



STATEMENT OF ACCOUNTS

2006/2007

THREE RIVERS DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2006/2007

EXPLANATORY FOREWORD

Introduction

The purpose of the Statement of Accounts is to give interested parties an understanding of the Council's financial position. The Statement contains the following:

Page	Details
1	Statement of Accounting Policies This statement explains the basis upon which the figures in the accounts have been prepared. Explanatory notes are appended to the accounts where appropriate.
4	Income and Expenditure Account This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.
5	Statement of Movement on the General Fund Balance This reconciliation statement summarises the differences between the outturn on the Income and Expenditure account and the General Fund balance.
6	Statement of Total Recognised Gains and Losses This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits.
7	The Balance Sheet The Balance Sheet represents the Council's overall financial position. In addition to containing the revenue balances and reserves at the Council's disposal, it shows its long-term indebtedness and the fixed and net current assets employed in its operations.
8	The Cash Flow Statement The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
9	Notes to the Core Financial Statements These notes explain in more detail the contents of the financial statements above.
29	Housing Revenue Account The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, in accordance with Part 6 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.
34	Collection Fund This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.
38	The Statement of Responsibilities for the Statement of Accounts This statement sets out the respective responsibilities of the Council and its Director of Corporate Resources for the Statement of Accounts.
39	Statement on Internal Control This statement sets out the position on internal control and is required by <i>The Accounts and Audit Regulations (England) 2003</i> .

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

Changes to the Statement and Accounting Policies

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

The new statements disaggregate the Consolidated Revenue Account, and the old Statement of Total Movements on Reserve, to produce a set of statements each with a single clear objective:-

- The Income and Expenditure Account is a summary of the resources generated and consumed by the authority in the year.
- The Statement of the Movement on the General Fund Balance provides a reconciliation showing how the balance of resources generated or consumed in the year links with statutory requirements for raising council tax.

The new Income and Expenditure Account has required some changes to the Council's accounting policies:-

- Capital financing charges (notional interest) for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

Figures for 2005/06 have been adjusted in the Income and Expenditure Account to allow comparison with 2006/07.

Statutory Functions

There were no major changes in statutory functions which had a significant impact on the accounts.

Pensions Liability

The Council has disclosed its full liabilities to the Hertfordshire Pension Fund. The Income and Expenditure Account includes the charges made for retirement benefits in accordance with Financial Reporting Standard 17 and the Statement of Movement in the General Balance shows how this is adjusted for the actual amount paid to the Fund in the year (i.e. the amount met from council tax). The balance sheet shows a net liability to the Fund of £8.846m. There are statutory arrangements for funding the deficit that protect the Council's financial position. Note 25 to the Core Statements of Account provides further information.

Borrowing Facilities and Capital Borrowing

The Council applies the '*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 takes into account all sources of future income and the potential calls on the use of that income.

Whilst the Council might wish to borrow to fund the shortfall in its capital requirements, the revenue costs of servicing that debt are prohibitive, requiring either excessive increases in council tax or unacceptable reductions in HRA costs since rental increases are limited to a formula increase.

The Council, therefore, has no plans to borrow and will remain debt free for the foreseeable future.

The Council has short-term borrowing facilities up to £3m.

Significant Matters in the Accounts

The balance sheet shows a reduction in debtors between 31 March 2006 and 31 March 2007 of £2.599m. This results predominantly from a repayment of £2.807m from the Department for Communities and Local Government in respect of overpayments to the National Non-Domestic Rate pool outstanding at 31 March 2006.

Contingent Liabilities

Note 22 to the Core Financial Statements explains the liability that will arise if the Council's tenants vote in favour of transferring the housing stock to a registered social landlord – Thrive Homes.

Revenue Activities in 2006/07

This foreword provides an opportunity to compare how the Council performed financially against its original plan published when setting budgets in February 2006. The table below compares the original budget for the year against the out-turn:-

	2006/2007 Original Estimate Gross £	2006/2007 Original Estimate Net £	2006/2007 Actual Out-turn Gross £	2006/2007 Actual Out-turn Net £	2006/2007 Variance Net £
Highways & Transportation	2,922,310	2,591,350	2,624,213	2,368,080	(223,270)
Planning & Economic Development	2,193,950	1,441,450	2,631,470	1,731,759	290,309
Leisure	6,373,944	4,878,794	4,693,862	3,208,400	(1,670,394)
Waste Collection & Disposal	3,488,790	2,771,520	3,304,159	2,513,627	(257,893)
Environmental Health	1,449,140	1,102,490	1,433,560	1,096,731	(5,759)
Other Environmental Services	185,120	145,410	184,130	142,839	(2,571)
Housing: Housing Revenue Account	27,323,910	11,542,300	16,060,449	253,784	(11,288,516)
Housing: Other Services	1,346,517	993,437	1,192,160	979,516	(13,921)
Corporate and Democratic Core	2,015,140	2,015,140	1,752,072	1,752,072	(263,068)
Local Tax Collection	1,005,880	725,200	1,156,491	870,294	145,094
Housing Benefits	18,688,620	380,400	18,738,827	324,058	(56,342)
Central Support Services	96,560	0	104,597	0	0
Other Services	1,317,390	887,780	1,185,678	750,937	(136,843)
Cost of Services	68,407,271	29,475,271	55,061,668	15,992,097	(13,483,174)
Parish Councils' Net Budget	914,798	1,004,060	1,004,054	1,004,054	(6)
Contribution to Housing Pooled Capital Receipts	0	1,000,000	0	2,299,280	1,299,280
Net Interest	0	(1,115,170)	0	(1,305,714)	(190,544)
Expected Return on Pensions Assets	0	133,000	0	(373,000)	(506,000)
Net Operating Expenditure	69,322,069	30,497,161	56,065,722	17,616,717	(12,880,444)
Government Grants		(5,401,503)		(5,401,503)	0
Total Charge to Taxpayers		(6,862,050)		(6,862,050)	0
I&E Deficit/(-)Surplus for Year		18,233,608		5,353,164	(12,880,444)
Adjustment for Capital Charges		(16,269,140)		(2,564,273)	13,704,867
Transfer from capital receipts		(1,000,000)		(2,299,280)	(1,299,280)
Adjustment for Pensions Service Costs		166,770		(424,705)	(591,475)
Reversal of Return on Pension Assets		(133,000)		373,000	506,000
Revenue Contribution To Capital		1,250,000		750,000	(500,000)
Net Transfer (from)/to HRA		(537,430)		394,267	931,697
Net Transfers to Reserves/Provisions		(672,380)		(685,340)	(12,960)
Decrease in General Fund Balance		(1,038,428)		(896,833)	141,595
		0		0	0

These transactions represent the day to day activities of the Council. The Council has, in recent years, managed its spending within its available resources, indeed the external auditor has marked it down in his use of resources judgements for under-spending. Significant effort has gone into improving the council's budget monitoring to ensure that it is predictive and that under-spends have not been built into future years' budgets.

The table below shows budget variations over the past two years and illustrates the improvement made in achieving budgetary targets in 2006/07:-

General Fund Balances	2005/06 £	2006/07 £
Estimated Closing Balance in Original Estimate	2,866,331	3,382,367
Total Variances	1,919,806	506,937
Actual Closing Balance	4,786,137	3,889,304
Total Variances	£1,919,806	£506,937
Variations revealed after setting forward budgets	£365,342	£296,671
Gross Estimated Expenditure	£53,883,168	£54,517,865
Budget Requirement	£11,520,547	£12,263,553
Total Variance as percentage of Gross Expenditure	3.6%	0.9%
Total Variance as percentage of Budget Requirement	16.7%	4.1%
Post budget variances as percentage of Gross Expenditure	0.7%	0.5%
Post budget variances as percentage of Budget Requirement	3.2%	2.4%

The General Fund balance is shown in the Statement of Movement on the General Fund Balance.

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

- Within the Income and Expenditure Account is a 'ring-fenced' Housing Revenue Account (HRA) reflecting the activities of the Council as landlord. The HRA balance at 31 March 2007 was £3.204m. This was £1.387m more than anticipated when setting the original budget. This is because in 2005/06 and 2006/07 the HRA did not make revenue contributions to capital expenditure increasing balances by £1.000m; £0.125m was transferred from the tenants' water account; a £0.178m reduction in repairs and maintenance and £0.072m rephasing of stock transfer costs. The table shows the effect of consolidating the HRA transactions in the Income and Expenditure Account.
- Capital charges varied due to changes in accounting principles (see above).
- The out-turn figures take account of an amended actuarial valuation for employer's pension contributions based on Financial Reporting Standard 17.
- Internal recharges reflect the costs to the front line services of central and departmental support services (e.g. lawyers, accountants and leisure management). The out-turn figures may vary from the original estimate as a result of, for example, a more accurate or current apportionment of support time to the front line services.
- Having adjusted for the above items there remain cash variances. The most significant of these shown in the table below are a reduction in Environmental Health expenditure (£135k); a decrease in Local Tax Collection expenditure (£111k); greater Housing Benefit income (£121k) and increased Interest income (£192k).

