



STATEMENT OF ACCOUNTS

2005/2006

THREE RIVERS DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2005/2006

EXPLANATORY FOREWORD

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The Council's Statement of Accounts contains the following:

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Purpose of the Statement of Accounts

The purpose of the Statement of Accounts is to give interested parties an understanding of the Council's financial position. It also provides an opportunity to compare how the Council performed financially against its original plan published when setting the budgets in February 2005.

Revenue Activities in 2005/06

The table below compares the original budget for the year against the out-turn:

Consolidated Revenue Account	2005/2006	2005/2006	2005/2006	2005/2006	2005/2006
	Original	Original	Actual	Actual	Variance
	Estimate	Estimate	Out-turn	Out-turn	Net
	Gross	Net	Gross	Net	Net
	£	£	£	£	£
Highways & Transportation	2,557,550	2,243,180	2,453,012	2,139,714	(103,466)
Planning & Economic Development	2,182,970	1,375,650	2,469,662	1,520,127	144,477
Leisure	3,774,370	2,440,730	3,879,459	2,425,831	(14,899)
Waste Collection & Disposal	3,652,250	3,008,200	3,430,531	2,660,602	(347,598)
Environmental Health	1,448,690	1,104,370	1,356,574	959,300	(145,070)
Other Environmental Services	138,110	91,850	191,596	147,679	55,829
Housing: Housing Revenue Account	29,151,790	14,287,850	28,811,922	13,475,549	(812,301)
Housing: Other Services	1,223,310	778,940	1,244,604	803,263	24,323
Corporate and Democratic Core	1,900,940	1,900,940	1,905,842	1,905,842	4,902
Local Tax Collection	913,130	653,620	978,849	689,010	35,390
Housing Benefits	17,524,910	462,720	17,660,551	52,441	(410,279)
Central Support Services	87,540	0	123,185	0	0
Other Services	1,231,280	799,180	1,329,343	911,626	112,446
Cost of Services	65,786,840	29,147,230	65,835,130	27,690,984	(1,456,246)
Adjustment for Capital Charges		(18,482,650)		(17,092,908)	1,389,742
Adjustment for Pensions		404,030		(47,589)	(451,619)
Net Interest		(1,058,310)		(1,491,766)	(433,456)
Revenue Contribution To Capital		1,500,000		1,010,265	(489,735)
Net Transfer from HRA		91,170		587,203	496,033
Net Transfers to Reserves/Provisions		0		(4,481)	(4,481)
Deficit(-)/Surplus for Year		(995,721)		(45,959)	949,762
Three Rivers DC Budget	65,786,840	10,605,749	65,835,130	10,605,749	0
Parish Councils' Net Budget	914,798	914,798	914,798	914,798	0
Total Budget Requirement	66,701,638	11,520,547	66,749,928	11,520,547	0
Collection Fund Adjustment		17,193		17,193	0
Government Grants		(4,908,351)		(4,908,351)	0
Total Charge to Taxpayers		6,629,389		6,629,389	0

These transactions represent the day to day income and expenditure of the Council. The Council budgeted for a deficit of £995,721, to be met from balances. The out-turn resulted in a deficit of £45,959, a difference of £949,762 or 1.4% of gross budgeted expenditure.

The table below further analyses the variances between the out-turn and original estimate.

- Within the Consolidated Revenue Account is a 'ringfenced' Housing Revenue Account (HRA) reflecting the activities of the Council as landlord (see page 28). The HRA balance at 31 March 2006 was £2.810m. This was £1.033m more than anticipated when setting the original budget. Of this £0.537m resulted from the 2004/05 out-turn. The remaining £0.496m resulted almost entirely from not making the revenue contribution to capital expenditure of £0.500m that had been originally estimated. Other sources of capital finance were used to fund the HRA capital programme.

- Capital charges varied due to changes in the method of valuation of buildings and rephasing of capital expenditure.
- The original budget for employer's pension contributions was prepared on the basis of information supplied by the Fund Actuaries in May 2004. The out-turn figures take account of an amended actuarial valuation. (See Note 1 to the Consolidated Revenue Account and Note 18 to the Consolidated Balance Sheet).
- Internal recharges reflect the costs to front line services of central services (e.g. lawyers, accountants, and accommodation). The out-turn figures may vary from the original estimate as a result of, for example, a more accurate or current apportionment of time spent by central services in support of the front line services.
- Having adjusted for the items above there remain cash variances. The most significant of these were increased interest income (£336k), savings on waste collection (£252k), and greater housing benefit income (£421k) comprising increased benefit grant (£230k) and improved recovery from benefit fraud (£191k).

	HRA	Capital Charges	FRS17 Pensions	Internal Recharges	Cash Variances	Total Variances
	£	£	£	£	£	£
Highways & Transportation	0	(17,510)	0	24,649	(110,605)	(103,466)
Planning & Economic Dev't	0	(21,180)	56,648	(32,393)	141,402	144,477
Leisure	0	(120,730)	30,224	(5,774)	81,381	(14,899)
Waste Collection & Disposal	0	(60,420)	49,300	(84,856)	(251,622)	(347,598)
Environmental Health	0	(11,070)	25,073	(1,695)	(157,378)	(145,070)
Other Environmental Services	0	0	16,211	28,352	11,266	55,829
Housing: Housing Revenue Acc	(812,301)	0	0	0	0	(812,301)
Housing: Other Services	0	(55,656)	61,137	95,822	(76,980)	24,323
Corporate and Democratic Core	0	8,470	0	15,193	(18,761)	4,902
Local Tax Collection	0	0	11,188	(31,085)	55,287	35,390
Housing Benefits	0	0	18,787	(8,490)	(420,576)	(410,279)
Central Support Services	0	(175,172)	128,894	10,488	35,790	0
Other Services	0	9,820	23,930	(15,143)	93,839	112,446
Cost of Services	(812,301)	(443,448)	421,392	(4,932)	(616,957)	(1,456,246)
Adjustment for Capital Charges	944,362	445,380	0	0	0	1,389,742
Adjustment for Pensions	(30,227)	0	(421,392)	0	0	(451,619)
Net Interest	(97,867)	0	0	0	(335,589)	(433,456)
Revenue Contrib'n To Capital	(500,000)	0	0	0	10,265	(489,735)
Net Transfer from HRA	496,033	0	0	0	0	496,033
Net Transfer from Reserves	0	0	0	0	(4,481)	(4,481)
(Deficit)/Surplus	0	(1,932)	0	4,932	946,762	949,762
Total Variances	0	0	0	0	0	0

The closing General Fund balance was £1.920m more than anticipated when setting the original budget. This arose from:-

- higher balances of £0.970m resulting from the 2004/05 out-turn, and,
- the 'in year' variances of £0.950m explained above, of which £0.584m was identified as part of the budget monitoring process during the year.

This meant that of the £1.920m increased balance, £1.554m was factored into the three year medium term financial plan when setting the council tax for 2006/07 in February 2006.

	Original Budget	Revised Budget	Actual Out-turn	Original to Actual Variance
	£	£	£	£
General Fund Balance				
Opening Balance 1 April 2005	3,862,052	4,832,096	4,832,096	970,044
Surplus/Deficit(-) for Year	(995,721)	(411,301)	(45,959)	949,762
Closing Balance 31 March 2006	2,866,331	4,420,795	4,786,137	1,919,806

Capital Activities in 2005/06

Capital expenditure can be defined as that which benefits the community over a number of years. Recently, the Council has experienced difficulty in completing its planned capital programme.

It was originally planned to complete new schemes valued at £7.5m in 2005/06, but to this was added £5.0m rephased from 2004/05. The Council completed and funded £9.6m worth of work in 2005/06. The charts on page v show the types of expenditure and how it was financed. Capital expenditure by service is shown below.

	New Schemes 2005/06 £	Rephased From 2004/05 £	Total Programme £	Actual Out-turn £	Variance £
Improvements to the Council's Housing Stock	4,369,000	2,126,640	6,495,640	5,489,346	(1,006,294)
Private Sector Housing	374,000	395,680	769,680	367,764	(401,916)
Environment	469,200	363,690	832,890	786,557	(46,333)
Leisure	1,155,540	1,298,050	2,453,590	1,508,082	(945,508)
Public Services & Health (inc Waste Collection)	421,400	134,000	555,400	395,825	(159,575)
Administration & Buildings Maintenance	336,760	92,050	428,810	301,408	(127,402)
Information & Communication Technology	401,850	594,880	996,730	775,400	(221,330)
Total	7,527,750	5,004,990	12,532,740	9,624,382	(2,908,358)

The highest capital spend was on the Council's housing stock. Work continued on the pavilion replacement programme in order to enhance leisure facilities and improve access for the disabled. Further investment was made to achieve waste minimisation targets and the Council has continued to invest in information and communication technologies.

The variances totalling £2.9m include:-

- (a) additional expenditure of £0.1m approved by the Council, and,
- (b) £3.0m rephased to be completed in 2006/07, of which £2.8m was identified as part of the budget monitoring process during the year.

Measures have been taken by the Council to ensure that its rephased programme is properly resourced. A programme has been set for 2006/07 at a level that should enable new schemes and rephased schemes to be completed and preparatory work on 2007/08 schemes to commence. This should address the delay and rephasing of schemes that has characterised the programme in recent years.

During the year the Council disposed of council houses under the Right to Buy legislation for £3.0m. Under the transitional arrangements for pooling capital receipts (see 'Capital Expenditure and its Funding' below) £1.1m of this was paid to the government after an allowance for administrative expenses.

Significant Matters in the Accounts

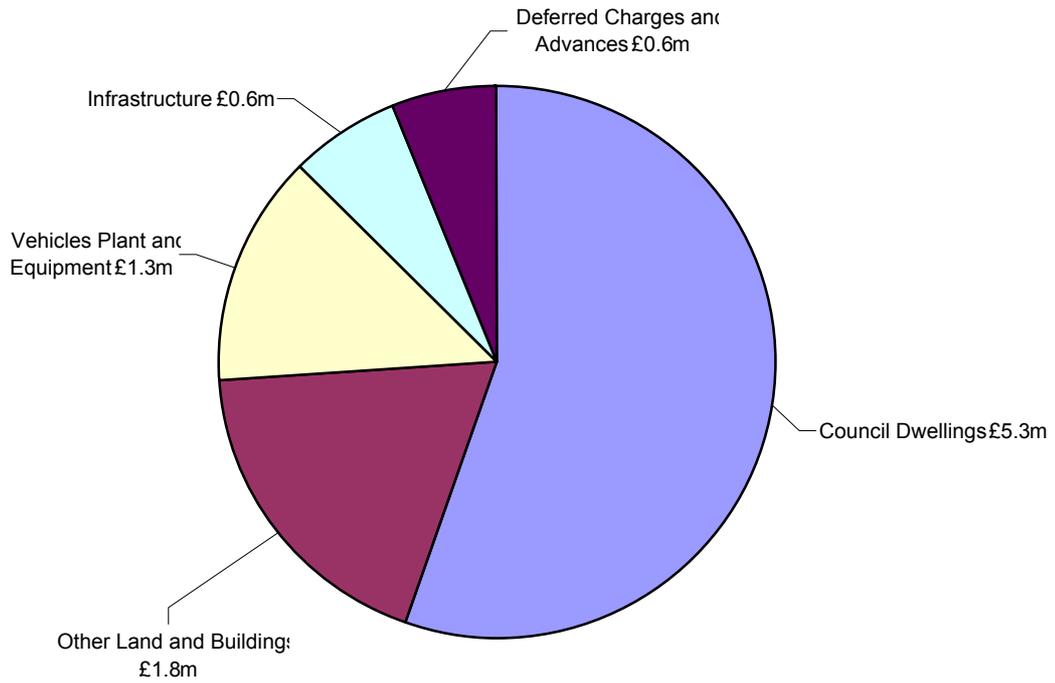
There were no significant changes to accounting policies during 2005/06.

The Council is required to prepare 'group accounts' where there are significant interests in other organisations. The Council has carried out a review and determined that no other organisations exist that would require group accounts to be prepared.

In Note 18 to the Consolidated Balance Sheet, the Council has disclosed its full liabilities to the Hertfordshire Pension Fund as required by Financial Reporting Standard 17 (FRS17). The full costs of pensions are shown in the revenue accounts, adjusted 'below the line' for the actual payments made to the fund.

