



STATEMENT OF ACCOUNTS
2002/2003

THREE RIVERS DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/2003
EXPLANATORY FOREWORD

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Purpose of the Statement of Accounts

The purpose of the Statement of Accounts is to offer interested parties an understanding of the Council's financial position.

In June 2002 the Council published its *Best Value Performance Plan 2002-2003* which set out what the Council hoped to achieve in the 2002/2003 financial year. The Plan included:-

- a) a summary of the Council's budget for the year which had also been reproduced to accompany the council tax bills that were issued in February 2002; and,
- b) a statement of the Council's plans for capital expenditure.

This Statement of Accounts provides an opportunity to compare how the Council performed financially against its original plan.

Revenue Activities

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

	2002/2003 Original Estimate Gross £	2002/ 2003 Original Estimate Net £	2002/2003 Actual Out-turn Gross £	2002/ 2003 Actual Out-turn Net £
Highways & Transportation	2,697,680	2,264,620	2,319,389	2,057,032
Planning & Development	1,796,540	1,209,710	1,770,880	1,162,020
Leisure	4,159,040	2,494,720	3,524,157	1,781,151
Waste Collection & Recycling	2,404,360	1,951,870	2,155,822	1,712,599
Environmental Health	1,193,230	1,083,810	1,220,329	1,068,942
Other Environmental Services	174,110	124,480	173,981	145,192
Housing Services	15,889,150	825,080	30,073,747	14,992,189
Corporate and Democratic Core	1,633,250	1,622,750	1,509,219	1,503,918
Local Tax Collection	859,280	687,770	843,359	645,626
Housing Benefits	7,408,510	891,790	8,553,458	944,777
Central Support Services	60,450	0	86,018	2
Other Services	1,299,510	873,880	1,401,666	864,777
Unapportionable Central Overheads	22,880	22,880	33,460	33,460
Cost of Services	39,597,990	14,053,360	53,665,485	26,911,685
Adjustment for Capital Charges		-3,752,330		-17,169,861
Net Interest		-268,000		-743,278
Revenue Contribution To Capital				617,292
Net Transfer from Reserves, Provisions & Balances		15,720		18,785
Surplus/Deficit(-) for the Year to/from(-) General Fund		-331,650		82,476
Three Rivers DC Budget		9,717,100		9,717,099
Parish Councils' Net Budget		747,220		747,220
Total Budget Requirement		10,464,320		10,464,319
Collection Fund Adjustment		31,845		31,845
Government Grants		-5,050,283		-5,050,282
Total Charge to Taxpayers		5,445,882		5,445,882

These transactions represent the day to day income and expenditure of the Council. The council budgeted for a deficit of £331,650. The out-turn resulted in a surplus of £82,476, a difference of £414,126. Detailed comparisons between the original estimate and the actual out-turn are made difficult because of the way the housing revenue account figures are consolidated in these accounts.

The cost of capital for the housing revenue account is shown as part of the gross cost of housing services and, since these charges do not affect the rents paid by tenants, there is a compensating negative adjustment for capital charges. This makes the housing accounts consistent with the accounts for other services.

In the table below, the consolidation changes have been analysed separately from the other main variances between the original net budget and the actual out-turn figures:

	Consolidation £m	Other £m	Total £m
Cost of Services			
Housing Services	14.314	-	14.314
HRA decrease in expenditure (see below)	-	-0.159	-0.159
Environmental Maintenance	-	-0.196	-0.196
William Penn Leisure Centre	-	-0.114	-0.114
Environmental Health	-	0.132	0.132
Employee Costs	-	-0.178	-0.178
Capital Charges (see below)			
IT & Pathfinder	-	-0.368	-0.368
Improvement Grants	-	0.087	0.087
Other	-	-0.699	-0.699
Unapportionable Central Overheads – Pensions	0.012	-	0.012
Other services	-	0.027	0.027
Cost of Services sub-total	14.326	-1.468	12.858
Adjustments for Capital Charges			
Consolidation	-14.477	-	-14.477
Other (see also above)	0.082	0.977	1.059
Adjustments for Capital Charges sub-total	-14.395	0.977	-13.418
Net Interest	-0.354	-0.121	-0.475
Sub-Total	-0.354	-0.121	-0.475
Revenue Contributions to Capital (see below)	0.608	0.010	0.618
Sub-Total	0.608	0.010	0.618
Net transfer from reserves, provisions & balances			
HRA Consolidation	-0.185	-	-0.185
HRA reduction in balance (see above)	-	0.159	0.159
Other	-	0.029	0.029
Sub-Total	-0.185	0.188	0.003
Total Variances	-	-0.414	-0.414

Variances were approved by the Council during the year as a part of the regular budget monitoring that is carried out.

Ignoring the effects of consolidation, there was a variance of £1.468m between the original budget and out-turn on the cost of services. This represents 3.7% of gross budgeted expenditure. The total variance was £0.414m representing 4.0% of the budget requirement.

The total variance turned an estimated deficit for the year into a surplus and increased the General Fund balance as follows:

General Fund Balance	Original Budget £	Actual Out-turn £	Variance £
Opening Balance 1 April 2002	2,436,998	2,766,844	329,846
Surplus/Deficit(-) for Year	-331,650	82,476	414,126
Closing Balance 31 March 2003	2,105,348	2,849,320	743,972

The closing balance is £0.744m more than was anticipated when setting the original budget. This arose because, in addition to the variance that occurred in the year, the out-turn for 2001/2002 resulted in a greater balance brought forward of £0.330m than was predicted.

Capital Investment

In addition to its day to day revenue expenditure, the Council incurred capital expenditure of £9.577m in 2002/03. The charts opposite show the types of expenditure and how it was financed. The significant items of capital expenditure during the year are listed below:-

	Original Budget £	Actual Out-turn £	Variance £
Improvements to the Council's Housing Stock	4,074,600	3,231,532	-843,068
South Oxhey Community Campus	1,912,400	1,993,137	80,737
Waste Minimisation	1,251,250	1,188,200	-63,050
New information and communication technology	851,620	518,852	-332,768
Private Sector Housing Grants	701,980	664,701	-37,279
Social Housing Grants	640,000	250,000	-390,000
Leisure Schemes	555,540	361,881	-193,659
Administrative Buildings Maintenance	325,000	206,224	-118,776
Cycletracks	255,000	0	-255,000
Parking Bays	250,000	285,989	35,989
Chorleywood Regeneration	100,000	0	-100,000
Other Schemes	233,000	876,702	643,702
Total	11,150,390	9,577,218	1,573,172

Note: The table above excludes changes in capital creditors

The Council continues to monitor its capital expenditure against the budget and is taking measures to avoid the 'slippage' in its programme that occurred again during the year.

The highest capital spend of £3,231,532 (2001/02 £1,995,370) was on the council's housing stock reflecting the requirement to meet the decent homes standard.

Despite its relative wealth the district includes an area of London overspill housing where the socio-economic analysis indicates deprivation above the national average. In recognition, the Council is part of a partnership which succeeded in obtaining Single Regeneration Budget 3 and Capital Challenge funding for a variety of youth and employment related proposals shown above under the heading of the South Oxhey Community Campus. The official opening of a new community centre in South Oxhey was on 28 September 2002. Note 1 to the Consolidated Balance Sheet shows the transfer of this asset from a non-operational asset to other land and buildings.

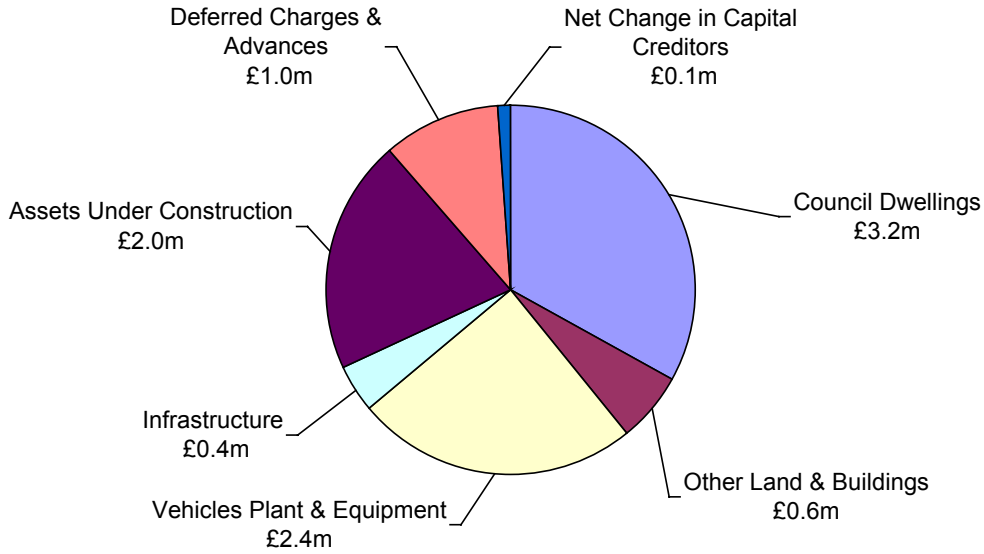
The Council has invested heavily to achieve its waste minimisation targets. During the year the Council purchased refuse freighters and equipment for recycling.

The Council invested further in Information and Communication Technologies, having renewed all of its departmental computer systems prior to the millennium and introduced its customer services centre, work was carried out to enable a number of the council's services to be accessed via its web-site.

The Council makes Social Housing Grants to Registered Social Landlords (Housing Associations) to provide affordable housing.

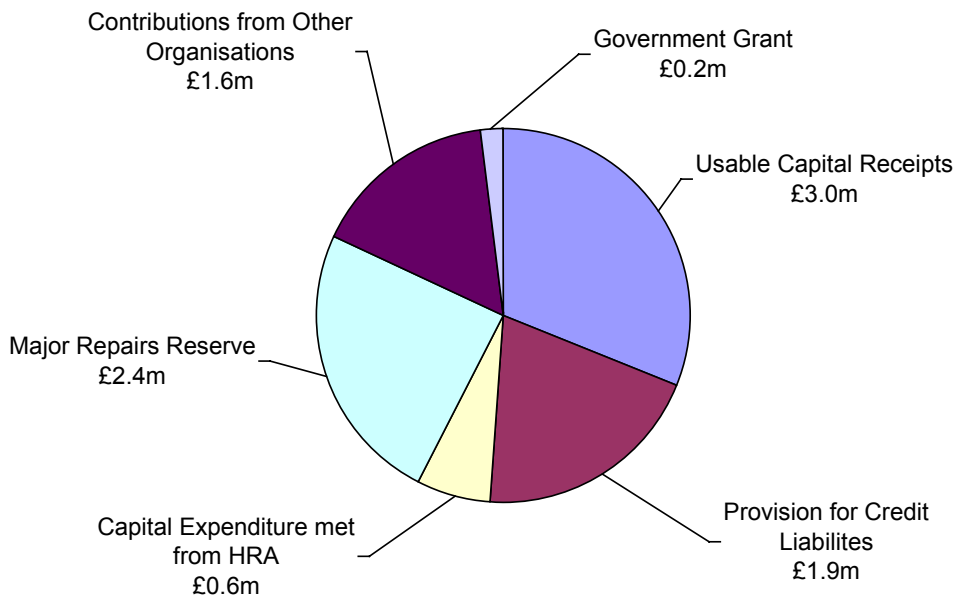
During the year the Council disposed of council houses under the Right to Buy legislation valued at £5.1m.

