £000	Pensions Reserve £000	Other Reserves £000
Net Fund Expenditure				18,941		
Sources of Finance				(19,441)		
Unrealised (Gains) on Revaluation of Fixed Assets	(1,864)					
Disposals of Fixed Assets :- Value of disposed Assets / Costs	1,080					
Proceeds of Disposals			(1,349)			
Other Capital Receipts			(1,371)			
Financing of Fixed Assets:- Usable Receipts		(4,310)	4,310			
RCCO GF		(25)		25		
Movement on Pension a/c Actuarial Gain on Pension Fund				475	(4,760) **	
Other Net Movement for Year		3,506	181		(321)	1,044
Deficit / (Surplus) for the year	(784)	(829)	1,771	0	(5,081)	1,044
Balance as at 31 March 2006	(4,849)	(112,979)	(15,898)	(3,854)	19,438	(3,663)
Balance as at 31 March 2007	(5,633)	(113,808)	(14,127)	(3,854) *	14,357	(2,619)

* Balance includes an accumulated surplus of £519,000 in respect of the Council's Building Control Account (see note 2, page 16).

** Excludes gain in respect of unfunded benefits (£251k)

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

23. Movement in Reserves (cont.)

Pensions Reserve

The actuarial gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	£000	%
Difference between the expected and actual return on assets	204	0.3
Difference between actuarial assumptions about liabilities and actual experience	(22)	(0)
Changes in financial assumptions used to estimate liabilities	4,578	5.7
Actuarial gain in pension plan	<u>4,760</u>	

Other Reserves consist of the following balances:

	31 March '07		31 March '06	
	£000	£000	£000	£000
Interest Equalisation Reserve	(378)		(378)	
Insurance Fund	(71)		(71)	
Local Plan Reserve	0		(137)	
Emergency Planning Reserve	(37)		(37)	
VAT Partial Exemption Reserve	(145)		(145)	
		(631)		(768)
General Reserve		(1,988)		(2,895)
Total of Other Reserves		<u>(2,619)</u>		<u>(3,663)</u>

- Interest Equalisation Reserve - this reserve was established at 31 March 2006 to assist the Council in managing the financial implications of future adverse interest rate fluctuations.
- Insurance Fund - this fund has been established to support the Council's insurance and risk management processes.
- Local Plan Reserve - this reserve is being used to meet the costs arising from the review of the Local Plan. The balance of £137k has been applied in 2006/07.
- Emergency Planning Reserve - this reserve has been set up in order to facilitate arrangements in the future and support the work of an Emergency Planning Officer Group that has been established within the Council.
- VAT Partial Exemption Reserve - see note 24 on page 28.
- General Reserve - this reserve is available to support General Fund activities (Capital and Revenue). In line with the Council's medium term financial plan it is anticipated that this Reserve will be used to support the Council Tax over the next four years.

Use of Reserves

The Fixed Asset Restatement Account and Capital Financing Account cannot be called upon to support spending. However, the Usable Capital Receipts Reserve can be used to meet expenditure designated as expenditure for capital purposes and Revenue Reserves may be used to meet both capital and revenue expenditure.

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

24. VAT Partial Exemption Reserve

New rules were introduced from 1 April 1997 relating to the provisions which allow Local Authorities to recover exempt input tax. The position has increased the possibility of the Council being unable to recover its exempt input tax in full in certain circumstances.

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

25. Authorisation and Issue

The accounts were authorised for issue to members on 20 June 2007 by the acting S151 Officer to the Council.

26. Trust Funds

The Council holds funds for the Edward Kemp Will Trust. Funds held total £1,323,912 of which £911,098 is an investment with the balance in cash. The Charity Commission has confirmed that the scheme is registered and now affected. The Trustee can now act in accordance with the scheme.

In 1993 two properties, which are now known to have been part of the trusts assets, were disposed of by the Council. The Council is seeking to agree an appropriate sum with the Charity Commission, which when established, together with the other monies held will be transferred to the trust.

27. Related Party Transactions

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

Related parties to this authority would include :

- central government;
- local authorities and other bodies precepting or levying demands on the Council Tax;
- its members;
- its chief officers; and
- its pension fund.