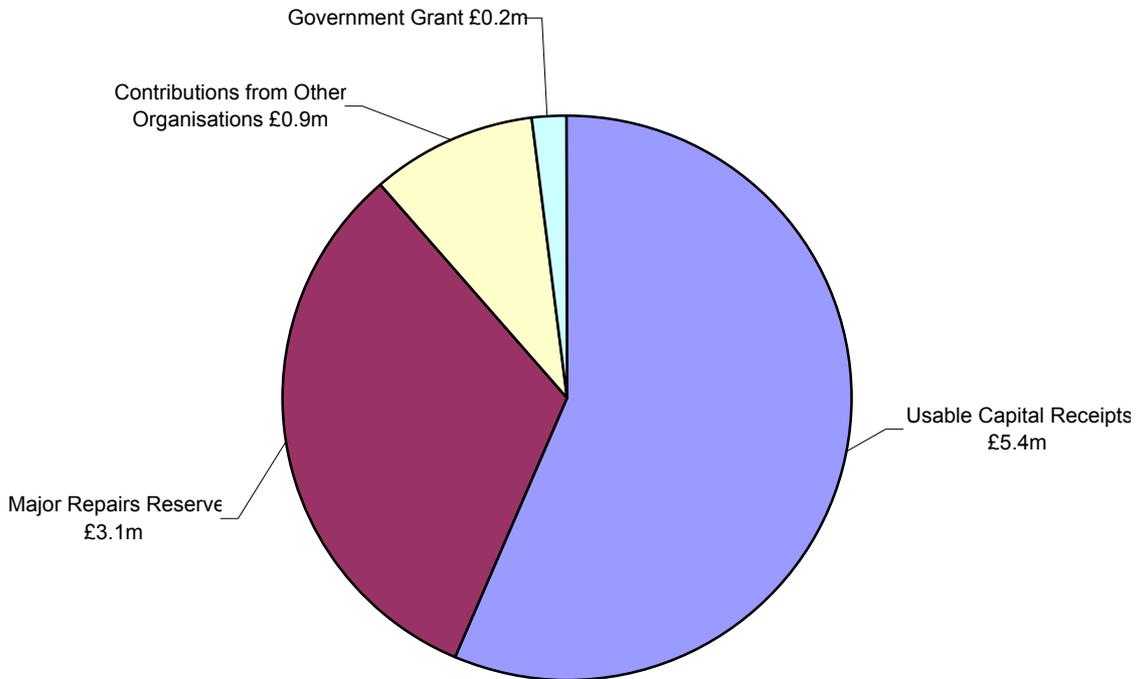
Contingent liabilities are detailed at Note 20 to the Consolidated Balance Sheet.

Capital Expenditure



	£m
Capital Expenditure	9.6

Capital Financing



	£m
Capital Financing	9.6

Future Financial Plans

Links to Other Plans

The Council's aims and objectives are included within its *Strategic Plan*. This is based on the themes - healthy, sustainable, prosperous and safe communities - derived from the *Community Strategy* that has been developed with the Council's partners.

The Council has developed a *Medium-Term, Three Year Financial Plan* which is continually updated. In preparing budgets for this plan, work is carried out to allocate resources between the District themes and between service priorities within the *Strategic Plan*.

The Council publishes performance targets for its services in its *Best Value Performance Plan*.

Revenue Expenditure and its Funding

A major influence affecting the Council's revenue income is the level of council tax increases and government grant. The Council has to balance its desire to improve services against the ability of its residents to foot the bill, and the risk that the Government might impose a cap on its budget. Government Grants contribute 44% of the Council's budget requirement. The amount of grant is expected to increase by 3% for 2007/08 and by 2.5% in the following year. The Council's medium term financial plan, agreed in February 2006, predicts council tax increases of 2.9% in 2007/08 and 2008/09. This would enable the Council's revenue expenditure to increase by 3.6% in 2007/08 and 1.5% in 2008/09, whilst reducing reserves to £2.8m at 31 March 2009. Although this is considered to be a more than prudent balance, continued efficiency gains would be required to sustain this level of expenditure beyond the medium term.

The medium term financial plan has been derived from the changes anticipated in economic factors (e.g. inflation) and changes to service expenditure required to achieve the Council's Strategic Plan. The Council has plans to spend more extending services for young people. In addition there are pressures on revenue expenditure from pension costs and concessionary fares.

In April 2004 the Watersmeet Trust Limited took over the operation of Watersmeet, a leisure venue formerly run by the Council. The Trust ceased trading in January 2005. The Council has re-opened the venue as a community hall and has re-instated the Christmas pantomime.

For the HRA, the Council is introducing 'formula rents' under the Government's policy of 'restructured rents' over a ten year period commencing in April 2002. This is designed to align all public sector rents based on a formula using property values, county earnings and the number of bedrooms in each property.

For the financial year 2006/07 the HRA is budgeted to make a deficit of £537,430.

Capital Expenditure and its Funding

The Council agreed its capital investment programme in February 2006 amidst continuing uncertainty as to the funding that was likely to be available to it, and taking into account its view as to a prudent balance of funds to carry forward. The Council plans to spend £12.687m on capital schemes in 2006/2007. Of this £5.624m relates to its housing stock.

The Council has been debt free for five years. Its major source of capital funding has been the capital receipts from the sale of council houses under Right to Buy. The decision was made to repay debt in order to maximise the benefit to the authority of the capital receipts. On becoming debt free, 100% of these receipts could formerly be used for capital investment. The Council has traditionally applied housing capital receipts not only to enhancing its housing stock but also to develop facilities in the wider community.

The Local Government Act 2003 introduced the national 'pooling' of such receipts from 1 April 2004. These arrangements will prevent the Council meeting its capital programme aspirations.

Under current budgetary assumptions, the Council is unable to allocate to housing schemes sufficient funding to achieve the Government's Decent Homes Standard. By the end of the three year medium term plan the Council would be generating £3.3m per year for schemes on its housing stock and £0.7m for the remainder of its capital programme - this to support expenditure in the region of £4.6m and £1.6m respectively.

Consequently it has resolved that consideration be given to transferring its stock to a Registered Social Landlord. Tenants are to be balloted in 2007. Such a transfer would result in a net capital receipt in the region of £24m.

The Local Government Act 2003 introduced, with effect from 1 April 2004, new borrowing powers enabling the Council, each year, to decide the amount it can afford to borrow.

The Council is required to have regard to a '*Prudential Code for Capital Finance*'. The Code is designed to ensure that all external borrowing is within prudent and sustainable levels, that capital expenditure plans are affordable, that treasury management decisions are taken in accordance with good practice and that the Council is accountable by providing a clear and transparent framework. The Council has to take into account all sources of future income and the potential calls on the use of that income.

Whilst the Council finds itself in the position of wanting to borrow to fund its capital investment requirements to meet the shortfalls in capital funding that have been identified, the revenue consequences of servicing the debt are prohibitive. Interest payments cannot be supported from revenue without either excessive increases in Council Tax or, in the case of the ring-fenced HRA, reductions in revenue repairs or management costs, since increases in HRA rental income are restricted to the formula increase.

The Council has developed and adopted an integrated Treasury Management Strategy to work alongside the prudential code. This strategy covers the current treasury position, prospects for interest rates, the borrowing strategy and the investment strategy. The Council has set prudential indicators that are relevant for the purposes of setting the integrated treasury management strategy.

The Council has no fixed term borrowing and plans to remain debt-free throughout 2006/2007. As it is envisaged that no new borrowing will be made, the long-term borrowing limit has been set at nil.

More details of the Council's approach to capital investment can be found in its '*Capital Strategy and Asset Management Plan*'. The Council has also published a '*Guide to the Finances of Three Rivers District Council and the Medium Term Financial Plan 2006-2009*'. Both are available on the Council's website or in hard copy by request.

Summary of Financial Position

Revenue balances at 31 March 2006 were healthy. The General Fund balance was £4.786m representing 42% of the 2005/06 budget requirement. The Housing Revenue Account balance was £2.810m representing £734 per property.

The Council held £12.323m at 31 March 2006 available for new capital expenditure.

The future financial prospects depend predominantly, but not exclusively, on the solution found to the investment required in the Council's housing stock. There continues to be pressures on revenue expenditure and the Council is fully engaged in identifying efficiency gains to avoid large council tax increases.

It is hoped that this Statement of Accounts demonstrates that the Council is making good use of public funds and providing value for money.

The Statement on Internal Control (page 37) shows the steps the Council is taking to further improve its financial management.

More information can be obtained by telephoning the Director of Corporate Resources on 01923 727200, by writing to him at Three Rivers District Council, Three Rivers House, Northway, Rickmansworth, WD3 1RL, or by e-mailing david.gardner@threerivers.gov.uk. The Council's website www.threerivers.gov.uk provides general information on the Council and also enables enquiries to be made.

D.A. Gardner
Director of Corporate Resources
14 June 2006

STATEMENT OF ACCOUNTING POLICIES

1 General Principles

The accounts have been prepared in accordance with *The Accounts and Audit Regulations 2003* and *The Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice (SORP)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), except where departures are disclosed.

The accounts also comply with the Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS), as applicable to local authorities, except where a material departure from these standards is specified.

2 Fixed Assets

Expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. This excludes all expenditure on routine repairs and maintenance.

Fixed assets have been classified in groupings in accordance with the Code of Practice. Assets have been valued on the following basis:-

- Land and buildings, with the exception of Community Assets (eg parks), are valued by the Council's Valuer at Existing Use Value (EUV). Where this cannot be assessed because there is no market, the Depreciated Current Replacement Cost method and Net Realisable Value is assessed and the lower of the two values is used.
- Council dwellings are valued by the Council's Valuer on a five year rolling programme, on the basis of Existing Use Value – Social Housing net of depreciation.
- Infrastructure assets are included in the balance sheet at historical cost net of depreciation.
- Plant, vehicles and equipment are included in the balance sheet at current replacement cost net of depreciation.
- A nominal amount of £1 was included in the balance sheet at 1 April 1994 for Community Assets. Expenditure on the acquisition and enhancement of community assets incurred after 1 April 1994 has been included in the balance sheet at historical cost net of depreciation.

Surpluses on the revaluation of fixed assets have been credited to the Fixed Asset Restatement Account. All the Council's Fixed Assets that comprise Land and Buildings (including Council dwellings) are revalued on a five year rolling programme. Annual assessments of asset values are made to ascertain changes due to impairment.

3 Depreciation

Depreciation has been provided for all assets with a finite useful life on the basis set out in Note 1 to the Consolidated Balance Sheet. Freehold land and investment properties are not depreciated.

From the financial year 2004/05 all new Plant, Furniture and Equipment acquisitions have been depreciated from the month of acquisition on a pro rata basis. Plant, Furniture and Equipment before this date are subject to depreciation from the year following acquisition.

4 Capital Charges - Notional Interest and Depreciation

All revenue accounts have been charged with a capital charge based on the value of all fixed assets used in the provision of services. The total charge comprises notional interest calculated by applying a specified rate of interest to the net value of the asset and an annual provision for depreciation where appropriate.

5 Capital Receipts

From 2004/05 authorities in England have to pay a proportion of specified housing related capital receipts into a Government pool for redistribution. The remainder of capital receipts, received from the sale of assets such as land and council houses, can be used to finance capital expenditure.

6 Grants

Revenue grants received by the Council are matched to the expenditure to which they relate. Capital grants are written off over the useful life of the asset to match the depreciation of the asset to which it relates.

7 Interest Payable and Receivable

Interest payable on external borrowing and interest receivable on investments are recorded in the accounts on an accruals basis.

8 Leases

The Council has only operating leases which are charged to revenue on a straight line basis.

9 Debtors and Creditors

The accounts of the Council are shown on an accruals basis in accordance with the SORP. That is to say, actual expenditure and income incurred during the year is recorded in the accounts, rather than the cash sums paid or received.

10 Stores and Work in Progress

Work in progress and bar stocks are valued in the Consolidated Balance Sheet at cost price. Other stores are valued at a sum equivalent to the last actual purchase price.

11 Allocation of Overheads over Services

The Accounts of the Council comply with the Best Value Accounting Code of Practice which requires full apportionment of overheads to services. To comply with the Code of Practice the costs of the 'Corporate and Democratic Core' are protected from apportionment to services and are shown separately in the Consolidated Revenue Account.

12 Reserves and Provisions

The Council has set up various reserves and provisions to meet likely future expenditure. Details of these are given at Notes 14 and 15 to the Consolidated Balance Sheet.