Capital Expenditure



	£m
Capital Expenditure	9.6
Net change in creditors	0.1
Total	9.7

Capital Financing



	£m
Capital Financing	9.7

Significant Matters in the Accounts

In Note 20 to the Consolidated Balance Sheet, the Council has disclosed its full liabilities to the Hertfordshire Pension Fund as required by Financial Reporting Standard 17 (FRS17). Arrangements are in hand to show in the revenue accounts in future the full costs of pensions adjusted 'below the line' for the actual payments made to the fund. Other than pension contributions there are no significant liabilities that have been incurred.

Debtors fell by £1.450m during 2002/03 reflecting the success of the plans announced in this statement last year to considerably reduce these sums.

Since July 2002, the Council has operated throughout the district a waste management trading unit providing an integrated waste management service encompassing refuse collection and recycling. This work, that is carried out elsewhere by private sector contractors, was brought back 'in-house' as a result of a tendering exercise. The trading account is projected to breakeven in 2003/04 on a turnover of £1.756m.

A prior year adjustment of £5.705m has been made to the valuation of fixed assets. The details of the adjustment are explained in Note 1 to the balance sheet.

Overall Financial Position

Revenue balances at 31 March 2003 were healthy. The General Fund balance was £2.849m representing 27% of the 2002/03 budget requirement. The Housing Revenue Account balance was £1.681m representing £420 per property.

The Council held the following balances at 31 March 2003 available for capital expenditure in future years:

	£m
Usable Capital Receipts	7.912
Contributions from Third Parties	1.145
ICT	0.264
Major Repairs Reserve	0.644
Total	<u>9.965</u>

Developments in Service Delivery

The Council published its fourth Best Value Performance Plan in June 2003. It includes performance indicators and standards, and details of the Council's best value reviews.

The Local Government Act 2000 conferred a duty on the Council to promote economic, environmental and social well-being in the District. In collaboration with the Hertfordshire County Council, the Police, the Health Authority and the voluntary sector the Council has prepared a Community Strategy to encourage a holistic approach to public services.

The Council has also prepared its own corporate plan which details its aims and objectives and the performance targets it sets for its services. In preparing its budgets the Council is striving to achieve much closer links between its service planning and its financial planning. The Council is continuing to develop a medium term three year financial plan which is updated in February of each year.

Medium Term Financial Plan 2003 – 2006 : Revenue

The Council's medium term forecast prepared in February 2003 predicts a council tax increase of 12.5% for 2004/05 and 9.5% for 2005/06. This would enable the Council's expenditure to increase by 9.3% in 2004/05 and 4.5% in 2005/06 whilst retaining reserves and balances at £2.1m at 31 March 2005 and 31 March 2006. The Council considers a balance of £1.8m to be the prudent minimum.

Medium Term Financial Plan – Consolidated Revenue Account	2003/2004	2004/2005	2005/2006
Council Tax Increase (%)	14.50	12.50	9.50
	£	£	£
General Fund Balances Brought Forward at 1 April	2,390,734	2,304,706	2,127,740
Income: Council Tax & Government Grants	11,324,740	12,297,214	13,064,079
Less: Budgeted Expenditure	-11,410,768	-12,474,180	-13,037,850
Revenue Budget Surplus/Deficit (-) for Year	-86,028	-176,966	26,229
General Fund Balance Carried Forward	2,304,706	2,127,740	2,153,969

The medium term financial plan has been derived from the changes anticipated in economic factors (e.g. inflation) and changes to service expenditure required to achieve the Council's corporate plan. Savings are planned in respect of Watersmeet and it is planned that income will increase from the introduction of long term car parking charges. The Council plans to spend more on street cleansing and recycling. The Council is working with the 'Save Watersmeet Action Group' in the hope that its closure can be avoided, whilst retaining savings for the Council.

An independent 'Peer Review' of the Council carried out by the Improvement and Development Agency concluded that "there is a history of devolution of budgets within the authority. Managers have clear accountability for their services' budgets and there is sound budget monitoring with any variances understood, reported and managed".

Previously, the Council's external auditor had identified the need to link more closely the budget planning process with the Council's service plans. The Peer Review team commented that "this is not just an issue of statutory services, but rather the key things that the council wants to do well. Once this has been decided, it should allocate resources accordingly in those areas. This process should also assist in identifying those areas where funding is less of a priority". To this end the Council's three year medium term plan now links its budget to service plans and work has been carried out to analyse the budget between the district themes and service priorities derived from the Community Strategy and Corporate Plan.

Within the Council's Consolidated Revenue Account is a 'ringfenced' Housing Revenue Account (HRA) reflecting the activities of the Council as landlord. From the table it can be seen that for the financial year 2003/04 the HRA is budgeted to make a deficit of £102,600.

Medium Term Financial Plan – Housing Revenue Account	2003/2004	2004/2005	2005/2006
Rent Increase (%)	3.90	4.00	4.00
	£	£	£
HRA Balances Brought Forward at 1 April	1,265,397	1,162,797	1,070,197
Income: Rents	13,235,310	13,473,010	13,715,280
Less: Budgeted Expenditure	-13,337,910	-13,565,610	-13,841,080
Revenue Budget Surplus/Deficit (-) for Year	-102,600	-92,600	-125,800
HRA Balance Carried Forward	1,162,797	1,070,197	944,397

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

The medium term plan shows that under restructured rents, income is not keeping pace with the Council's forecast of expenditure. Since the Council cannot raise further rental income, reductions will be required in expenditure. If the Council is to maintain spending on the repairs and maintenance of its properties, then savings will have to be made in management costs.

Medium Term Financial Plan 2003 – 2006 : Capital

The Council agreed its capital investment programme in February 2003 amidst continuing uncertainty as to the funding that was likely to be available to it, and taking into account its view as to a prudent balance of funds to carry forward.

The three year medium term capital plan is set out below:-

Medium Term Financial Plan – Capital Investment Programme	2003/2004	2004/2005	2005/2006
	£	£	£
Funding Brought Forward			
Capital Receipts	4,070,071	3,613,511	3,217,161
Other	90,088	26,108	26,108
Funding Generated in the Year			
HRA – Major Repairs Allowance	2,382,870	2,382,870	2,381,950
HRA – Revenue Contributions	507,370	507,370	507,370
General Fund – Disabled Facility Grants	150,000	150,000	150,000
General Fund – Electronic Government Grant	200,000	0	0
Capital Receipts – Sale of Council Houses	4,200,000	2,625,000	1,750,000
Total Funding Available	11,600,399	9,304,859	8,032,589
Proposed Programme			
Housing Stock – Capital Works	3,235,000	4,050,000	3,675,000
General Fund Schemes	4,725,780	2,011,590	1,787,240
	7,960,780	6,061,590	5,462,240
Funding Carried Forward	3,639,619	3,243,269	2,570,349

The Council plans to spend £7.961m on capital schemes in 2003/2004.

Of this £3.235m relates to repairs to its housing stock. The Council is planning to invest £1.135m on recycling and waste minimisation, to further invest £0.585m in information and communication technologies and spend £0.774m on leisure schemes.

The Council's Need for Capital Investment

By far the largest element of the Council's capital investment is in its stock of council houses.

The Council's HRA Business Plan looks over the longer term and sets out the resources it needs to meet the Government's Decent Homes Standard (DHS) targets in 2004, 2006 and 2010 and the financial viability of its stock over 30 years. The Council commenced a five year rolling programme of surveys of its stock during 2001/02. Extrapolation of data from the year 1 survey suggests that the Council will need to spend £197.138m over the next 30 years, and £46.520m before 2010 to meet the Government's DHS target.

A re-assessment of the Council's ability to meet the 2010 DHS now shows that while the 2004 and 2006 targets can be met, the Council will encounter problems in meeting the 2010 target. This is because it will have to devote some of the available funding to repairs and maintenance schemes (e.g. contingencies for asbestos, subsidence etc) that do not contribute to the DHS and use some capital receipts for non-housing schemes.

The Council also has priorities to fund other Capital Investment Schemes. For example:

- Mandatory Disabled Facility Grants where only 60% is funded by Government but the other 40% must be found from the Council's own resources.
- Discretionary Private Sector Renewal Support Grants and Homes Repairs Assistance Grants, 100% of which have to be funded from the Council's own resources and support the Government's agenda to deal with private dwellings too.
- The need for investment in outdoor leisure facilities identified by the Council's 'Outdoor' Best Value Review.
- Investment in recycling equipment to meet the Government requirement to recycle higher percentages of waste.
- ICT development where the Council is a forward looking pathfinder authority but needs to invest capital.
- Works to meet the requirements of the Disability Discrimination Act

Uncertainties in Funding

The Council has been debt free for two years. Its major source of capital funding is from the sale of council houses under Right to Buy (RTB). The decision was made to repay debt in order to maximise the benefit to the authority of the capital receipts generated from RTB sales. Under the current rules indebted authorities are required to set aside 75% of RTB receipts for the repayment of debt, but may use the remaining 25% for funding any part of their capital investment programme. On becoming debt free, 100% of these receipts may be used for capital investment.

The Local Government Bill 2003 makes proposals for changing how debt free Councils, such as Three Rivers, can use Capital Receipts from the sale of council houses under RTB. In essence the proposals are to transfer "a proportion" of the receipts to a national pot for the provision and repair of affordable housing in other districts.

Until such time as information becomes available on whether or not the Council will benefit from the pooled receipts redistribution mechanism, the set of assumptions contained in the HRA Business Plan will be maintained, ie that the Council will not benefit from any additional redistribution.