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

All significant material transactions with related parties, such as government grants, parish precepts, pension fund contributions etc, have been disclosed elsewhere in this Statement of Accounts. There are no transactions to report in respect of Members or Chief Officers.

Shown in the Balance Sheet are totals for creditors and debtors which represent amounts due to or from related parties.

The principal year end balances with related parties included in these totals are shown on page 23 within notes 14 & 15.

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

28. Pension Scheme

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

The authority participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. This is a funded scheme which means that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the authority is required to make against council tax is based on the cash payable in the year. The real cost of retirement benefits is shown as part of the reconciliation statement of the movement of the General Fund Balance which reverses out the costs required to be charged against the Income & Expenditure Account (under FRS 17) and replaces them with the actual costs charged against the Council Tax for the year.

The following transactions set out the position for the year:

Income & Expenditure Account:	2006/07	2005/06
Net Cost of Services:	£'000	£'000
Current service cost	(1,931)	(1,392)
Past service cost	(19)	(26)
Curtailments and Settlements	(535)	(565)
Net Operating Expenditure:		
Interest cost	(3,985)	(3,696)
Expected returns on assets in the scheme	4,134	3,356
Costs charged against Income & Expend. Account	(2,336)	(2,323)
Amounts to be met from Government Grants & Local taxation:		
movement on the pensions reserve	(70)	231
Actual amount charged against council tax for pensions in the year:		
Employers contributions payable to scheme	(2,406)	(2,092)

Disclosure of Net Pensions Asset / Liability

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	31 March 07	31 March 06
	£000	£000
Local Government Pension Scheme		
Estimated assets in scheme	66,648	61,519
Estimated liabilities in scheme	(81,005)	(80,957)
Net asset / (liability)	<u>(14,357)</u>	<u>(19,438)</u>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, the last full valuation for the Fund being carried out as at 31 March 2004, with assumptions rolled forward to provide an interim valuation at 31 March 2007.

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

28. Pension Scheme (cont.)

The main assumptions used in their calculations as at 31 March 2007 are :

	2006/07	2005/06
Price Increases	3.2%	3.1%
Salary increases	4.7%	4.6%
Pension increases	3.2%	3.1%
Discount rate	5.4%	4.9%

Changes to the Local Government Pension Scheme

As a result of changes to the Local Government Pension Scheme, which came into effect on 6 April 2006, an allowance has been made in the service cost for exchanging part of the LGPS pension for additional cash upon retirement. In addition the services takes no account of the removal of the Rule of 85 for new members from 1 October 2006.

The County Council Pension Fund assets are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the fund :

	Long Term Return	31 March 07	31 March 06
Equity investments	7.8%	76.3%	76.2%
Bonds	4.9%	11.4%	12.9%
Property	5.8%	5.9%	5.6%
Cash	4.9%	6.4%	5.3%
		<u>100.0%</u>	<u>100.0%</u>

The Council's contributions to the pension scheme are determined on the basis of rates that are set to meet full liabilities on the Pension Fund, in accordance with Government Regulations. Contributions are phased to remain constant for the next four year period. The above figures have been provided by the actuaries to the Hertfordshire County Council Pension Scheme using assumptions determined by the actuary in conjunction with the Council.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

The estimated net pension liability has decreased from £19.438m as at 31 March 2006 to £14.357m as at 31 March 2007. The decrease in liability arises principally due to changes in financial assumptions underlying the present value of the scheme liabilities.

The £14.357m net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2007 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2007 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Pension Fund, due to be carried out as at 31 March 2007. Their advice on whether or not there is any anticipated shortfall in the funding of the scheme at that time will determine the future level of pension contributions.

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

28. Pension Scheme (cont.)

Non Distributed Costs

In accordance with the Best Value Accounting Code of Practice (BVACOP), certain costs are excluded from actual services. For this Council these comprise Past Service costs, Settlements and Curtailments from decisions made to allow officers to either leave on the grounds of efficiency of the service or retire earlier than planned.

29. Reconciliation of the Income and Expenditure Account to the Revenue Activities Cash Flow

This reconciliation identifies items included within the revenue accounts which do not result in cash flows under the revenue activities in the statement.