A provision for doubtful debts is held to cover general debtors, rate, rent and council tax arrears which might be irrecoverable.

13 Pensions

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

The Council recognises the cost of retirement benefits when they are earned by employees, rather than when the benefits are eventually paid as pensions. The pension costs that are charged to the Council's accounts in respect of its employees are equivalent to the accrued costs of meeting future retirement benefits paid to the funded pension scheme in respect of employees service in the period, together with increases in the present value of the scheme liabilities arising from decisions in the period on changes to retirement benefits. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

In valuing the Council's Pension Fund liabilities, the actuary makes various assumptions about future financial experience – principally investment return, salary growth and inflation.

The discount rate used is equal to the yield available on long-dated, high quality corporate bonds (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years), at the FRS17 valuation date.

14 Internal Interest

Interest is credited to the Housing Revenue Account based on the average balance on this account. The amount is calculated using the average investment interest rate.

15 Investments

Investments are shown in the Consolidated Balance Sheet at cost.

CONSOLIDATED REVENUE ACCOUNT

2004/2005		2005/2006		2005/2006
Net Expenditure/ (Income) £	Note	Gross Expenditure £	(Income) £	Net Expenditure/ (Income) £
2,033,706	Highways and Transportation	2,453,012	(313,298)	2,139,714
1,376,067	Planning and Economic Development	2,469,662	(949,535)	1,520,127
2,054,893	Leisure	3,879,459	(1,453,628)	2,425,831
2,575,597	Waste Collection and Disposal	3,430,531	(769,929)	2,660,602
871,078	Environmental Health	1,356,574	(397,274)	959,300
87,318	Other Environmental Services	191,596	(43,917)	147,679
14,503,917	Housing Services	30,056,526	(15,777,714)	14,278,812
1,662,118	Corporate and Democratic Core	1,905,842	0	1,905,842
612,149	Local Taxation Collection	978,849	(289,839)	689,010
172,587	Housing Benefits	17,660,551	(17,608,110)	52,441
0	Central Support Services	123,185	(123,185)	0
974,518	Other Services	1,329,343	(417,717)	911,626
0	Non Distributed Costs	0	0	0
<u>26,923,948</u>	NET COST OF SERVICES	<u>65,835,130</u>	<u>(38,144,146)</u>	<u>27,690,984</u>
866,202	Parish Precepts			914,798
(1,324,424)	Interest Income			(1,491,766)
82,093	Amortised Premium			81,420
100,000	Pensions Adjustments	1		51,000
635,922	Housing Capital Receipts to Government Pool			1,121,861
<u>(14,871,161)</u>	Asset Management Revenue Account	2		<u>(15,127,394)</u>
12,412,580	NET OPERATING EXPENDITURE			<u>13,240,903</u>
627,523	Net transfer to Housing Revenue Account			587,203
(33,350)	Net transfer from House Purchase Account			0
360,480	Contributions to Earmarked Reserves			1,068,448
0	Contributions from Provisions	3		(6,548)
(2,218,503)	General Revenue Account Appropriations	4		(2,665,757)
815,194	Capital Expenditure Charged to Revenue			10,265
<u>(1,361,257)</u>	Contributions from Third Parties			<u>(668,008)</u>
10,602,667	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS			11,566,506
(6,440,387)	Demanded from Collection Fund			(6,629,389)
62,120	Collection Fund Transfer of Deficit/(Surplus)	10		17,193
(2,517,402)	Revenue Support Grant			(2,485,646)
<u>(2,248,068)</u>	Contribution from Non-Domestic Rate Pool			<u>(2,422,705)</u>
(541,070)	(SURPLUS)/DEFICIT FOR THE YEAR			45,959
<u>(4,291,026)</u>	Balance at 1 April			<u>(4,832,096)</u>
(541,070)	(Surplus)/Deficit for Year			45,959
<u>(4,832,096)</u>	BALANCE AT 31 MARCH			<u>(4,786,137)</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Pensions Adjustments and Costs

To meet the requirements of FRS17, additional disclosures are required in the Revenue Accounts, the Consolidated Balance Sheet (see Note 18) and the Statement of Total Movements in Reserves (see Note 1).

In 2005/2006 the amount payable to the Hertfordshire County Council Pension Fund that has been charged to the Consolidated Revenue Account is £1,334,110, representing 16.8% of employees' pensionable pay. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2004. Payments are made into the Fund monthly in arrears. The final payment of £114,577 which was made after the year end is not included in the Balance Sheet valuation of the Fund.

The Fund provides members with defined benefits related to pay and service. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund, but contributions increases are being phased in over six years.

Current Service Costs of £1,381,310 are included in the Net Cost of Services, being the true economic cost of employing people in the financial year shown, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

The difference of £47,200 between the contributions paid to the pension scheme and the current service costs are added to the Pensions Reserve (see Note 1 to the Statement of Total Movement in Reserves).

The changes do not affect the Amount to be met from Government Grant and Council Taxpayers, as they are reversed in contributions to and from reserves.

The Fund's Actuary has advised that the Council's expected return on employer assets and the interest due on pension scheme liabilities are as follows:

	2004/2005	2005/2006
	£	£
Expected Return on Employer Assets	(2,329,000)	(2,992,000)
Interest on Pension Scheme Liabilities	2,429,000	3,043,000
	<u>100,000</u>	<u>51,000</u>

There have been no discretionary increases in pension payments (e.g. discretionary added years) awarded in either 2004/2005 or 2005/2006.

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

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

2. Asset Management Revenue Account

	2004/2005 £	2005/2006 £
Income		
HRA Cost of Capital	(13,209,360)	(13,178,540)
HRA Depreciation	(3,978,620)	(3,190,639)
General Fund Capital Charges	(2,771,464)	(2,989,590)
Amortisation of Grants & Contributions Depreciation	<u>(745,577)</u>	<u>(902,774)</u>
	(20,705,021)	(20,261,543)
Expenditure		
Provision for Depreciation	5,831,014	5,134,149
External Interest Charges	<u>2,846</u>	<u>0</u>
	5,833,860	5,134,149
	<u><u>(14,871,161)</u></u>	<u><u>(15,127,394)</u></u>

The Asset Management Revenue Account reverses out the capital charges made to services under the capital accounting system and replaces them with depreciation (net of third party contributions deferred) and the real external interest charges paid by the Council. The balance on the Asset Management Revenue Account is transferred to General Revenue Account Appropriations (see note 4) after the net cost of services has been determined.

3. Contributions from Provisions

	2004/2005 £	2005/2006 £
Investment Losses	0	(6,548)
	<u>0</u>	<u>(6,548)</u>

The contribution from provisions for investment losses represents the release of the provisions for losses in BCCI following a distribution to Creditors (see note 7 to the Consolidated Balance Sheet).

4. General Revenue Account Appropriations

	2004/2005 £	2005/2006 £
Minimum Revenue Provision: Commutation Adjustment	(119,199)	(104,868)
Housing Capital Receipts to Government Pool	(635,922)	(1,121,861)
Provision for Depreciation	<u>(1,106,817)</u>	<u>(1,040,736)</u>
	(1,861,938)	(2,267,465)
Amortised Deferred Charges	(586,089)	(582,082)
Net Change in Pensions Creditors	104,406	10,171
Amortised Government Grants Applied	<u>125,118</u>	<u>173,619</u>
	<u><u>(2,218,503)</u></u>	<u><u>(2,665,757)</u></u>

The General Revenue Account Appropriations, shown above, were established as part of the revised accounting policies introduced by the 1993 *Code of Practice on Local Authority Accounting*. The purpose of these entries together with the Asset Management Revenue Account (see Note 2) is to negate the effect of various accounting transactions required by the Code and, thereby, leave the amount required from local taxpayers unaffected by the accounting policies.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

5. Operating Leases

As Lessees:

The authority leases one car park, at an annual rental of £4,500 and a car park, a swimming pool and Leisure Centre at peppercorn rents. All rentals have been accounted for as operating leases.

The Council uses leased vehicles and various office equipment financed under the terms of operating leases. The amounts paid under these arrangements in 2005/2006 was £204,818.

As Lessors:

The authority has granted commercial leases on land, shops and office buildings, for a total annual market rent of £790,594. It has also granted leases at a reduced rate to local organisations totalling £8,510 for which the market rent would have been approximately £17,115. All rentals have been accounted for as operating leases.

(See note 19 to the Consolidated Balance Sheet for details of the future commitments and value of assets used in lessor activities.)

6. Publicity Expenditure

Set out below, under the requirements of Section 5(1) of the Local Government Act 1986, is the Council's spending on publicity:

	2004/2005	2005/2006
	£	£
Employee Costs	186,923	334,259
Recruitment Advertising	32,945	86,563
Council Newspaper	69,572	52,595
Other Advertising	102,936	130,706
	<u>392,376</u>	<u>604,123</u>

The increase in publicity expenditure results from the communication section operating with a full establishment, additional advertising costs for Watersmeet and the increased involvement of the Customer Services Centre.

7. Officers' Emoluments and Members' Allowances

The Accounts and Audit Regulations 2003 require local authorities to report the number of employees whose annual remunerations are above £50,000, grouped in rising bands of £10,000.

Remuneration Band £ 000's	Number of Employees 2004/05	Number of Employees 2005/06
50,000 to 59,999	1	1
60,000 to 69,999	2	1
70,000 to 79,999	0	2
80,000 to 89,999	1	1

The total of Members' allowances paid in 2005/2006 was £245,320 and in 2004/2005 was £238,057.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

8. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Certain activities provided by the building control section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control section divided between the chargeable and non-chargeable activities.

Building Control Regulations Charging Account 2005/2006	Chargeable £	Non Chargeable £	Total Building Control £
Expenditure			
Employees	167,882	153,434	321,316
Transport	11,920	10,993	22,913
Supplies and Services	12,317	11,359	23,676
Central, Departmental and Technical Support	121,433	122,143	243,576
Total Expenditure	313,552	297,929	611,481
Income			
Building Control Regulations	(338,914)	0	(338,914)
Miscellaneous Income	0	(168,658)	(168,658)
Total Income	(338,914)	(168,658)	(507,572)
(Surplus)/Deficit for Year	(25,362)	129,271	103,909

The cumulative surplus on the chargeable element of the Building Control Trading Account is £142,132. The regulations require that this element should break even over a three year period.

9. Related Party Transactions

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

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 councillors;
- ◆ its chief officers; and
- ◆ its pension fund.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

9. Related Party Transactions (cont'd)

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 transactions with the Government, other local authorities, precepting authorities and the Hertfordshire County Council pension fund have been disclosed elsewhere in this Statement of Accounts.

No material transactions took place in respect of councillors and chief officers except for the following:

Officers:

During the year 2003/04, an interest free loan of £6,551 was made to the Chief Executive in respect of relocation costs, of which £273 remained outstanding at 31 March 2006.

Members:

Councillor Susan Bartrick's son purchased a strip of land adjoining his property from the Council for £2,500 during the financial year.

Some councillors act as either the Council's representative or in their own right as members of the management committees of local organisations, for example, citizens' advice bureaux. No councillor benefits financially from these arrangements but will declare an interest when matters concerning these bodies are discussed at Council meetings.

10. Collection Fund Transfer of Deficit

The Council transferred £17,193 from its General Fund to the Collection Fund in 2005/06 in respect of its share of a Collection Fund deficit at 31 March 2005 estimated on 14 January 2005.