	HRA	Capital Charges	FRS17 Pensions	Internal Recharges	Cash Variances	Total Variances
	£	£	£	£	£	£
Highways & Transportation	0	(186,700)	0	(10,283)	(26,287)	(223,270)
Planning & Economic Dev't	0	(153,430)	66,435	400,717	(23,413)	290,309
Leisure	0	(1,635,108)	43,728	(154,255)	75,241	(1,670,394)
Waste Collection & Disposal	0	(233,145)	61,290	(123,502)	37,464	(257,893)
Environmental Health	0	(1,877)	42,723	88,144	(134,749)	(5,759)
Other Environmental Services	0	(13,360)	21,770	(39,952)	28,971	(2,571)
Housing: HRA	(11,046,350)	0	0	(410,959)	168,793	(11,288,516)
Housing: Other Services	0	40,768	72,108	(211,410)	84,613	(13,921)
Corporate & Democratic Core	0	(8,044)	0	(270,590)	15,566	(263,068)
Local Tax Collection	0	0	11,379	244,270	(110,555)	145,094
Housing Benefits	0	0	25,213	39,572	(121,127)	(56,342)
Central Support Services	0	(653,546)	180,281	452,844	20,421	0
Other Services	0	(320,105)	34,215	67,360	81,687	(136,843)
Cost of Services	(11,046,350)	(3,164,547)	559,142	71,956	96,625	(13,483,174)
Adjustment for Capital Charges	10,645,620	3,164,547	0	0	(105,300)	13,704,867
Adjustment for Pensions	(32,333)	0	(559,142)	0	0	(591,475)
Net Interest	1,366	0	0	0	(191,910)	(190,544)
Revenue Contrib'n To Capital	(500,000)	0	0	0	0	(500,000)
Net Transfer from HRA	931,697	0	0	0	0	931,697
Net Transfer from Reserves	0	0	0	0	(12,960)	(12,960)
Parish Councils' Net Budget	0	0	0	0	(6)	(6)
(Deficit)/Surplus	0	0	0	(71,956)	213,551	141,595
Total Variances	0	0	0	0	0	0

Capital Activities in 2006/07

Capital expenditure is incurred in relation to assets and benefits the community over a number of years.

The Council planned to complete new schemes valued at £8.810m in 2006/07, but to this was added £3.188m rephased from 2005/06. The Council completed and funded £8.789m worth of work in 2006/07. The charts on page vii show the types of expenditure and how it was financed. Capital expenditure by service is shown below:-

	New Schemes 2006/07 £	Rephased From 2005/06 £	Total Programme £	Actual Out-turn £	Variance £
Improvements to the Council's Housing	2,950,000	1,989,500	4,939,500	4,840,290	(99,210)
Private Sector Housing	368,000	0	368,000	591,746	223,746
Environment	436,410	59,910	496,320	508,180	11,860
Leisure	4,376,430	812,910	5,189,340	2,104,450	(3,084,890)
Public Services & Health (inc Waste	117,920	157,650	275,570	118,090	(157,480)
Administration & Building Improvements	149,500	46,120	195,620	210,970	15,350
Information & Communication Technology	411,410	121,700	533,110	415,470	(117,640)
Total	8,809,670	3,187,790	11,997,460	8,789,196	(3,208,264)

Details of the variances to the capital investment programme over the past two years are shown below:-

	2005/06 £	2006/07 £
Estimated Capital Investment Programme for the year	7,527,750	8,809,670
Schemes rephased from the previous year:-		
Reported in previous year	3,405,720	2,907,050
Revealed on closing accounts	1,599,270	280,740
Changes included in revised estimate:-		
Schemes >£0.5m		
Refurbishment Highlands	(599,230)	0
Swimming facility in the North of the district	0	(1,333,330)
William Penn Leisure Centre	0	(906,850)
Pavilions DDA	0	(516,390)
Gade View Gardens	0	921,540
Schemes <£0.5m	(2,439,410)	(283,620)
Changes included in further monitoring reports during year:-		
Schemes >£0.5m		
Gade View Gardens	828,290	0
Schemes <£0.5m	(473,180)	(503,520)
Changes revealed on the closing accounts:-		
Schemes rephased	(280,740)	(589,460)
Under / Overspends	45,302	3,370
Actual Capital Expenditure in the year	9,613,772	8,789,200

The Council has taken measures to reduce the necessity to re-phase items in the capital programme. The table above shows that there was re-phasing again in 2006/07 but that this related almost entirely to three major schemes.

The Council agreed a payment schedule with Watford Borough Council for its share in the cost of the provision of swimming facilities in the North of the district in order to protect its investment as the development progressed. The total cost to the Council will be £2m of which £0.666m was paid in 2006/07.

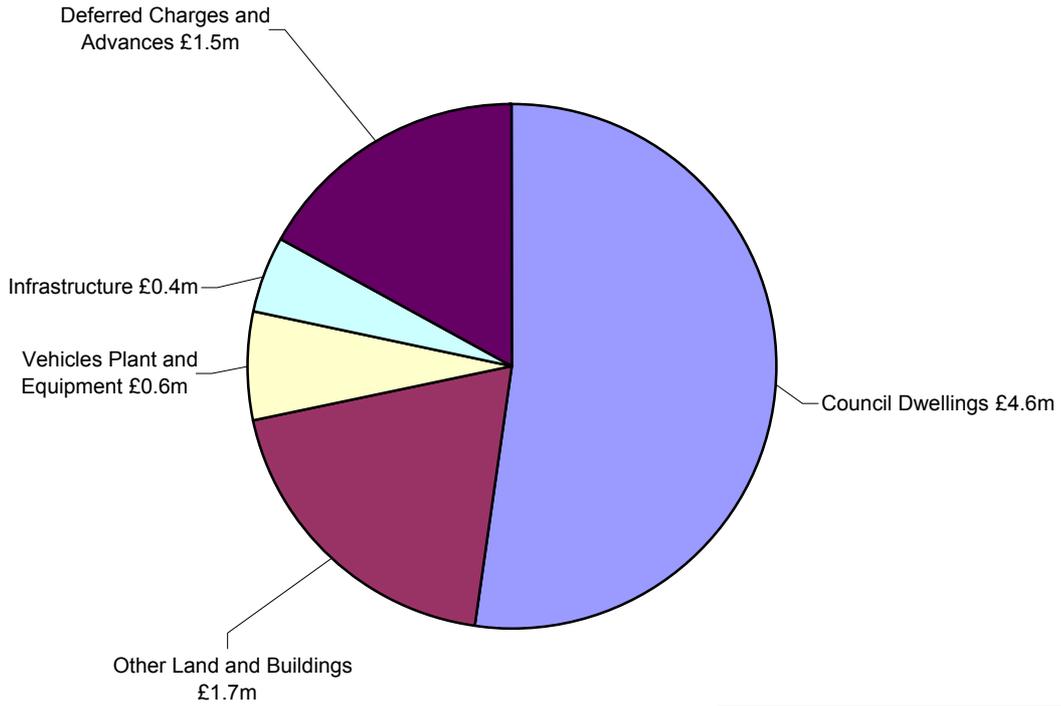
Work at the William Penn Leisure Centre was re-phased after the tender process was completed to reflect a more accurate cash flow position. £0.509m was spent on this scheme in 2006/07.

Works to improve access to the Council's pavilions was delayed whilst awaiting the outcome of a bid for funds from the Football Trust.

The additional expenditure in respect of Gade View Gardens will be matched by an equivalent capital receipt.

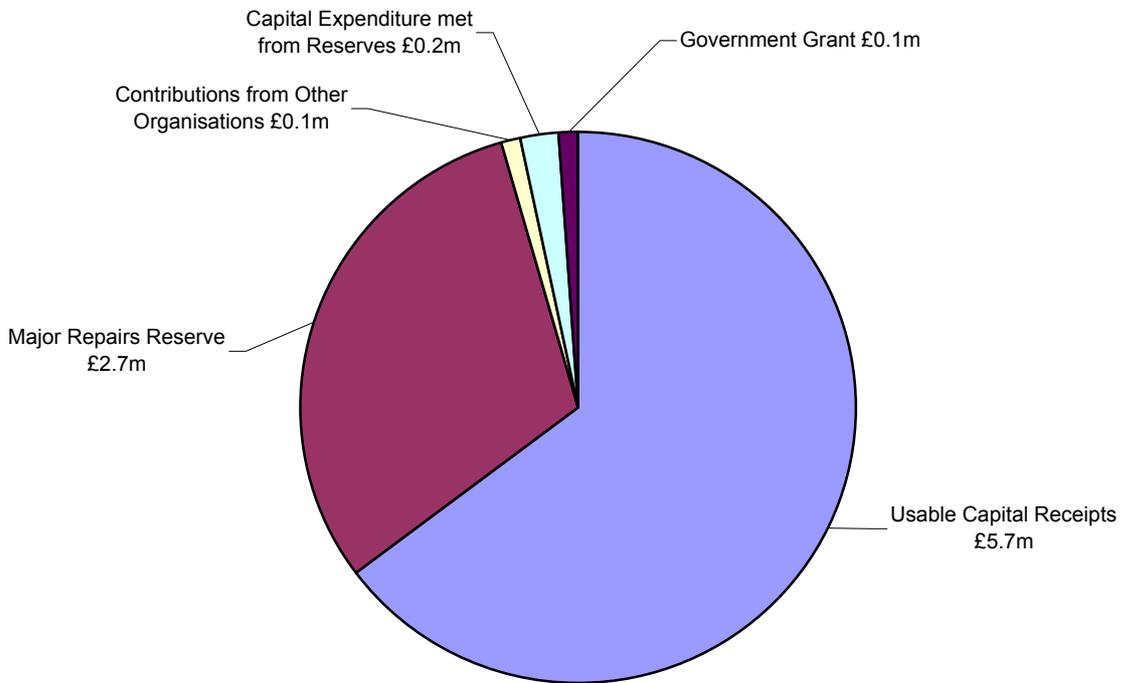
The table also shows that changes to the capital investment programme revealed on closing the accounts after the year end was £0.586m. Whilst this was an increase on the previous year when the figure was only £0.280m it is still significantly down on the £1.599m revealed when closing the 2004/05 accounts.

Capital Expenditure



	£m
Capital Expenditure	8.8

Capital Financing



	£m
Capital Financing	8.8

Future Financial 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* developed with the Council's partners.