The Council's 2002-2003 Capital Strategy stated that "funding throughout the 30 year programme could only be achieved if 75% of receipts are retained". This position has not altered.

The Government has abolished Local Authority Social Housing Grant (LASHG) whereby councils could provide grants to housing associations to support the building of new affordable housing. Councils were reimbursed by the Housing Corporation. The rules were particularly attractive to debt free councils since they could recycle 100% of the receipt on non-housing projects. Transitional arrangements are being put in place to protect schemes that were in the pipeline.

The abolition occurred with only seven weeks' notice from 1 April 2003. According to the Government this would allow "...a more strategic use of resources and remove the anomaly whereby debt-free authorities could spend the money twice."

Borrowing

The Local Government Bill 2003 proposes to give councils the ability to borrow for any purpose relevant to their functions and for the purposes of the prudent management of its financial affairs. Councils will only be able to borrow however within a new prudential framework.

Each year a council will decide the amount it can afford to borrow and keep this under review. Council's will be required to have regard to the CIPFA 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 council's are accountable by providing a clear and transparent framework. Councils will have to take into account all sources of future income and the potential calls on the use of that income.

The Council is reluctant to fund capital investment by borrowing under the prudential code, as interest payments cannot be supported from revenue without either excessive increases in Council Tax or, in the case of the ring-fenced HRA, reductions in revenue repairs or management costs, since increases in HRA rental income are restricted to the formula increase.

Housing Stock - Option Appraisal

This Government published *Sustainable Communities: Building for the Future* in February 2003 following concern that nationally the decent homes standard would not be achieved by 2010. The Council needs to be able to demonstrate, in its HRA Business Plan that it can meet the 2010 DHS target or that it has proposals for accessing extra funds or for disposing of its stock. The Government's *Sustainable Communities* statement also introduced a requirement that every authority, which retains its stock, must complete an independent option appraisal for 'sign off' by the Government Office by July 2005.

The options are:-

- Retain the stock using borrowing, capital receipts and the Major Repairs Allowance
- Establish an Arms Length Management Organisation (ALMO)

To access additional funding through an ALMO the Council needs to have a two stars Best Value rating for its landlord services and an externally commissioned stock options appraisal needs to be undertaken, completed and approved by GO-East before the closing date of the bid. At present the Council is only part way there with a two star rating on the Repairs and Maintenance service. No date has been set for the Best Value inspection of Homes Management and Sales, which makes up the balance of the services on which a two star rating is required. The Council could not be ready in time to make a round four bid in September 2003 although there is positive speculation that a fifth round will be announced in due course. Given the greater needs elsewhere across the country, the likely success of a Three Rivers' bid must be questionable.

- Private Finance Initiative

To date the Council's needs have not been considered to be of a sufficient size to make a PFI an attractive proposition to investors

- Stock transfer

If the Council fails to secure additional funding from any of the sources above, the only remaining option will be for it to transfer all or some its stock to one or more Registered Social Landlords (RSL). The size of the stock (and therefore the economies of scale) is considered too small to justify the setting up of a TRDC sponsored RSL. Tenants must be balloted before such a transfer can take place. The Government has not published any information on what happens if a Large Scale Voluntary Transfer (LSVT) is the option of last resort and the majority of tenants reject the proposal. The Council's tenants rejected by ballot a voluntary transfer of the housing stock to a housing association in 1989.

- A mixture of the above.

More details of the Council's approach to capital investment can be found in its 'Capital Strategy and Asset Management Plan'. The Council has also published a 'Guide to the Finances of Three Rivers District Council and the Medium Term Financial Plan 2003-2006'. Both are available on the Council's website or in hard copy by request.

Corporate Governance

The Council adopted a local code of corporate governance in September 2002. Corporate governance is the system by which local authorities direct and control their functions and relate to their communities. A management review of the effectiveness of these arrangements has been carried out to ensure that the underlying principles of integrity, accountability, openness and inclusivity are being met. Particular attention is being paid to community focus, service delivery arrangements, structures and processes, risk management, internal control, and standards of conduct. As a result of this work the Council is planning a number of further improvements to its governance arrangements.

Conclusion

These arrangements underpin the Council's aim of providing quality services that meet local needs whilst maintaining tight financial control. It is hoped that this Statement of Accounts demonstrates that the Council is making good use of public funds and providing value for money. Further information can be obtained from the address below.

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*D.A.Gardner
Director of Corporate Resources
17 December 2003*

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The accounts have been prepared in accordance with the Accounts and Audit Regulations 1996 and *The Code of Practice on Local Authority Accounting in the United Kingdom 2002: A Statement of Recommended Practice* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), except where departures are disclosed.

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

2. Fixed Assets

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

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

- Land and buildings, with the exception of Community Assets (eg parks), are valued by the Council's Valuer and included in the balance sheet at the lower of depreciated current replacement cost and net realisable value for operational properties and open market value for non operational properties.
- Council dwellings are valued by the Council's Valuer on a five year rolling programme, on the basis of Existing Use Value – Social Housing net of depreciation.
- Infrastructure assets are included in the balance sheet at historical cost net of depreciation.
- Plant, vehicles and equipment are included in the balance sheet at current replacement cost net of depreciation.
- A nominal amount of £1 was included in the balance sheet at 1 April 1994 for Community Assets. Expenditure on acquisition and enhancement of community assets incurred after 1 April 1994 has been included in the balance sheet at historical cost net of depreciation.

Surpluses on the revaluation of fixed assets have been credited to the Fixed Asset Restatement Reserve. All the Council's fixed assets will be inspected and revalued over a period of five years and thereafter at five-yearly intervals. Annual assessments of asset values are made to ascertain changes due to impairment.

3. Depreciation

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

4. Deferred Charges

Deferred charges are expenditure of a capital nature where no fixed asset is created, but which may properly be capitalised and financed over a number of years. Deferred charges are amortised to the revenue accounts over an appropriate period of years.

The majority of deferred charges relate to grants to third parties. It is the Council's practice to write these off in the year the expenditure is incurred.

5. Capital Charges

Notional Interest and Depreciation

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

6. Capital Receipts

Capital receipts received by the Council for the sale of assets such as council houses are divided into usable and reserved capital receipts. Usable capital receipts may be used to finance capital expenditure whereas reserved receipts must be set aside in the Capital Financing Reserve Account.

7. Grants

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

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. Leases

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

10. Debtors and Creditors

The accounts of the Council are shown on an accruals basis in accordance with the Statement of Recommended Practice (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.

11. Stores and Work in Progress

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

12. 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' and 'Unapportionable Central Overheads' are protected from apportionment to services and are shown separately in the Consolidated Revenue Account.

13. Reserves and Provisions

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

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

14. Pensions

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme administered by Hertfordshire County Council for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

These contributions have been determined on the basis of rates that are set to meet 100% of the liabilities of the Pension Fund, in accordance with relevant Government regulations.

The accounts do not include the Authority's liability to pay future pensions.

15. 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.

16. Investments

Investments are shown in the Consolidated Balance Sheet at cost, however provisions for potential investment losses in the sum of £469,248 have been made (see Note 7 to the Consolidated Balance Sheet).

17. Changes in Accounting Policy

There have been no changes in accounting policy during the year.

CONSOLIDATED REVENUE ACCOUNT

2001/2002 Net Expenditure/ (Income) As Restated £	Note	2002/2003		
		Gross Expenditure £	(Income) £	Net Expenditure/ (Income) £
1,923,202	Highways and Transportation	2,319,389	262,357	2,057,032
1,122,105	Planning and Economic Development	1,770,880	608,860	1,162,020
1,956,325	Leisure	3,524,157	1,743,006	1,781,151
1,640,671	Waste Collection and Disposal	2,155,822	443,223	1,712,599
1,039,736	Environmental Health	1,220,329	151,387	1,068,942
127,244	Other Environmental Services	173,981	28,789	145,192
13,778,804	Housing Services	30,073,747	15,081,558	14,992,189
1,420,434	Corporate and Democratic Core	1,509,219	5,301	1,503,918
582,579	Local Taxation Collection	843,359	197,733	645,626
861,469	Housing Benefits	8,553,458	7,608,681	944,777
0	Central Support Services	86,018	86,016	2
627,560	Other Services	1,401,666	536,889	864,777
5,459,737	Unapportionable Central Overheads	33,460	0	33,460
30,539,866	NET COST OF SERVICES	53,665,485	26,753,800	26,911,685
690,500	Parish Precepts			747,220
(905,939)	Interest Income			(743,590)
83,361	Amortised Premium			82,093
(14,414,656)	Asset Management Revenue Account			(15,700,598)
15,993,132	NET OPERATING EXPENDITURE			11,296,810
57,363	Net transfer from Housing Revenue Account			175,127
(151,460)	HRA Negative Subsidy			0
(865,215)	Contributions to (from) Earmarked Reserves			3,393,690
(21,776)	Contributions from Provisions			0
(6,364,462)	General Revenue Account Appropriations			(1,551,044)
3,146,310	Capital Expenditure Charged to Revenue			617,292
(1,744,838)	Contributions from Third Parties			(3,550,032)
10,049,054	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS			10,381,843
(4,975,295)	Demanded from Collection Fund			(5,445,882)
0	Collection Fund Transfer of Deficit/(Surplus)			31,845
(1,538,287)	Revenue Support Grant			(1,251,594)
(3,351,938)	Contribution from Non-Domestic Rate Pool			(3,798,688)
183,534	(SURPLUS)/DEFICIT FOR THE YEAR			(82,476)
(2,950,378)	Balance at 1 April			(2,766,844)
183,534	(Surplus)/Deficit for Year			(82,476)
(2,766,844)	BALANCE AT 31 MARCH			(2,849,320)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Unapportionable Central Overheads – Exceptional Item

In 2001/02 this sum included a deferred capital charge arising from a payment of £4.98m to reduce the Council's pension fund deficit.

2. Asset Management Revenue Account

	2001/2002 £ (As Restated)	2002/2003 £
Income		
HRA Consolidation Adjustment	(13,248,000)	(14,477,350)
Capital Charges	(4,943,219)	(4,674,580)
Prior Year Adjustment	448,360	0
Amortisation of Grants & Contributions	(108,215)	(141,950)
	<u>(17,851,074)</u>	<u>(19,293,880)</u>
Expenditure		
Provision for Depreciation	3,536,159	3,592,970
Prior year Adjustment	(100,060)	0
External Interest Charges	319	312
	<u>3,436,418</u>	<u>3,593,282</u>
	<u>(14,414,656)</u>	<u>(15,700,598)</u>

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

The HRA Consolidation Adjustment represents the cost of capital charge for the use of housing assets. This charge was made for the first time in 2001/02 under the Government's requirements for resource accounting in the HRA.

