

# **EAST HERTS COUNCIL**

## **STATEMENT OF ACCOUNTS**

**2009/10**

# STATEMENT OF ACCOUNTS 2009/10

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# STATEMENT OF ACCOUNTS 2009/10

## EXPLANATORY FOREWORD

### 1. Summary of Contents

The Council's accounts for the year ended 31 March 2010 are set out on pages 6 to 48. They consist of :-

**A Statement of Accounting Policies** - details the legislation and principles on which the Statement of Accounts has been prepared. The purpose is to explain the basis for recognition, measurement and disclosure of transactions and other events in the accounts.

**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 2010.

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

**Notes to the accounts** - provide support to the core financial statements, which informs and gives sufficient information to present a good understanding of the Council's activities.

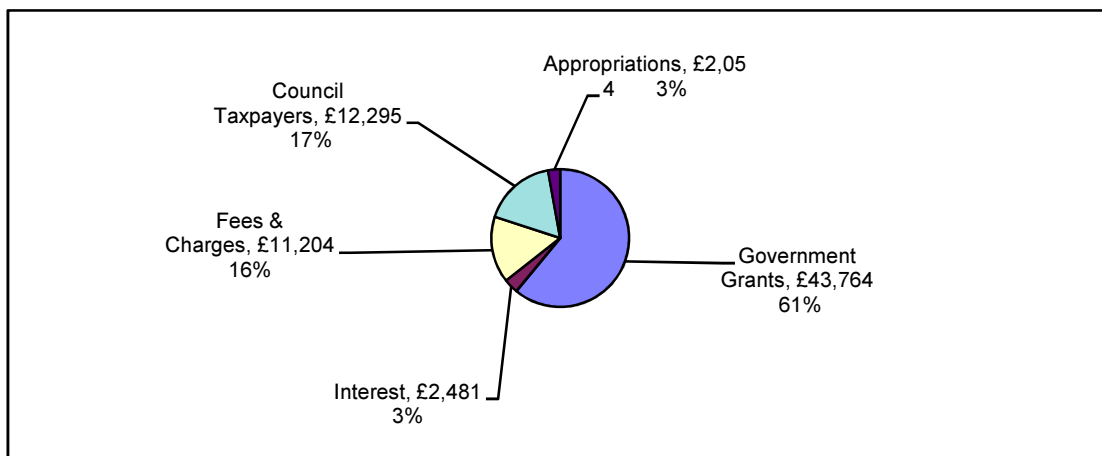
**Supplementary Financial Statements - The Collection Fund** shows the level of Non Domestic Rates and Council Tax that has been received by the Council, as billing authority, during the period.

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

### 2. Overview of Council's Activities

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

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

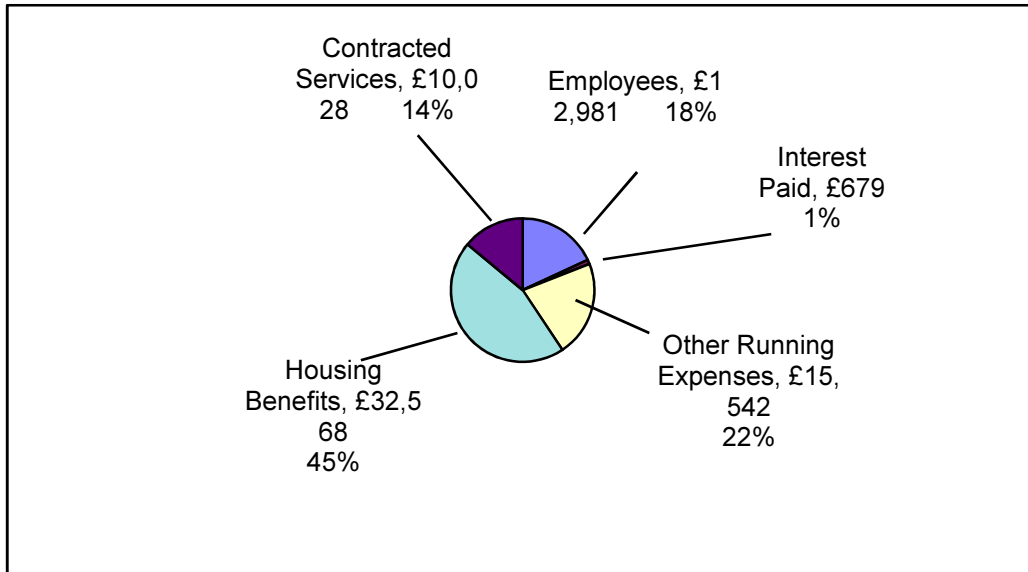


It can be seen that the largest source of the Council's income is from Government Grants.

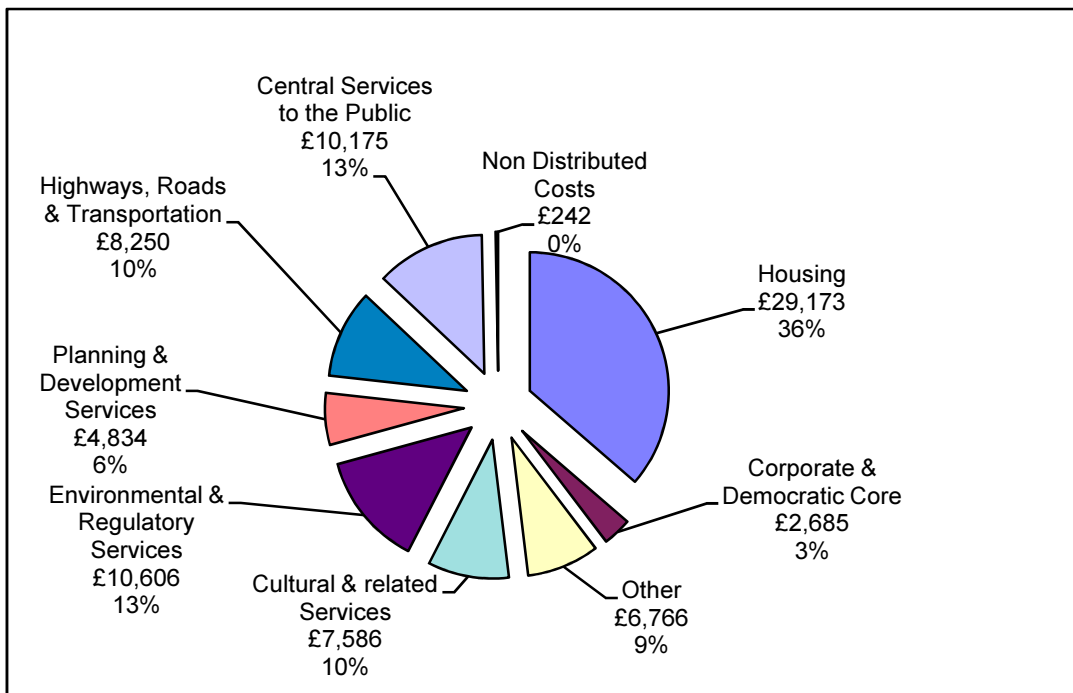
# STATEMENT OF ACCOUNTS 2009/10

## EXPLANATORY FOREWORD (continued)

### HOW THE MONEY IS SPENT £000



### THE SERVICES PROVIDED £000



The cost of "The Services Provided" includes capital charges, impairments, revenue funded from capital under statute and deferred government grants totalling £8,519,253 which have been excluded from the chart "How the money is spent".

# STATEMENT OF ACCOUNTS 2009/10

## 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 2009/10 is shown below:

	Budget	Actual	Variance
	£'000	£'000	£'000
Net Cost of Services	23,432	26,964	3,532
Finance Transactions	(1,809)	(7,297)	(5,488)
Interest Transactions	(1,523)	(1,802)	(279)
Pensions Interest Cost & Expected Return on Pensions Assets	505	1,562	1,057
Appropriations - Financing Items	25	25	0
Appropriations - REFCUS (see Note 22, Page 10)	(1,995)	(1,223)	772
Movement on the Pensions Reserve	(30)	(835)	(805)
Net Expenditure	18,605	17,394	(1,211)
Collection Fund Contribution	131	131	0
Contribution from NNDR Pool	(6,614)	(6,614)	0
Revenue Support Grant	(1,527)	(1,527)	0
General Grant	(23)	(240)	(217)
Council Tax Raised	(8,972)	(8,972)	0
Appropriation from Reserves	1,600	172	(1,428)

The above variance is represented by:	£'000
An underlying underspend against the 2009/10 estimate	(1,232)
Variance due to the early receipt of the Local Area Agreement (Performance Reward Grant)	(217)
Net reduction in the planned use of 'earmarked' reserves	(40)
Less:-	
Contribution from General Reserve relating to budgets b/fwd from 2008/09	61
	(1,428)

Overall, this has resulted in £172k being drawn from the Council's Reserve balances.

The variances relating to the Net Cost of Services and Finance Transactions include £5.48m of impairments in respect of tangible fixed assets. The balance of the variance within the net cost of service relates to changes in capital charges (REFCUS) and the underlying underspend.