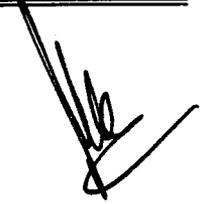
11. Audit Costs

The following fees relating to external audit and inspection were incurred in 2005/06

	2004/2005 £	2005/2006 £
Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	96,750	108,502
Fees Payable to the Audit Commission in respect of Statutory Inspection	0	0
Fees Payable to the Audit Commission for the certification of grant claims and returns	29,130	31,731
Fees Payable in respect of other services provided by the appointed auditor	0	0
	<u>125,880</u>	<u>140,233</u>

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

2004/2005 As Restated £		Note	2005/2006 £	
	Fixed Assets			
	Operational Assets			
381,500,670	Council Dwellings		301,722,190	
17,371,910	Other Land and Buildings		19,648,691	
4,468,489	Vehicles, Plant and Equipment		4,346,381	
4,624,558	Infrastructure Assets		4,908,752	
	Non-operational Assets			
3,929,000	Investment Properties		6,013,000	
3,631,760	Other		5,673,370	
<u>415,526,387</u>	Total Fixed Assets	1		342,312,384
81,420	Deferred Payments	3		0
523,792	Long-Term Debtors	4		467,621
<u>416,131,599</u>	Total Long-Term Assets			<u>342,780,005</u>
	Current Assets			
31,707	Stocks and Work in Progress	5	24,800	
4,257,068	Debtors	6	6,432,555	
25,391,053	Investments	7	21,276,053	
236,337	Cash and Bank		0	27,733,408
<u>446,047,764</u>	Total Assets			<u>370,513,413</u>
	Current Liabilities			
(4,167,284)	Creditors	9	(4,267,321)	
0	Bank Overdraft		(48,116)	
<u>(4,167,284)</u>				<u>(4,315,437)</u>
<u>441,880,480</u>	Total Assets less Current Liabilities			<u>366,197,976</u>
	Long-Term Liabilities			
(14,849,750)	Pensions Liability	18		(12,993,510)
<u>427,030,730</u>	Total Assets Less Liabilities			<u>353,204,466</u>
(350,801,253)	Fixed Asset Restatement Account	10		(273,679,100)
(61,978,438)	Capital Financing Account	11		(65,687,131)
(5,028,842)	Grants & Contributions Deferred Account	12		(5,067,260)
(13,880,091)	Usable Capital Receipts Reserve	13		(10,621,998)
14,849,750	Pensions Reserve	18		12,993,510
(2,776,292)	Earmarked Reserves	14		(3,535,015)
	General Reserves			
(4,832,096)	- General Fund	15		(4,786,137)
(2,222,372)	- Housing Revenue Account	15		(2,809,575)
(414,482)	- Major Repairs Reserve	15		0
119,365	- Collection Fund	15		(568)
(65,979)	- Other Reserves	15		(11,192)
<u>(427,030,730)</u>	Total Equity			<u>(353,204,466)</u>



Councillor Richard Laval
Chairman of Audit Committee
28 June 2006



D A Gardner
Director of Corporate Resources
28 June 2006

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets

Movement in Fixed Assets

	Council Dwellings £	Other Land and Buildings £	Vehicles, Plant and Equipment £	Infrastructure Assets £	Non-Operational Assets Investment Properties £	Other Assets £	Total £
Certified Valuation at 31 March 2005	385,291,230	18,486,050	7,300,744	6,641,018	3,929,000	3,674,500	425,322,542
Less Accumulated Depreciation	(3,790,560)	(1,114,140)	(2,832,255)	(2,016,460)	0	(42,740)	(9,796,155)
Net Book Value at 31 March 2005	381,500,670	17,371,910	4,468,489	4,624,558	3,929,000	3,631,760	415,526,387
Recategorisations	0	33,500	0	0	0	(33,500)	0
Revaluations	(78,429,450)	1,692,140	0	0	2,084,000	2,238,000	(72,415,310)
Additions	5,337,400	1,752,503	1,320,872	631,524	0	0	9,042,299
Disposals	(2,191,400)	0	0	0	0	(140,000)	(2,331,400)
Write Offs	(5,337,400)	(1,752,503)	(529,938)	(16,650)	0	0	(7,636,491)
Depreciation:							
Revaluation Adj	3,790,560	918,510	529,938	16,650	0	5,390	5,261,048
Recategorisation Adj	0	(400)	0	0	0	400	0
For 2005/2006	(2,948,190)	(366,969)	(1,442,980)	(347,330)	0	(28,680)	(5,134,149)
Net Book Value at at 31 March 2006	<u>301,722,190</u>	<u>19,648,691</u>	<u>4,346,381</u>	<u>4,908,752</u>	<u>6,013,000</u>	<u>5,673,370</u>	<u>342,312,384</u>
Accumulated Depreciation at 31 March 2006	(2,948,190)	(562,999)	(3,745,297)	(2,347,140)	0	(65,630)	(9,669,256)
Certified Valuation at 31 March 2006	304,670,380	20,211,690	8,091,678	7,255,892	6,013,000	5,739,000	351,981,640

Major Fixed Asset Information

The Land and Buildings held by the Council in 2005/06 included:

Gross Value As Restated at 31 March 2005 £		Gross Value at at 31 March 2006 £
385,291,230	Council Dwellings	304,670,380
655,000	Depots	681,000
145,000	Cemeteries	145,000
8,671,870	Offices	8,671,870
1,373,000	Car Parks	1,373,000
3,891,000	Leisure Land and Buildings	4,561,550
5,220,500	Commercial Properties	7,992,500
3,623,500	Garages	4,564,375
2,509,680	Other Land/Property	3,974,395

Community Assets

The Council holds community assets as follows:

37 playing fields and open spaces with a total area of 503 acres

1 cemetery

9 areas of grazing land with a total area of 82 acres

10 allotments with a total area of 26 acres

18 areas of woodland with a total area of 550 acres

Paintings and Civil Regalia with a current insurance value of £50,436.

These have no value for balance sheet purposes.

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets (Cont'd)

Valuation & Impairment Information

The freehold and leasehold properties were valued by the Council's Chief Valuer, Roland Childerhouse BSc MRICS. A five year rolling programme has been established for valuing assets.

The Council's Housing Revenue Account assets were valued on 1 April 2005 in accordance with the Department for Communities and Local Government's revised guidance notes on stock valuations (July 2005) and in accordance with the RICS Valuation and Appraisal manual applying the Beacon principle. The DCLG adjustment factor applicable to local authority housing, to reflect social housing was reduced from 57% to 46%. The balance sheet value of HRA dwellings at 31 March 2006 was reduced by £78.4m accordingly.

Properties classified as operational by the Council were valued on the basis of Existing Use Value (EUV) and Existing Use Value for Social Housing (EUV-SH) for housing property. Where this could not be assessed because there was no market, the Depreciated Current Replacement Cost method and Net Realisable Value was assessed and the lower of the two values was used.

The EUV-SH valuation of the Council's Housing stock takes account of the fact that there are sitting tenants but assumes that the properties could be disposed of on the open market in the longer term. The Council has been advised that it could expect a net capital receipt in the region of £24m in the event of it transferring its housing stock to a Registered Social Landlord. This valuation is based on the discounted cash flows deriving from rental income and management and maintenance costs and assumes that the stock will be used for social housing in perpetuity.

Properties regarded by the Council as non-operational have been valued on the basis of Market Value (MV).

The sources of information and assumptions made in producing the various valuations are set out in the Council's valuation reports.

The figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation of the portfolio valued as a whole.

The value at which each category of assets is included in the balance sheet is reviewed at the end of each financial year and where there is reason to believe that its value has materially changed in the year, the valuation is changed accordingly. The Chief Valuer has carried out an Impairment Review of the Council's fixed assets.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Non-Operational Assets Investment Properties	Other	Total Assets
Valued at	£	£	£	£	£	£	£
Historical Cost:	0	0	6,770,806	6,641,018	0	0	13,411,824
Valued at Current Value in:							
2005/2006	304,670,380	5,488,320	1,320,872	614,874	6,013,000	3,398,000	321,505,446
2004/2005	0	13,422,370	0	0	0	1,741,500	15,163,870
2003/2004	0	0	0	0	0	509,000	509,000
2002/2003	0	1,301,000	0	0	0	90,500	1,391,500
Certified Valuation at 31 March 2006	304,670,380	20,211,690	8,091,678	7,255,892	6,013,000	5,739,000	351,981,640

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets (Cont'd)

Depreciation

Depreciation has been provided for all assets with a finite useful life. Freehold land and investment properties are not depreciated.

The Chief Financial Officer has determined that the Major Repairs Allowance is not a reasonable estimate for depreciation of HRA dwellings and this figure has not been used in the accounts. Depreciation is based on dwelling values at 1 April 2005 and it is estimated that approximately 40% of the value of the properties relates to the land value, which is not depreciated. (see notes 3, 7 and 8 to the Housing Revenue Account).

On all other assets where depreciation has been provided, assets have been depreciated on a straight line method over the following periods:

Dwellings	50 to 60 years
Buildings	20 to 60 years
Infrastructure (e.g. district footpaths)	10 to 20 years
Plant and Equipment: Computer Equipment	3 to 5 years
Furniture	5 to 25 years

From the financial year 2004/05 all new Plant, Furniture and Equipment acquisitions have been depreciated from the month of acquisition on a pro rata basis. Plant, Furniture and Equipment acquired before this date were subject to depreciation from the year following acquisition.

Capital Expenditure and Sources of Finance

Capital expenditure, which includes expenditure on Deferred Charges, see Note 2, was financed as follows:

	Financing		Expenditure
	£	£	£
Usable Capital Receipts		5,387,051	
Capital Spend Charged to Revenue			
Contributions from Reserves:			
Section 106 Agreements	2,156		
Other Reserves	8,109		
		10,265	
HRA – Major Repairs Reserve		3,112,254	
Contributions from Other Organisations		941,192	
Specified Capital Grant		173,619	
		<u>9,624,381</u>	
			2005/06 Expenditure on:
			Fixed Assets
			9,042,299
			Deferred Charges
			582,082
			<u>9,624,381</u>

Analysis of Net Fixed Assets Employed

	Balance at 31 March 2005 £	Balance at 31 March 2006 £
General Fund	27,465,439	30,811,075
Housing Revenue Account	388,060,948	311,501,309
	<u>415,526,387</u>	<u>342,312,384</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. Deferred Charges

	Balance at 31 March 2005	Capital Expendi- -ture	Grants Applied	Deferred Charges Written Out	Balance at 31 March 2006
	£	£	£	£	£
Grants:					
Leisure & Community Development	0	66,000	0	(66,000)	0
Housing Improvements	0	367,764	(173,619)	(194,145)	0
Resources	0	124,818	0	(124,818)	0
Environment	0	23,500	0	(23,500)	0
	0	582,082	(173,619)	(408,463)	0

3. Deferred Payments - PWLB

The Council prematurely repaid Public Works Loan Board (PWLB) debt of £11,187,642 at a premium of £928,850 in 1996. £944 of the premium fell on the General Fund and was written off in 1995/96. The remainder was set up as a deferred payment to be written down over ten years to the Housing Revenue Account and recovered through government subsidy. The final amount was written off in 2005/06.

4. Long Term Debtors

Loans Made for Purchase and Improvement of Property

	Sales of Council Dwellings	Housing Associations	Mortgage Debenture	Total 2005/06
	£	£	£	£
Balance at 1 April 2005	262,704	241,088	20,000	523,792
Repayments in Year	(53,823)	(2,348)	0	(56,171)
Balance at 31 March 2006	208,881	238,740	20,000	467,621

The mortgage debenture relates to stock of £20,000 purchased from the Association of District Councils (Properties) Ltd to assist in the purchase of premises.

5. Stock and Work in Progress

There was no work in progress on 31 March 2006. Stocks held in the Council's stores were as follows:

	Balance at 31 March 2005	Balance at 31 March 2006
	£	£
Building, Engineering and Other Operational Materials	24,917	20,146
Bar and Catering Stock	6,790	4,654
	31,707	24,800

NOTES TO THE CONSOLIDATED BALANCE SHEET

6. Debtors

	Balance at 31 March 2005 £	Balance at 31 March 2006 £
	As Restated	
HM Revenue and Customs	353,195	458,335
Department for Communities & Local Government	663,626	3,164,371
Department for Work & Pensions	0	40,736
Local Authorities and Other Public Bodies	12,319	0
Chargepayers and Taxpayers	2,220,727	1,941,974
Commercial Ratepayers	1,200,864	819,336
Tenants	507,275	477,542
Rechargeable Works	51,614	123,064
Sundry Debtors	632,987	791,363
Other	1,274,762	663,580
Less: Provision for Doubtful Debts	<u>(2,660,301)</u>	<u>(2,047,746)</u>
	<u>4,257,068</u>	<u>6,432,555</u>

The Department for Communities and Local Government debt relates to an over-contribution to the national non-domestic rate pool reclaimed in 2006/07.

7. Investments

(a) Long-Term Investments

The Council had £2,000,000 placed with the Bank of Credit and Commerce International (BCCI) when it was closed by the Bank of England on 5 July 1991. The investment was for a fixed period maturing on 10 October 1992 at a fixed rate of interest of 13.6%. The debt was registered on 4 January 1992 at US\$4,325,850, including interest. The schedule below lists the dividends received to date. The percentages are calculated on the sterling value of the registered debt at the date of registration.