The prior year adjustments relate to Capital Charges for assets revalued to comply with the Statement of Recommended Practice (SORP), see Note 11 below and Note 1 to the Balance Sheet.

3. Contributions from Provisions

	2001/2002 £	2002/2003 £
Investment Losses	21,776	0
	<u>21,776</u>	<u>0</u>

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

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

4. General Revenue Account Appropriations

	2001/02 £ (As Restated)	2002/03 £
Minimum Revenue Provision:		
Commutation Adjustment	(146,670)	(146,343)
Provision for Depreciation	(839,075)	(854,710)
Prior Year Adjustment	100,060	0
	<u>(885,685)</u>	<u>(1,001,053)</u>
Amortised Deferred Charges	(5,542,281)	(742,665)
Amortised Government Grants Applied	63,504	192,674
	<u>(6,364,462)</u>	<u>(1,551,044)</u>

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

The prior year adjustment relates to Capital Charges for assets revalued to comply with the Statement of Recommended Practice (SORP), see Note 11 below and Note 1 to the Balance Sheet.

5. Operating Leases

The Council uses leased vehicles and various office equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2002/2003 was £51,346. The future payments required under these leases at 31 March 2003 were:

	£
2003/2004	76,382
2004 onwards	51,038
	<u>127,420</u>

The Council has no finance leases.

6. Publicity Expenditure

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

	2001/02 £	2002/03 £
Employee Costs	164,811	165,740
Recruitment Advertising	81,423	88,422
Council Newspaper	30,809	37,205
Other Advertising	110,375	104,481
	<u>387,418</u>	<u>395,848</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

7. 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 2002/2003	Chargeable	Non Chargeable	Total Building Control
	£	£	£
Expenditure			
Employees	144,782	98,047	242,829
Transport	11,466	7,858	19,324
Supplies and Services	15,345	10,518	25,863
Central, Departmental and Technical Support	134,571	110,019	244,590
Total Expenditure	<u>306,164</u>	<u>226,442</u>	<u>532,606</u>
Income			
Building Control Regulations	(328,189)	0	(328,189)
Miscellaneous Income	0	(165,144)	(165,144)
Total Income	<u>(328,189)</u>	<u>(165,144)</u>	<u>(493,333)</u>
 (Surplus)/Deficit for Year	 <u>(22,025)</u>	 <u>61,298</u>	 <u>39,273</u>

8. Officers' Emoluments and Members' Allowances

The Accounts and Audit Regulations 1996 require local authorities to report the number of employees whose annual remunerations fall into each bracket of a scale in multiples of £9,999 starting at £40,000.

Remuneration Band £ 000's	Number of Employees 2001/02	Number of Employees 2002/03
40,000 to 49,999	1	6
50,000 to 59,999	2	0
60,000 to 69,999	2	5

The total of Members' allowances paid in 2002/2003 was £181,878
(The total of Members' allowances paid in 2001/2002 was £132,719)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

9. Pension Costs

In 2002/2003 the Council paid an employer's contribution of £821,652 (£1,141,439 in 2001/02), representing 12.84% of employees' pensionable pay, into the Hertfordshire County Council Pension Fund, which provides members with defined benefits related to pay and service. The Employers' contribution rate was lower in 2002/03 due to the payment of an additional contribution of £4.98m in 2001/02 to reduce the deficit on the fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2001. Under Pension Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund, but contributions increases are being phased in over six years.

The Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2002/2003 these amounted to £211,172 representing 3.3% of pensionable pay.

The Fund's Actuary has advised that the pension costs that it would have been necessary to provide for in the year in accordance with SSAP 24, 'Accounting for Pension Costs', are £1,068,678 representing 16.7% of pensionable pay.

There have been no discretionary increases in pension payments (e.g. discretionary added years) awarded in either 2001/02 or 2002/03.

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.

The disclosure of pension costs is to change significantly over the next two years, when FRS17 replaces SSAP24.

10. Related Party Transactions

The Council is required to disclose material transactions with related parties.

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.

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.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10. Related Party Transactions (Cont'd)

No material transactions took place in respect of councillors and chief officers.

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.

11. Collection Fund Transfer of Deficit

The Council transferred £31,845 from its General Fund to the Collection Fund in 2002/03 in respect of its share of a Collection Fund deficit at 31 March 2002 estimated on 15 January 2002.

12. Restated 2001/2002 Balances And Prior Year Adjustments

The 2001/2002 balances have been restated to take account of reduced Capital Charges relating to revaluation of certain assets to comply with the requirements of the Statement of Recommended Practice.

The adjustments were made to the Net Cost of Services in Leisure (£446,180), Environmental Health (£350) and Other Environmental Services (£1,830).

These charges do not affect the Amount to be met from Government Grant and Council Taxpayers, as they are reversed in the Asset Management Revenue Account and General Revenue Account Appropriations (See Notes 2 and 4 above and Note 1 to the Balance Sheet).

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2003

2001/2002 As Restated £		Note	2002/2003 £	
£			£	£
	Fixed Assets			
	Operational Assets			
215,954,340	Council Dwellings		243,150,900	
11,931,900	Other Land and Buildings		14,540,420	
1,780,068	Vehicles, Plant and Equipment		3,395,062	
3,598,883	Infrastructure Assets		3,778,019	
294,543	Community Assets		254,372	
	Non-operational Assets			
3,929,000	Investment Properties		3,929,000	
9,499,012	Other		6,229,560	
246,987,746	Total Fixed Assets	1		275,277,333
0	Deferred Charges	2		0
327,698	Deferred Payments	3		245,606
927,363	Long-Term Debtors	4		771,012
248,242,807	Total Long-Term Assets			276,293,951
	Current Assets			
24,034	Stocks and Work in Progress	5	24,995	
4,415,262	Debtors	6	2,965,632	
15,281,053	Investments	7	19,091,053	
0	Cash and Bank		239,250	22,320,930
267,963,156	Total Assets			298,614,881
	Current Liabilities			
(4,906,757)	Creditors	9	(4,811,026)	
(796,946)	Bank Overdraft		0	
(5,703,703)				(4,811,026)
262,259,453	Total Assets less Current Liabilities			293,803,855
0	Long-Term Liabilities			0
262,259,453	Total Assets Less Liabilities			293,803,855
(190,674,967)	Fixed Asset Restatement Reserve	10		(213,952,973)
(57,321,539)	Capital Financing Reserve	11		(59,192,238)
(1,444,487)	Grants & Contributions Deferred Account	12		(3,701,440)
(5,516,808)	Usable Capital Receipts Reserve	13		(8,275,143)
(1,955,259)	Earmarked Reserves	14		(3,134,158)
	General Reserves			
(2,766,844)	- General Fund	15		(2,849,320)
(1,505,752)	- Housing Revenue Account	15		(1,680,879)
(1,147,695)	- Major Repairs Reserve			(1,190,643)
(31,038)	- House Purchase Account	15		(32,443)
154,604	- Collection Fund	15		229,663
(49,668)	- Other Reserves	15		(24,281)
(262,259,453)	Total Equity			(293,803,855)

Councillor Ann Shaw OBE
Leader of the Council
17 December 2003

D A Gardner
Director of Corporate Resources
17 December 2003

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets

Movement in Fixed Assets

	Council Dwellings £	Other Land and Buildings £	Vehicles, Plant and Equipment £	Infrastructure Assets £	Community Assets £	Non-Operational Assets Investment Properties £	Other £	Total Assets £
Certified Valuation at 31 March 2002	218,365,690	18,397,500	4,259,947	4,812,168	414,499	3,929,000	9,548,622	259,727,426
Prior Year Adjustment	0	(5,923,500)	0	0	0	0	0	(5,923,500)
Less Accumulated Depreciation	(2,411,350)	(760,600)	(2,479,879)	(1,213,285)	(119,956)	0	(49,610)	(7,034,680)
Prior Year Adjustment	0	218,500	0	0	0	0	0	218,500
Net Book Value at 31 March 2002	215,954,340	11,931,900	1,780,068	3,598,883	294,543	3,929,000	9,499,012	246,987,746
Revaluations	32,335,410	2,283,780	0	0	0	0	13,000	34,632,190
Additions	3,231,530	552,774	2,399,175	424,168	3,547	0	1,993,357	8,604,551
Disposals	(5,126,090)	(232,000)	(1,400,121)	0	0	0	0	(6,758,211)
Impairment the Centre	0	(4,270,332)	0	0	0	0	0	(4,270,332)
Reclassified:								
The Centre	0	4,970,332	0	0	0	0	(4,970,332)	0
Write Offs	(3,231,530)	(552,774)	(73,847)	(4,554)	(2,270)	0	(292,147)	(4,157,122)
Depreciation:								
Revaluation Adj For 2002/2003	2,404,630	149,370	1,268,011	0	0	0	9,470	3,831,481
	(2,417,390)	(292,630)	(578,224)	(240,478)	(41,448)	0	(22,800)	(3,592,970)
Net Book Value at 31 March 2003	243,150,900	14,540,420	3,395,062	3,778,019	254,372	3,929,000	6,229,560	275,277,333
Accumulated Depreciation at 31 March 2003	(2,424,110)	(685,360)	(1,790,092)	(1,453,763)	(161,404)	0	(62,940)	(6,577,669)
Certified Valuation at 31 March 2003	245,575,010	15,225,780	5,185,154	5,231,782	415,776	3,929,000	6,292,500	281,855,002

Major Fixed Asset Information

The Land and Buildings held by the Council in 2002/03 included:

Gross Value at 31 March 2002 £		Gross Value at 31 March 2003 £
218,365,690	Council Dwellings	245,575,010
712,000	Depots	582,000
100,500	Cemeteries	168,500
4,080,000	Offices	6,381,600
1,021,000	Car Parks	1,021,000
8,734,500	Leisure Land and Buildings	3,363,000
5,064,500	Commercial Properties	5,064,500
3,710,500	Garages	3,623,500
5,183,000	Other Land/Property	5,243,180

Community Assets

On 1 April 1994, a nominal amount of £1 was included in the accounts for existing Community Assets. The assets included are:

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

17 areas of woodland with a total area of 547 acres

Paintings, Civil Regalia and Musical Instruments with a current insurance value of £107,436.