The favourable underlying variance of £1.232m against original budget demonstrates the Council's commitment to sound financial management and its prudent approach to funding. The significant variances contributing to this position were;

The cost of the recycling service which showed a net reduction of £613k compared to the original estimate. This arose principally from the successful implementation of ARC (alternate refuse collection) which resulted in significant additional income through the Hertfordshire Waste Partnership funding arrangements as well as from sales of increased recyclables. The service also benefited from lower ARC implementation costs, negotiated reductions to contract costs and increased market prices for recyclable materials. The Council has benefited from the investment strategy agreed with its Fund Managers which has resulted in additional investment income of £281k.

# STATEMENT OF ACCOUNTS 2009/10

## EXPLANATORY FOREWORD (continued)

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

Other variances contributing to the overall underspend included:

Net savings in delivering the Council's Benefits service (£178k) relating to additional recovery of overpaid benefit.

A reduction in the cost of delivering the Council's refuse service of £176k due in the main to a negotiated reduction to the contract price.

An underspend of £112k against the Local Plans Service due to expenditure relating to the Local Development Framework consultation process being re-profiled to 2010/11.

This was offset by a £100k rental charge in the 2009/10 car park accounts in respect of the Causeway property transactions.

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

In light of the underspend position, the Council has reviewed its financial reserves. Decisions have been taken to enable further investment in priority services as well as ensuring that it will be able to smooth potential fluctuations in investment earnings given the uncertainty over future interest rate levels. Accordingly the additional investment earnings over budget of £281k has been used to reduce the planned call on the Interest Equalisation Reserve. Some £275k has been appropriated to a new Waste Recycling Reserve in order to support future initiatives in the delivery of this key service and £158k has been set aside in a Pension Strain Costs Reserve to meet the future year's costs of decisions taken on flexible and early retirement up to 31 March 2010.

The General Reserve balance will be increased by a net £233k after taking into account appropriations relating to budgets approved to be brought forward from 2008/09 of £234k.

The Income and Expenditure Account (see page 14), shows a deficit of £5.9m. This compares to a nil net movement on the Council's General Fund working balance. A note of the reconciling items is shown on page 16. The difference relates primarily to capital related transactions (including impairment) and adjustments for pension costs under FRS 17.

### 4. Capital Expenditure & Financing

During 2009/10 the Council incurred expenditure of £7.17m (see page 24, note 8) on capital projects compared with an original budget of £7.93m (adjusted to reflect the reprofiling of New Leisure Contracts).

The underspend of £0.76m against the original estimate arose from a combination of strategic decisions regarding the delivery of a number of key projects together with delays to some schemes resulting in them 'slipping' into 2010/11. The development of Hertford Theatre, the implementation of recycling for plastic bottles and cans and investment at Presdales, Ware, were the major contributors.

Almost half of the Council's spending was on leisure centres, with major schemes at Hartham and Grange Paddocks.

The policy of giving capital grants towards community projects (inc. partnership funding) continued and £0.2m was spent in the year. Some £0.80m was given in grants to private sector owners for housing renovation and provision of disabled facilities in their homes.

Expenditure included £208,000 on play sites and equipment, £277,000 improving the Council's car parks and over £474,000 on refuse and recycling schemes.

Details of the Council's financing arrangements for the year are set out on page 24.

# STATEMENT OF ACCOUNTS 2009/10

## EXPLANATORY FOREWORD (continued)

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

No borrowing was undertaken in 2009/10 and the principal outstanding on the Council's overall long term borrowing is £7.5m as at 31st March 2010. The balance sheet shows a liability of £7.710m, however, this includes accrued interest of £210k ( see note 16 on page 28 ).

### 5. Changes to the Statement of Accounts introduced in the 2009 Statement of Recommended Practice

The 2009 Statement of Recommended Practice (SORP) has introduced changes to the way that the accounting transactions relating to Council Tax and National Non Domestic Rates (NNDR) are presented in the Council's accounts. These changes result from the conclusion reached by CIPFA / LASAAC that the Council (as a billing authority) is acting as an agent of the major precepting authorities (Hertfordshire County Council and Hertfordshire Police Authority) in collecting Council Tax and of the Government in the collection of NNDR. (See Accounting Policies Note 30, page 13). As a result the Council's Balance Sheet records only that proportion of sums due which relate to the Council and excludes sums where it acts as agent.

### 6. Pensions Liabilities

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. Since the introduction of FRS17 in 2003/04 the impact of any pension liability must be shown in the balance sheet. The Council's liability at 31st March 2010 is £42.068m which is an increase of £24.126m compared to the position at 31st March 2009 This change is largely due to an increase in the present value of fund liabilities. Further information is given on page 34 - 36.

### 7. Financial Reporting and the Euro

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

### 8. Further Information

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

Further information about the accounts can be obtained by contacting the Head of Financial Support Services, Council Offices, The Causeway, Bishop's Stortford, Herts. CM23 2EN.

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

# STATEMENT OF ACCOUNTS 2009/10

## STATEMENT OF ACCOUNTING POLICIES

### INTRODUCTION

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year ended 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2009 (the SORP). The accounting convention adopted is historic cost modified by the revaluation of certain categories of tangible fixed assets and financial instruments.

### ACCOUNTING PRINCIPLES

#### 1. Support Service Costs and Overheads

The costs of management and administration are allocated over all services as appropriate. This is in accordance with the costing principles of the CIPFA Best Value Code of Practice 2009. The basis of allocation used for the main areas is outlined below:

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

#### 2. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect consumption of benefits. Intangible assets are valued at cost less any provision for impairment.

#### 3. Tangible Fixed Assets

The valuation of the Council's assets is undertaken in accordance with the RICS Valuation Standards 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.
- Enhancement to lease properties are valued at cost.
- Software is valued at amortised cost.

The Council revalues the assets on a five year rolling basis. A cross section of the assets have been revalued using external valuers. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income & Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

During the year the Council now undertakes a revaluation review of the asset at the point of proposed disposal. This policy follows the accounting requirement to disclose gains or losses on disposal within the Income & Expenditure Account.



# STATEMENT OF ACCOUNTS 2009/10

## STATEMENT OF ACCOUNTING POLICIES (continued)

### 3. Tangible Fixed Assets (cont.)

Income from the disposal of fixed assets is credited to the Income and Expenditure Account and the carrying value of the assets is debited to the Income and Expenditure Account. Gains and losses on the disposal of assets are reversed out in the Statement of Movement on the General Fund Balance by crediting the Useable Capital Receipts Reserve with an amount equal to disposal proceeds and debiting the Capital Adjustment Account with an amount equal to the book value of the disposal.

The 2008 SORP introduced a change in the basis of valuation to be used for specialised properties - these being where because of the specialised nature of the asset there is unlikely to be sufficient market evidence to support a valuation on the Existing Use basis. Leisure Centres, public toilets, community halls and surface car parks are deemed to be specialised assets, as defined within the local government Statement of Accounting Practice, these have been valued using the depreciated replacement cost method (modern equivalent basis). The multi-storey car parks have been valued using the Existing Use Valuation method on the basis of income & expenditure information.

The current asset values used in the accounts are based upon a certificate issued by the Council's Internal Asset & Valuation Manager, Martin H Shrosbree MRICS as at 31 March 2010. Fixed Assets are classified in the Balance Sheet in line with the current Accounting Codes of Practice.

### 4. Impairment

Given the current economic climate, a selective impairment review has been undertaken in 2009/10 in accordance with FRS11.

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a revaluation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefit, the loss is charged to the relevant service revenue account.
- otherwise, written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Impairments have been implemented for Land & Buildings only where a decrease in value was greater than 10% of the carrying value or over £50,000.

### 5. Depreciation

All fixed assets, other than freehold land, Community Assets (with two exceptions being recreational facilities with a building element) 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	no depreciation, (30years for exceptions)
Non-Operational Assets:	
Investment Properties	no depreciation
Other non-operational	60 years
Intangible Assets	5 years
Enhancement to leased properties	10 to 25 years

# STATEMENT OF ACCOUNTS 2009/10

## STATEMENT OF ACCOUNTING POLICIES (continued)

### 6. Local Area Agreement

Allocations of funding receivable from the accountable body (Hertfordshire County Council), are accounted for on an accruals basis. The element relating to Safer Stronger Communities funding is credited to services, whilst the element relating to the Performance Reward Grant is shown as part of the Council's General Government Grants (revenue element, see page 14) and Deferred Government Grants (capital element).

### 7. Employee Costs

The cost of employees is charged in full in each year's accounts.

### 8. Pension Costs (FRS 17)

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

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

Current service cost is based on the most recent actuarial valuation (2007) with financial assumptions updated to reflect conditions at 31 March 2010. 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 increase 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. Under the 2008 SORP, following a change in accounting policy, the council has adopted the amendment to FRS17, retirement benefits. As a result, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value.

Attributable liabilities are measured on an actuarial basis using the projected unit method.