Schedule of Dividends Received			%age of Registered Debt	Cumulative %age
	Date	£		
Deposit Protection Board	1992/93	15,000	0.64	0.64
Distributions	Prior years	1,978,452	84.70	85.34
Fifth Dividend	19 December 2005	<u>146,221</u>	6.26	91.60
Total to date		<u>2,139,673</u>		

(b) Short-Term Investments

The Council had £1,000,000 invested with Chancery plc, a secondary bank placed in administration in February 1991. Of that debt £303,615 was converted into shares and the remainder subject to a voluntary arrangement for repayment. In December 1996, the share debt was written off from the bad debt provision and the provision increased to match the remaining debt. The schedule below lists distributions received to date from the liquidators. The provision was reduced to £68,265 to match the remaining debt.

Schedule of Distributions Received			%	Cumulative %
	Date	£		
Deposit Protection Board	1991/92	15,000	-	-
Distributions	Prior years	613,121	88.85	88.85
Distribution	2005/06	<u>0</u>	0.00	88.85
Total to date		<u>628,121</u>		

NOTES TO THE CONSOLIDATED BALANCE SHEET

7. Investments (cont'd)

In summary the position at 31 March 2006 was:

	Long Term BCCI	Short Term Chancery plc	Total
	£	£	£
Investment	2,000,000	1,000,000	3,000,000
Repayments of Principal	(2,000,000)	(628,121)	(2,628,121)
Written off	0	(303,614)	(303,614)
	0	68,265	68,265
Less:			
Provision at 31 March 2006	0	(68,265)	(68,265)
	0	0	0

(c) Other Short-Term Investments

There were 18 investments at 31 March 2006. The rates of interest varied between 4.00% and 4.55%. All short-term investments have maturity dates under one year.

The Council is debt-free and is permitted to invest for periods greater than one year, although no such investments were made between 1 April 2005 and 31 March 2006.

In addition the Council now imposes its own restrictions as to which institutions investments may be made with, the overriding objective being to safeguard the capital invested.

8. Borrowing

On 8 March 2001 the Council made premature repayment of the Public Works Loan Board loans outstanding and became debt-free.

9. Creditors

	Balance at 31 March 2005 £ As Restated	Balance at 31 March 2006 £
Department for Communities & Local Government	120,658	361,781
HM Revenue and Customs	239,389	279,139
Local Authorities and Other Public Bodies	300,263	181,018
Sundry and Other Creditors	3,506,974	3,445,383
	<u>4,167,284</u>	<u>4,267,321</u>

10. Fixed Asset Restatement Account

The Fixed Asset Restatement Account represents the balance resulting from the revaluation of fixed assets. (For further details see Note 3 to the Statement of Total Movement in Reserves.)

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. Capital Financing Account

The Capital Financing Account was established as part of the revised accounting policies introduced by the 1993 Code of Practice on Local Authority Accounting. It represents the cumulative amount set aside from capital receipts and the difference between depreciation charged to the revenue accounts and the statutory revenue provision for the repayment of debt.

In addition, as assets financed by grants and contributions are depreciated, the contributions are written off to the reserve. For further details see Note 5 to the Statement of Total Movement in The Reserves.

12. Grants and Contributions Deferred Account

The Grants and Contributions Deferred Account represents sums of money that have been received by the Council towards the cost of certain capital works. The contributions are credited to various reserve accounts when received, transfers being made from the reserve accounts to the Grants and Contributions Deferred Account as expenditure is incurred on the various capital works.

Under the *Code of Practice on Local Authority Accounting*, when assets funded by grants and contributions are depreciated, the depreciation is reflected in the Grants and Contributions Deferred Account. The position at 31 March 2006 was:

	Balance at 31 March 2005 £	Add: Capital Financing £	Less: Depreciation £	Balance at 31 March 2006 £
	As Restated			
Regeneration Schemes	686,612	0	(46,789)	639,823
Car Parks	7,200	0	(600)	6,600
Bus Shelters	4,875	0	(375)	4,500
Chorleywood Tennis Courts	14,000	0	(3,500)	10,500
Air Pollution Monitoring	2,667	0	(667)	2,000
District Signs	200	0	(50)	150
Skateboard Park	8,363	0	(1,672)	6,691
Golf Course	223,085	0	(38,584)	184,501
Traffic Calming	14,823	0	(988)	13,835
Rickmansworth Youth Club	34,040	0	(740)	33,300
Special Parking Areas	40,323	0	(2,382)	37,941
South Oxhey CAB	59,408	0	(1,278)	58,130
Pathfinder	475,787	0	(169,975)	305,812
Controlled Parking Zones	137,429	0	(7,600)	129,829
Community Campus	1,456,283	0	(25,108)	1,431,175
Chorleywood House Grounds	22,148	0	(460)	21,688
Rickmansworth CAB	1,410	0	(30)	1,380
Implementing Electronic Government	437,834	243,249	(300,000)	381,083
Transport Schemes	142,500	0	(7,500)	135,000
Leavesden Stadium	10,663	0	(1,185)	9,478
DDA Schemes	550,606	284,435	(89,622)	745,419
Barton Way MUGA	13,500	0	(1,500)	12,000
Waste Recycling Schemes	586,510	266,914	(163,408)	690,016
Cycleways	47,473	103,903	(7,693)	143,683
Planning Delivery Grant	51,103	5,344	(27,333)	29,114
Ebury Play Scheme	0	37,347	(3,735)	33,612
	5,028,842	941,192	(902,774)	5,067,260

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. Usable Capital Receipts

A Capital Receipt is the term used to describe the income received by the Council when it sells an asset. When a local authority becomes debt-free these receipts are termed Usable Capital Receipts, and may be used to finance capital expenditure.

	Total 2004/2005		Total 2005/2006	
	£	£	£	£
Usable Capital Receipts at Beginning of Year		(12,749,257)		(13,880,091)
Add:				
Sources of Capital Receipts:				
Sale of Land and Buildings	(1,816,925)		(159,750)	
Sale of Council Houses				
Cash	(3,372,750)		(3,026,805)	
Mortgages	(78,363)		(53,823)	
Other Receipts	(26,356)		(10,441)	
Total Receipts for the Year		(5,294,394)		(3,250,819)
Deduct:				
Amount paid to DCLG pool		635,922		1,121,861
Application of Usable Receipts to finance Capital Expenditure (see Note 1)		3,527,638		5,387,051
Balance Unapplied at End of Year		<u>(13,880,091)</u>		<u>(10,621,998)</u>

14. Earmarked Reserves

	Balance at 31 March 2005	Add: Contrib'ns From Gen Fund & Lessees	Less: Contrib'ns to Gen Fund	Less: Grants & Contrib'ns Applied & Transfers	Balance at 31 March 2006
	£	£	£	£	£
Unapplied Capital Grants & Contributions					
Third Party Contributions	433,392	546,721	(8,109)	(941,192)	30,812
Total Grants and Contributions	433,392	546,721	(8,109)	(941,192)	30,812
Revenue Reserves					
Insurance	130,280	0	(52,920)	0	77,360
Section 106 Agreements-Capital	10,427	410	(2,156)	(8,681)	0
Section 106 Agreements-Other	139,445	162,026	(3,979)	0	297,492
Future Capital Expenditure	670,435	1,000,000	0	0	1,670,435
Leavesden Hospital Open Space	1,213,563	50,192	(29,850)	8,681	1,242,586
Environmental Maintenance Plant	20,230	14,280	0	0	34,510
Waste Vehicle Maintenance	158,520	23,300	0	0	181,820
Total Revenue Reserves	2,342,900	1,250,208	(88,905)	0	3,504,203
Total Reserves	<u>2,776,292</u>	<u>1,796,929</u>	<u>(97,014)</u>	<u>(941,192)</u>	<u>3,535,015</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. General Reserves

	Balance at 31 March 2005 £	Change in Year Increase/ (Decrease) £	Balance at 31 March 2006 £
General Fund	4,832,096	(45,959)	4,786,137
Housing Revenue	2,222,372	587,203	2,809,575
Major Repairs Reserve	414,482	(414,482)	0
Collection Fund	(119,365)	119,933	568
Other Reserves	65,979	(54,787)	11,192
	<u>7,415,564</u>	<u>191,908</u>	<u>7,607,472</u>

The General Fund surplus includes a cumulative surplus of £142,132 which relates to the chargeable works on the Building Control Trading Account (see Note 8 to the Consolidated Revenue Account).

For details of the movements in the Major Repairs Reserve see Note 3 to the Housing Revenue Account.

16. Commitments under Capital Contracts

At 31 March 2006 the Council had entered into contracts valued at £588,000 largely in respect of leisure capital schemes.

17. The Euro

The Council is ensuring that any contracts it is entering, e.g. for computer software, allow for the introduction of the Euro.

18. Retirement Benefits – FRS 17

In accordance with the requirement of Financial Reporting Standard 17 – ‘Retirement Benefits’ the Council has to disclose its share of assets and liabilities related to pension schemes for its employees. The Council participates in the Local Government Pension Scheme administered by Hertfordshire County Council.

Liabilities have been valued on an actuarial basis using the projected unit method that assesses the future liabilities of the fund discounted at their present value. The County Council Fund liabilities have been valued by Hymans Robertson, an independent firm of actuaries. The calculations are based on a FRS17 valuation as at 31 March 2006. The main assumptions in the calculation are:

	2004/05	2005/06
Rate of inflation	2.90%	3.10%
Rate of increase in salaries	4.40%	4.60%
Rate of increase for pensions in payment & deferred pensions	2.90%	3.10%
Proportion of employees opting to take a commuted lump sum	N/A	0.00%
Rate for discounting scheme liabilities	5.40%	4.90%

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. Retirement Benefits – FRS 17 (Cont'd)

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficient reliable evidence to assume a level of take-up of the change to the pension scheme. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change to the pension scheme.

The assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of:

Assets (Whole Fund)	Long Term Return	Fund Value at 31 March 2006 £'000	Three Rivers' Fund Value 31 March 2006 £'000
	% Per Annum		
Equities	7.40%	1,458,200	40,985
Bonds	4.60%	246,900	6,939
Property	5.50%	107,500	3,022
Cash	4.60%	101,800	2,860
Total		<u>1,914,400</u>	<u>53,806</u>
			£'000
Estimated Employers' Assets			53,806
Present Value of Scheme Liabilities in the County Council Fund			(64,035)
Present Value of Unfunded Liabilities in the County Council Fund			<u>(2,764)</u>
Net Pensions Deficit			<u>(12,993)</u>

The movement in the net pension liability for the year to 31 March 2006 is as follows:

	£
(Deficit)/Surplus at Beginning of Year	(14,849,750)
Movements in Year	
Current Service Costs	(1,381,310)
Employers' contributions payable to scheme	1,323,550
Contributions in respect of Unfunded Benefits	185,000
Other Income	0
Other Outgoings	0
Past Service Costs	0
Impact of Settlements & Curtailments	0
Net Return on Assets	(51,000)
Actuarial Gains/(Losses)	1,780,000
(Deficit)/Surplus at End of Year	<u>(12,993,510)</u>

The above figures have been provided by the actuaries to the Hertfordshire County Council Pension Scheme using information provided by the scheme and assumptions determined by the actuary in conjunction with the Council.

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. Retirement Benefits – FRS 17 (Cont'd)

The £12.994m net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2006 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2006 would also have an impact on the capital value of the pension fund assets.

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

19. Operating Leases

As Lessees:

The authority was committed at 31 March 2006 to making payments of £428,636 under operating leases in 2006/07, comprising the following elements:

	Other Land & Buildings £	Vehicles Plant & Equipment £	Total £
Leases Expiring in 2006/07	0	9,006	9,006
Leases Expiring between 2007/08 & 2012	0	374,630	374,630
Leases Expiring after 2012/13	45,000	0	45,000
	<u>45,000</u>	<u>383,636</u>	<u>428,636</u>

As Lessors:

With regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £10,952,300 subject to £150,030 depreciation to 31 March 2006 (see note 5 to the Consolidated Revenue Account).

20. Contingent Liabilities

The Council expects to ballot its tenants in 2007 on whether it should transfer its housing stock to a registered social landlord. The Council has been advised that the overall setting up costs of a housing transfer would be in the region of £3m. Of this about £0.5m would be incurred pre-ballot and would be at risk if the tenants did not support the proposal. Only the ballot costs (approximately £20,000) would be a Housing Revenue Account charge in the event of a "no" vote. All other costs would fall on the General Fund. In the event of a "yes" vote all of these costs would be offset against the capital sum received by the Council for the housing stock.