Since that date, Play Equipment has been added to Community Assets on the balance sheet at historic cost. They have a current net book value of £254,372.

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets (Cont'd)

Valuation & Impairment Information

The the freehold and leasehold properties were valued by Mrs M Henington BSc MRICS. A five year rolling programme has been established for valuing assets and 20% of the assets are valued every year.

This year the Council's Housing Revenue Account assets were valued on 1 April 2002 in accordance with the DTLR guidance notes on stock valuations and in accordance with the RICS Valuation and Appraisal manual applying the Beacon principle.

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

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

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 should be changed accordingly. The Council's Chief Valuer, Roland Childerhouse BSc MRICS, has carried out an Impairment Review of the Council's fixed assets.

Prior Year Adjustments

The Statement of Recommended Practice requires that specialised Operational Assets are included on the Balance Sheet at the lower of Depreciated Replacement Cost (DRC) and Net Realisable Value (NRV). Four Specialised Buildings were shown at DRC, which was higher than NRV. The prior year adjustments correct this error by reducing the value of brought forward assets by £5.7m. The impact of this change in valuation on the Consolidated Revenue Account is explained in Note 11.

Valuations of Fixed Assets Carried at Current Value

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 £	Community Assets £	Non-Operational Assets Investment Properties £	Other £	Total Assets £
Valued at Historical Cost	0	0	2,859,826	4,812,168	414,499	0	0	8,086,493
Valued at Current Value in:								
2002/2003	244,572,010	7,518,780	2,325,328	419,614	1,277	36,000	218,000	255,091,009
2001/2002	635,000	2,651,000	0	0	0	925,000	130,500	4,341,500
2000/2001	368,000	2,338,500	0	0	0	2,968,000	3,094,500	8,769,000
1999/2000	0	2,717,500	0	0	0	0	1,849,500	4,567,000
1998/1999	0	0	0	0	0	0	1,000,000	1,000,000
Certified Valuation at 31 March 2003	245,575,010	15,225,780	5,185,154	5,231,782	415,776	3,929,000	6,292,500	281,855,002

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets (Cont'd)

Depreciation

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

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

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

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

Capital Expenditure and Sources of Finance

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

	Financing			Expenditure
	£	£		£
Usable Capital Receipts		2,999,096		
Provision for Credit Liabilities		1,946,184	Creditors from 2001/02	1,267,149
Capital Expenditure Charged to Revenue			Contributions receivable for	
Contributions from Reserves:			Expenditure in prior years:	893,523
Section 106 Agreements		7,042	2002/03 Expenditure on:	
Direct Revenue Funding:			Fixed Assets	8,604,551
General Fund	2,550		Deferred Charges	742,665
Housing Revenue Account	607,700		Social Housing Grant	230,000
HRA – Major Repairs Reserve	<u>2,369,252</u>			
		2,979,502	Less:	
Contributions from Other Organisations		2,398,903	Creditors 2002/03	(1,175,341)
Specified Capital Grant		193,235	Contributions due for Capital Expenditure	(38,585)
		<u>10,523,962</u>		<u>10,523,962</u>

Analysis of Net Fixed Assets Employed

	31st March 2002	31st March 2003
	£	£
General Fund	21,300,286	22,451,881
Housing Revenue	<u>225,687,460</u>	<u>252,825,452</u>
	<u>246,987,746</u>	<u>275,277,333</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. Deferred Charges

	Balance at 31 March 2002 £	Capital Expendi- ture £	Grants Applied £	Deferred Charges Written Out £	Balance at 31 March 2003 £
Grants:					
Leisure & Community Development	0	24,880	0	(24,880)	0
Housing Improvements Resources	0	664,701	(192,674)	(472,027)	0
Physical Environment	0	12,888	0	(12,888)	0
	0	20,196	0	(20,196)	0
Housing	0	20,000	0	(20,000)	0
	0	742,665	(192,674)	(549,991)	0

3. Deferred Payments - PWLB

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

4. Long Term Debtors

Loans Made for Purchase and Improvement of Property

	Sales of Council Dwellings £	Private Borrowers £	Housing Associations £	Mortgage Debenture £	Total 2002/03 £
Balance at 1 April 2002	654,099	6,580	246,684	20,000	927,363
Repayments in Year	(152,521)	(2,378)	(1,452)	0	(156,351)
Balance at 31 March 2003	501,578	4,202	245,232	20,000	771,012

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

5. Stock and Work in Progress

There was no work in progress on 31 March 2003. Stocks held in the Council's stores were as follows:

	Balance at 31 March 2002 £	Balance at 31 March 2003 £
Building, Engineering and Other Operational Materials	7,629	6,067
Bar and Catering Stock	14,619	15,113
Stationery	1,786	3,815
	24,034	24,995

NOTES TO THE CONSOLIDATED BALANCE SHEET

6. Debtors

	Balance at 31 March 2002 £	Balance at 31 March 2003 £
HM Customs and Excise	595,902	153,918
Office of the Deputy Prime Minister	337,279	341,289
Inland Revenue	1,472	0
Dept for Work & Pensions	188,005	100,702
Local Authorities and Other Public Bodies	113	129
Chargepayers and Taxpayers	1,901,755	1,965,727
Commercial Ratepayers	980,612	990,631
Tenants	586,245	621,327
Rechargeable Works	108,599	221,836
Sundry Debtors	905,936	680,467
Other	1,035,847	524,379
Less: Provision for Doubtful Debts	(2,226,503)	(2,634,773)
	<u>4,415,262</u>	<u>2,965,632</u>

7. Investments

(a) Long-Term Investments

The Council had £2,000,000 placed with the Bank of Credit and Commerce International (BCCI) when it was closed by the Bank of England on 5 July 1991. The investment was for a fixed period maturing on 10 October 1992 at a fixed rate of interest of 13.6%. The liquidation of the bank is continuing and the return to the Council is uncertain. A provision for the maximum potential loss of £1,985,000 was created in the 1991/92 financial year and set off against the investment. £15,000 was received from the Deposit Protection Board during 1992/93. The provision was reduced to £1,925,000 during 1994/95.

The schedule below lists the dividends received to date. The percentages are calculated on the registered debt in US dollars (which includes interest). The total received to date represents 60% of the registered debt. The provision has been reduced to £369,991 to match the remaining debt.

Schedule of Dividends Received From BCCI				
	Date	£	%	Cumulative %
Deposit Protection Board	1992/93	15,000	-	
First dividend	10 December 1996	624,291	24.50	24.50
Second dividend	30 June 1998	559,433	21.50	46.00
Third dividend	16 May 2000	404,285	14.00	60.00
Total to date		<u>1,603,009</u>		

A fourth dividend payment of £390,443 was received on 27 June 2003.
(See Note 17 – Post-Balance Sheet Events)

NOTES TO THE CONSOLIDATED BALANCE SHEET

7. Investments (cont'd)

The Council had £1,000,000 invested with Chancery plc, a secondary bank placed in administration in February 1991. £303,615 of that debt 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 £72,257 to match the remaining debt.

Schedule of Distributions Received From Chancery plc				
	Date	£	%	Cumulative %
Deposit Protection Board	1991/92	15,000	-	-
Distributions	Prior years	609,129	88.25	88.25
Total to date		624,129		

In summary the position at 31 March 2003 was:

	BCCI	Chancery plc	Total
	£	£	£
Investment	2,000,000	1,000,000	3,000,000
Repayments prior years	(1,603,009)	(624,129)	(2,227,138)
Written off	0	(303,614)	(303,614)
	<u>396,991</u>	<u>72,257</u>	<u>469,248</u>
Less:			
Provision at 31 March 03	<u>(396,991)</u>	<u>(72,257)</u>	<u>(469,248)</u>
	<u>0</u>	<u>0</u>	<u>0</u>

(b) Short-Term Investments

There were 18 investments at 31 March 2003. The rates of interest at 31 March 2003 varied between 2.37% and 3.85%. All short-term investments have maturity dates under one year and in accordance with government regulations. No new investment has been made since 22 December 1989 that is either:

- for a period longer than 365 days; or
- not on the Bank of England's list of authorised institutions.

On 8 March 2001 the Council repaid all of its outstanding debt and, as a debt-free authority, is permitted from that time to invest for periods greater than one year. No investments of greater than one year were made between 1 April 2002 and 31 March 2003.

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

8. Borrowing

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

9. Creditors

	Balance at 31 March 2002 £	Balance at 31 March 2003 £
Home Office	115,425	36,829
Office of the Deputy Prime Minister	1,401,760	644,739
HM Inland Revenue	202,005	215,129
Local Authorities and Other Public Bodies	251,143	399,285
Sundry and Other Creditors	2,936,424	3,515,044
	<hr/> 4,906,757 <hr/>	<hr/> 4,811,026 <hr/>

10. Fixed Asset Restatement Reserve

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

11. Capital Financing Reserve

The Capital Financing Reserve 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 (see Note 18 to the Consolidated Balance Sheet).

In addition, as assets financed by grants and contributions are depreciated, the contributions are written off to the reserve. For further details see Note 4 to the Statement of Total Movement in The Reserves.

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. Grants and Contributions Deferred Account

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

Under the Code of Practice on Local Authority Accounting, when assets funded by grants and contributions are depreciated, the depreciation is reflected in the Grants and Contributions Deferred Account. The position at 31 March 2003 was:

	Opening Balance 1 April 2002 £	Add: Capital Financing £	Less: Depreciation £	Closing Balance 31 March 2003 £
Regeneration Schemes	697,183	122,382	(40,610)	778,955
Home Composting	24,055	0	(13,320)	10,735
Car Parks	9,000	0	(600)	8,400
Bus Shelters	6,000	0	(375)	5,625
Chorleywood Tennis Courts	24,500	0	(3,500)	21,000
Air Pollution Monitoring	4,667	0	(667)	4,000
District Signs	350	0	(50)	300
Skateboard Park	13,382	0	(1,673)	11,709
Golf Course	292,537	0	(34,725)	257,812
Traffic Calming	17,788	0	(989)	16,799
Rickmansworth Youth Club	36,260	0	(740)	35,520
Special Parking Areas	47,470	0	(2,382)	45,088
South Oxhey CAB	60,623	2,571	(1,228)	61,966
Pathfinder	170,678	679,193	(34,136)	815,735
Controlled Parking Zones	38,494	62,442	(1,925)	99,011
Community Campus	0	1,506,500	0	1,506,500
Chorleywood House Grounds	0	20,815	0	20,815
Economic Development	0	5,000	(5,000)	0
Rickmansworth CAB	1,500	0	(30)	1,470
	1,444,487	2,398,903	(141,950)	3,701,440

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. Usable Capital Receipts

A Capital Receipt is the term used to describe the income received by the Council when it sells an asset. Under the Local Government and Housing Act 1989 the Council has to pay a proportion of these receipts into a provision to meet credit liabilities (eg repaying loan debt) until it becomes debt-free (see Consolidated Balance Sheet Notes 7, 8 and 18). The remainder may be used to finance capital expenditure and are termed Usable Capital Receipts.