The Council ensures that its strategic, service and financial planning is closely linked in order to ensure that resources are properly allocated to its priorities. Its *Medium-Term Three Year Financial Plan* is continually updated.

There is a performance management framework which, along with budget monitoring, measures how the Council is performing against its plans.

Revenue Expenditure & its Funding

The levels of council tax and government grant are critical to the Council's future revenue streams. Government grant contributes 44% of the budget requirement, the balance coming from council tax payers. The financial plan assumes increases in grant of 2.5% and in council tax of 2.9% in the medium term. Even allowing for these increases, pressures on revenue expenditure from, for example, pension costs and concessionary fares is likely to see the General Fund balance fall. The plan also assumes that cumulative efficiency gains of £150,000 per annum are achieved and that these are not also reflected in reduced grant. Tight financial control will need to be exercised especially if the Council wishes to redirect some of its expenditure towards its sustainability agenda.

Resources for the HRA are constrained by the formula rents that are applied under Government policy designed to align all public sector rents based on a formula using property values, county earnings and the number of bedrooms in each property.

Capital Expenditure and its Funding

The Council plans to spend £12.542m on capital schemes for 2007/08. Of this £3.381m relates to its housing stock. The introduction of national 'pooling' for a significant proportion of housing capital receipts, introduced from April 2004 by the Local Government Act 2003, has severely restricted the capital funding available to the Council. As a debt free authority, the Council could formerly use 100% of these receipts in support of capital expenditure.

The Council's Overall Financial Position

The General Fund balance at 31 March 2007 was £3.889m representing 31.7% of the 2006/07 budget requirement. The Housing Revenue Account balance was £3.204m representing £846 per property.

The Council held £11.740m at 31 March 2007 available for new capital expenditure.

Whilst balances are currently healthy the future financial position continues to depend on how the decent homes standard for the council's housing stock is to be achieved and the extent to which pressures on revenue expenditure can be met from efficiency gains rather than rent and council tax increases.

The Housing Revenue Account Income and Expenditure Account shows that the Council paid £5.210m to the Government in 'negative subsidy' in 2006/07. This represented 34.3% of HRA income. Projections have indicated that the HRA will fall into deficit in 2014/15.

The Income and Expenditure Account shows that the Council paid £2.299m to the Government in 2006/07 in respect of pooled capital receipts. These could formerly all be used to support capital expenditure. Projections indicate that the capital resources available mean that the Council will be unable to maintain the decent homes standard beyond 2012/13.

For these reasons the Council is proposing to ballot its tenants as to whether it should transfer its housing stock to a registered social landlord – Thrive Homes. At the time of writing it is anticipated that the result will be known in the summer of 2007.

The value of HRA dwellings at 31 March 2007 included in the balance sheet is £316m. Taking into account, however, the on-going income stream from rents and the liabilities for repairs and management that Thrive Homes would inherit, a receipt of something in the region of £15m could be expected.

The medium term financial plan for 2007-2010 was agreed in February 2007 based on revised estimates for the 2006/07 financial year. Two alternative budgets were presented; one anticipating a 'Yes' vote in the proposed tenants ballot, the other anticipating a 'No' vote. The shape of the Council's future finances will depend on the outcome.

A '*Guide to the Finances of Three Rivers District Council and the Medium Term Financial Plan 2007-2010*' is available on the Council's website or in hard copy by request.

It is hoped that this Statement of Accounts demonstrates that the Council is making good use of public funds and providing value for money. It is constantly looking to improve its financial management and internal control. The Statement on Internal Control at page 39 shows the steps the Council is taking to achieve this.

D.A.Gardner.
Director of Corporate Resources
22 June 2007.

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounting Policies explains the basis for the recognition, measurement and disclosure of transactions and other events in the Accounts.

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 2006: A Statement of Recommended Practice (SORP)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) together with guidance notes issued by CIPFA on the application of Accounting and Financial Reporting Standards.

2 Fixed Assets

Expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

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 each year on the basis of Existing Use Value – Social Housing.
- 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.

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 (excluding Council dwellings) are revalued on a five year rolling programme. Annual assessments of asset values are made to ascertain changes due to impairment.

Any gains and losses on the future disposal of fixed assets will be recognised in the Income and Expenditure Account.

3 Depreciation

Depreciation has been provided for all assets with a finite useful life on the basis set out in Note 13. 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.

During the financial year 2006/07 garages in the Housing Revenue Account have been revalued, and the valuation apportioned between Land and Buildings. Only the building element is depreciated over the life of the asset.

4 Deferred Charges

Deferred Charges represent capitalised expenditure which does not result in, or cannot be matched with tangible fixed assets. They consist mainly of disabled facility grants awarded to private homeowners, which are financed by government grants and capital receipts in the year in which the expenditure is incurred, and contributions to capital expenditure incurred by another local authority. They are amortised to revenue in the year that the deferred charge is recognised.

5 Capital Charges

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 charge comprises an annual provision for depreciation where appropriate.

The 2006 SORP removed the requirement to charge revenue accounts with notional interest on the value of fixed assets used in the provision of services. The comparative figures for 2005/06 have been restated to reflect this change.

6 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.

7 Grants

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

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

8 Interest Payable and Receivable

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

9 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.

10 Leases

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

11 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.

12 Stores and Work in Progress

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

13 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 Income and Expenditure Account.

14 Reserves

The Council has set up various reserves to meet likely future expenditure. Details of these are given at Note 21.

15 Provision for Doubtful Debts

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

17 Investments

Investments are shown in the Balance Sheet at cost.

INCOME AND EXPENDITURE ACCOUNT

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

2005/2006 Net Expenditure/ (Income) £		2006/2007		Net Expenditure/ (Income) £
As Restated		Gross Expenditure £	Gross Income £	
1,931,606	Highways and Transportation	2,624,213	(256,133)	2,368,080
1,258,372	Planning and Economic Development	2,631,470	(899,711)	1,731,759
2,042,797	Leisure	4,693,862	(1,485,462)	3,208,400
2,404,064	Waste Collection and Disposal	3,304,159	(790,532)	2,513,627
916,665	Environmental Health	1,433,560	(336,829)	1,096,731
122,379	Other Environmental Services	184,130	(41,291)	142,839
(2,615)	Local Authority Housing (HRA)	16,060,449	(15,806,665)	253,784
617,729	Other Housing Services	1,192,160	(212,644)	979,516
2,161,554	Corporate and Democratic Core	1,752,072	0	1,752,072
634,044	Local Taxation Collection	1,156,491	(286,197)	870,294
575	Housing Benefits	18,738,827	(18,414,769)	324,058
0	Central Support Services	104,597	(104,597)	0
476,420	Other Services	1,185,678	(434,741)	750,937
<u>12,563,590</u>	NET COST OF SERVICES	<u>55,061,668</u>	<u>(39,069,571)</u>	<u>15,992,097</u>
0	Gain or Loss on disposal of Fixed Assets			0
914,798	Parish Council Precepts			1,004,054
0	Interest Payable			462
1,121,861	Contribution to Housing Pooled Capital Receipts			2,299,280
(1,491,766)	Interest & Investment Income			(1,306,176)
	Pensions Interest Cost And			
51,000	Expected Return on Pensions Assets			(373,000)
<u>13,159,483</u>	NET OPERATING EXPENDITURE			<u>17,616,717</u>
(6,612,196)	Income from Collection Fund			(6,862,050)
(2,485,646)	Government Grants			(873,974)
(2,422,705)	Contribution from Non-Domestic Rate Pool			(4,527,529)
<u>1,638,936</u>	(SURPLUS)/DEFICIT FOR THE YEAR			<u>5,353,164</u>

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss on the I&E Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as the amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

2005/2006 Net Expenditure/ (Income) £ As Restated	Note	2006/2007 Net Expenditure/ (Income) £
1,638,936 (Surplus)/Deficit for the year in the Income & Expenditure Account	9	5,353,164
(1,592,977) Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	10	(4,456,331)
<u>45,959</u> Decrease in General Fund Balance for the year		<u>896,833</u>
<u>(4,832,096)</u> General Fund Balance brought forward		<u>(4,786,137)</u>
<u>(4,786,137)</u> General Fund Balance carried forward		<u>(3,889,304)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits.

2005/2006 Net Expenditure/ (Income)		2006/2007 Net Expenditure/ (Income) £
1,638,936	(Surplus)/Deficit on Income And Expenditure Account	5,353,164
73,935,598	(Surplus)/Deficit Arising on Revaluation of Fixed Assets	(18,535,792)
(1,780,000)	Actuarial (Gains)/Losses on Pension Fund Assets/Liabilities	(3,906,000)
(185,000)	Reduced Liability for unfunded benefits on Pension Fund	(179,000)
255,148	Pensions Creditors, Collection Fund and Other Reserves	(483,322)
<u>73,864,682</u>	Total Recognised (Gains)/Losses for Year	<u>(17,750,950)</u>

There have been no prior year adjustments to reserves that require disclosure in this statement.