The Council's liability for pension costs on its Leisure contract are set out in the Accounting Policies Note 29, page 12.

### 9. 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.

### 10. 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.

### 11. 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.

## STATEMENT OF ACCOUNTS 2009/10

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### **12. Transport Related Expenses**

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

#### **13. Supplies and Services**

The cost of supplies and services are accrued and accounted for in the period during which they are consumed or received.

#### **14. Interest Payable**

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

#### **15. 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 Revenue Expenditure Funded from Capital under Statute) and are credited to the service revenue account consistent with the charging of expenditure for which the grant has been given.

Capital grants are also received in respect of a range of capital schemes together with various partner contributions. These grants and contributions are credited to the relevant service revenue account.

#### **16. 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 (see note 28, page 11).

#### **17. Investment Income**

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

#### **18. Investments**

The majority of the Council's internally managed investments are money market deposits but investments placed with our External Fund Managers in money market instruments include Certificates of Deposit and Treasury Stock which are valued at fair value. (See Note 10, Page 25 )

#### **19. Post Balance Sheet Event**

Where it is considered that a material event has occurred since the date of the balance sheet (31 March 2010) details would be provided including an estimate of any financial effects, as a disclosure to the Accounts.

# STATEMENT OF ACCOUNTS 2009/10

## STATEMENT OF ACCOUNTING POLICIES (continued)

### 20. 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.

### 21. Minimum Revenue Provision (Redemption of debt)

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

### 22. Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS represents expenditure which may properly be classified as capital for funding purposes, when it does not result in expenditure being carried on the Balance Sheet as a fixed asset. REFCUS is charged to the Income & Expenditure Account in the year in which it occurs. and reversed out in the Statement of Movement on the General Fund Balance.

### 23. 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 Adjustment Account as provision for the repayment of debt.

### 24. 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.

### 25. Stocks and Work in Progress

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

### 26. Leases

The Council accounts for any leasing arrangements in line with the current accounting requirements. The Council reviewed its policy in respect of finance leases and determined that the lease of The Causeway offices should be treated as a finance lease. It was therefore, brought onto the balance sheet at 31 March 2009. This asset was disposed of during 2009/10.

Under Finance leases, the Council recognises as an asset on its Balance Sheet, the value of its interest acquired in any property together with an equivalent liability in respect of that element of the lease payments that are attributable to meeting the capital cost of this interest.

Rental payments under operating leases are charged against revenue on a straight line basis over the period of the lease.

Details of finance and operating are shown at Notes 12 & 13 (pages 25 and 26)

# STATEMENT OF ACCOUNTS 2009/10

## STATEMENT OF ACCOUNTING POLICIES (continued)

### 27. VAT

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

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

### 28. Provision for Bad Debts

The value of debtors shown on the balance sheet is adjusted for doubtful debts. The level of bad debt provision is reviewed annually. Uncollectable debts are written off against the provision.

The following methods are used:-

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

### 29. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of any one entity and a financial liability or equity instrument of another, and trade accounts receivable and trade accounts payable are accounted for as financial instruments.

#### Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- available -for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

#### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account 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 (including accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income & Expenditure Account. Where a loss is identified in the current year this would be impaired and debited to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income & Expenditure Account.

#### Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income & Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Income and Expenditure Account when it becomes receivable by the Council.

# STATEMENT OF ACCOUNTS 2009/10

## STATEMENT OF ACCOUNTING POLICIES (continued)

### 29. Financial Instruments (cont.)

#### Available-for-sale Assets (cont.)

Assets are maintained in the Balance Sheet at fair value. Values are based on quoted market price.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The net losses, where appropriate, would be impaired in the year and debited to the Income & Expenditure Account.

Any gains and losses that arise on derecognition of the asset are credited/ debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

#### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account 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 (including accrued interest) and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

#### Soft Loans

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

#### Financial Guarantees

Commencing on 1 January 2009 the Council awarded a new 10 year contract for the Management of its Leisure Facilities and Swimming Pools. Under this contract the Council has given two guarantees in respect of pension liabilities and utility costs.

The guarantee relating to pension costs relates to increases in employer contributions above 23.4%. Any increase would be effective following the 2010 actuarial revaluation and would be payable from 1 April 2012. Each 1% increase in contribution rate would result in a liability of approximately £3k per year.

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

The SORP includes a requirement for financial guarantees to be recognised at fair value and charged to the Income and Expenditure Account (amortised over the life of the guarantee).

The levels of liability assessed at March 2010 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees. The Council has determined to set aside a reserve against potential liabilities under these guarantees as set out in Note 22 to the Notes to the Core Statements.

No other financial guarantees were identified in 2009/10.

# STATEMENT OF ACCOUNTS 2009/10

## STATEMENT OF ACCOUNTING POLICIES (continued)

### 30. Changes to the accounting treatment for Council Tax and National Non Domestic Rates

The 2009 Statement of Recommended Practice (SORP) has introduced changes to the way that the accounting transactions relating to Council Tax and National Non Domestic Rates (NNDR) are presented in the Council's accounts.

These changes in accounting policy also require a restatement of the prior year comparatives.

The impact upon the Council's main accounting statements is summarised below:

#### **Income and Expenditure Account (I & E A/c)**

From 1 April 2009 Council Tax income included in the I & E A/c is on an accrued basis rather than the amount (formally) required to be transferred by regulation from the Collection Fund. The difference between the accrued income and the regulatory sum is taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

#### **Balance Sheet**

The major preceptors share of the Council Tax debtor and creditor balances together with impairment allowance for bad debts has been derecognised.

A net debtor position is now recognised (£939k at 31 March 2010) being the difference between the cash paid to the major preceptors and the net cash collected from Council Tax payers.

Similar changes have been made in respect of NNDR transactions reflecting the Council being deemed to be acting as agent for Government in the collection of NNDR.

#### **Cashflow**

Precept payments to major preceptors together with their share of the cash received from Council Tax debtors along with cash collected from NNDR payers and the Council's payment to the NNDR pool are all now excluded from the statement.

A net increase / decrease is shown in liquid resources in respect of these overall cash movements.

# STATEMENT OF ACCOUNTS 2009/10

## 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 accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

	2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000	2008/09 Net Expenditure Restated £000
Central Services to the Public	10,175	(8,050)	2,125	2,349
Cultural & Related Services	7,586	(1,076)	6,510	4,250
Environmental & Regulatory Services	10,606	(3,303)	7,303	8,039
Planning & Development Services	4,834	(2,497)	2,337	3,167
Highways, Roads & Transport	8,250	(4,517)	3,733	6,449
Housing	29,173	(27,130)	2,043	3,347
Corporate & Democratic Core	2,685	(14)	2,671	2,634
Non Distributed Costs	242	0	242	744
Exceptional Item	0	0	0	5,930
<b>NET COST OF SERVICES</b>	<b>73,551</b>	<b>(46,587)</b>	<b>26,964</b>	<b>36,909</b>
Gain on the disposal of fixed assets			(3,455)	(515)
Parish Council Precepts			3,454	3,391
Interest payable and similar charges			679	709
Contribution of housing capital receipts to Government Pool			15	9
Interest and investment income			(2,481)	(5,026)
Pensions interest cost and expected return on pensions assets			1,562	270
<b>NET OPERATING EXPENDITURE</b>			<b>26,738</b>	<b>35,747</b>
Demand on the Collection Fund			(12,411)	(11,970)
General government grants	<i>See Note 11</i>		(1,767)	(1,012)
Non-domestic rates redistribution			(6,614)	(7,111)
<b>DEFICIT FOR THE YEAR</b>			<b>5,946</b>	<b>15,654</b>

All operations arise from continuing activities.



# STATEMENT OF ACCOUNTS 2009/10

## 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. The whole of the General Fund balance is generally available to the Council, although the balance includes an accumulated surplus of £454,000 in respect of the Council's Building Control Account (see note 2, page 20).