	£	Total 2001/2002 £	£	Total 2002/2003 £
Usable Capital Receipts at Beginning of Year		(2,503,973)		(5,516,808)
Add:				
Sources of Capital Receipts:				
Sale of Land and Buildings	(1,609,600)		(212,911)	
Sale of Council Houses				
Cash	(3,568,969)		(5,374,913)	
Mortgages	(179,470)		(152,521)	
Other Receipts	(10,270)		(17,086)	
Social Housing Grant	(1,946,184)		(418,203)	
Total Receipts for the Year		(7,314,493)		(6,175,634)
Deduct:				
Amounts applied and set aside to meet credit liabilities (see below & Note 18)		1,946,184		418,203
Application of Usable Receipts to finance Capital Expenditure (see Note 1)		2,355,474		2,999,096
Balance Unapplied at End of Year		<u>(5,516,808)</u>		<u>(8,275,143)</u>

Analysis of Amounts Set Aside to meet Credit Liabilities:

	Gross Receipts £	Amount Set Aside £
Social Housing Grant	418,203	418,203
	<u>418,203</u>	<u>418,203</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. Earmarked Reserves

	Opening Balance 1 April 2002 £	Add: Contributions From General Fund £	Less: Contributions to General Fund £	Less: Grants & Contributions Applied £	Closing Balance 31 March 2003 £
Unapplied Capital Grants and Contributions					
Third Party Contributions	212,035	3,491,170	(1,145)	(2,398,903)	1,303,157
Total Grants and Contributions	212,035	3,491,170	(1,145)	(2,398,903)	1,303,157
Revenue Reserves					
Insurance	130,280	0	0	0	130,280
Section 106 Agreements-Capital	193,077	98,743	(7,042)	0	284,778
Section 106 Agreements-Other	84,150	1,451	(7,316)	0	78,285
Future IT	63,980	0	0	0	63,980
Leavesden Hospital Open Space	1,271,737	21,899	(67,228)	0	1,226,408
Waste Vehicle Maintenance	0	47,270	0	0	47,270
Total Revenue Reserves	1,743,224	169,363	(81,586)	0	1,831,001
Total Reserves	1,955,259	3,660,533	(82,731)	(2,398,903)	3,134,158

15. General Reserves

	Opening Balance 1 April 2002 £	Change in Year Increase/ (Decrease) £	Closing Balance 31 March 2003 £
General Fund	2,766,844	82,476	2,849,320
Housing Revenue	1,505,752	175,127	1,680,879
Major Repairs Reserve	1,147,695	42,948	1,190,643
House Purchase	31,038	1,405	32,443
Collection Fund	(154,604)	(75,059)	(229,663)
Other Reserves	49,668	(25,387)	24,281
	5,346,393	201,510	5,547,903

The General Fund surplus includes a negative amount of £39,273 which relates to the deficit on the Building Control Trading Account (see Note 7 to the Consolidated Revenue Account).

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. Commitments under Capital Contracts

At 31 March 2003 the Council had entered into contracts valued at £750,000 largely in respect of housing and leisure capital schemes.

17. Post-Balance Sheet Events

Long Term Investments (See Note 7(a))

On 27 June 2003 the Council received a fourth dividend of £390,443 from the liquidator of the Bank of Credit and Commerce International (BCCI) representing a further 15% of the registered debt in US dollars.

The total received to date represents 75% of the registered debt and reduces the remaining debt to £6,548.

18. Provision for Credit Liabilities (PCL) Memorandum Account

	£
Opening Balance - 1 April 2002	3,795,966
Add: Capital Receipts Set Aside	418,203
Less: Commutation Adjustment	(146,343)
Less: Used to Fund Capital Expenditure	(1,946,184)
Closing Balance - 31 March 2003	<u>2,121,642</u>

In accordance with statutory requirements the Council was required to set aside sums as a provision to repay external loans and finance leases and other limited purposes. The Council does not keep an account within the accounting records for the PCL as there is no need to do so, but maintains a memorandum account. Most of the transactions on this account are reflected in the Capital Financing Reserve (see note 11 to the Consolidated Balance Sheet).

As the Council is debt free, the balances on this account can be used to finance capital expenditure.

19. The Euro

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. Retirement Benefits – FRS 17

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

	£’000
Present Value of Liabilities in the County Council Fund	(42,370)
Estimated Share of Assets in County Council Fund	26,930
Net Pensions Deficit	<u>(15,440)</u>

Liabilities have been valued on an actuarial basis using the projected unit method that assesses the future liabilities of the fund discounted at their present value. The County Council Fund liabilities have been valued by Hymans Robertson, an independent firm of actuaries. The calculations are based on a valuation as at 31 March 2002 rolled forward to 31 March 2003. The main assumptions in the calculation are:

Rate of Inflation	2.5%
Rate of increase in Salaries	4.0%
Rate of Increase in Pensions	2.5%
Rate for Discounting Scheme Liabilities	6.1%

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

Assets (Whole Fund)	Long Term Return % Per Annum	Fund Value at 31 March 2003 £’000	Expected Return £’000 per annum
Equities	8.0%	798,900	63,910
Bonds	4.8%	98,300	4,720
Property	6.0%	69,600	4,180
Cash	4.0%	75,600	3,020
Total	7.3%	<u>1,042,400</u>	<u>75,830</u>

The movement in the net pension liability for the year to 31 March 2003 is as follows:

	£’000
Net pensions liability at 1 April 2002	(4,180)
Movements in the year:	
Current service cost	(770)
Employers’ contributions payable to scheme	820
Past service costs	0
Previously unrecognised surplus deducted from the past service costs	0
Gains and losses on settlements or curtailments	0
Previously unrecognised surplus deducted from the settlement or curtailment losses	0
Interest cost	(2,470)
Expected return on assets in the scheme	2,350
Actuarial losses	<u>(11,190)</u>
Net pensions liability at 31 March 2003	<u>(15,440)</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

The actuarial losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2003:

	£'000	%
Differences between the expected and actual return on assets	(8,990)	(33.4)
Differences between actuarial assumptions about liabilities and actual experience	(2,200)	(5.2)
Changes in the demographic and financial assumptions used to estimate liabilities	0	0.0
	(11,190)	

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

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

The primary cause of the change from an estimated net liability of £4.18m at 31st March 2002 to an estimated net liability of £15.44m at 31st March 2003 has been the reduction in the capital value of the Fund's investment assets, arising from a fall in equity markets.

The £15.44m net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2003 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2003 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Pension Fund, due to be carried out as at 31st March 2004. Their advice on whether or not there is any anticipated shortfall in the funding of the scheme at that time will determine the future level of pension contributions.

21. Contingent Liabilities

If the Council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vatable expenditure, then the Council loses its ability to recover VAT on all of its exempt inputs. Customs and Excise have intimated that they do not accept that the input VAT relating to the reconstruction of The Centre at South Oxhey is attributable to the grant of a lease for a peppercorn and as such is recoverable under Section 33 of the VAT Act 1994. However they are currently considering other avenues that may result in the removal of this potential VAT cost. The Council's maximum liability is estimated to be £617,099 for the years 2000/01 to 2002/03. No provision has been made for this in the accounts, although £507,500 has been retained in the General Fund balance should payment become due.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

2001/2002 As Restated £		Note	2002/2003	
£			£	£
	Surplus/(Deficit) for the year:			
(183,534)	- General Fund		82,476	
57,363	- Housing Revenue Account		175,127	
	Movements on specific revenue reserves:			
1,147,695	- Major Repairs Reserve		42,948	
1,965	- House Purchase Account		1,405	
(158,005)	- Collection Fund		(75,059)	
43,292	- Other Reserves		(25,387)	
(1,046,874)	- Earmarked Revenue Reserves		87,777	
	Total Increase/(Decrease) in Revenue Resources			289,287
(138,098)	Increase in usable capital receipts	1	2,758,335	
3,012,835	Increase in unapplied capital grants and contributions	2	1,091,122	
	Total Increase in Realised Capital Resources			3,849,457
3,179,555	Gains/(Losses) on revaluation of fixed assets		25,765,885	
1,104,749	Impairment Losses on fixed assets		4,270,332	
0	Total Increase in Unrealised Value of Fixed Assets	3		30,036,217
1,104,749	Value of Assets Sold, Disposed of or Decommissioned	3		(6,758,211)
(5,492,260)	Capital Receipts Set Aside	4	3,416,738	
4,301,658	Revenue Resources Set Aside	4	(1,546,039)	
(6,888,234)	Movement in Government Grants Deferred	5	2,256,953	
302,437	Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment			4,127,652
(2,284,139)	Total Recognised Gains and Losses			31,544,402
(3,630,193)				

NOTES TO STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. Usable Capital Receipts

2001/2002		2002/2003	
£		£	£
5,368,309	Amounts Receivable	5,757,431	
(2,355,474)	Amounts applied to finance Capital expenditure	(2,999,096)	
<u>3,012,835</u>	Total Increase/(Decrease)		2,758,335
2,503,973	Balance Brought Forward		5,516,808
<u>5,516,808</u>	Balance Carried Forward		<u>8,275,143</u>

See Note 13 to the Consolidated Balance Sheet.

2. Unapplied Capital Grants and Contributions

2001/2002		2002/2003	
£		£	£
577,372	Amounts Receivable	3,490,025	
(410,652)	Amounts applied to finance Capital Expenditure	(2,398,903)	
<u>166,720</u>	Total Increase/(Decrease)		1,091,122
45,315	Balance Brought Forward		212,035
<u>212,035</u>	Balance Carried Forward		<u>1,303,157</u>

See Note 14 to the Consolidated Balance Sheet.