21. Post-Balance Sheet Events - Approval of Accounts

There are no post balance sheet events requiring disclosure. In determining if an event requires disclosure consideration has been given to events occurring up until 27 September 2006.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

2004/2005	Note	2005/2006	
£		£	£
	Surplus/(deficit) for the year:		
541,070	- General Fund	(45,959)	
627,523	- Housing Revenue Account	587,203	
	Movements on specific revenue reserves:		
(32,634)	- House Purchase Account	0	
401,771	- Collection Fund	119,933	
32,847	- Other Reserves	(54,787)	
766,675	- Earmarked Revenue Reserves	1,161,303	
186,230	Appropriations from Pensions Reserve	76,240	
<u>(3,625,000)</u>	Actuarial gains/(losses) relating to pensions	<u>1,780,000</u>	
	Total Increase/(Decrease) in Revenue Resources		
(1,101,518)			3,623,933
1,130,834	Increase/(Decrease) in usable capital receipts	(3,258,093)	
<u>(619,829)</u>	Increase/(Decrease) in unapplied capital grants and contributions	<u>(402,580)</u>	
	Total Increase in Realised Capital Resources		
511,005			(3,660,673)
<u>73,188,492</u>	Gains/(Losses) on revaluation of fixed assets	<u>(74,790,753)</u>	
	Total Increase/(Decrease) in Unrealised Value of Fixed Assets		
73,188,492			(74,790,753)
	Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment		
(6,443,620)			(2,331,400)
3,527,638	Capital Receipts Set Aside	5,387,051	
(1,959,686)	Revenue Resources Set Aside	(1,678,358)	
1,016,133	Movement in Government Grants Deferred	38,418	
<u>(284,956)</u>	Movement on Major Repairs Reserve	<u>(414,482)</u>	
2,299,129			3,332,629
<u>68,453,488</u>	Total Recognised Gains/(Losses)		<u>(73,826,264)</u>

NOTES TO STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. Movements in Revenue Resources

	General Fund Balances £	HRA Balances £	Specified Revenue Reserves £	Pensions Reserve £	Total £
Surplus/(deficit) for 2005/06	(45,959)	587,203	0	0	541,244
Appropriations to/from revenue	0	0	1,226,449	76,240	1,302,689
Actuarial gains/(losses) relating to pensions	0	0	0	1,780,000	1,780,000
	<u>(45,959)</u>	<u>587,203</u>	<u>1,226,449</u>	<u>1,856,240</u>	<u>3,623,933</u>
Balance Brought Forward at 1 April 2005	4,832,096	2,222,372	2,289,514	(14,849,750)	(5,505,768)
Balance C/F at 31 March 2006	<u><u>4,786,137</u></u>	<u><u>2,809,575</u></u>	<u><u>3,515,963</u></u>	<u><u>(12,993,510)</u></u>	<u><u>(1,881,835)</u></u>

The Revenue Reserves can be used to meet Capital or Revenue Expenditure (for further detail see the Consolidated Revenue Account, Housing Revenue Account and Notes 14, 15 and 18 to the Consolidated Balance Sheet).

Actuarial Gains and Losses Relating To Pensions

The actuarial gains/(losses) identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities:

	2002/03		2003/04		2004/05		2005/06	
	£	%	£	%	£	%	£	%
Difference between the Expected and Actual Return on Assets	(8,990,000)	(33.4%)	4,416,000	13.4%	1,235,000	2.9%	7,839,000	14.6%
Difference between actuarial assumptions about liabilities & actual experience	(2,200,000)	(5.2%)	9,000	0.0%	4,102,000	7.2%	1,215,000	1.8%
Changes in the demographic & financial assumptions used to estimate liabilities	0		0		(8,962,000)		(7,274,000)	
	<u><u>(11,190,000)</u></u>	<u><u>(26.4%)</u></u>	<u><u>4,425,000</u></u>	<u><u>10.0%</u></u>	<u><u>(3,625,000)</u></u>	<u><u>(6.4%)</u></u>	<u><u>1,780,000</u></u>	<u><u>2.7%</u></u>

2. Movements in Realised Capital Resources

	Usable Capital Receipts £	Unapplied Capital Grants & Contrib'ns £
Amounts Receivable in 2005/06	3,250,819	538,612
Amounts payable to The Housing Capital Receipts Pool	(1,121,861)	0
Amounts applied to finance new capital investment in 2005/06	(5,387,051)	(941,192)
Total Increase/(Decrease) in realised capital resources in 2005/06	<u><u>(3,258,093)</u></u>	<u><u>(402,580)</u></u>
Balance Brought Forward at 1 April 2005	13,880,091	433,392
Balance Carried Forward at 31 March 2006	<u><u>10,621,998</u></u>	<u><u>30,812</u></u>

See also Notes 13 and 14 to the Consolidated Balance Sheet.

NOTES TO STATEMENT OF TOTAL MOVEMENT IN RESERVES

3. Movements in Unrealised Value of Fixed Assets

The gain on revaluation of fixed assets arises principally from the revaluation of the Council's housing stock.

Gains/Losses on revaluation of fixed assets in 2005/06
 Impairment losses on fixed assets due to general changes in prices in 2005/06
Total Increase/(Decrease) in Unrealised Value of Fixed Assets

Fixed Asset Restatement Account £
(74,790,753)
0
<u>(74,790,753)</u>
(2,331,400)
<u>(77,122,153)</u>
350,801,253
<u><u>273,679,100</u></u>

4. Value of Assets Sold, Disposed of or Decommissioned

Amounts written off fixed asset balances for disposals in 2005/06
 Total Movement on Reserve in 2005/06
 Balance B/F at 1 April 2005

Balance C/F on the Fixed Asset Restatement Account at 31 March 2006

For a description of this reserve see Note 10 to the Consolidated Balance Sheet.

5. Movements in amounts Set Aside to Finance Capital Investment

	Capital Financing Account £	Grants and Contrib'ns Deferred £	Major Repairs Reserve £	Total £
Capital Receipts Set Aside in 2005/06:				
Usable Capital Receipts Applied	5,387,051	0	0	
Total Capital Receipts Set Aside in 2005/06	<u>5,387,051</u>	<u>0</u>	<u>0</u>	5,387,051
Revenue Resources Set Aside In 2005/06:				
Capital Expenditure Financed From Revenue:				
General Fund	10,265	0	0	
Major Repairs Reserve	3,112,254	0	0	
Reconciling Amount For Provision For Loan Repayment:				
Deferred Capital Receipts	(56,171)	0	0	
Government Grants	173,619	0	0	
Minimum Revenue Provision (Less Depreciation)	(4,336,243)	0	0	
Write Down of Deferred Charges	(582,082)	0	0	
Total Revenue Resources Set Aside in 2005/06	<u>(1,678,358)</u>	<u>0</u>	<u>0</u>	(1,678,358)
Grants applied to capital investment in 2005/06	0	941,192	0	
Credits to Asset Management Rev Account in 2005/06	0	(902,774)	0	
Movement on Government Grants Deferred	<u>0</u>	<u>38,418</u>	<u>0</u>	38,418
Movement on Major Repairs Reserve	<u>0</u>	<u>0</u>	<u>(414,482)</u>	(414,482)
Total Increase/(Decrease) in amounts set aside to finance capital investment:				
Total Movement on Reserves in 2005/06	<u>3,708,693</u>	<u>38,418</u>	<u>(414,482)</u>	3,332,629
Balance Brought Forward at 1 April 2005	61,978,438	5,028,842	414,482	67,421,762
Balance Carried Forward at 31 March 2006	<u><u>65,687,131</u></u>	<u><u>5,067,260</u></u>	<u><u>0</u></u>	<u><u>70,754,391</u></u>

For a description of these reserves see Notes 11 & 12 to the Consolidated Balance Sheet and Note 3 to the HRA.

6. Capital Reserves

The Fixed Asset Restatement Account and the Capital Financing Account cannot be used to support Capital Expenditure (for further detail see Notes 10 and 11 to the Consolidated Balance Sheet).

Usable Capital Receipts and the specific Capital Reserves are used to finance Capital Expenditure (for further details see Notes 13 and 14 to the Consolidated Balance Sheet).

CASH FLOW STATEMENT

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

Revenue Activities:	Note	2004/05	2005/06
		£	£
		As Restated	
Cash Outflows			
Cash paid to and on behalf of employees	5	12,224,958	13,262,371
Other Operating cash payments		12,108,163	12,127,696
Housing Benefit paid out		5,825,868	6,271,809
Non-Domestic Rate - payment to National Pool		19,132,400	22,428,497
Precepts paid		37,763,880	40,094,973
Payment to Capital Receipts Pool		542,168	1,121,861
Housing Subsidy		4,086,629	4,682,363
Cash Inflows			
Rents (after Rebates)		(7,415,694)	(7,538,664)
Council Tax Receipts		(40,538,338)	(42,992,793)
Non-Domestic Rate-receipts from National Pool	4	(2,870,758)	(2,422,705)
Non-Domestic Rate Receipts		(20,976,255)	(21,526,856)
Revenue Support Grant	4	(2,517,402)	(2,485,646)
DWP Grants for Benefits	4	(16,161,778)	(17,241,375)
Other Government Grants	4	(939,383)	(724,504)
Cash Received for Goods and Services		(2,369,628)	(4,636,784)
Other Operating Cash Receipts		(847,654)	(922,578)
	1	<u>(2,952,824)</u>	<u>(502,335)</u>
Returns on Investment and Servicing of Finance:			
Cash Outflows			
Interest Paid		2,846	0
Cash Inflows			
Interest Received		(1,208,570)	(1,592,328)
Capital Activities:			
Cash Outflows			
Purchase of Fixed Assets		7,032,386	8,835,770
Other Capital cash payments		586,089	582,082
Cash Inflows			
Sale of Fixed Assets		(5,401,441)	(3,421,838)
Other Capital Cash Receipts		(104,719)	(70,804)
Net Cash (Inflow)/Outflow before Financing		<u>(2,046,233)</u>	<u>3,830,547</u>
Management of Liquid Resources:			
Net increase/(decrease) in Short Term Deposits	3	1,120,000	(3,250,000)
Net increase/(decrease) in Investments Available on demand	2	990,000	(865,000)
Net Increase/(Decrease) in Cash at Bank	2	<u><u>63,767</u></u>	<u><u>(284,453)</u></u>

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of Consolidated Revenue Account (Surplus)/Deficit to Cash Flow Statement - Revenue Activities

	2004/2005 £ As Restated	2005/2006 £
(Surplus)/Deficit for the Year	(541,070)	45,959
Non-Cash Transactions:		
Contributions to/from Reserves and Appropriation	(360,480)	(1,068,448)
Revenue Contributions to Capital	(815,194)	(10,265)
HRA	(627,523)	(587,203)
Pensions Reserve	(100,000)	(51,000)
Collection Fund Transfer	(62,120)	(17,193)
Amortised Premiums	(82,093)	(81,420)
Items on an Accruals Basis:		
Stock, Debtors and Creditors	(602,593)	528,234
Items included in Other Classification within Statement:		
Internal Recharges to Other Accounts	672,867	804,147
Items not included in Consolidated Revenue Account:		
(Increase)/Reduction in Collection Fund Balance	(401,771)	(119,933)
Suspense Accounts	(32,847)	54,787
Net Cash Flow From Revenue Reserves	<u>(2,952,824)</u>	<u>(502,335)</u>

2. Analysis of Cash Balance

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

	Opening Balance 1 April 2005 £	Movements in Year £	Closing Balance 31 March 2006 £
Cash and Bank	236,337	(284,453)	(48,116)
Temporary Investments	1,890,000	(865,000)	1,025,000
	<u>2,126,337</u>	<u>(1,149,453)</u>	<u>976,884</u>

Temporary investments above are those which are available on demand and therefore classified as cash.

NOTES TO THE CASH FLOW STATEMENT

3. Reconciliation of Liquid Resources and Financing to the Balance Sheet

Liquid Resources are defined as current asset investments held as readily disposable stores of value, ie disposable without curtailing or disrupting an authority's activities, and either readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market (see Note 7 to the Consolidated Balance Sheet).