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	2005/06	2006/07
		£	£
Cash Outflows			
Cash paid to and on behalf of employees	31	13,262,371	13,772,330
Other Operating cash payments		12,127,696	17,722,238
Housing Benefit paid out		6,271,809	6,895,618
Non-Domestic Rate - payment to National Pool		22,428,497	18,883,650
Precepts paid		40,094,973	42,477,193
Payment to Capital Receipts Pool		1,121,861	2,321,059
Housing Subsidy		4,682,363	5,210,190
Cash Inflows			
Rents (after Rebates)		(7,538,664)	(8,432,520)
Council Tax Receipts		(42,992,793)	(45,175,711)
Non-Domestic Rate-receipts from National Pool	30	(2,422,705)	(4,527,529)
Non-Domestic Rate Receipts		(21,526,856)	(23,319,550)
Revenue Support Grant	30	(2,485,646)	(873,974)
DWP Grants for Benefits	30	(17,241,375)	(18,323,290)
Other Government Grants	30	(724,504)	(583,255)
Cash Received for Goods and Services		(4,636,784)	(7,147,565)
Other Operating Cash Receipts		(922,578)	(159,087)
	26	<u>(502,335)</u>	<u>(1,260,203)</u>
Returns on Investment and Servicing of Finance:			
Cash Outflows			
Interest Paid		0	86
Cash Inflows			
Interest Received		(1,592,328)	(1,306,480)
Capital Activities:			
Cash Outflows			
Purchase of Fixed Assets		8,835,770	6,468,997
Other Capital cash payments		582,082	1,094,719
Cash Inflows			
Sale of Fixed Assets		(3,421,838)	(4,987,931)
Other Capital Cash Receipts		(70,804)	(6,322)
Net Cash (Inflow)/Outflow before Financing		<u>3,830,547</u>	<u>2,866</u>
Management of Liquid Resources:			
Net increase/(decrease) in Short Term Deposits	28	(3,250,000)	700,000
Net increase/(decrease) in Investments Available on demand	27	(865,000)	340,000
Net (Increase)/Decrease in Cash at Bank	27	<u><u>(284,453)</u></u>	<u><u>1,042,866</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Prior Period Adjustment

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.
- any gains and losses on the future disposal of fixed assets will be recognised in the Income and Expenditure Account. There were none in 2006/07.

These changes have had the following impact on the comparative for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts £	Removal of capital financing charges £	Relocation of government grants deferred credits £	Recognition of gains and losses on disposal of fixed assets £	2005/06 comparatives in Income and Expenditure Account £
Highways and Transportation	2,139,714	(179,780)	(28,328)	0	1,931,606
Planning and Economic Development	1,520,127	(162,223)	(99,532)	0	1,258,372
Leisure	2,425,831	(197,538)	(185,496)	0	2,042,797
Waste Collection and Disposal	2,660,602	(93,130)	(163,408)	0	2,404,064
Environmental Health	959,300	(29,858)	(12,777)	0	916,665
Other Environmental Services	147,679	(20,040)	(5,260)	0	122,379
Local Authority Housing (HRA)	13,175,925	(13,178,540)	0	0	(2,615)
Other Housing Services	803,265	(119,046)	(66,490)	0	617,729
Corporate and Democratic Core	2,205,464	(60)	(43,850)	0	2,161,554
Local Taxation Collection	689,010	(22,746)	(32,220)	0	634,044
Housing Benefits	52,441	(29,596)	(22,270)	0	575
Central Support Services	0	0	0	0	0
Other Services	911,626	(192,063)	(243,143)	0	476,420
Impact on Net Cost of Services	27,690,984	(14,224,620)	(902,774)	0	12,563,590
Loss on the disposal of fixed assets	0	0	0	0	0
Asset Management Revenue Account (Interest payable in 2006/07)	(15,127,394)	14,224,620	902,774	0	0
Impact on Net Operating Expenditure	12,563,590	0	0	0	12,563,590

NOTES TO THE CORE FINANCIAL STATEMENTS

2. 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:

	2005/2006	2006/2007
	£	£
Employee Costs	334,259	138,644
Recruitment Advertising	86,563	69,875
Council Newspaper	52,595	55,760
Other Advertising	130,706	144,850
	<u>604,123</u>	<u>409,129</u>

These figures reflect the Council's costs in publicising its activities as a whole. The decrease shown here results from the communication section devoting more time and hence charging its costs to individual services.

3. 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 2006/2007

	Chargeable	Non	Total
	Chargeable	Chargeable	Building
	£	£	Control
			£
Expenditure			
Employees	173,600	158,982	332,582
Transport	10,075	9,290	19,365
Supplies and Services	18,114	16,704	34,818
Central, Departmental and Technical Support	158,233	145,915	304,148
Total Expenditure	<u>360,022</u>	<u>330,891</u>	<u>690,913</u>
Income			
Building Control Regulations	(348,842)	0	(348,842)
Miscellaneous Income	0	(159,092)	(159,092)
Total Income	<u>(348,842)</u>	<u>(159,092)</u>	<u>(507,934)</u>
(Surplus)/Deficit for Year	<u>11,180</u>	<u>171,799</u>	<u>182,979</u>

The cumulative surplus on the chargeable element of the Building Control Trading Account is £130,952. The regulations require that this element should break even over a three year period.

NOTES TO THE CORE FINANCIAL STATEMENTS

4. Local Authorities Goods and Services Act 1970

The Council provides support to the West Herts Crematorium Joint Committee. The income received in 2006/07 was £4,806. This represents 1.3% of Personnel Section's capacity.

5. Members' Allowances

The total of Members' allowances paid in 2006/2007 was £261,412. In 2005/2006 this was £245,320.

6. Officers' Emoluments

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

Remuneration Band £	Number of Employees 2005/06	Number of Employees 2006/07
50,000 to 59,999	5	5
60,000 to 69,999	1	0
70,000 to 79,999	2	4
80,000 to 89,999	0	0
90,000 to 99,999	1	1

7. Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions 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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Related Parties (Cont'd)

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:

An agreement exists between Dacorum Borough Council, Hertsmere Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. Watford Council provides the Clerk and Treasurer and maintains the accounting records.

Councillor David Major represents the Council on the Joint Committee.

Expenses, net of income and reserves, incurred by the Joint Committee in any financial year shall be borne by the constituent Councils in proportion to the populations of the respective districts. Any surplus remaining shall, as soon as practicable, be returned to the constituent Councils in the same proportions.

All land and property is vested in Three Rivers Council but is managed and maintained by the Joint Committee.

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.

8. Audit Costs

The following fees relating to external audit and inspection were incurred in 2006/07

	2005/2006 £	2006/2007 £
Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	108,502	105,028
Fees Payable to the Audit Commission in respect of Statutory Inspection	0	13,332
Fees Payable to the Audit Commission for the certification of grant claims and returns	31,731	35,052
Fees Payable in respect of other services provided by the appointed auditor	0	0
	<u>140,233</u>	<u>153,412</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

9. Explanation Of The Significance Of The Statement Of Movement On The General Fund Balance

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater or less than expenditure. Both income and expenditure are measured using essentially the same accounting conventions (ie UK Generally Accepted Accounting Practice - UK GAAP) that a large (but unlisted) company would use in preparing its audited annual financial statements.

The items of income and expenditure that are required to be charged to the General Fund and which therefore must be taken into account in determining the Council's budget requirement and in turn its Council Tax demand is determined by statute and non-statutory proper practices rather than being in accordance with UK GAAP.

While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial performance for the year in accordance with UK GAAP, the movement on the General Fund Balance is an important aspect of the Council's stewardship. Up to 2005/06 the local authority statement of performance was the Consolidated Revenue Account (CRA). The surplus or deficit on the CRA was the movement for the year on the General Fund Balance.

NOTES TO THE CORE FINANCIAL STATEMENTS

10. Breakdown Of Reconciling Items In The Statement Of The Movement On The General Fund Balance

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory best practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are:

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year

	2005/2006 Net Expenditure/ (Income) £	2006/2007 Net Expenditure/ (Income) £
Depreciation and impairment of GF fixed assets	(1,943,510)	(2,084,150)
The excess of depreciation charged to HRA over the MRA	(492,867)	(567,380)
Grants & Contributions Deferred amortised	1,076,393	1,041,538
Write down Deferred Charges to be financed from capital resources	(582,082)	(1,521,661)
Net gain or loss on sale of fixed assets	0	0
Net charges made for retirement benefits in accordance with FRS 17	(1,432,310)	(1,495,640)
	<u>(3,374,376)</u>	<u>(4,627,293)</u>

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year

	2005/2006 Net Expenditure/ (Income) £	2006/2007 Net Expenditure/ (Income) £
Commutation Adjustment	(104,868)	(58,380)
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,121,861)	(2,299,280)
Employer's contributions payable to the HCC pension Fund and retirement benefits payable direct to pensioners	1,323,550	1,558,512
Net change in Pensions Creditors	10,171	(114,577)
	<u>106,992</u>	<u>(913,725)</u>

Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year

	2005/2006 Net Expenditure/ (Income) £	2006/2007 Net Expenditure/ (Income) £
Housing Revenue Account balance	587,203	394,267
Contributions from third parties	(668,008)	(366,150)
Amortised premium	81,420	0
Net transfer to or from provisions	(6,548)	0
Net transfer to or from earmarked reserves	1,680,340	1,056,570
	<u>1,674,407</u>	<u>1,084,687</u>
Total Reconciling Items	<u><u>(1,592,977)</u></u>	<u><u>(4,456,331)</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Assets Held Under Leases

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 2006/2007 was £212,334

The authority was committed at 31 March 2007 to making payments of £152,846 under operating leases during 2007/08, comprising the following elements:

	Other Land & Buildings £	Vehicles Plant & Equipment £	Total £
Leases Expiring in 2007/08	0	0	0
Leases Expiring between 2008/09 & 2013/14	0	148,346	148,346
Leases Expiring after 2013/14	4,500	0	4,500
	<u>4,500</u>	<u>148,346</u>	<u>152,846</u>

12. Assets Held For Leases

The authority has granted commercial leases on land, shops and office buildings, for a total annual market rent of £743,177. It has also granted leases at a reduced rate to local organisations totalling £11,402 for which the market rent would have been approximately £18,240. All rentals have been accounted for as operating leases.

With regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £11,964,260 subject to £159,520 depreciation to 31 March 2007.