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

	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>Restated</b>
		<b>£000</b>
Deficit for the year on the Income and Expenditure Account	5,946	15,654
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(5,946)	(15,654)
Increase in General Fund Balance for the year	<u>0</u>	<u>0</u>
General Fund Balance brought forward	(3,854)	(3,854)
General Fund Balance carried forward	<u>(3,854)</u>	<u>(3,854)</u>

# STATEMENT OF ACCOUNTS 2009/10

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

	2009/10		2008/09
	£000	£000	Restated £000
<b>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</b>			
Depreciation and impairment of fixed assets	(7,906)		(15,956)
Government Grants Deferred amortisation	609		752
Write down of REFCUS to be financed from capital resources	(1,223)		(2,516)
Net gain on sale of fixed assets	3,455		515
Net charges made for retirement benefits in accordance with FRS17	(2,809)		(2,040)
Transfer from Collection Fund Adjustment Account	116		(111)
		(7,758)	(19,356)
<b>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</b>			
Minimum revenue provision for capital financing	-		-
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	(15)		(9)
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	1,974		2,060
		1,984	2,076
<b>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</b>			
Net transfer to earmarked reserves	(172)		1,626
		(172)	1,626
Net additional amount required to be credited to the General Fund Balance for the year		(5,946)	(15,654)

# STATEMENT OF ACCOUNTS 2009/10

## 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 decrease in its net worth. In addition to the deficit generated on the Income and Expenditure Account (page 14), it includes gains relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>Restated £000</b>
Deficit for the year on the Income and Expenditure Account	5,946	15,654
Surplus arising on revaluation of fixed assets	79	(2,997)
Surplus/ deficit arising on revaluation of available-for-sale financial assets (see note 34, page 40)	463	(463)
Actuarial loss / (gain) on pension fund assets and liabilities	23,291	12,365
<b>Total recognised losses for the year</b>	<b><u>29,779</u></b>	<b><u>24,559</u></b>

# STATEMENT OF ACCOUNTS 2009/10

## BALANCE SHEET

		31 March '10		31 March '09
		£000	£000	Restated £000
Intangible assets	Note 7	20		1
Tangible fixed assets				
Operational assets:				
- Other land and buildings		43,205		49,235
- Vehicles plant & equipment		5,001		4,136
- Software		620		509
- Infrastructure assets		3,919		4,245
- Community assets		797		755
Non-operational assets				
- Investment Properties		8,702		11,951
			<u>62,264</u>	<u>70,832</u>
Long Term Investments	Note 10		8	8
Long Term Debtors	Note 12		7,377	47
			<u>69,649</u>	<u>70,887</u>
<b>TOTAL LONG TERM ASSETS</b>				
Current assets				
- Debtors	Note 14	6,399		6,182
- Temporary Investments	Note 10	73,278		77,929
			<u>79,677</u>	
			<u>149,326</u>	<u>154,998</u>
Current Liabilities				
- Creditors	Note 15	(5,318)		(5,013)
- Temporary Borrowing		-		(401)
- Bank Overdraft		(2,538)		(934)
			<u>(7,856)</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>141,470</u>	<u>148,650</u>
Long Term Borrowing	Note 16	(7,710)		(7,710)
Provisions	Note 21	(57)		(42)
Deferred Liabilities	Note 12	(5,101)		(6,790)
Deferred Credits	Note 17	(324)		(452)
Government/Other Grants-deferred	Note 20	(4,231)		(3,956)
Liability related to defined benefit pension scheme	Note 27	(42,068)		(17,942)
			<u>(59,491)</u>	
<b>TOTAL ASSETS LESS LIABILITIES</b>			<u>81,979</u>	<u>111,758</u>
<b>FINANCED BY:</b>				
Revaluation Reserve	Note 25		5,119	6,656
Capital Adjustment Account	Note 24		101,023	100,984
Usable Capital Receipts Reserve	Note 19		7,614	11,251
Pensions Reserve	Note 27		(42,068)	(17,942)
Available for Sale Reserve	Note 34		-	463
Collection Fund Adjustment Account Balances	Note 40		(31)	(147)
- General Fund	Note 22		3,854	3,854
General Reserve	Note 22		2,770	2,997
Other Earmarked Reserves	Note 22		3,698	3,642
<b>TOTAL NET WORTH</b>			<u>81,979</u>	<u>111,758</u>

# STATEMENT OF ACCOUNTS 2009/10

## THE CASH FLOW STATEMENT

	2009/10		2008/09
	£000	£000	Restated £000
<b>REVENUE ACTIVITIES</b>			
<b>Cash Outflows</b>			
Cash paid to and on behalf of employees	12,981		13,263
Other operating cash payments	22,443		21,838
Housing Benefit paid out	25,846		21,037
Precepts paid to other authorities	3,454		3,392
VAT payments (net)	258		-
<b>Total Cash Outflows</b>	<b>64,982</b>		<b>59,530</b>
<b>Cash Inflows</b>			
Council Tax receipts	(11,649)		(11,152)
Local Non-domestic rate receipts			0
NNDR receipts from national pool (Grant)	(6,614)		(7,111)
Revenue Support Grant	(1,527)		(990)
DWP grants for benefits <i>Note 33</i>	(35,388)		(27,430)
Other Government grants <i>Note 33</i>	(1,047)		(1,486)
Cash received for goods and services	(10,376)		(10,839)
VAT payments (net)	0		(31)
<b>Total Cash Inflows</b>	<b>(66,601)</b>		<b>(59,039)</b>
<b>Net Cash (Inflow) / Outflow from Revenue Activities</b> <i>Note 28</i>		<b>(1,619)</b>	<b>491</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Cash Outflows</b>			
Interest paid	681		700
<b>Cash Inflows</b>			
Interest received	(2,729)		(5,054)
<b>Net Cash (Inflow) from Servicing of Finance</b> <i>Note 28</i>		<b>(2,048)</b>	<b>(4,354)</b>
<b>CAPITAL ACTIVITIES</b>			
<b>Cash Outflows</b>			
Purchase of Assets	5,290		2,899
Other Capital Cash Payments	15		10
<b>Total Cash Outflows</b>	<b>5,305</b>		<b>2,909</b>
<b>Cash Inflows</b>			
Sale of Assets	(606)		(868)
Capital grants received	(797)		(1,548)
Other capital cash receipts	(87)		0
<b>Total Cash Inflows</b>	<b>(1,490)</b>		<b>(2,416)</b>
<b>Net Cash Outflow from Capital Activities</b>		<b>3,815</b>	<b>493</b>
<b>NET CASH OUTFLOW / (INFLOW) BEFORE FINANCING</b>		<b>148</b>	<b>(3,370)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Net Increase / (Decrease) in Short Term Deposits <i>Note 31</i>	(4,786)		1,913
Net Decrease in Council Tax Liquid Resources	5,011		5,228
Net Decrease / (Increase) in NNDR Liquid Resources	695		(475)
<b>Net Decrease in Management of Liquid Resources</b>		<b>920</b>	<b>6,666</b>
<b>FINANCING</b>			
<b>Cash Outflows</b>			
Repayments of amounts borrowed		401	2
<b>NET DECREASE IN CASH</b> <i>Note 29</i>		<b>1,469</b>	<b>3,298</b>

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 1. Publicity

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

	2009/10 £000	2008/09 £000
Recruitment Advertising	13	84
Local Authority Periodical	44	41
<b>Total</b>	<b>57</b>	<b>125</b>

### 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 2009/10 divided between chargeable and non-chargeable activities.

	2009/10		Building Control Total £000
	Chargeable £000	Non Chargeable £000	
<b>Expenditure</b>			
Employee Expenses	380	101	481
Premises	24	6	30
Transport	26	7	33
Supplies and Services	31	8	39
Support Service Charges	136	32	168
<b>Total Expenditure</b>	<b>597</b>	<b>154</b>	<b>751</b>
<b>Income</b>			
Bldg Regulation Charges	582	-	582
<b>Total Income</b>	<b>582</b>	<b>0</b>	<b>582</b>
<b>(Surplus) / Deficit</b>	<b>15</b>	<b>154</b>	<b>169</b>

The cumulative position on this account from 1999/00 - 2009/10 shows an overall surplus of £454,000. 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 2010, was as follows:-

	2009/10 £000	2008/09 £000
Basic Allowances	250	270
Special Responsibility Allowances	166	179
<b>Total Payment</b>	<b>416</b>	<b>449</b>

In addition to the above £15k was claimed for travel and subsistence in the year.

During 2009/10 £26k was recovered from Members in respect of overpayments for 2007/08 and 2008/09.

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

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 4. Officer Emoluments

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

Remuneration Band	2009/10		2008/09	
	Total	Left During Year	Total	Left During Year
£50,000 to £54,999	2	-	-	-
£55,000 to £59,999	3	-	3	-
£60,000 to £64,999	8	-	4	-
£65,000 to £69,999	-	-	-	-
£70,000 to £74,999	-	-	2	-
£75,000 to £79,999	1	-	1	-
£80,000 to £84,999	1	-	1	-
£85,000 to £89,999	-	-	-	-
£90,000 to £94,999	2	1	1	-
£95,000 to £99,999	-	-	-	-
£100,000 to £104,999	1	-	-	-
£105,000 to £109,999	-	-	1	1
£110,000 to £114,999	-	-	-	-
£115,000 to £119,999	-	-	-	-
£120,000 to £124,999	-	-	-	-
£125,000 to £129,999	-	-	-	-
£130,000 to £134,999	1	-	-	-
£135,000 to £139,999	-	-	1	-

### 5. Senior Officer Remuneration

An additional disclosure is required for Senior Officer's Remuneration (the Chief Executive and those reporting directly to the Chief Executive) included in Note 4, whose salary is more than £50,000 per year:-

Post Holder	2008/09				
	Salary (inc expense allowance)	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
Chief Executive	131,812	4,008	135,820	27,705	163,525
Director of Neighbourhood Services	83,753	6,299	90,052	19,240	109,292
Director of Customer and Community	78,351	1,451	79,802	16,249	96,051
Programme Director	83,319	-	83,319	17,339	100,658

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 5. Senior Officer Remuneration (cont.)