	Opening Balance 1 April 2005 £	Movements in Year £	Closing Balance 31 March 2006 £
Temporary Investments	25,391,053	(4,115,000)	21,276,053
Less - Available on demand	(1,890,000)	865,000	(1,025,000)
	<u>23,501,053</u>	<u>(3,250,000)</u>	<u>20,251,053</u>

There has been a decrease in the level of short term deposits which is reflected in the net cash outflow to the management of liquid resources and financing activities.

4. Government Grants

These comprise:

	2004/2005 £ As Restated	2005/2006 £
Department for Works and Pensions:		
Housing and Council Tax Benefit	(16,161,778)	(17,241,375)
Department for Communities and Local Government:		
Revenue Support Grant	(2,517,402)	(2,485,646)
Non-Domestic Rate-receipts from National Pool	(2,870,758)	(2,422,705)
Improvement Grants	(255,626)	(173,619)
Housing Defects Act Grants	(295,709)	(295,709)
Other	(388,048)	(255,176)
Government Grant Income Received in Year	<u>(22,489,321)</u>	<u>(22,874,230)</u>

5. Cash Paid to and on behalf of Employees

The cash paid to and on behalf of employees includes all employee related costs, such as salaries, wages, employers National Insurance and pension contributions, relocation expenses, internal and external training expenses, advertising, insurance and professional fees.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, as defined in Schedule 4 of the *Local Government and Housing Act 1989*. It shows the major elements of housing revenue expenditure - management, maintenance, capital financing costs and subsidy payable - and how these are met by rents and other income.

2004/05 £		2005/06 £
	Income	
	Gross Rental Income	
(12,700,391)	- Dwelling Rents	(13,068,744)
(870,203)	- Non-Dwelling Rents	(914,912)
(102,540)	Charges for Services and Facilities	(104,739)
(640,457)	Contributions Towards Expenditure	(609,590)
(220,836)	Decreased Provision for Bad or Doubtful Debts	0
(215,943)	HRA Subsidy Receivable	(3)
<u>(14,750,370)</u>	Sub-total	<u>(14,697,988)</u>
	Expenditure	
	Repairs, Maintenance and Management	
3,365,216	- Repairs and Maintenance	3,214,517
3,102,731	- Supervision and Management	3,683,464
7,320	Rents, Rates, Taxes and Other Charges	11,424
289,090	Rent Rebates	211,318
0	Increased Provision for Bad or Doubtful Debts	594
4,508,252	HRA Subsidy Payable	4,683,039
13,209,360	Cost of Capital Charge	13,178,540
	Depreciation of Fixed Assets	
3,773,760	- On Dwellings	2,937,630
204,860	- On Other Assets	253,009
<u>28,460,589</u>	Sub-total	<u>28,173,535</u>
13,710,219	Net Cost of Services	13,475,547
(13,209,360)	Adjustment for HRA Capital Charges	(13,178,540)
82,093	Amortised Premiums	81,420
(421,602)	HRA Investment Income	(469,177)
161,350	Net Operating Expenditure/(Income)	(90,750)
498,562	Revenue Contributions to Capital Expenditure	0
3,805	Transfer To (From) Pensions Reserve	(3,586)
(1,291,240)	Transfer From Major Repairs Reserve	(492,867)
<u>(627,523)</u>	Total Deficit/(Surplus) for the Year	<u>(587,203)</u>
	Housing Revenue Account Balance	
(1,594,849)	Surplus at Beginning of Year	(2,222,372)
(627,523)	Deficit/(Surplus) for Year	(587,203)
<u>(2,222,372)</u>	Surplus at End of Year	<u>(2,809,575)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Revenue Account Property

The housing stock managed by the Council was as follows:

	31 March 2005	31 March 2006
	Number	Number
Houses and Bungalows	2,162	2,142
Flats	1,715	1,687
Managed Stock Total	<u>3,877</u>	<u>3,829</u>

The Balance Sheet Values of land, houses and other property within the Authority's HRA was as follows:

	Balance Sheet	Balance Sheet
	Value at	Value at
	31 March 2005	31 March 2006
	£	£
Operational Assets		
Dwellings	381,132,670	300,842,750
Other Land & Buildings	2,869,000	4,544,821
Vehicles, Plant & Equipment	56,278	56,278
Non-Operational Assets - Investment Properties	3,929,000	6,013,000
Non-Operational Assets - Other	74,000	44,460
Total Value of Land, Houses and Other Property	<u>388,060,948</u>	<u>311,501,309</u>

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2006 was £660,391,962.

The vacant possession value of dwellings exceeds the gross balance sheet value of dwellings by £356,611,582. This difference shows the economic cost to Government of providing council housing at less than open market rents.

3. Major Repairs Reserve

The movement on the Major Repairs Reserve was as follows:

	£
Balance on 1 April 2005	414,482
Amount Transferred to the Reserve During 2005/06	3,190,639
Amount Transferred from the Reserve During 2005/06	(492,867)
HRA Capital Expenditure on Dwellings Financed from the Reserve	(3,112,254)
Balance on 31 March 2006	<u>0</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

4. Capital Expenditure and Sources of Funding

Total HRA capital expenditure and the sources of funding was as follows:

	£
Total Capital Expenditure on HRA Land, Houses and Other Funded by:	5,489,350
Capital Receipts	(2,377,096)
Major Repairs Reserve	(3,112,254)
	<u>0</u>

5. Capital Receipts

Capital receipts arising from the disposal of land and houses within the Council's HRA were as follows:

	£
Land	146,500
Houses	3,026,805
	<u>3,173,305</u>

6. Cost of Capital and Adjusting Transfer from the Asset Management Revenue Account

Capital financing costs charged to the HRA are made in accordance with the Item 8 Determinations made by the Secretary of State under Part II of Schedule 4 to the Local Government and Housing Act 1989 and consist of the following items:

3.5% of the value of operational assets charged to net cost of services for the use of capital resources, to comply with the requirements of the Code of Practice. This is a notional charge, which is reversed by the adjusting transfer in net operating expenditure.

A statutorily calculated contribution to external interest payable. Since the Council is Debt Free this element is zero.

7. Depreciation

Depreciation on land, houses and other HRA property was as follows:

	£
Operational Assets	
Dwellings	2,937,630
Other Land And Buildings	230,939
Vehicles, Plant and Equipment	21,530
Non-Operational Assets	540
	<u>3,190,639</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

8. HRA Subsidy

HRA Subsidy is a Grant paid by the Government towards the cost of local authority housing. The following table shows an analysis of estimated *negative* Subsidy payable by the Council to the Government in respect of 2005/06 in accordance with the General Determination of Housing Revenue Account Subsidy for 2005/06:

	2004/05	2005/06
	£	£
Notional Expenditure		
Management and Maintenance	5,096,925	5,383,813
Major Repairs Allowance	2,687,376	2,697,772
Charges for Capital	82,093	81,420
Anti Social Behaviour Allowance	1,000	0
Notional Income		
Interest on Receipts	(261,406)	(309,902)
Guideline Rent Income	(12,114,240)	(12,536,142)
Subsidy Claimed for 2005/06	<u>(4,508,252)</u>	<u>(4,683,039)</u>
Additional Subsidy for Prior Years	215,943	3
Total Subsidy Claimed in Year	<u><u>(4,292,309)</u></u>	<u><u>(4,683,036)</u></u>

9. Rent Arrears

Arrears were as follows:

	31 March 2005	31 March 2006
	£	£
Due from Current Tenants		
Houses	324,981	321,023
Garages	1,792	1,823
Commercial and Ground Rents*	19,633	22,942
Due from Former Tenants		
Houses	161,309	186,724
Garages	2,861	3,705
Commercial and Ground Rents*	15,694	16,499
	<u>526,270</u>	<u>552,716</u>

* Previously included in Service Charges for Leaseholders

These arrears include all charges due from tenants, i.e. rent, heating and other charges. Irrecoverable arrears of £26,594 were written off during the year. A provision of £124,000 exists for doubtful debts. The movements on the provision are summarised as follows:

	£
Balance at 1 April 2005	150,000
Contribution from Housing Revenue Account	594
	<u>150,594</u>
Less Amounts Written Off	(26,594)
Balance at 31 March 2006	<u><u>124,000</u></u>

Further information on Housing activities is available from the Council's Director of Housing and Health.

COLLECTION FUND

This account reflects the statutory requirement to maintain a separate Collection Fund, which shows the transactions in relation to Non-Domestic Rates, the Council Tax and residual Community Charges. It illustrates the way in which these have been distributed to major precepting authorities and the Council's General Fund. The Collection Fund balances are consolidated within the Council's other accounts.

INCOME AND EXPENDITURE ACCOUNT

2004/2005 £		Note	2005/2006 £	
	INCOME:			
40,007,120	Income from Council Taxpayers	1	42,099,284	
	Transfers from General Fund:			
3,545,973	Council Tax Benefits	1	3,852,497	
<u>43,553,093</u>				45,951,781
	Contributions:			
412,652	Prior year's estimated council tax deficit		119,484	
373	Community charge income		0	
124,248	Over provision for uncollectable Council Tax	4	0	
<u>537,273</u>				119,484
<u>19,239,382</u>	Income from Business Ratepayers	2		19,720,491
<u>63,329,748</u>	Total Income			<u>65,791,756</u>
	EXPENDITURE:			
43,688,161	Precepts and Demands	3		45,911,434
0	Bad and Doubtful Debts	4		39,477
	Business Rate:			
19,138,388	Payment to National Pool	2	19,621,309	
100,993	Cost of Collection Allowance		99,182	
<u>19,239,381</u>				19,720,491
	Transfer to General Fund:			
435	Prior year's estimated community charge surplus			421
<u>62,927,977</u>	Total Expenditure			<u>65,671,823</u>
	Movement in Fund Balances:			
<u>(401,771)</u>	(Surplus)/Deficit for Year			<u>(119,933)</u>

COLLECTION FUND BALANCE

2004/2005 £		2005/2006 £
521,136	Balance at Beginning of Year	119,365
(401,771)	(Surplus)/Deficit for Year	(119,933)
<u>119,365</u>	(SURPLUS)/DEFICIT BALANCE AT 31 MARCH	<u>(568)</u>

NOTES TO THE COLLECTION FUND ACCOUNTS

1. Council Tax, Council Tax Benefits and Council Tax Base

The Council set an average Council Tax charge for Band D dwellings of £1,234.87 for 2005/2006.

Specific reductions – council tax benefits – are made, in accordance with government regulations, for persons on lower incomes.

The amounts credited to the Collection Fund can be analysed as follows:

	2004/2005	2005/2006
	£	£
Council Tax	43,553,093	45,951,781
Less: Council Tax Benefits	(3,545,973)	(3,852,497)
Amount Due	<u>40,007,120</u>	<u>42,099,284</u>

The Council Tax Base is equivalent to the amount that would be raised if an average Band D Council Tax were set at £1.

The number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings, was as follows:

Band	Estimated Number of Taxable Properties	Ratio	Band D Equivalent Properties
A*	2.50	5:9	1.39
A	584.65	6:9	389.78
B	1,524.05	7:9	1,185.36
C	5,254.20	8:9	4,670.41
D	8,260.85	9:9	8,260.85
E	6,363.90	11:9	7,778.11
F	3,440.70	13:9	4,969.91
G	4,494.25	15:9	7,490.42
H	1,210.80	18:9	2,421.60
			<u>37,167.83</u>
Less: Allowance for Losses on Collection			(185.84)
Add: Contributions in lieu of tax			197.20
Tax Base for the calculation of Council Tax			<u>37,179.19</u>
Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and exempt properties			32.65
			<u>37,211.84</u>

A* denotes properties classified 'Band A disabled'

NOTES TO THE COLLECTION FUND ACCOUNTS

2. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non-Domestic Rate, or NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on resident population.

	31 March 2005	31 March 2006
	£	£
Total Non-Domestic Rateable Value	52,759,702	61,959,417
	2004/2005	2005/2006
Non-domestic rating multiplier (pence in £)	0.456	0.422
Small business non-domestic rating multiplier (pence in £)	-	0.415

Small Business Rate Relief is a new scheme which came into effect on 1 April 2005. It is generally available to ratepayers who have only one business property with a rateable value of less than £15,000.