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Summary Of Capital Expenditure And Fixed Asset Disposals

Movement On Fixed Assets

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Non-Operational Assets Investment Properties	Other Assets Restated	Total
	£	£	£	£	£	£	£
Certified Valuation at 31 March 2006	304,670,380	20,211,690	8,091,678	7,255,892	6,013,000	5,339,000	351,581,640
Less Accumulated Depreciation	(2,948,190)	(562,999)	(3,745,297)	(2,347,140)	0	(65,630)	(9,669,256)
Net Book Value at 31 March 2006	301,722,190	19,648,691	4,346,381	4,908,752	6,013,000	5,273,370	341,912,384
Revaluations	17,524,310	1,692,250	0	0	905,385	94,600	20,216,545
Additions	4,552,875	1,706,658	624,701	383,301	0	0	7,267,535
Disposals	(2,938,770)	(414,310)	0	0	0	(90,000)	(3,443,080)
Write Offs	(4,552,875)	(1,706,658)	(1,207,132)	(11,815)	0	0	(7,478,480)
Depreciation:							
Revaluation Adj	2,946,630	280,469	1,207,132	11,815	0	4,460	4,450,506
Recategorisation Adj	0	0	0	0	0	0	0
For 2006/2007	(3,130,120)	(251,020)	(1,563,010)	(370,880)	0	(28,770)	(5,343,800)
Net Book Value at 31 March 2007	316,124,240	20,956,080	3,408,072	4,921,173	6,918,385	5,253,660	357,581,610
Accumulated Depreciation at 31 March 2007	(3,131,680)	(533,550)	(4,101,175)	(2,706,205)	0	(89,940)	(10,562,550)
Certified Valuation at 31 March 2007	319,255,920	21,489,630	7,509,247	7,627,378	6,918,385	5,343,600	368,144,160

In the 2005/06 accounts, land shown under Other Land and Buildings valued at £400,000 was also shown in Non-Operational Assets - Other in error. The opening balance Non-Operational Assets have been restated to correct this.

Capital Expenditure And Financing

Capital expenditure, which includes expenditure on Deferred Charges, see Note 14, was financed as follows:

	Financing		Expenditure	
	£	£	£	
Usable Capital Receipts		5,701,423	2006/07 Expenditure on:	
Capital Spend Charged to Revenue				
Contributions from Reserves:			Fixed Assets	
Section 106 Agreements	0		Council Dwellings	4,552,875
Other Reserves	188,203		Land & Buildings	1,706,658
		188,203	Vehicles, Plant & Equipment	624,701
Direct Revenue Funding:			Infrastructure	383,301
General Fund	0		Investment Property	0
Housing Revenue Account	0		Non-Operational	0
HRA – Major Repairs Reserve	2,692,270			
		2,692,270		
Contributions from Other Organisations		76,267	Deferred Charges	1,521,661
Specified Capital Grant		131,033		
		<u>8,789,196</u>		<u>8,789,196</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

14. Movements On Deferred Charges

	Balance at 31 March 2006	Capital Expendi- -ture	Grants Applied	Deferred Charges Written Out	Balance at 31 March 2007
	£	£	£	£	£
Grants:					
Leisure & Community Development	0	779,249	0	(779,249)	0
Housing Improvements	0	591,750	(131,033)	(460,717)	0
Resources	0	137,060	0	(137,060)	0
Environment	0	13,602	0	(13,602)	0
	0	1,521,661	(131,033)	(1,390,628)	0

15. Commitments Under Capital Contracts

At 31 March 2007 the Council had entered into contracts valued at £4,880,737 largely in respect of leisure capital schemes.

16. Information On Assets Held

The Land and Buildings held by the Council in 2006/07 included:

Gross Value As Restated at 31 March 2006		Gross Value at at 31 March 2007
£		£
304,670,380	Council Dwellings	319,255,920
681,000	Depots	681,000
145,000	Cemeteries	372,000
8,671,870	Offices	8,671,870
1,373,000	Car Parks	1,410,000
4,561,550	Leisure Land and Buildings	4,644,550
7,992,500	Commercial Properties	8,807,885
4,564,375	Garages	5,495,315
3,574,395	Other Land/Property	3,668,995

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 CORE FINANCIAL STATEMENTS

17. Valuation 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 2006 in accordance with the Department for Communities and Local Government's 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 remained at 46%.

Properties classified as operational by the Council were valued on the basis of Existing Use Value (EUV) or Market Value (MV) where alternative use exists. Dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). 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 £15m in the event of it transferring its housing stock to Thrive Homes. 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 and concluded there were no impairment losses during the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

17. Valuation Information (Cont'd)

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	6,884,546	7,244,076	0	0	14,128,622
Valued at Current Value in:							
2006/2007	319,255,920	7,043,315	624,701	383,302	6,918,385	185,100	334,410,723
2005/2006	0	1,023,945	0	0	0	2,945,000	3,968,945
2004/2005	0	13,422,370	0	0	0	1,704,500	15,126,870
2003/2004	0	0	0	0	0	509,000	509,000
Gross Certified Valuation at 31 March 2007	319,255,920	21,489,630	7,509,247	7,627,378	6,918,385	5,343,600	368,144,160

18. Information About Depreciation Methodologies

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 2006 and it is estimated that approximately 40% of the value of the properties relates to the land value, which is not depreciated (see notes 4 and 7 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.

During the financial year 2006/07 garages in the HRA have been revalued, and the valuation apportioned 40% to Land and 60% to Buildings. In previous valuations, it was assumed that the land element had no value. The effect of this change is to reduce the depreciation charge by approximately £73,000.

19. Analysis Of Net Assets Employed

	Balance at 31 March 2006	Balance at 31 March 2007
	£	£
General Fund	30,411,075	29,474,111
Housing Revenue Account	311,501,309	328,107,499
	<u>341,912,384</u>	<u>357,581,610</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Provision For 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	2006/07	0	0.00	88.85
Total to date		<u>628,121</u>		

In summary the position at 31 March 2007 was:

	£
Investment	1,000,000
Repayments of Principal	(628,121)
Written off	<u>(303,614)</u>
	68,265
Less:	
Provision at 31 March 2007	<u>(68,265)</u>
	<u><u>0</u></u>

21. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Movement In Reserves

	Notes	Balance at 31 March 2006 £	Change in Year Increase/ (Decrease) £	Balance at 31 March 2007 £
Fixed Asset Restatement Account	(a)	273,279,100	13,745,491	287,024,591
Capital Financing Account	(b)	65,687,131	2,444,521	68,131,652
Usable Capital Receipts Reserve	(c)	10,621,998	(3,138,722)	7,483,276
Pensions Reserve	see note 25	(12,993,510)	4,147,872	(8,845,638)
Earmarked Reserves	(d)	3,535,015	1,027,736	4,562,751
General Reserves				
- General Fund	(e)	4,786,137	(896,833)	3,889,304
- Housing Revenue	(f)	2,809,575	394,268	3,203,843
- Major Repairs Reserve	(g)	0	0	0
- Collection Fund	(h)	568	59,477	60,045
- Other Reserves	(i)	11,192	(32,860)	(21,668)
		<u>347,737,206</u>	<u>17,750,950</u>	<u>365,488,156</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Reserves (Cont'd)

(a) Fixed Asset Restatement Account

The Fixed Asset Restatement Account represents the balance resulting from the revaluation of fixed assets which arises principally from the revaluation of the Council's housing stock.

	2005/2006	2006/2007
	£	£
Movements in Unrealised Value of Fixed Assets		
Gains/Losses on revaluation of fixed assets	(75,190,753)	17,188,571
Gains/Losses on revaluation of fixed assets on disposal	1,255,155	1,347,221
Impairment losses on fixed assets due to general changes in prices	0	0
Total Increase/(Decrease) in Unrealised Value of Fixed Assets	<u>(73,935,598)</u>	<u>18,535,792</u>
Value of Assets Sold, Disposed of or Decommissioned		
Amounts written off fixed asset balances for disposals	<u>(3,586,555)</u>	<u>(4,790,301)</u>
Total Movement on Reserve	<u>(77,522,153)</u>	<u>13,745,491</u>
Balance B/F at 1 April	<u>350,801,253</u>	<u>273,279,100</u>
Balance C/F at 31 March	<u><u>273,279,100</u></u>	<u><u>287,024,591</u></u>

(b) 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.

	2005/2006	2006/2007
	£	£
Capital Receipts		
Usable Capital Receipts Applied	5,387,051	5,701,423
Revenue Resources		
Capital Expenditure Financed From Revenue:		
General Fund	10,265	971
Major Repairs Reserve	3,112,254	2,692,270
Reconciling Amount For Provision For Loan Repayment:		
Deferred Capital Receipts	(56,171)	(67,840)
Grants and Contributions	1,076,393	1,041,538
Minimum Revenue Provision (Less Depreciation)	(5,239,017)	(5,402,180)
Write Down of Deferred Charges	<u>(582,082)</u>	<u>(1,521,661)</u>
Total Movement on Reserve	<u>3,708,693</u>	<u>2,444,521</u>
Balance Brought Forward at 1 April	<u>61,978,438</u>	<u>65,687,131</u>
Balance Carried Forward at 31 March	<u><u>65,687,131</u></u>	<u><u>68,131,652</u></u>

The Fixed Asset Restatement Account and the Capital Financing Account cannot be used to support Capital Expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Reserves (Cont'd)

(c) Usable Capital Receipts

A Capital Receipt is the term used to describe the income received by the Council when it sells an asset. Regulations require the Council to pay over a proportion of these to the Government when the assets are owned by the HRA. The remainder will be used to finance capital expenditure.