2009/10					
Post Holder	Salary (inc expense allowance)	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
Chief Executive	130,930	1,362	132,292	60,986 *	193,278
Director of Neighbourhood Services	84,568	6,582	91,150	19,421	110,571
Director of Customer and Community	78,132	1,902	80,034	16,249	96,283
Programme Director	78,011	-	78,011	16,249	94,260
Director of Internal Services	103,477	-	103,477	21,800	125,277

\* This includes £32,000 in respect of pension strain costs arising from the exercise of flexible retirement giving rise to future salary savings.

### 6. 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 2009/10 East Herts District Council incurred the following fees relating to external audit and inspection:

	2009/10 £000	2008/09 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	154	124
Fees payable to the Audit Commission in respect of statutory inspection	9	9
Fees payable to Grant Thornton for the certification of grant claims and returns	23	28
Fees payable to the Audit Commission in respect of the National Fraud Initiative	1	1
	<u>187</u>	<u>162</u>



# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 7. Fixed Assets

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

Cost or Valuation	As at 01/04/2009 £000	Additions £000	Disposals £000	Reclass- ifications £000	Revaluations £000	Total as at 31/03/2010 £000
Other Land & Buildings	65,520	3,715	(10,608)	-	299	58,926
Vehicles, Plant & Equip.	9,703	1,662	(36)	-	-	11,329
Software	1,799	439	-	-	-	2,238
Infrastructure	7,455	52	-	-	-	7,507
Community Assets	768	47	-	-	-	815
Intangible Assets	2	19	-	-	-	21
Investment Properties	12,685	16	(3,205)	-	-	9,496
	97,932	5,950	(13,849)	0	299	90,332

Depreciation & Impairment	As at 01/04/2009 £000	Charge for Year £000	Disposals £000	Revaluations £000	Total as at 31/03/2010 £000	Balance Sheet as at 31/03/10 £000
Other Land & Buildings	(16,286)	(933)	7,357	(5,859)	(15,721)	43,205
Vehicles, Plant & Equip.	(5,567)	(783)	22	-	(6,328)	5,001
Software	(1,290)	(328)	-	-	(1,618)	620
Infrastructure	(3,210)	(378)	-	-	(3,588)	3,919
Community Assets	(13)	(5)	-	-	(18)	797
Intangible Assets	(1)	-	-	-	(1)	20
Investment Properties	(734)	-	(60)	-	(794)	8,702
	(27,101)	(2,427)	7,319	(5,859)	(28,068)	62,264

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

	2009/10 £000
Additions in the year (as above)	5,950
less finance lease	-
	5,950
plus REFCUS (not included in note 7)	1,223
Total Capital Spend as per Note 8	7,173

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 8. 2009/10 Capital Expenditure

In 2009/10 capital expenditure of £7,172,514 was incurred as follows:

	<b>£000</b>
Housing	387
Renewal and Other Housing Grants	760
Information Technology	872
Community Grants	152
Leisure Centres and Swimming Pools	3,510
Other Leisure & Cultural Projects	374
Planning & Town Centre Schemes	150
Recycling & Environment	796
Other	172
	<u>7,173</u>

The capital expenditure programme is financed as follows:

FINANCED:	<b>£000</b>	CAPITAL EXPENDITURE:	<b>£000</b>
Government Grants	294	Fixed Assets	5,930
Revenue Financing	25	Intangible Assets	20
Capital Receipts	6,579	REFCUS	1,223
Other Contributions	275		
	<u>7,173</u>		<u>7,173</u>

The Council has reviewed its capital programme and there are no significant capital commitments in respect of individual projects at the balance sheet date. Commitments relating to existing schemes are not considered material in relation to the Council's overall Capital Programme.

### 9. Analysis of Number of Fixed Assets

	<b>31 March '10 (Nos.)</b>		<b>31 March '09 (Nos.)</b>	
Council Dwellings - Hostels	2		2	
- Houses	3		3	
Council Offices - Freehold	1		1	
- Leasehold	1		1	
Service Centre - Leasehold	1		1	
Cash Offices	2		2	
Off-Street Car Parks ( incl. Leasehold)	31		31	
Swimming Pools (including 3 joint-use pools)	5		5	
Parks and Recreation Grounds/Open spaces	187	HA	187	HA
Public Halls/Community Centres (incl leasehold)	9		9	
Commercial Property Rented Out	52	Units	52	Units
Land Awaiting Development	3	Acres	3	Acres

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 10. Investments

The Council's investments consist of:-

	31 March '10		31 March '09
	£000	£000	£000
<b>Long Term Investments</b>			
Other	8	8	8
<b>Temporary Investments</b>			
Loans to:			
Money Market Fund	34,697		33,355
Building Society Deposits	5,302		5,210
Bank Deposits	33,279		36,350
U.K. Treasury Securities			3,014
		73,278	
		73,286	77,937

The above investments include an allocation of £71.127m placed with External Fund Managers, the balance being managed internally.

See also Notes 34 and 36 to the Core Statements.

### 11. General Government Grants

This note provides a breakdown of general grants income by type of grant as shown on the face of the Income and Expenditure Account. The grants are used in support of the Council Tax.

	2009/10	2008/09
	£000	£000
Revenue Support Grant	1,527	990
Area Based Grant	23	22
Performance Reward Grant	217	-
<b>Total</b>	<b>1,767</b>	<b>1,012</b>

### 12. Finance Leases

The following values of assets are held under finance leases by the Council, accounted for as part of Tangible Fixed Assets:

	2009/10
	£000
<b>Land &amp; Buildings</b>	
Value as at 01 April 2009	1,100
Additions	-
Revaluations	-
Depreciation	-
Disposals	(1,100)
Value as at 31 March 2010	0

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

This deferred liability is offset by a long term debtor representing deferred consideration on disposal of the Causeway.

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 13. Operating Leases

The Council leases the Buntingford Service Centre, and a unit at Bircherley Green Hertford, Waitrose Car Park, & offices at Charrington House which have been accounted for as operating leases. The rentals payable in 2009/10 were £301,231 (2008/09 £215,000). This does not include an accrual of £101,000 made in respect of The Causeway Car Park for which payments are due to commence in 2011.

The Council 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 Council was committed at 31 March 2010 to making payments of £449,000 under operating leases in 2009/10, comprising the following elements:

	<b>2009/10</b>	<b>2008/09</b>
	<b>Other Land &amp; Buildings £000</b>	<b>Other Land &amp; Buildings £000</b>
Leases expiring 2011/12	5	5
Leases expiring in 5 to 15 years	137	-
Leases expiring in 15 to 20 years	210	210
Leases expiring in excess of 20 years	97	-
	<u>449</u>	<u>215</u>

With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases was £8,082,280 as at 31 March 2010. During the year one commercial unit together with our interest in a commercial office and car park was disposed off. The income receivable of £701,940 in 2009/10, comprised of the following elements:

	<b>Value £000</b>	<b>Income £000</b>
Shops	4,997	352
Offices & Industrial units	2,276	197
Miscellaneous	809	153
		<u>702</u>

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

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 14. Debtors

	<b>31 March '10</b>	<b>31 March '09</b>
	<b>£000</b>	<b>Restated</b>
		<b>£000</b>
Amounts falling due in one year		
Government Departments		
DWP	2	689
Dept for Communities & Local Government	1,885	1,061
HM Revenues & Customs	475	215
Council Tax Payers	512	456
NNDR Payers	23	17
HCC Council Tax	830	1,489
Police Council Tax	109	189
Trade Accounts Receivable	1,502	1,268
Other Debtors/Prepayments	1,628	1,264
	<hr/>	<hr/>
	6,966	6,648
Provision for doubtful debts:-		
Trade accounts	(390)	(315)
Council Tax	(141)	(118)
N N Domestic Rates costs	(6)	(4)
Council Tax costs	(30)	(29)
	<hr/>	<hr/>
	<u>6,399</u>	<u>6,182</u>

For aged breakdown of Trade Accounts Receivable see note 37, page 43.

### 15. Creditors

	<b>31 March '10</b>	<b>31 March '09</b>
	<b>£000</b>	<b>Restated</b>
		<b>£000</b>
Government Departments		
DWP	1,084	32
HM Revenues & Customs	282	282
HCC Superannuation Fund	207	211
Council Taxpayers	87	55
Trade Accounts Payable	3,011	3,532
Other Creditors/Receipts in Advance	647	901
	<hr/>	<hr/>
	<u>5,318</u>	<u>5,013</u>

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 16. Borrowing

Source of Loan	Range of interest rates payable (%)	Total outstanding	
		31 March '10 £000	31 March '09 £000
Public Works Loan Board	8.875 - 10.125	1,521	1,922
Bonds	8.785	6,189	6,189
		<u>7,710</u>	<u>8,111</u>
An analysis of loans by maturity is:-			
		£000	£000
Maturing within one year		-	401
Maturing in 1-2 years		-	-
Maturing in 2-5 years		-	-
Maturing in 5-10 years		-	-
Maturing in 10-15 years		6,189	6,189
Maturing in 40-45 years		1,521	1,521
		<u>7,710</u>	<u>8,111</u>

Also see notes 34 and 36 to the Core Statements.