3. Fixed Asset Restatement Reserve

2001/2002		2002/2003	
£		£	
As Restated			
6,909,809	Gains/Losses on revaluation of fixed assets	25,765,885	
(5,805,060)	Prior Year Adjustment	0	
0	Impairment	4,270,332	
<u>(5,805,060)</u>	Total Increase/(Decrease) in Unrealised Value of Fixed Assets		30,036,217
Value of Assets Sold, Disposed of or Decommissioned:			
(5,492,260)	Disposals	(6,758,211)	
<u>(11,297,320)</u>	Total Movement in Reserve		23,278,006
195,062,478	Balance Brought Forward		190,674,967
<u>183,765,158</u>	Balance Carried Forward		<u>213,952,973</u>

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

The prior year adjustment relates to Capital Charges for assets revalued to comply with the Statement of Recommended Practice (SORP), see Note 11 to the Consolidated Revenue Account and Note 1 to the Balance Sheet.

NOTES TO STATEMENT OF TOTAL MOVEMENT IN RESERVES

4. Capital Financing Reserve

2001/2002 £		2002/2003 £
	Movements in amounts Set Aside to Finance Capital Investment	
	Capital Receipts Set Aside:	
1,946,184	Reserved Capital Receipts	418,203
2,355,474	Usable Capital Receipts Applied	2,998,535
<u>4,301,658</u>	Total Capital Receipts Set Aside	<u>3,416,738</u>
	Revenue Resources Set Aside:	
	Capital Expenditure Financed From Revenue:	
2,235,627	General Fund	7,042
1,956,145	HRA	2,979,502
	Reconciling Amount For The Provision For Loan Repayment:	
(183,342)	Deferred Capital Receipts	(156,351)
63,504	Government Grants	193,235
(3,571,763)	Minimum Revenue Provision (Less Provision for Depreciation)	(3,596,802)
100,060	Prior Year Adjustment	0
<u>(7,488,465)</u>	Write Down of Deferred Charges	<u>(972,665)</u>
<u>(6,888,234)</u>	Total Revenue Resources Set Aside	<u>(1,546,039)</u>
<u>(2,586,576)</u>	Total Movement in Reserve	<u>1,870,699</u>
59,908,115	Balance Brought Forward	57,321,539
<u>57,321,539</u>	Balance Carried Forward	<u>59,192,238</u>

For a description of this reserve see Note 11 to the Consolidated Balance Sheet.

The prior year adjustment relates to Capital Charges for assets revalued to comply with the Statement of Recommended Practice (SORP), see Note 11 to the Consolidated Revenue Account and Note 1 to the Balance Sheet.

5. Grants and Contributions Deferred

2001/2002 £		2002/2003 £
410,652	Amounts applied to finance Capital Expenditure	2,398,903
<u>(108,215)</u>	Credits to the Asset Management Revenue Account	<u>(141,950)</u>
302,437	Total Movement in Reserve	2,256,953
1,142,050	Balance Brought Forward	1,444,487
<u>1,444,487</u>	Balance Carried Forward	<u>3,701,440</u>

For a description of this reserve see Note 12 to the Consolidated Balance Sheet.

6. Capital Reserves

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

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

7. Revenue Reserves

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

CASH FLOW STATEMENT

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

	Note	2001/2002	2002/2003
		£	£
Revenue Activities:			
Cash Outflows			
Cash paid to and on Behalf of Employees		8,718,255	9,912,192
Other Operating Cash Payments		12,690,860	10,178,782
Housing Benefit Paid Out		4,264,402	5,268,970
Non-Domestic Rate - Payment to National Pool		16,918,906	18,427,156
Precepts Paid		27,473,682	30,628,325
Cash Inflows			
Rents (after Rebates)		(8,416,528)	(8,405,936)
Council Tax Income		(29,339,015)	(32,405,980)
Non-Domestic Rate - Receipts from National Pool		(3,351,938)	(3,798,688)
Non-Domestic Rate Receipts		(18,816,789)	(19,897,016)
Revenue Support Grant	4	(1,538,287)	(1,251,594)
DSS Grants for Benefits	4	(6,095,632)	(7,650,289)
Other Government Grants	4	(1,537,928)	(762,746)
Cash Received for Goods and Services		(3,346,446)	(3,809,997)
Other Revenue Cash Income		(2,082,410)	(3,812,677)
	1	(4,458,868)	(7,379,498)
Servicing of Finance:			
Cash Outflows			
Interest Paid		366,495	323,112
Cash Inflows			
Interest Received		(858,109)	(737,319)
Capital Activities:			
Cash Outflows			
Purchase of Fixed Assets		5,118,289	8,183,776
Deferred Charges		7,488,465	972,665
Cash Inflows			
Sale of Fixed Assets		(5,178,569)	(5,587,824)
Capital Grants Received		(1,946,184)	(418,203)
Other Capital Cash Receipts		(271,698)	(202,905)
Net Cash (Inflow)/Outflow Before Financing	2	259,821	(4,846,196)
Management of Liquid Resources:			
Short Term Deposits	3	525,000	3,810,000
Financing:			
Cash Outflows			
Repayments of Amounts Borrowed	3	0	0
(Increase)/Decrease in Cash		784,821	(1,036,196)

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of Consolidated Revenue Account Surplus to Cash Flow Statement - Revenue Activities

	2001/2002	2002/2003
	£	£
(Surplus)/Deficit for the Year	183,534	(82,476)
Non-Cash Transactions:		
Provisions for Bad Debts	533,772	(408,270)
Contributions to/from Reserves and Appropriation	(4,018,341)	(6,321,120)
Revenue Contributions to Capital	(3,146,310)	(2,986,544)
Items on an Accruals Basis:		
Stock, Debtors and Creditors	(521,274)	(2,060,475)
Items included in Other Classification within Statement:		
Internal Recharges to Other Accounts	652,165	830,314
Contribution to Capital Schemes	1,744,838	3,550,032
Items not included in Consolidated Revenue Account:		
(Increase)/Reduction in Collection Fund Balance	158,005	75,059
Increase in House Purchase Account Balance	(1,965)	(1,405)
Suspense Accounts	(43,292)	25,387
Net Cash Flow From Revenue Activities	<u>(4,458,868)</u>	<u>(7,379,498)</u>

2. Reconciliation of the Movement in Cash and Net Debt

	Movement in Year 2001/2002	Movement in Year 2002/2003
	£	£
Cash:		
Cash and Bank Overdraft	784,821	(1,036,196)
Deposits Repayable on Demand	0	0
Decrease/(Increase) in Cash in Year	<u>784,821</u>	<u>(1,036,196)</u>
Add Back		
Amounts Borrowed	0	0
Liquid Resources	(525,000)	(3,810,000)
	<u>259,821</u>	<u>(4,846,196)</u>
Net Debt:		
Bank Overdraft	784,821	(1,036,196)
Long Term Borrowing	0	0
Short Term Borrowing	0	0
Investments	(525,000)	(3,810,000)
	<u>259,821</u>	<u>(4,846,196)</u>

NOTES TO THE CASH FLOW STATEMENT

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

	2001/2002 £	2002/2003 £
Cash Flow Statement:		
Short Term Deposits	525,000	3,810,000
Repayments of Amounts Borrowed	0	0
Decrease in Cash in Year	<u>525,000</u>	<u>3,810,000</u>
Balance Sheet:		
Movement in Year:		
Investments	525,000	3,810,000
Long Term Borrowing	0	0
Short Term Borrowing	0	0
	<u>525,000</u>	<u>3,810,000</u>

Liquid Resources are defined as short term investments which are convertible into known amounts of cash without notice and which were within three months of maturity when acquired. The amount above includes two long term investments which are past maturity but where the repayment date is now unspecified (see Note 7 to the Consolidated Balance Sheet).

4. Government Grants

These comprise:

	2001/2002 £	2002/2003 £
Department for Work and Pensions:		
Housing & Council Tax Benefit	(6,095,632)	(7,650,289)
Office of the Deputy Prime Minister:		
Revenue Support Grant	(1,538,287)	(1,251,594)
Improvement Grants	(224,659)	(240,901)
Housing Defects Act Grants	(295,709)	(295,709)
Housing Subsidy	(825,398)	(527,580)
Other	(192,162)	301,444
Government Grant Income Received in Year	<u>(9,171,847)</u>	<u>(9,664,629)</u>

HOUSING REVENUE ACCOUNT

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

2001/02		2002/03
£		£
	Income	
	Gross Rental Income	
(11,833,854)	- Dwelling Rents	(12,345,400)
(912,189)	- Non-Dwelling Rents	(878,124)
(94,196)	Charges for Services and Facilities	(118,945)
(191,586)	Contributions Towards Expenditure	(191,586)
(674,305)	HRA Subsidy Receivable	(402,875)
<u>(13,706,130)</u>	Sub-total	<u>(13,936,930)</u>
	Expenditure	
	Repairs, Maintenance and Management	
2,591,649	- Repairs and Maintenance	2,600,257
2,595,047	- Supervision and Management	2,539,138
9,081	Rents, Rates, Taxes and Other Charges	6,489
5,528,335	Rent Rebates	5,867,712
151,460	Negative Subsidy Transfer to/(from) General Fund	0
0	Increased Provision for Bad or Doubtful Debts	0
13,248,000	Cost of Capital Charge	14,477,350
	Depreciation of Fixed Assets	
2,400,030	- On Dwellings	2,412,200
188,840	- On Other Assets	184,110
0	Debt Management Expenses	0
<u>26,712,442</u>	Sub-total	<u>28,087,256</u>
13,006,312	Net Cost of Services	14,150,326
(13,248,000)	Adjustment for HRA Capital Charges	(14,477,350)
83,361	Amortised Premiums	82,093
<u>(414,006)</u>	HRA Investment Income	<u>(353,786)</u>
(572,333)	Net Operating Expenditure/(Income)	(598,717)
910,683	Revenue Contributions to Capital Expenditure	607,700
<u>(395,713)</u>	Transfer From Major Repairs Reserve	<u>(184,110)</u>
(57,363)	Total Deficit/(Surplus) for the Year	(175,127)
	Housing Revenue Account Balance	
(1,448,389)	Surplus at Beginning of Year	(1,505,752)
(57,363)	Deficit/(Surplus) for Year	(175,127)
<u>(1,505,752)</u>	Surplus at End of Year	<u>(1,680,879)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Revenue Account Property

The housing stock managed by the Council was as follows:

	31 March 2002 No	31 March 2003 No
Houses and Bungalows	2,296	2,239
Flats	1,787	1,760
Managed Stock Total	4,083	3,999

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

	Balance Sheet Value at 1 April 2002 £	Balance Sheet Value at 31 March 2003 £
Operational Assets		
Dwellings, Other Land & Buildings	218,731,110	245,858,622
Non-Operational Assets	6,956,350	6,966,830
Total Value of Land, Houses and Other Property	225,687,460	252,825,452

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2003 was £420,750,750.