	Total 2005/2006		Total 2006/2007	
	£	£	£	£
Usable Capital Receipts at Beginning of Year		(13,880,091)		(10,621,998)
Add:				
Sources of Capital Receipts:				
Sale of Land and Buildings	(159,750)		(714,113)	
Sale of Council Houses				
Cash	(3,026,805)		(4,076,188)	
Mortgages	(53,823)		(65,358)	
Other Receipts	<u>(10,441)</u>		<u>(6,322)</u>	
Total Receipts for the Year		(3,250,819)		(4,861,981)
Deduct:				
Amount paid to DCLG pool		1,121,861		2,299,280
Application of Usable Receipts to finance Capital Expenditure (see Note 13)		5,387,051		5,701,423
Balance Unapplied at End of Year		<u>(10,621,998)</u>		<u>(7,483,276)</u>

(d) Earmarked Reserves

	Balance at 31 March 2006	Add: Contrib'ns From Gen Fund & Lessees	Less: Contrib'ns to Gen Fund	Less: Grants & Contrib'ns Applied &Transfers	Balance at 31 March 2007
	£	£	£	£	£
Unapplied Capital Grants & Contributions					
Third Party Contributions	30,812	392,845	0	(101,015)	322,642
Total Grants and Contributions	<u>30,812</u>	<u>392,845</u>	<u>0</u>	<u>(101,015)</u>	<u>322,642</u>
Revenue Reserves					
Insurance	77,360	0	(52,920)	0	24,440
Section 106 Agreements-Other	297,492	58,914	(12,907)	0	343,499
Future Capital Expenditure	1,670,435	750,000	0	0	2,420,435
Leavesden Hospital Open Space	1,242,586	54,373	(31,284)	0	1,265,675
Environmental Maintenance Plant	34,510	14,280	0	0	48,790
Waste Vehicle Maintenance	181,820	0	(44,550)	0	137,270
Total Revenue Reserves	<u>3,504,203</u>	<u>877,567</u>	<u>(141,661)</u>	<u>0</u>	<u>4,240,109</u>
Total Reserves	<u>3,535,015</u>	<u>1,270,412</u>	<u>(141,661)</u>	<u>(101,015)</u>	<u>4,562,751</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Reserves (Cont'd)

(e) General Fund

The General Fund represents the resources available to meet future running costs for non-housing services. Further details can be found in the Statement of Movement on the General Fund Balance and Notes 9 and 10.

The General Fund surplus includes a cumulative surplus of £130,952 which relates to the chargeable works on the Building Control Trading Account (see Note 3).

(f) Housing Revenue Account

The Housing Revenue Account represents the resources available to meet future running costs for council houses. Further details can be found in the HRA Statements.

(g) The Major Repairs Reserve

The Major Repairs Reserve is for capital investment in council housing. For details of the movements in the Reserve see Note 4 to the Housing Revenue Account.

(h) Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund for transactions in relation to Non-Domestic Rates and the Council Tax. Further details can be found in the Collection Fund statement and notes.

(i) Other Reserves

Included in this balance is £4,234 relating to the Chairman's Charity.

22. Contingent Liabilities

On 1 August 2007 the Council's tenants voted in favour of a transfer of the housing stock to a registered social landlord. The Council has been advised that the overall setting up costs of a housing transfer will be in the region of £3m. It is estimated that £0.5m has been incurred pre-ballot of which £20,000 will be charged to the Housing Revenue Account. Following approval, the Council will be seeking consent to complete the transfer to Thrive Homes. Failure to gain consent would result in all other costs falling on General Fund. In the event consent being given all of these costs would be offset against the capital sum received by the Council for the housing stock.

23. Authorisation Of The Accounts For Issue

The Statement of Accounts are authorised for issue by D A Gardner, the Council's Chief Financial Officer on 28 September 2007.

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Events After The Balance Sheet Date

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 30 September 2007.

25. Retirement Benefits

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

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

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when benefits are eventually paid as pensions. The charge made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2005/2006	2006/2007
	£	£
Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	1,381,310	1,868,640
Net Operating Expenditure		
Interest Cost	3,043,000	3,281,000
Expected Return on Assets in the scheme	(2,992,000)	(3,654,000)
Net Change to the Income and Expenditure Account	<u>1,432,310</u>	<u>1,495,640</u>

	2005/2006	2006/2007
	£	£
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(1,432,310)	(1,495,640)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	1,323,550	1,558,512

NOTES TO THE CORE FINANCIAL STATEMENTS

25. Retirement Benefits (Cont'd)

Assets and Liabilities in Relation to Retirement Benefits

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

	31 March 2006 £000s	31 March 2007 £000s
Estimated liabilities in the scheme	(66,799)	(66,548)
Estimated assets in the scheme	53,806	57,702
Net Asset/(Liability)	<u>(12,993)</u>	<u>(8,846)</u>

The liability shows the underlying commitment that the Council has in the long run to pay retirement benefits. The liability of £8.846m has an impact on the net worth of the Council as recorded in the balance sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels. The County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2007.

The main assumptions in the calculation have been:

	31 March 2006 p.a.	31 March 2007 p.a.
Price Increases	3.1%	3.2%
Salary Increases	4.6%	4.7%
Pension Increases	3.1%	3.2%
Discount Rate	4.9%	5.4%

The assets in the County Council Pension Fund consist of the following categories, by proportion of the total assets held by the Fund:

	Expected Return 31 March 2007. p.a.	Asset Distribution at 31 March 2006 p.a.	at 31 March 2007 p.a.
Equities	7.8%	76%	77%
Bonds	4.9%	13%	11%
Property	5.8%	6%	6%
Cash	4.9%	5%	6%
		<u>100%</u>	<u>100%</u>

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 CORE FINANCIAL STATEMENTS

25. Retirement Benefits (Cont'd)

Actuarial Gains and Losses Relating To Pensions

The actuarial gains/(losses) identified as movements on the Pensions Reserve in 2006/07 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		2006/07	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Difference between the Expected and Actual Return on Assets	(8,990)	(33.4)	4,416	13.4	1,235	2.9	7,839	14.6	117	0.2
Difference between actuarial assumptions about liabilities & actual experience	(2,200)	(5.2)	9	0.0	4,102	7.2	1,215	1.8	3	0.0
Changes in the demographic & financial assumptions used to estimate liabilities	0		0		(8,962)		(7,274)		3,786	
	<u>(11,190)</u>	<u>(26.4)</u>	<u>4,425</u>	<u>10.0</u>	<u>(3,625)</u>	<u>(6.4)</u>	<u>1,780</u>	<u>2.7</u>	<u>3,906</u>	<u>5.9</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

26. Reconciliation Of Net Surplus/Deficit On The Income And Expenditure Account To The Revenue Activities Net Cash Flow In The Statement

	2005/06 £	2006/07 £
(Surplus)/Deficit for the Year	45,959	896,833
Non-Cash Transactions:		
Contributions to/from Reserves and Appropriation	(1,068,448)	(1,027,736)
Revenue Contributions to Capital	(10,265)	(971)
HRA	(587,203)	(394,268)
Pensions Reserve	(51,000)	373,000
Collection Fund Transfer	(17,193)	0
Amortised Premiums	(81,420)	0
Items on an Accruals Basis:		
Stock, Debtors and Creditors	528,234	(1,912,310)
Items included in Other Classification within Statement:		
Internal Recharges to Other Accounts	804,147	831,866
Items not included in Consolidated Revenue Account:		
(Increase)/Reduction in Collection Fund Balance	(119,933)	(59,477)
Suspense Accounts	54,787	32,860
Net Cash Flow From Revenue Reserves	<u>(502,335)</u>	<u>(1,260,203)</u>

27. The Movement In Cash Reconciled To The Movement In Net Debt

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

	Opening Balance 1 April 2006 £	Movements in Year £	Closing Balance 31 March 2007 £
Cash and Bank	(48,116)	(1,042,866)	(1,090,982)
Temporary Investments	1,025,000	340,000	1,365,000
	<u>976,884</u>	<u>(702,866)</u>	<u>274,018</u>

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

NOTES TO THE CORE FINANCIAL STATEMENTS

28. Reconciliation of Financing And Management Of Liquid Resources To The Balance Sheet

	Opening Balance 1 April 2006 £	Movements in Year £	Closing Balance 31 March 2007 £
Temporary Investments	21,276,053	1,040,000	22,316,053
Less - Available on demand	(1,025,000)	(340,000)	(1,365,000)
	<u>20,251,053</u>	<u>700,000</u>	<u>20,951,053</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.

29. Liquid Resources

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.

30. Government Grants

These comprise:

	2005/2006 £ As Restated	2006/2007 £
Department for Works and Pensions:		
Housing and Council Tax Benefit	(17,241,375)	(18,323,290)
Department for Communities and Local Government:		
Revenue Support Grant	(2,485,646)	(873,974)
Non-Domestic Rate-receipts from National Pool	(2,422,705)	(4,527,529)
Improvement Grants	(173,619)	(106,285)
Housing Defects Act Grants	(295,709)	(275,081)
Other	(255,176)	(201,889)
Government Grant Income Received in Year	<u>(22,874,230)</u>	<u>(24,308,048)</u>

31. 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 (HRA) reflects a statutory obligation to account separately for local authority housing provision, in accordance with Part 6 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.