	2006/07		2005/06
	£000	£000	£000
Revenue Balances			
Deficit - I & E Account	2,950		3,523
(Increase) in Coll. Fund balance	(6)		(66)
		2,944	3,457
Non-Cash Transactions			
Reversal of capital financing transactions	(3,411)		(5,076)
Movement in Pension Reserve	70		(231)
		(3,341)	(5,307)
Adjustment for items in another classification in the Cashflow statement			
Interest	(13)		(14)
Gain on disposal of fixed assets	1,639		1,855
		1,626	1,841
Items on an accruals basis			
Increase / (Decrease) in Sundry Debtors	(617)		(144)
(Increase) / Decrease in Sundry Creditors	(1,567)		182
Increase / (Decrease) in Others	(12)		117
		(2,196)	155
Net Cash Outflow / (Inflow) from Revenue Activities and Servicing of Finance		(967)	146

30. Analysis of Cash Balance

There has been an decrease in the cash balance reflecting the net outflow from all activities.

	Balance 31 March '07 £000	Balance 31 March '06 £000	Movement in year £000
Cash Overdrawn	(1,091)	(1,270)	179
Temporary Investments	3,570	4,995	(1,425)
	2,479	3,725	(1,246)

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

31. Liquid Resources

Liquid Resources are current investments which are held as readily disposable stores of value. These are represented in the balance sheet as Temporary Investments reduced by those amounts which are available on demand and which are therefore classified as cash.

	31 March '07 £000	31 March '06 £000
Temporary Investments	74,274	73,402
Long Term Investment reclassified *	-	2,000
Less " " " " " available on demand	(3,570)	(4,995)
	<hr/>	<hr/>
Liquid Resources	<u>70,704</u>	<u>70,407</u>

* This former Long Term Investment has been reclassified as temporary as it now has less than 364 days to maturity.

32. Reconciliation of the Management of Liquid Resources and Financing Sections of the Cash Flow Statement to the movement of related items in the opening and closing balance sheets for the year.

There has been an increase in the level of short term deposits which are reflected in the net cash inflow from the management of liquid resources and financing activities.

	Balance 31 March '07 £000	Balance 31 March '06 £000	Movement in year £000
Long Term Borrowing :			
Public Works Loan Board	(1,894)	(1,894)	0
Bonds	(6,000)	(6,000)	0
Repayable within 12 months :			
Public Works Loan Board	0	0	0
Temporary Borrowing	<hr/> (2) <hr/>	<hr/> (2) <hr/>	<hr/> 0 <hr/>
Total Borrowing	(7,896)	(7,896)	0
Less Temporary Investments	70,704	70,407	297
	<hr/> <u>62,808</u> <hr/>	<hr/> <u>62,511</u> <hr/>	<hr/> <u>297</u> <hr/>

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE CORE STATEMENTS

33. Reconciliation of movement in cash to the movement in net funds.

The movement in net funds is the sum of long term borrowing and temporary borrowing less temporary investments and cash overdrawn. This equates to the aggregate of the tables shown against Notes 30 and 32. The reconciliation of net cash flow to movement in net funds is as follows:-

	2006/07 £000	2005/06 £000
Net Decrease in cash in year	1,246	171
Cash inflow from (increase) / decrease in liquid resources	(297)	2,604
	<u>949</u>	<u>2,775</u>
Net Funds as at 1 April	(66,236)	(69,011) *
Net Funds as at 31 March	<u>(65,287)</u>	<u>(66,236)</u>

Analysis of Net Funds

	2006/07 £000	2005/06 £000
Long Term Borrowing	(7,894)	(7,894)
Temporary Borrowing	(2)	(2)
Temporary Investments	70,704	70,407 *
Temporary Investments on demand	3,570	4,995
Cash Overdrawn	(1,091)	(1,270)
	<u>65,287</u>	<u>66,236</u>

* Includes £2m former long term investment reclassified

34. Analysis of Other Government Grants

	2006/07		2005/06
	£000	£000	£000
DWP Housing Benefits			
" " " Rent Allowance Subsidy	18,404		15,975
" " " Admin Subsidy	704		508
" " " Council Tax Benefits Subsidy	5,121		4,626
" " " Other	67		184
" " " BVF Income	0		89
		<u>24,296</u>	<u>21,382</u>
Dept for Communities & Local Govt			
NNDR Cost of Collection	204		209
Planning Delivery Grant	294		383
Other	110	608	997
		<u>24,904</u>	<u>22,971</u>