3. Major Precepts and Demands

These were as follows:

	2004/2005	2005/2006
	£	£
Precepts:		
Hertfordshire County Council	33,085,832	34,891,554
Hertfordshire Police Authority	4,161,942	4,390,491
Demands:		
Three Rivers District Council	6,440,387	6,629,389
Total	<u>43,688,161</u>	<u>45,911,434</u>

4. Bad and Doubtful Debts

These are amounts of Council Tax written off as irrecoverable and adjustments to the provision for doubtful Council Tax debts. They were as follows:

	2004/2005	2005/2006
	£	£
Council Tax Write Offs	2,952	(2,773)
Adjustment to Provision for Doubtful Council Tax Debts	(127,200)	42,250
Total	<u>(124,248)</u>	<u>39,477</u>

NOTES TO THE COLLECTION FUND ACCOUNTS

5. Collection Fund Balance

The balances on the Collection Fund are included in the Council's Consolidated Balance Sheet. They are distributed between the relevant authorities or recovered from them in accordance with rules set out by statute. Subsequent years' council tax charges are adjusted accordingly. Balances are distributed or recovered in proportion to the demands or precepts on the Fund by all of the relevant authorities as follows:

2004/2005 £		2005/2006 £
	(Reduction)/Increase in 2005/2006 Charge:	
90,487	Hertfordshire County Council	0
11,383	Hertfordshire Police Authority	0
17,193	Three Rivers District Council	0
<u>119,063</u>		<u>0</u>
	(Reduction)/Increase in 2006/2007 Charge:	
247	Hertfordshire County Council	0
31	Hertfordshire Police Authority	0
24	Three Rivers District Council	0
<u>302</u>		<u>0</u>
	(Reduction)/Increase in 2007/2008 Charge:	
0	Hertfordshire County Council	(432)
0	Hertfordshire Police Authority	(54)
0	Three Rivers District Council	(82)
<u>0</u>		<u>(568)</u>
<u>119,365</u>	(Surplus)/Deficit on Fund at 31 March 2006	<u>(568)</u>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The CIPFA/LASAAC *Code of Practice on Local Authority Accounting in The United Kingdom* (the Code of Practice) reflects the requirements of the *Accounts and Audit Regulations 2003*. The Authority must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Authority and the Chief Financial Officer for the Accounts.

The Authority's Responsibilities

The Authority is required:

- (a) 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 the Chief Financial Officer is the Director of Corporate Resources.
- (b) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (c) To approve this Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Council's Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Code of Practice.

In preparing this Statement of Accounts the Director of Corporate Resources has:

- (a) Selected suitable accounting policies and then applied them consistently;
- (b) Made judgements and estimates that were reasonable and prudent;
- (c) Complied with the Code of Practice (except where disclosed otherwise);
- (d) Kept proper accounting records which were up to date; and
- (e) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF CHIEF FINANCIAL OFFICER

I certify that this Statement of Accounts presents fairly the financial position of the Authority at 31 March 2006 and its income and expenditure for the year ended 31 March 2006.



D A Gardner
Chief Financial Officer
Director of Corporate Resources

Date: 28 June 2006

STATEMENT ON INTERNAL CONTROL

1. Introduction

Regulation 4 (2) of The Accounts and Audit Regulations (England) 2003 requires the Council to publish a statement on internal control with its financial statements in accordance with proper practice. This statement also meets the requirements of The Code of Practice on Local Authority Accounting in the United Kingdom 2005 : A Statement of Recommended Practice (SORP).

In preparing this Statement the Council has followed advice issued by the Chartered Institute of Public Finance and Accountancy in meeting the requirements of the Accounts and Audit Regulations.

2. Scope of Responsibility

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

3. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system has been in place for the year ended 31 March 2006.

4. The Internal Control Environment

The key elements of the internal control environment

Establishing and Monitoring the Achievement of the Council's Objectives

The Council and Executive Committee meet regularly to set the strategic direction of the Council and together with the Audit Committee, Scrutiny and Policy Panels monitor service delivery. The Council carried out consultation between October and December 2005 to inform the objectives within the Community Strategy (undertaken by the Local Strategic Partnership) and its own Strategic Plan. The Council updated its Strategic Plan in February 2006 as part of its consideration of strategic, service and financial planning for the medium three year term. Under the themes of Healthy, Prosperous, Safer and Sustainable Communities, the Strategic Plan sets out the Council's aims, objectives, activities, outcomes and SMART targets. These are included in service plans and cascaded to individual employees via the Council's appraisal system.

Policy and Decision Making

The Council has a Constitution which sets out the processes by which its policies are made and its decisions taken.

The Council is responsible for the adoption of the budget and policy framework. It is the responsibility of the Executive Committee to implement it.

The Constitution sets out financial and contract procedure rules, the roles and responsibilities of statutory officers and the scheme of delegation to officers.

The Council's statutory officers are its Chief Executive, who is the Head of Paid Service, the Director of Corporate Resources who is its Chief Financial Officer, and the Council's Solicitor who carries out the role of Monitoring Officer.

Ensuring compliance with policies, procedures, and legislation

The Council's Constitution sets out how Members and officers ensure compliance with policies, procedures and legislation. The Council has adopted a 'Local Code of Corporate Governance' in accordance with the CIPFA/SOLACE Framework for Corporate Governance.

It has established a Standards Committee and adopted a code of conduct for Members incorporating the mandatory requirements of the model national code. There is also a code of conduct for officers.

An anti-fraud and corruption policy exists and arrangements for whistle-blowing are in place. Any allegations of fraud and corruption are pursued by dedicated staff.

The Council has adopted a Risk Management Strategy which has been updated annually. All of the Council's key objectives, including those in its Strategic Plan, are cascaded into service plans, and the barriers to their achievement (i.e. the risks) are now identified, assessed and managed through the service planning process.

Ensuring the economical, effective and efficient use of resources and continuous improvement

The Council has a Procurement Strategy and Procurement Procedures to assist it in achieving good value for money.

It has prepared Annual Efficiency Statements whereby it will achieve more than 7.5% cashable and non-cashable efficiency gains over a three year period.

The Council has in place a programme of best value reviews. Reviews of customer access and Working with the Voluntary Sector were progressed during 2005/06. Improvement plans resulting from the reviews are initially monitored by Members and then incorporated into service plans.

The Council has further developed the links between service and financial planning to ensure that resources are directed towards the Council's priorities.

Financial management

The Council prepares a three year medium term financial plan detailing its proposed revenue and capital expenditure, how it is to be funded, and the balances held in reserve. Members are

supplied with regular budget monitoring reports comparing progress against budget. The annual 'Statement of Accounts' reports the financial outcome at the end of the financial year.

Performance management

The Council has a performance management framework agreed by the Executive Committee in November 2003. It is linked to the Council's priorities and its Best Value Performance Plan. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council's Best Value Performance Plan sets out the Council's current performance and the targets it has set for improvements. These are particularly aimed at improving performance for those indicators which relate to the Council's priorities.

5. Review of Effectiveness

Maintaining and reviewing the effectiveness of the system of internal control

The Council

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Management Board who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

In reality the effectiveness of internal control is monitored throughout the year as evidence is compiled, e.g. internal and external audit reports.

Executive Committee and Policy Panels

With regard to performance management, quarterly reports have been produced for the Management Board and Members and corrective action is detailed and monitored where necessary. The monthly budget monitoring system has been improved further to incorporate the collection of information on cashable and non-cashable efficiency gains.

During the year a plan was presented to the Resources Policy Panel to improve:-

- budget monitoring – addressing particularly the tendency to under-spend budgets
- financial management – including the production of an annual report combining the Best Value Performance Plan and a summary Statement of Accounts
- the Council's 'Use of Resources' assessment – by better managing the Council's assets and taking a structured approach to value for money and benchmarking.

The plan is being monitored by the Panel.

The Audit Committee

The Council agreed on 18 October 2005 to set up an Audit Committee. The Committee's responsibilities are to:-

- Approve (but not direct) internal audit's strategy, plan and performance.

- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Consider the reports of external audit and inspection agencies.
- Consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

These functions were formerly performed by the Resources Policy Panel.

Internal audit

Internal audit have carried out a programme of audits across the whole range of the Council's activities during the year. Their recommendations and the progress made in implementing them have been reported to the Resources Policy Panel and Audit Committee. Deloitte and Touche Public Sector Internal Audit Limited who are contracted to carry out the internal audit function have provided an interim opinion on the adequacy and effectiveness of the internal control environment. To date they have identified no significant control weaknesses other than the production of Woodland Management Plans and concerns over security of cash and income at The Centre, South Oxhey. In each case internal audit's recommendations were agreed by management and implemented. Woodland Management Plans now exist but there were subsequent variances in cash bankings at The Centre and the matter was referred to the police. The case is now closed and appropriate action has been taken to avoid any repetition.

Other review / assurance mechanisms

The Council's Risk Management Strategy requires strategic and operational risks to be managed within eighteen service plans. Risks are identified and assessed for their impact and likelihood. Where they require managing a risk treatment plan is prepared which identifies the controls that exist to minimise the risk together with any further action that is required. During 2005/06 Internal Audit have tested the adequacy of the controls to minimise risk, have gained assurances and gathered evidence that the controls are working. Where they have identified any weaknesses the matter has been included in the 2006/07 Internal Audit Plan for detailed consideration. Any assurances that are not obtained in this way will be gathered and evidenced by officers and reported to the Audit Committee to ensure that the internal control framework is robust.

There are still a number of actions required to ensure that risk management is 'embedded' throughout the Council. These are included in the action plan at the end of this statement.

The Council's external auditors produced a final Annual Audit and Inspection Letter for 2004/05 in March 2006, which added a 'Direction Of Travel' statement and 'Use of Resources'

assessment to their earlier interim findings reported in October 2005. The scope of the letter is set out in the Audit Commission's Code of Audit Practice. The auditor's recommendations have been incorporated into a plan which allows the Audit Committee to monitor progress against their implementation.

6. Significant Internal Control Issues

Actions taken, or proposed, to deal with significant internal control issues

The following high level action plan has been developed to ensure continuous improvement of the system of internal control.

<i>Action</i>	<i>Priority</i>	<i>Responsibility</i>	<i>Action to date/ Action required</i>	<i>Resolved</i>	<i>(Original) Implementation Date</i>
Improvement / Action Plans Continue to implement and monitor the following improvement / action plans:					
a) External Audit Recommendations	High	DCR (Lead)	Quarterly progress reports to Audit Committee are being made	✓	On-going Quarterly
b) Internal Audit Recommendations	High	Exchequer Services Manager (Lead)	Quarterly progress reports to Audit Committee are being made	✓	On-going Quarterly
c) Budget Monitoring & Financial Arrangements	High	DCR (Lead) / Accountancy Practice Manager	Quarterly progress reports to Resources Policy Panel will be made	✗	(April 2007)
Risk Management Embed risk management:					
Provide training to officers to ensure that risk treatment plans are reviewed and updated. Obtain assurance that this is happening	High	DCR / Risk Management Team	Provide training to section heads and report writers on updated RM Strategy. Monitor service plans to ensure risks are updated	✗	July 2006
Report progress against risk treatment plans to Executive Committee and Audit Committee in accordance with RM Strategy.	High	Section Heads	Prepare reports to Executive Committee quarterly and Audit Committee annually	✗	On-going
Fully consider risks in partnership working	High	Exchequer Services Manager	Develop tool kit produced by London Risk Managers Group	✗	September 2006

<i>Action</i>	<i>Priority</i>	<i>Responsibility</i>	<i>Action to date/ Action required</i>	<i>Resolved</i>	<i>(Original) Implementation Date</i>
Risk Management (continued) Make budget provision for treating risk where necessary	High	DCR	Include in strategic, service and financial planning process for 2007/8	x	September 2006

Signed  Leader of the Council

Ann Shaw O.B.E.

Signed  Chief Executive

Dr Steven Halls

Date: 28 June 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THREE RIVERS DISTRICT COUNCIL

Opinion on the financial statements

We have audited the financial statements of Three Rivers District Council for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Three Rivers District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 the financial position of the Authority and its income and expenditure for the year. We review whether the statement on internal control reflects compliance with CIPFA's guidance ('The Statement on Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004). We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Signed PKF (UK) LLP
PKF (UK) LLP
Farringdon Place, 20 Farringdon Road, London, EC1M 3AP

Date 27 September 2006

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Three Rivers District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 on 20 December 2005. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed..... *PKF (UK) LLP*

Date *27 September 2006*

PKF (UK) LLP

Farringdon Place, 20 Farringdon Road, London, EC1M 3AP