HRA INCOME AND EXPENDITURE ACCOUNT

2005/06 £		Note	2006/07 £
As Restated	Income		
	Gross Rental Income		
(13,068,744)	- Dwelling Rents		(13,506,156)
(914,912)	- Non-Dwelling Rents		(885,097)
(104,739)	Charges for Services and Facilities		(155,719)
(609,590)	Contributions Towards Expenditure		(652,753)
(3)	HRA Subsidy Receivable		0
<u>(14,697,988)</u>	Total Income		<u>(15,199,725)</u>
	Expenditure		
	Repairs, Maintenance and Management		
3,214,517	- Repairs and Maintenance		3,517,663
3,383,842	- Supervision and Management		3,449,958
11,424	Rents, Rates, Taxes and Other Charges		11,172
211,318	Rent Rebates		4,876
4,683,039	Negative HRA Subsidy payable to Government	8	5,210,190
	Depreciation of Fixed Assets	7	
2,937,630	- On Dwellings		3,124,180
253,009	- On Other Assets		135,470
594	Increased Provision for Bad or Doubtful Debts		0
<u>14,695,373</u>	Total Expenditure		<u>15,453,509</u>
(2,615)	Net Cost of HRA Services Per Authority Income and Expenditure Account		253,784
	HRA Services share of Corporate and Democratic Core		386,485
<u>297,007</u>	Net Cost of HRA Services		<u>640,269</u>
81,420	Amortised Premiums		0
<u>(469,177)</u>	Interest and Investment Income		<u>(434,824)</u>
<u>(90,750)</u>	(Surplus)/Deficit for the year on HRA Services		<u>205,445</u>

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2005/06 £ As Restated	Note	2006/07 £
(90,750)	(Surplus)/Deficit for the year on HRA Income and Expenditure Account	205,445
(496,453)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(599,713)
<u>(587,203)</u>	(Increase)/Decrease in the HRA Balance	<u>(394,268)</u>
<u>(2,222,372)</u>	HRA (Surplus)/Deficit brought forward	<u>(2,809,575)</u>
<u><u>(2,809,575)</u></u>	HRA (Surplus)/Deficit carried forward	<u><u>(3,203,843)</u></u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Note to the Statement Of The Movement On HRA Balance

Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year

2005/06 £ As Restated		2006/07 £
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
0	Gain/(Loss) on Sale of HRA Fixed Assets	0
(3,586)	Net charges made for retirement benefits in accordance with FRS17	(32,333)
<u>(3,586)</u>		<u>(32,333)</u>
Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year		
(492,867)	Transfer From Major Repairs Reserve	(567,380)
<u><u>(496,453)</u></u>	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	<u><u>(599,713)</u></u>

NOTES TO THE HOUSING REVENUE ACCOUNT

2. Housing Revenue Account Property

The housing stock managed by the Council was as follows:

	31 March 2006	31 March 2007
	Number	Number
Houses and Bungalows	2,142	2,121
Flats	1,687	1,667
Managed Stock Total	<u>3,829</u>	<u>3,788</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 2006	31 March 2007
	£	£
Operational Assets		
Dwellings	300,842,750	315,542,140
Other Land & Buildings	4,544,821	5,589,830
Vehicles, Plant & Equipment	56,278	13,224
Non-Operational Assets - Investment Properties	6,013,000	6,918,385
Non-Operational Assets - Other	44,460	43,920
Total Value of Land, Houses and Other Property	<u>311,501,309</u>	<u>328,107,499</u>

3. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2007 was £690,892,000

The vacant possession value of dwellings exceeds the gross balance sheet value of dwellings by £372,225,680. This difference shows the economic cost to Government of providing council housing at less than open market rents.

4. Major Repairs Reserve

The movement on the Major Repairs Reserve was as follows:

	£
Balance on 1 April 2006	0
Amount Transferred to the Reserve During 2006/07	3,259,650
Amount Transferred from the Reserve During 2006/07	(567,380)
HRA Capital Expenditure on Dwellings Financed from the Reserve	(2,692,270)
Balance on 31 March 2007	<u>0</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

5. 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:	4,840,266
Capital Receipts	(2,147,996)
Major Repairs Reserve	(2,692,270)
	<u>0</u>

6. Capital Receipts

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

	£
Land	476,990
Houses	1,842,266
	<u>2,319,256</u>

7. Depreciation

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

	£
Operational Assets	
Dwellings	3,124,180
Other Land And Buildings	113,400
Vehicles, Plant and Equipment	21,530
Non-Operational Assets	540
	<u>3,259,650</u>

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 2006/07 in accordance with the General Determination of Housing Revenue Account Subsidy for 2006/07:

	2005/06 £	2006/07 £
Notional Expenditure		
Management and Maintenance	5,383,813	5,744,860
Major Repairs Allowance	2,697,772	2,692,270
Charges for Capital	81,420	0
Rental Constraint Allowance	0	51,360
Notional Income		
Interest on Receipts	(309,902)	(279,450)
Guideline Rent Income	(12,536,142)	(13,419,230)
Subsidy Claimed	<u>(4,683,039)</u>	<u>(5,210,190)</u>
Additional Subsidy for Prior Years	3	0
Total Subsidy Claimed in Year	<u>(4,683,036)</u>	<u>(5,210,190)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

9. HRA Share of Contributions to and from the Pensions Reserve

Current Service Costs are included in the HRA Income and Expenditure Account, 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 between the contributions paid to the pension scheme and the current service costs are added to the Pensions Reserve (see Note 25 to the core financial statements).

	£
Movements in Year	
Current Service Costs	(142,240)
Employers' contributions payable to scheme	109,907
Total movements	<u>(32,333)</u>

10. Rent Arrears

Arrears were as follows:

	31 March 2006 £ As Restated*	31 March 2007 £
Due from Current Tenants		
Houses	304,876	320,846
Garages	1,731	2,187
Commercial	21,621	30,529
Leaseholders	1,321	11,575
Due from Former Tenants		
Houses	180,058	197,368
Garages	3,519	3,124
Commercial	13,495	17,718
Leaseholders	132	504
	<u>526,753</u>	<u>583,851</u>

* Previously included element for water charges

These arrears include all charges due from tenants except amounts collectable on behalf of Three Valleys Water. Irrecoverable arrears of £26,632 were written off during the year. A provision of £97,738 exists for doubtful debts. The movements on the provision are summarised as follows:

	£
Balance at 1 April 2006	124,000
Contribution from Housing Revenue Account	0
	<u>124,000</u>
Less Amounts Written Off	(26,362)
Balance at 31 March 2007	<u>97,638</u>

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

INCOME AND EXPENDITURE ACCOUNT

2005/2006 £		Note	2006/2007 £	
	INCOME:			
42,099,284	Income from Council Taxpayers	1		44,322,368
	Transfers from General Fund:			
3,852,497	Council Tax Benefits	1		3,989,132
19,720,491	Income from Business Ratepayers	2		21,647,368
	Contributions:			
119,484	Towards previous year's Collection Fund deficit		0	
0	Over provision for uncollectable Council Tax	4	305,550	
				305,550
<u>65,791,756</u>	Total Income			<u>70,264,418</u>
	EXPENDITURE:			
45,911,434	Precepts and Demands	3		48,335,189
	Business Rate:			
19,621,309	Payment to National Pool	2	21,549,582	
99,182	Cost of Collection Allowance		97,786	
				21,647,368
	Bad and Doubtful Debts			
(2,773)	Write Offs	4	222,384	
42,250	Provisions		0	
				222,384
	Contributions:			
421	Towards previous year's Collection Fund surplus			0
<u>65,671,823</u>	Total Expenditure			<u>70,204,941</u>
	Movement in Fund Balances:			
<u>(119,933)</u>	(Surplus)/Deficit for Year			<u>(59,477)</u>

COLLECTION FUND BALANCE

2005/2006 £		2006/2007 £
119,365	Balance at Beginning of Year	(568)
<u>(119,933)</u>	(Surplus)/Deficit for Year	<u>(59,477)</u>
<u>(568)</u>	(SURPLUS)/DEFICIT BALANCE AT 31 MARCH	<u>(60,045)</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 £1,292.41 for 2006/2007.

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:

	2005/2006	2006/2007
	£	£
Council Tax	45,951,781	48,311,500
Less: Council Tax Benefits	<u>(3,852,497)</u>	<u>(3,989,132)</u>
Amount Due	<u><u>42,099,284</u></u>	<u><u>44,322,368</u></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*	1.75	5:9	0.97
A	594.15	6:9	396.10
B	1,538.70	7:9	1,196.77
C	5,260.85	8:9	4,676.31
D	8,311.85	9:9	8,311.85
E	6,403.70	11:9	7,826.74
F	3,456.50	13:9	4,992.72
G	4,528.15	15:9	7,546.92
H	1,220.30	18:9	2,440.60
			<u>37,388.98</u>
			Less: Allowance for Losses on Collection (186.95)
			Add: Contributions in lieu of tax 197.20
			<u>37,399.23</u>
			Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and exempt properties (18.29)
			<u><u>37,380.94</u></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 2006	31 March 2007
	£	£
Total Non-Domestic Rateable Value	61,959,417	61,680,972
	2005/2006	2006/2007
Non-domestic rating multiplier (pence in £)	0.422	0.433
Small business non-domestic rating multiplier (pence in £)	0.415	0.426

Small Business Rate Relief 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:

	2005/2006	2006/2007
	£	£
Precepts:		
Hertfordshire County Council	34,891,554	36,836,381
Hertfordshire Police Authority	4,390,491	4,636,758
Demands:		
Three Rivers District Council	6,629,389	6,862,050
Total	<u>45,911,434</u>	<u>48,335,189</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:

	2005/2006	2006/2007
	£	£
Council Tax Write Offs	(2,773)	222,384
Adjustment to Provision for Doubtful Council Tax Debts	42,250	(305,550)
Total	<u>39,477</u>	<u>(83,166)</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:

2005/2006 £		2006/2007 £
	(Reduction)/Increase in 2007/2008 Charge:	
(432)	Hertfordshire County Council	(29,879)
(54)	Hertfordshire Police Authority	(3,761)
<u>(82)</u>	Three Rivers District Council	<u>(5,566)</u>
(568)		(39,206)
	(Reduction)/Increase in 2008/2009 Charge:	
0	Hertfordshire County Council	(15,925)
0	Hertfordshire Police Authority	(2,004)
<u>0</u>	Three Rivers District Council	<u>(2,910)</u>
0		(20,839)
<u><u>(568)</u></u>	(Surplus)/Deficit on Fund at 31 March 2007	<u><u>(60,045)</u></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

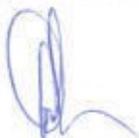
The Council's Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Code of Practice.