### 17. 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	2009/10 Sec 106 £000	Total £000
Balance as at 1 April	48	404	452
Movements in the year	(20)	(108)	(128)
Balance as at 31 March	<u>28</u>	<u>296</u>	<u>324</u>

### 18. Local Area Agreements

A Local Area Agreement (LAA) is a three year agreement (2006-09) between Government Office for the area and a local strategic partnership (LSP) representing the local authorities, other public, private, voluntary and community interests for the area, in defined areas of activity. The partners are :-

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 18. Local Area Agreements (cont.)

- Local government bodies: Hertfordshire County Council, Broxbourne Borough Council, Dacorum Borough Council, East Hertfordshire District Council, Hertsmere Borough Council, North Hertfordshire District Council, St Albans City and District Council, Stevenage Borough Council, Three Rivers District Council, Watford Borough Council and Welwyn Hatfield Borough Council
- Community protection authorities: Hertfordshire Police Authority and Hertfordshire Constabulary
- Health bodies: East and North Hertfordshire Primary Care Trust and West Hertfordshire Primary Care Trust.
- Learning bodies: Learning and Skills Council Hertfordshire, University of Hertfordshire and Further Education Consortium
- Public, private and for not-for-profit sectors: Exemplas Limited, Hertfordshire Chamber of Commerce & Industry, Hertfordshire Careers Services, Connexions and Councils for Voluntary Service.

Hertfordshire County Council acts as the 'accountable body' for the Hertfordshire Local Area Agreement. In 2009/10 East Hertfordshire District Council received income of £217k for both revenue and capital funding in respect of Performance Reward Grant. An additional £98,773 was received in respect of Safer Stronger Communities funding. (2008/09 £101,963).

### 19. Usable Capital Receipts

	<b>2009/10 £000</b>
Balance as at 1 April	11,251
Usable Proportion of Capital Receipts	
Received in Year	2,956 *
Applied in Year	
- capital financing	(6,578)
- pooling	(15)
Balance as at 31 March	<u>7,614</u>

\* includes £2.35m net receipt as a result of the Causeway transactions

### 20. 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.

	<b>31 March '10 £000</b>	<b>31 March '09 £000</b>	<b>Movement in year £000</b>
Government Grants	2,415	2,900	(485)
Third Party Contributions	1,816	1,056	760
	<u>4,231</u>	<u>3,956</u>	<u>275</u>

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 21. 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 '10 £000	31 March '09 £000	Movement in year £000
Provisions	57	42	15
	<u>57</u>	<u>42</u>	<u>15</u>

### 22. Other Reserves

	Balance 31 March '10 £000	Balance 31 March '09 £000	Net Movement in Year £000
General Fund	(3,854)	(3,854)	0
General Reserve	(2,769)	(2,536) *	(233)
Interest Equalisation Reserve	(1,185)	(2,204)	1,019
Insurance Fund	(10)	(34)	24
Emergency Planning Reserve	(37)	(37)	0
VAT Partial Exemption Reserve	(145)	(145)	0
Service Improvement Fund	(795)	(899)	104
LDF / Green Belt Review Reserve	(363)	(142)	(221)
Housing Condition Survey Reserve	(23)	(28)	5
Council Elections Reserve	(50)	(25)	(25)
Alternative Refuse Collection Reserve	0	(128)	128
LABGI Reserve	(316)	(461)	145
Sinking Fund - Leisure utilities / pension reserve	(60)	0	(60)
Restructure Fund	(33)	0	(33)
Legal Fees Reserve	(31)	0	(31)
Performance Reward Grant reserve	(217)	0	(217)
Pension Strain Costs Reserve	(158)	0	(158)
Waste Recycling Reserve	(275)	0	(275)
	<u>(10,321)</u>	<u>(10,493)</u>	<u>172</u>

\* Adjusted for transfer to LABGI Reserve 1.4.09

General Fund	- a risk assessed minimal level of non-earmarked Balance that the Council has determined should be held.
General Reserve	- this reserve is available to support General Fund activities (Capital and Revenue).
Interest Equalisation Reserve	- this reserve was established at 31 March 2006 to assist the Council in managing the financial implications of adverse interest rate fluctuations. A planned appropriation of £1.3m was made from the reserve in 2009/10.
Insurance Fund	- this fund has been established to support the Council's insurance and risk management processes and funding of small claims arising due to uninsured losses.
Emergency Planning Reserve	- this reserve has been set up in order to facilitate arrangements in the future and support the work of an Emergency Planning Officer Group that has been established within the Council.
VAT Partial Exemption Reserve	- see note 23 on page 32.
Service Improvement Reserve	- this reserve has been established as a means of financing "one-off" initiatives that will deliver efficiencies and service improvements in the medium term.



# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 22. Other Reserves (cont.)

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

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

Following the necessitated reprofiling of the Council's Alternate Refuse Collection arrangements into 2009/10 the Council has established a further earmarked Reserve in order to fund costs related to this Service enhancement. This was fully utilised in 2009/10 as planned.

During 2009/10 further reserves have been established as set out below;

Local Authority Business Growth Incentives (LABGI) Reserve	The balance of unapplied grant has been transferred to an earmarked reserve from the General reserve at 1st April 2009. The Council's MTFP anticipates the application of these funds to support the economic development service and the general Council Tax.
Sinking Fund - Leisure Utilities and pension	Further to the Council awarding a new leisure contract to Sports and Leisure Management from January 2009 the Council has provided guarantees in respect of both utilities and employers pension costs. The reserve will be used to meet any calls on the Council to make payments under the guarantees in the event that either utility prices and/or employers pension contributions (on a cash rather (FRS15 basis) increase by more than general indexation as provided for under the contract.
Restructure Fund	A small reserve of £33k has been created in order to assist the Council in meeting any future requirements in support of organisational structural change.
Legal Fees Reserve	A reserve of £50k was established at 1 April 09 in order to assist in meeting legal costs including tribunals as well as enabling the provision of staff cover for maternity leave in the legal section. £19k has been applied in 2009/10.
Performance Reward Grant Reserve	The Council has received revenue grant funding in respect of the Local Area Agreement ( Performance Reward Grant) totalling £217k in 2009/10. In line with the planned use of the funding stream to support the Council Tax 2010/11 and 2011/12 and includes sums set aside to be released on approval of schemes by the Local Strategic Partnership. Further sums may become available dependent on government spending decisions not finalised at June 2010.
Pension Strain Costs Reserve	In line with Council decisions relating to flexible and early retirements an earmarked reserve has been created in the sum of £158k at 31 March 2010. This sum represents the outstanding pension strain costs arising from decisions taken prior to 31 March 2010.

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 22. Other Reserves (cont.)

#### Waste Recycling Reserve

Further to the receipt of additional income of £275k under the county wide funding formula for waste recycling the Council determined to establish an earmarked reserve to assist with future initiatives in respect of its waste and recycling strategies. Release of the reserve is dependent on the Council's acceptance of a worked up business case for any initiative in the light of the re-letting of the waste collection contract.

### 23. 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.

### 24. Capital Adjustment Account

This reserve was created on 1 April 2007 when the Capital Financing Account and Fixed Asset Restatement Account were de-recognised.

	2009/10 £000	2008/09 £000
Balance as at 1 April	100,984	115,539
Disposal of Fixed Assets	1,859	(353)
Financing of Fixed Assets	25	25
Capital Receipts Applied	6,578	3,462
Write down on Deferred Government Grants	609	752
Write down on REFCUS	(1,223)	(2,516)
Revaluation	-	30
Impairment and Depreciation of Fixed Assets	(7,809) *	(15,955)
Balance as at 31 March	<u>101,023</u>	<u>100,984</u>

\* Includes £96k depreciation on a revalued asset.

### 25. Revaluation Reserve

The Revaluation Reserve is a new account established in the accounts as at 1 April 2007, replacing the Fixed Asset Restatement Account. It was established with a zero opening balance and records the unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets. It also records impairment losses where there has been a previous accumulated gain for that asset

	2009/10 £000	2008/09 £000
Balance as at 1 April	(6,656)	(3,689)
Revaluation Gains	(299)	(3,347)
Impairment losses	379	350
Disposal of assets	1,360	30
Increased valuation depreciation	97	-
Balance as at 31 March	<u>(5,119)</u>	<u>(6,656)</u>

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 26. 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. The Hertfordshire County Council are a related party in respect of various transactions including pensions contributions and precepts. Additionally they act as the "accountable body" for the Hertfordshire Local Area agreement the transactions for which are shown on Page 28, Note 18.

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 27 within notes 14 & 15.