STATEMENT OF ACCOUNTS 2006/07

THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

		2006/07	2005/06
		£000	£000
INCOME			
Council Tax	<i>Note 2</i>	67,720	63,651
Transfers from General Fund - Council Tax Benefits	<i>Note 2</i>	5,048	4,712
Income collectable from business ratepayers	<i>Note 3</i>	36,049	32,635
		<u>108,817</u>	<u>100,998</u>
EXPENDITURE			
Precepts and Demands	<i>Note 4</i>	72,543	67,695
Business Rate			
- Payment to National Pool	<i>Note 3</i>	35,845	32,426
- Costs of Collection	<i>Note 3</i>	204	209
Bad Debt Provision - Increase: Council Tax		188	213
		<u>108,780</u>	<u>100,543</u>
MOVEMENT ON FUND			
Net Income		(37)	(455)
Balance as at 1 April		(346)	109
(Surplus) / Deficit as at 31 March	<i>Note 5</i>	<u>(383)</u>	<u>(346)</u>

STATEMENT OF ACCOUNTS 2006/07

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non Domestic Rates and Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The account which is consolidated with the Council's overall accounts, is prepared on an accruals basis.

2. Council Tax

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

Band	Estimated No.of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	552.75	6/9	368.50
B	4,406.25	7/9	3,427.08
C	11,979.25	8/9	10,648.22
D	12,572.00	9/9	12,572.00
E	9,365.50	11/9	11,446.72
F	6,361.75	13/9	9,189.19
G	4,765.50	15/9	7,942.50
H	617.75	18/9	1,235.50
	<u>50,620.75</u>		<u>56,829.71</u>

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

(972.22)

Council Tax Base

55,857.49

Tax Collection

£000

06/07 Tax Base of 55,857.49 x £1,298.71 (Average Band D Charge)

72,543

Estimated Tax Due

06/07 Council Tax Income (including Council Tax Benefits)

72,768

Actual Tax Income

(225) Surplus

This surplus is explained by movements in the tax base.

The actual Tax Base for 2006/07 equates to

56,030.97

This compares to an estimated Tax Base for 2007/08 of

57,122.16

STATEMENT OF ACCOUNTS 2006/07

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

3. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2006/07 was 43.3p. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non Domestic Rate (NNDR) pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. This contribution is paid into the General Fund.

At the year end the total non-domestic rateable value was £102.346 million.

The amounts included in the accounts for 2006/07 can be analysed as follows:

	£000
Gross rates payable in respect of 2006/07	36,324
Less allowances and other adjustments	<u>(275)</u>
Income collectable from business ratepayers	36,049
Less Costs of Collection	<u>(204)</u>
Payable to national NNDR pool	<u><u>35,845</u></u>

4. Precepts and Demands

	£000
East Hertfordshire District Council	10,601
Hertfordshire County Council	55,017
Police Authority	6,925
	<u>72,543</u>

5. Balance on Fund

The balance on the Collection Fund as at 31 March 2007 is represented by:-

	£000
Surplus on Council Tax element of the Fund	383
	<u>383</u>

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

	£000
East Hertfordshire District Council	56
Hertfordshire County Council	291
Police Authority	36
	<u>383</u>

The Hertfordshire County Council and Police Authority elements are now included as part of the creditors figure in the Balance Sheet. See note 15, page 23.

STATEMENT OF ACCOUNTS 2006/07

STATEMENT ON INTERNAL CONTROL

STATEMENT OF ACCOUNTS 2006/07

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The Authority is required:

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

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

approve the Statement of Accounts.

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

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the local authority SORP.

The Chief Finance Officer has also:

kept proper accounting records which were up to date;

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

The Chief Finance Officers' responsibilities

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

EAST HERTFORDSHIRE DISTRICT COUNCIL

Certificate of Responsible Financial Officer

I certify that this Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

Signed

Dated

**S Chancellor
Chief Finance Officer
East Hertfordshire District Council**

Signed

Dated

**Councillor A Burlton
Chairman of the Council**