The vacant possession value of dwellings exceeds the balance sheet value of dwellings by £178,098,440. This difference shows the economic cost to Government of providing council housing at less than open market rents.

3. Major Repairs Reserve

The movement on the Major Repairs Reserve was as follows:

	£
Balance on 1 April 2002	1,147,695
Amount Transferred to the Reserve During 2002/03	2,596,310
Amount Transferred from the Reserve During 2002/03	(184,110)
HRA Capital Expenditure Financed from the Reserve	(2,369,252)
Balance on 31 March 2003	1,190,643

NOTES TO THE HOUSING REVENUE ACCOUNT

4. Capital Expenditure and Sources of Funding

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

	£
Total Capital Expenditure on HRA Land, Houses and Other	3,237,624
Funded by:	
Usable Capital Receipts	0
Revenue Contributions	(607,700)
Major Repairs Reserve	(2,369,252)
Change in HRA Capital Creditors 2002/03	260,672

5. Capital Receipts

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

	£
Land	7,301
Houses	5,374,913
	5,382,214

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

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

6% of the value of operational assets charged to net cost of services for the use of capital resources, to comply with the requirements of the Code of Practice. This is a notional charge, which is reversed by the adjusting transfer in net operating expenditure.

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

7. Depreciation

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

	£
Operational Assets	
Dwellings	2,412,200
Other Land And Buildings	182,180
Vehicles, Plant and Equipment	760
Non-Operational Assets	1,170
	2,596,310

NOTES TO THE HOUSING REVENUE ACCOUNT

8. HRA Subsidy

HRA Subsidy is a Grant paid by the Government towards the cost of local authority housing. The following table shows an analysis of estimated Subsidy payable to the Authority in respect of 2002/03 in accordance with the General Determination of Housing Revenue Account Subsidy for 2002/03:

	£
Notional Expenditure	
Management and Maintenance	4,162,123
Major Repairs Allowance	2,412,202
Charges for Capital	82,093
Tenants Participation Compacts	0
Resource Accounting	0
Notional Income	
Interest on Receipts	(370,254)
Guideline Rent Income	(11,451,569)
Housing Element Entitlement	(5,165,405)
Rent Rebate Entitlement	5,665,405
Subsidy Claimed	500,000

9. Rent Arrears

Arrears were as follows:

	31 March 2002 £	31 March 2003 £
Due from Current Tenants		
Houses	425,810	364,079
Garages	5,814	4,340
Commercial	19,478	9,706
Due from Former Tenants		
Houses	170,542	181,126
Garages	5,425	5,112
Commercial	11,964	23,459
	639,033	587,822

These arrears include all charges due from tenants, ie rent, heating and other charges. Irrecoverable arrears of £34,077 were written off during the year. A provision of £435,018 exists for doubtful debts. The transactions on the Provision are summarised as follows:

	£
Balance at 1 April 2002	469,095
Contribution from Housing Revenue Account	0
	469,095
Less Amounts Written Off	34,077
Balance at 31 March 2003	435,018

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

COLLECTION FUND

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

Income and Expenditure Account

2001/2002 £		Note	2002/2003	
			£	£
Income:				
29,194,028	Income from Council Taxpayers	1	32,214,607	
	Transfers from General Fund:			
	Council Tax Benefits	2	2,603,814	
2,228,286				34,818,421
31,422,314				
Contributions:				
170,754	Compensation for benefit subsidy limitation	2	0	
16,833	Prior year's estimated council tax deficit		207,921	
852	Community charge income		585	
188,439				208,506
18,091,900	Income from Business Ratepayers	3		18,760,064
49,702,653	TOTAL INCOME			53,786,991
Expenditure:				
31,664,164	Precepts and Demands	4		34,885,327
101,946	Bad and Doubtful Debts	5		215,834
Business Rate:				
17,990,631	Payment to National Pool	3	18,658,283	
101,269	Cost of Collection Allowance		101,781	
18,091,900				18,760,064
2,648	Transfer to General Fund:			
	Prior year's estimated community charge surplus			825
49,860,658	TOTAL EXPENDITURE			53,862,050
158,005	Movement in Fund Balances - (Surplus)/Deficit for Year			75,059

Collection Fund Balance

2001/2002 £		Community Charge £	2002/2003 Council Tax £	Total £
(3,401)	Balance at Beginning of Year	(1,039)	155,643	154,604
158,005	(Surplus)/Deficit for Year	240	74,819	75,059
154,604	(SURPLUS)/DEFICIT BALANCE AT 31 MARCH	(799)	230,462	229,663

NOTES TO THE COLLECTION FUND ACCOUNTS

1. Council Tax and Council Tax Base

The Council set an average Council Tax charge for Band D dwellings of £947.68 for 2002/2003.

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:

	2001/2002	2002/2003
	£	£
Council Tax	31,565,396	34,818,421
Less: Council Tax Benefits (see note 2)	(2,371,368)	(2,603,814)
Amount Due	<u>29,194,028</u>	<u>32,214,607</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 No of Taxable Properties	Ratio	Band D Equivalent Properties
A*	0.75	5:9	0.42
A	559.00	6:9	372.66
B	1,559.75	7:9	1,213.14
C	5,244.50	8:9	4,661.79
D	8,188.75	9:9	8,188.75
E	6,273.50	11:9	7,667.62
F	3,390.00	13:9	4,896.66
G	4,464.25	15:9	7,440.42
H	1,167.25	18:9	2,334.50
			36,775.96
	Less: Allowance for Losses on Collection		-183.89
	Add: Contributions in lieu of tax		219.20
	Tax Base for the calculation of Council Tax		36,811.27
	Less: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and exempt properties		-70.58
			36,740.69

A* denotes properties classified 'Band A disabled'

NOTES TO THE COLLECTION FUND ACCOUNTS

2. Council Tax Benefits and Subsidy Limitation

Council Tax Benefits granted to persons on lower incomes totalled £2,603,814 in 2002/2003 (see note 1 above).

The Government abolished the Council Tax Benefit Subsidy Limitation Scheme for 2002/03. Formerly when councils set a council tax charge above Government guidelines, the subsidy paid by Government to the billing authority (Three Rivers District Council), was reduced.

Where the reduction in subsidy was caused by an increase above guideline made by a precepting authority, then the Collection Fund was reimbursed by that authority in accordance with a formula set out in statute and based on estimates made at the start of the financial year.

3. 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 2002	31 March 2003
	£	£
Total Non-Domestic Rateable Value	50,183,150	53,905,664
	2001/2002	2002/2003
Rate Multiplier (pence in £)	0.430	0.437

4. Precepts and Demands

These were as follows:

2001/2002		2002/2003
£		£
24,037,671	Hertfordshire County Council	26,457,364
2,651,198	Hertfordshire Police Authority	2,982,081
4,975,295	Three Rivers District Council	5,445,882
<u>31,664,164</u>	Total	<u>34,885,327</u>

NOTES TO THE COLLECTION FUND ACCOUNTS

5. 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:

2001/2002		2002/2003
£		£
388,946	Council Tax Write Offs	53,834
-287,000	Adjustment to Provision for Doubtful Council Tax Debts	162,000
<u>101,946</u>	Total	<u>215,834</u>

6. 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. Community Charge balances all accrue to the District Council. Balances in respect of Council Tax are distributed or recovered in proportion to the demands or precepts on the Fund by all of the relevant authorities as follows -

	Community Charge £	Council Tax £	Total £
(Reduction)/Increase in 2003/2004 Charge:			
Hertfordshire County Council	0	134,631	134,631
Hertfordshire Police Authority	0	15,175	15,175
Three Rivers District Council	(714)	27,712	26,998
	<u>(714)</u>	<u>177,518</u>	<u>176,804</u>
(Reduction)/Increase in 2004/2005 Charge:			
Hertfordshire County Council	0	40,261	40,261
Hertfordshire Police Authority	0	4,657	4,657
Three Rivers District Council	(85)	8,026	7,941
	<u>(85)</u>	<u>52,944</u>	<u>52,859</u>
(Surplus)/Deficit on Fund at 31 March 2003	<u>(799)</u>	<u>230,462</u>	<u>229,663</u>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

“The Code of Practice on Local Authority Accounting in The United Kingdom” reflects the requirements of the Accounts and Audit Regulations 1996. 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 that 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (“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 2003 and its income and expenditure for the year ended 31 March 2003.

D A Gardner
Chief Financial Officer
Director of Corporate Resources

Date: 17 December 2003

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the Statement Of Accounts for the Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:

- comprehensive budgetary control systems;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate forecast expenditure against the budgets;
- clearly-defined capital expenditure guidelines; and
- as appropriate, formal project management disciplines.

The internal audit arrangements for the Council are as follows. The internal audit service is provided by an external contractor and operates as a separate and independent function of the Council reporting to the Director of Corporate Resources. The work of the internal audit service is completed in accordance with CIPFA guidelines.

The work programme of the internal audit service is based upon an on-going audit needs assessment, which identifies all work necessary to meet Council objectives, the minimum statutory audit requirements with work scheduled according to risk and Council priorities. These are documented in the strategic audit plan and annual audit plan approved by Resources Policy Panel

The Director of Corporate Resources reports to Resources Policy Panel on a three-monthly basis on the progress of the annual audit plan and specifically on the progress of implementation of recommendations of internal audit.

My review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the Council;
- the work of the internal auditors as described above; and
- the external auditors in their annual audit letter and other reports.

In preparing for its Comprehensive Performance Assessment, the Council has considered the indicators associated with the Code of Audit Practice on which the External Auditor will be required to comment. A self assessment of the systems of internal financial control in place during the 2002/03 financial year has led the Council to review its strategic risk management, establish a risk register and draw up action plans to better manage risk.

D A Gardner
Chief Financial Officer

Date: 17 December 2003

AUDITORS' REPORT TO THREE RIVERS DISTRICT COUNCIL

We have audited the financial statements on pages 1 to 37 which have been prepared in accordance with the accounting policies applicable to local authorities as set out in pages 1 to 3. 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 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of Chief Finance Officer and Auditors

As described on page 38 the Chief Finance Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

We review whether the statement on pages 1 and 37 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC 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 whether the Statement of Internal Financial Control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider 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 the financial position of Three Rivers District Council as at 31 March 2003 and its income and expenditure for the year then ended.

Certificate

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

Signed

PKF
Registered Auditor
London

Date