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 27. Pension Scheme

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

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

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

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Income & Expenditure Account:		
Net Cost of Services:		
Current service cost	(1,005)	(1,026)
Non Distributed Costs	(242)	(744)
Net Operating Expenditure:		
Interest cost	(4,424)	(4,616)
Expected returns on assets in the scheme	2,862	4,346
Costs charged against Income & Expend. Account	(2,809)	(2,040)
Amounts to be met from Government Grants & Local taxation:		
movement on the pensions reserve	835	(20)
Actual amount charged against council tax for pensions in the year:		
Employers contributions payable to scheme	<u>(1,974)</u>	<u>(2,060)</u>

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

Reconciliation of present value of the scheme liabilities:

	<b>31 March '10</b>	<b>31 March '09</b>
	<b>£000</b>	<b>£000</b>
1 April	64,699	67,273
Current Service Cost	1,005	1,224
Interest Cost	4,424	4,616
Contributions by scheme participants	610	605
Actuarial gains and losses	34,188	(5,632)
Benefits paid	(3,053)	(2,826)
Past service costs/curtailments	242	470
Liabilities extinguished on settlements	-	(1,031)
31 March	<u>102,115</u>	<u>64,699</u>

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 27. Pension Scheme (cont)

Reconciliation of fair value of the scheme assets:

	<b>31 March '10</b>	<b>31 March '09</b>
	<b>£000</b>	<b>£000</b>
1 April	46,757	61,676
Expected rate of return	2,862	4,346
Actuarial gains and losses	10,897	(17,997)
Employer contributions	1,974	2,258
Contributions by scheme participants	610	605
Benefits paid	(3,053)	(2,826)
Assets distributed on settlements	-	(1,305)
31 March	<u>60,047</u>	<u>46,757</u>

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

The actual return on scheme assets in the year was £14,859,000 (2008/09 £14,777,000).

Scheme history

	<b>31 March '10</b>	<b>31 March '09</b>	<b>31 March '08</b>	<b>31 March '07</b>	<b>31 March '06</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of liabilities	(102,115)	(64,699)	(67,273)	(81,005)	(80,957)
Fair value of assets	60,047	46,757	61,676	66,648	60,500
Surplus/(deficit) in the scheme	<u>(42,068)</u>	<u>(17,942)</u>	<u>(5,597)</u>	<u>(14,357)</u>	<u>(20,457)</u>

The Council has elected not to restate fair value of schemes from mid-market to bid price for 2005/06 as permitted by FRS 17 (as revised). On the basis of immateriality, as advised by the actuary, 2006/07 and 2007/08 have also not been restated.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £102,115m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £42,068m.

The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the pension scheme by the authority in the year to 31 March 2011 is £1,890m.

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 27. Pension Scheme (cont)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Hertfordshire County Council Fund being based on the latest full valuation of the scheme as at 1 April 2007.

The principal assumptions used by the actuary have been:

	31 March '10		31 March '09	
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.8%		7.0%	
Bonds	5.0%		5.4%	
Other	10.6%		8.9%	
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	22.7	years	21.4	years
Women	26.1	years	24.3	years
Longevity at 65 for future pensioners				
Men	24.8	years	22.5	years
Women	28.3	years	25.4	years
Rate of inflation/ Pension increase	3.8%		3.1%	
Rate of increase in salaries	5.3%		4.6%	
Rate for discounting scheme liabilities	7.0%		6.9%	
Take up option to convert annual pension into retirement lump sum for pre April 2008 service	50%		50%	
Take up option to convert annual pension into retirement lump sum for post April 2008 service	75%		0%	

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

	31 March '10	31 March '09
	%	%
Equity investments	71	67
Bonds	19	19
Other assets	10	14
	<u>100</u>	<u>100</u>

History of experience gains and losses

	31 March'10	31 March'09	31 March'08	31 March'07	31 March '06
	%	%	%	%	%
Differences between the expected and actual return on assets	19.98	(40.90)	(13.70)	1.39	15.90
Experience gains and losses on liabilities	0.00	0.02	8.89	(0.03)	0.00

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 28. 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.

Revenue Balances	2009/10		2008/09
	£000	£000	£000 Restated
Deficit - I & E Account	5,946		15,654
		5,946	
<b>Non-Cash Transactions</b>			
Reversal of capital financing transactions	(7,297)		(15,561)
Movement in Pension Reserve	(835)		20
		(8,132)	(15,541)
<b>Adjustment for items in another classification in the Cashflow statement</b>			
Interest	(4)		(9)
Gain on disposal of fixed assets	3,455		515
Council Tax / NNDR liquid resources	(5,706)		(4,753)
		(2,255)	(4,247)
<b>Other Items</b>			
Increase / (Decrease) in Sundry Debtors	218		(209)
(Increase) / Decrease in Sundry Creditors	354		688
Increase / (Decrease) in Others	202		(208)
		774	271
<b>Net Cash Outflow from Revenue Activities and Servicing of Finance</b>		<b>(3,667)</b>	<b>(3,863)</b>

### 29. Analysis of Cash Balance

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

	Balance 31 March '10 £000	Balance 31 March '09 £000	Movement in year £000
Cash Overdrawn	(2,538)	(934)	(1,604)
Temporary Investments available on demand	2,161	2,026	135
	<b>(377)</b>	<b>1,092</b>	<b>(1,469)</b>

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 30. 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 '10 £000	31 March '09 £000
Temporary Investments	73,278	72,816
Long Term Investments reclassified	-	5,113
Less Investments available on demand	(2,161)	(2,026)
	<u>71,117</u>	<u>75,903</u>
Liquid Resources	<u>71,117</u>	<u>75,903</u>

### 31. 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 decrease 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 '10 £000	Balance 31 March '09 £000	Movement in year £000
<b>Long Term Borrowing :</b>			
Public Works Loan Board	(1,521)	(1,521)	0
Bonds	(6,189)	(6,189)	0
Repayable within 12 months :			
Public Works Loan Board	0	(401)	401
<b>Temporary Borrowing</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Borrowing</b>	(7,710)	(8,111)	401
<b>Less Temporary Investments</b>	71,117	75,903	(4,786)
	<u>63,407</u>	<u>67,792</u>	<u>(4,385)</u>



# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 32. 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 29 and 31. The reconciliation of net cash flow to movement in net funds is as follows:-

	2009/10 £000	2008/09 £000
Net (Increase) / Decrease in cash in year	1,469	3,298
Cash inflow from (increase) / decrease in liquid resources	4,385	(1,915)
Reclassification from Long Term Investments	0	(5,113)
	5,854	(3,730)
Net Funds as at 1 April	(68,884)	(65,154)
	(63,030)	(68,884)

#### Analysis of Net Funds

	2009/10 £000	2008/09 £000
Long Term Borrowing	(7,710)	(7,710)
Temporary Borrowing	0	(401)
Temporary Investments	71,117	75,903
Temporary Investments on demand	2,161	2,026
Cash Overdrawn	(2,538)	(934)
	63,030	68,884

### 33. Analysis of Other Government Grants

	2009/10		2008/09
	£000	£000	£000
DWP			
Housing Benefits			
Rent Allowance Subsidy	26,477		20,728
Admin Subsidy	796		724
Council Tax Benefits Subsidy	7,310		5,541
Other	805		437
		35,388	27,430
Dept for Communities & Local Govt			
Planning Delivery Grant	375		141
Performance Reward Grant	217		0
LABGI	88		508
Other	169	849	576
		198	261
Other		198	261
		36,435	28,916

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 34. Financial Instruments Balances

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

	Long Term		Current	
	31 March '10 £000	31 March '09 £000	31 March '10 £000	31 March '09 £000
<b>Borrowing</b>				
Financial Liabilities at amortised cost	12,811	7,710	6,685	6,261
<b>Total Borrowing</b>	<b>12,811</b>	<b>7,710</b>	<b>6,685</b>	<b>6,261</b>
<b>Investments</b>				
Loans and Receivables	7,385	55	7,255	12,367
Available for Sale Financial Assets	0	0	70,062	68,309
<b>Total Investments</b>	<b>7,385</b>	<b>55</b>	<b>77,317</b>	<b>80,676</b>

See also Notes 10 and 16 to the Core Statements.