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 2007 and its income and expenditure for the year ended 31 March 2007.



D A Gardner
Chief Financial Officer
Director of Corporate Resources

Date: 22 June 2007

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 2006 : 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 2007.

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 has carried out public consultation 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 2007 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, plus a section on Corporate Governance, 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 Finance 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 2006/07. 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 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.

The Resources Policy Panel has continued to monitor progress against a plan to improve budget monitoring and the Council's financial arrangements. There are now just three outstanding items to be resolved:-

- Reinforce post project appraisal to analyse results against expected outcomes in order to support organisational change agendas;
- The production of an annual report incorporating the Best Value Performance Plan and summary Statement of Accounts; and,
- Improve data collection to show that financial management contributes to the organisation's performance.

The Audit Committee

The Audit 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 authority'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 authority'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.

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 Audit Committee. Deloitte and Touche Public Sector Internal Audit Limited who are contracted to carry out the internal audit function have provided an opinion on the adequacy and effectiveness of the internal control environment. Internal audit has concluded that the Council has an adequate and effective internal control environment. Internal audit reports make recommendations categorised as 'essential', 'important', or 'minor'. The auditors have reported that where weaknesses have been highlighted in their recommendations, their follow up work has shown that action has been, or is being taken, to strengthen the internal control framework.

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 2006/07 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 2007/08 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.

Work on assessing risks associated with the Council's partners has recently been completed, otherwise risk management is now 'embedded' throughout the Council.

During the year the Council produced a Value for Money Strategy. Under this strategy the Council proposes to achieve value for money by:

- Ensuring that its limited resources are allocated to its priorities through a rigorous strategic, service and financial planning process

- Hitting budgetary targets through tight budgetary control and good project management
- Systematically reviewing services for VFM by benchmarking them for efficiency using comparative data from the private and public sectors
- Maintaining the policy of competitive tendering and adopting best procurement practices
- Minimising waste and achieving efficiency improvements year on year
- Measuring service quality against external objective quality standards such as:-

Charter Mark, Investors in People & other external accreditations

Nationally published Best Value Performance Indicators and
locally determined performance indicators

- Working with the Local Strategic Partnership and other partners.
- Listening to the views of residents, service users, and businesses, and by dealing efficiently with complaints so that problems can be put right quickly.
- Promoting equality of opportunity.

The strategy document contains information and evidence, or pointers to evidence, that the Council is achieving value for money. The Council has not yet, however, embarked on a systematic review of services for value for money.

As a result of their work during the year, the Council's external auditors produced a final Annual Audit and Inspection Letter in March 2007. The main messages in the report were that:-

- performance has continued to improve. 69 per cent of performance indicators improved, compared with a national average of 58 per cent. Improvement was evident across a range of the Council's priorities, with recycling rates being amongst the top ten in the country;
- there is a clear strategic direction and a robust approach to managing performance so that progress against challenging ambitions is closely reported;
- the Council has improved its approach to ensuring that its services meet the needs of the district's diverse communities with effective engagement mechanisms and evidence of services being re-designed in response to consultation; and
- the appointed auditor has issued an unqualified opinion on the accounts and concluded that the arrangements for securing value for money are adequate.

The auditor's detailed recommendations have been incorporated into a plan which allows the Audit Committee to monitor progress against their implementation.

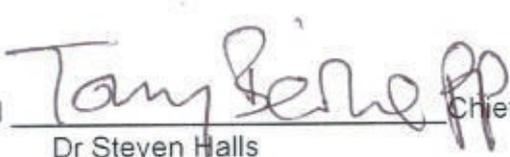
6. Significant Internal Control Issues

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	Progress reports to Resources Policy Panel are being made	✓	On-going
Value for Money Implement a systematic review of services for VFM	High	DCR (Lead)	Reports to appropriate Policy Panel	x	March 2008
Code of Corporate Governance Review compliance with Code	Medium	DCR (Lead)	Report to Audit Committee	x	March 2008
Financial & Contracts Procedures Rules Review rules	Medium	DCR (Lead)	Report to Council via Resources Policy Panel	x	March 2008 depending upon decision on shared services

Signed  Leader of the Council
Ann Shaw O.B.E.

Signed  Chief Executive
Dr Steven Halls

Date: 27 June 2007

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 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These 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 the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007.

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' issued in 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 content of the Annual Report. 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 my/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

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 2007 and its income and expenditure for the year then ended.

Signature: PKF (UK) LLP Date: 28 September 2007

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

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.

Auditors' 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 having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, 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 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 20th December 2006. 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.

Signature: PKF (UK) LLP Date: 22 September 2007

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

GLOSSARY

Accounting Period

The period of time covered by an authority's accounts, normally twelve months, beginning on 1 April. Also known as the Financial Year.

Accounting Policies

The principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are reflected in the financial statements.

Accrual

A sum included in the final accounts attributable to that accounting period but for which an actual payment is yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

Asset

An item having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year where current assets can be readily converted into cash.

Asset Register

A list of all fixed assets such as land, houses, other buildings, parks, vehicles and computers.

Audit Commission

The body responsible for appointing external auditors to local authorities and for setting the standards that those auditors are required to follow. The Commission will also carry out studies designed to promote the effective and efficient provision of local authority services.

Capital Charges

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure incurred in relation to fixed assets. Expenditure may be classified as capital where it enhances the related property, where enhancement is defined as an action which either -

Lengthens the asset's useful life, or

Increases the asset's open market value, or

Increases the extent to which the asset may be used for the purposes of the local authority.

Capital Financing Requirement

Introduced by Regulations under the Local Government Act 2003. It measures net indebtedness and increases when capital expenditure is financed by borrowing.

Capital Financing Account

This account reflects the financing of capital expenditure from capital receipts and other sources of funding

Central Support Services

These are functions that provide support to service departments. They include accountancy, internal audit, information technology, human resources, general administration and office accommodation.

CIPFA

The Chartered Institute of Public Finance and Accountancy. It is the professional body for public sector accountants.

Capital Receipt

The proceeds from the disposal of land or other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules laid down by the Government in respect of pooling, but they cannot be used to support revenue expenditure.

Collection Fund

A separate fund recording the expenditure and income relating to Council Tax and Non-Domestic Rates.

Community Assets

Assets that a local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in their disposal. Examples are parks and historical buildings.

Contingency

A sum included in the revenue budget to cover unexpected expenditure during the accounting period. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

Corporate and Democratic Core

Comprises the activities engaged in specifically as an elected multi-purpose authority. They are over and above those which would be incurred by a series of independent single-purpose body managing the same services.

Council Tax

A local tax set by local authorities in order to meet their budget requirements. There are eight Council Tax bands (Band A to Band H); the amount of Council Tax each household pays depends on the value of their homes.

Creditors

Amounts owed by an authority for works done, goods received or services rendered before the end of an accounting period, but for which actual payments had not been made by the end of that accounting period.

Debtors

Amounts due to an authority for works done, goods supplied or service rendered before the end of an accounting period, but for which actual payments had not been received by the end of that accounting period.

Deferred Charges

Expenditure which does not result in assets controlled by the Council.

Depreciation

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Exceptional Items

Material items that derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence.

External Audit

The auditor is appointed by the Audit Commission and is required to verify that all statutory and regulatory requirements have been met during the production of the authority's accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

Extraordinary Items

Material items that derive from events or transactions that fall outside the ordinary activities of the authority.

Fixed Asset Restatement Reserve

A reserve under the capital accounting regulations that allows assets to be revalued and shown in the balance sheet at current values.

General Fund

The common name for the account which accumulates balances for all services except Housing Revenue.

Housing Revenue Account (HRA)

Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

Liability

An amount owed by an authority that will be paid at some time in the future.

Negative Housing Subsidy

Housing Subsidy is calculated in accordance with Determinations issued each year by the Government. If notional income exceeds notional expenditure, the surplus is paid to the Government.

Non-Domestic Rates

These rates are the means by which local businesses contribute to the cost of providing local authority services. All Non-Domestic Rates are paid into a central pool and then divided between all authorities depending on the number of residents each authority has.

Non-operational Assets

Assets held by an authority but not actually used in the direct delivery of services, including surplus assets, industrial units and assets used by other organisations in order to provide services on the authority's behalf. See Operational Assets.

Operating Leases

A lease where substantially all of the risks and rewards of ownership of a fixed asset are retained by the lessor. Operating leases do not result in a charge against the local authority's capital resources.

Operational Assets

Assets held by an authority for the purpose of the direct delivery of services for which that authority has either a statutory or discretionary responsibility. See Non-operational Assets.

Outturn

Actual income and expenditure in an accounting period.

Precept

The amount of Council Tax income County Councils, Police authorities, Parish Councils and Fire authorities (precepting authorities) need to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill, issued by a billing authority.

Reserves

This is the accumulated surplus income (in excess of expenditure), which can be used to finance future spending.

Revenue Contributions to Capital Outlay (RCCO)

The use of revenue resources to finance capital expenditure. Also referred to as direct revenue financing or capital expenditure financed from the revenue account.

Revenue Expenditure

Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

Stocks

Comprise the following categories; goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.