### Available for Sale Reserve

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

The table below sets out the transactions for the year

	2009/10 £000
Balance brought forward	463
Net unrealised gain on investments	0
Realised gain to Revenue	(463)
Balance carried forward	0

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 35. Financial Instruments Gains / Losses

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

2009/10	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £000	Loans and Receivables £000	Available for Sale Assets £000	
Interest Expense	(679)	-	-	(679)
Realised losses	-	-	-	0
<b>Interest Payable and Similar Charges</b>	<b>(679)</b>	<b>0</b>	<b>0</b>	<b>(679)</b>
Interest Income	-	117	502	619
Realised Gains	-	-	1,862	1,862
<b>Interest and Investment Income</b>	<b>0</b>	<b>117</b>	<b>2,364</b>	<b>2,481</b>
Gains on revaluation	-	-	-	0
Impairments taken to I & E	-	-	-	0
<b>Loss arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Gain / (Loss) for year</b>	<b>(679)</b>	<b>117</b>	<b>2,364</b>	<b>1,802</b>

2008/09	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £000	Loans and Receivables £000	Available for Sale Assets £000	
Interest Expense	(709)	-	-	(709)
Realised losses	-	-	-	0
<b>Interest Payable and Similar Charges</b>	<b>(709)</b>	<b>0</b>	<b>0</b>	<b>(709)</b>
Interest Income	-	876	1,817	2,693
Realised Gains	-	-	2,333	2,333
<b>Interest and Investment Income</b>	<b>0</b>	<b>876</b>	<b>4,150</b>	<b>5,026</b>
Gains on revaluation	-	-	463	463
Impairments taken to I & E	-	-	-	0
<b>Loss arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>463</b>	<b>463</b>
<b>Net Gain / (Loss) for year</b>	<b>(709)</b>	<b>876</b>	<b>4,613</b>	<b>4,780</b>

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

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

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

- PWLB has provided the Fair Value Calculation for their loans.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:

	31st March 2010		31st March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>	19,496	23,428	13,971	18,250

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

	31st March 2010		31st March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Loans and Receivables *</b>	13,567	13,360	11,434	11,501

The fair value is lower than the carrying amount because the Council's long term debtors includes a debtor where the discount factor lowers the value of the payment to that at balance sheet date. The value placed upon it is the amount the authority would receive if it agreed to early repayment of the debt.

Also see notes 10 and 16 to the Core Statements.

\* Excludes fund managers cash included within note 34.

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

### 37. Nature and Extent of Risks arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council in the annual Treasury Strategy Statement specifies the counterparty to be used and the the priority is the security of the capital. It also sets out the borrowing requirement, prospects on interest rates and exposure limits. (This document is available on our website [www.eastherts.gov.uk](http://www.eastherts.gov.uk)).

#### 1 Credit Risk

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

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

	Long Term Rating	Short Term Rating	Limits per category £000s	Amounts as @ 31.3.10 £000s	Historical Experience Default
UK Treasury	AAA	F1	No limit	0	0
Euro Investment Bank	AAA	F1	5,500	1,703	0
UK Banks	AA	F1	22,000	15,097	0
Finnish Bank	AA	F1	5,500	4,304	0
Spanish	AA	F1	11,000	8,305	0
Building Societies	AA	F1	5,500	5,301	0
German bank	A	F1	5,500	2,800	0
SWIP Money Market Funds	AAA		No limit	34,697	0
SWIP Cash Fund	AAA		No limit	1,071	0
				<u>73,278</u>	

#### Accounts Receivable

The Council does not generally allow credit facilities to customers in relationship to debts. The table recognises the changes in accounting arrangements for Council Tax and National Non Domestic Ratepayers. (See note 30, page 13.) There is a long term debtor of £7,350,000 shown as more than one year as payment is not due until 16 October 2011.

The past due amount can be analysed by age as follows: (see policy 28, page 11)

	31 March '10 £000's	31 March '09 £000's
Less than three months	491	708
Three months to six months	129	83
Six months to one year	446	376
More than one year	8,299	557
	<u>9,365</u>	<u>1,724</u>

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

#### 2 Liquidity Risk

The Council has ready access to borrowing from the Public Works Loans Board, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council reviews its borrowing requirements as part of its annual Treasury Management strategy in order to optimise financial performance and reduce exposure to interest rate risk. This includes safeguards that if borrowing is undertaken then the maturity profile would be monitored to alleviate any future funding problems in any one year. As no new borrowings have been entered into in recent years this has not been relevant. (see note 16, page 28).

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

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

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

#### 3 Market Risk

##### Interest rate risk

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

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

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

The Council has a number of strategies for managing interest rate risk. Current policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans, all borrowing at 31 March 2010 was fixed rate. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates of the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to manage the budgets during the year. This allows any adverse changes to be accommodated. The strategy will also consider new borrowing opportunities.

The Council has established an Interest Equalisation Reserve (£1.185m) in order to assist in managing interest rate fluctuations.

Based on the current Treasury Management position at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'(000)</b>
Increase in interest payable on variable rate borrowings	no variable borrowings
Increase in interest receivable on variable rate investments	22
Increase in government grant receivable for financing costs	de-minimis
Impact on Income and Expenditure Account	<u>22</u>
Decrease in fair value of fixed rate investment assets (impact on STRGL)	<u>174</u>
Decrease in fair value of fixed rate borrowing liabilities (no impact on I+E Account or STRGL)	<u>768</u>

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

The dramatic fall in interest rates in the second half of the financial year did not result in a fall in the original budgeted investment earnings for 2009/10. This was due to the type of investments and the financial position taken by the Fund Managers.

# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE CORE STATEMENTS

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

#### **4 Price Risk / Foreign Exchange Risk**

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

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

### **38. Authorisation and Issue**

The accounts were authorised for issue to members on 18th June 2010 by the Chief Finance Officer.

### **39. Post Balance Sheet Event**

### **40. Collection Fund Adjustment Account**

Following the change in accounting practices (see policy note 30) the balance on the Collection Fund Adjustment account represents the difference between the income included in the I & E account and the amount required by regulation to be credited to the General Fund and is included as a reconciling item in the Statement of Movement on the General Fund Balance.

# STATEMENT OF ACCOUNTS 2009/10

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

		2009/10	2008/09
		£000	£000
<b>INCOME</b>			
Council Tax	<i>Note 2</i>	78,662	76,246
Transfers from General Fund - Council Tax Benefits	<i>Note 2</i>	6,722	5,760
Income collectable from business ratepayers	<i>Note 3</i>	39,998	39,292
Contribution towards previous years deficit		898	136
		<u>126,280</u>	<u>121,434</u>
<b>EXPENDITURE</b>			
Precepts and Demands	<i>Note 4</i>	85,267	82,676
Business Rate			
- Payment to National Pool	<i>Note 3</i>	39,793	39,088
- Costs of Collection	<i>Note 3</i>	205	204
Bad Debt Provision - Increase: Council Tax		221	225
		<u>125,486</u>	<u>122,193</u>
<b>MOVEMENT ON FUND</b>			
Net Income/Expenditure		(794)	759
Balance as at 1 April		1,005	246
Deficit as at 31 March	<i>Note 5</i>	<u>211</u>	<u>1,005</u>



# STATEMENT OF ACCOUNTS 2009/10

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. General

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

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

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

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

From 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year

In line with this change of accounting policy (see policy note 30) the Council's accounts now reflect its recognised position as agent acting on behalf of the major precepting authorities and the Government.

### 2. Council Tax

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

Band	Estimated No. of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	689.75	6/9	459.83
B	4,813.50	7/9	3,743.83
C	12,679.75	8/9	11,270.89
D	13,217.75	9/9	13,217.75
E	9,472.75	11/9	11,577.81
F	6,598.50	13/9	9,531.17
G	4,873.25	15/9	8,122.08
H	683.25	18/9	1,366.50
	<u>53,028.50</u>		<u>59,289.86</u>

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

(1,555.29)

2009/10 Estimated Council Tax Base

57,734.57

#### Tax Collection

**£000**

09/10 Tax Base of 57,734.57 x £1,476.88 (Average Band D Charge)

85,267 Estimated Tax Due

09/10 Council Tax Income (including Council Tax Benefits)

85,384 Actual Tax Income

(117) Surplus

This surplus is explained by movements in the tax base.

The actual Tax Base for 2009/10 equates to

57,813.55

This compares to an estimated Tax Base for 2010/11 of

57,790.62

# STATEMENT OF ACCOUNTS 2009/10

## 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 2009/10 was 48.5p. 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 £100.794 million.

The amounts included in the accounts for 2009/10 can be analysed as follows:

	<b>£000</b>
Gross rates payable in respect of 2009/10	40,539
Less allowances and other adjustments	<u>(541)</u>
Income collectable from business ratepayers	39,998
Less Costs of Collection	<u>(205)</u>
Payable to national NNDR pool	<u><u>39,793</u></u>

### 4. Precepts and Demands

	<b>£000</b>
East Hertfordshire District Council	12,426
Hertfordshire County Council	64,595
Police Authority	8,246
	<u>85,267</u>

### 5. Balance on Fund

The balance on the Collection Fund as at 31 March 2010 is represented by:-

	<b>£000</b>
Deficit on Council Tax element of the Fund	211
	<u>211</u>

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

	<b>£000</b>
East Hertfordshire District Council	31
Hertfordshire County Council	159
Police Authority	21
	<u>211</u>

**STATEMENT OF ACCOUNTS 2009/10**

**ANNUAL GOVERNANCE STATEMENT**

# STATEMENT OF ACCOUNTS 2009/10

## 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 a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

Signed .....

Dated .....

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

Signed .....

Dated .....

**Councillor A Dodd**  
**Chairman of the Council**

# STATEMENT OF ACCOUNTS 2009/10

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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## EAST HERTFORDSHIRE DISTRICT COUNCIL

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Signed

  
.....

Dated

*18 June 2010*  
.....

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

Signed

.....

Dated

.....

**Councillor A Dodd**  
**Chairman of the Council**

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