

# **EAST HERTS COUNCIL**

## **STATEMENT OF ACCOUNTS**

**2008/09**

# STATEMENT OF ACCOUNTS 2008/09

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# STATEMENT OF ACCOUNTS 2008/09

## EXPLANATORY FOREWORD

### 1. Summary of Contents

The Council's accounts for the year ended 31 March 2009 are set out on pages 6 to 44. They consist of :-

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

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

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

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

**The Balance Sheet** - which sets out the financial position of the Council on 31 March 2009.

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

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

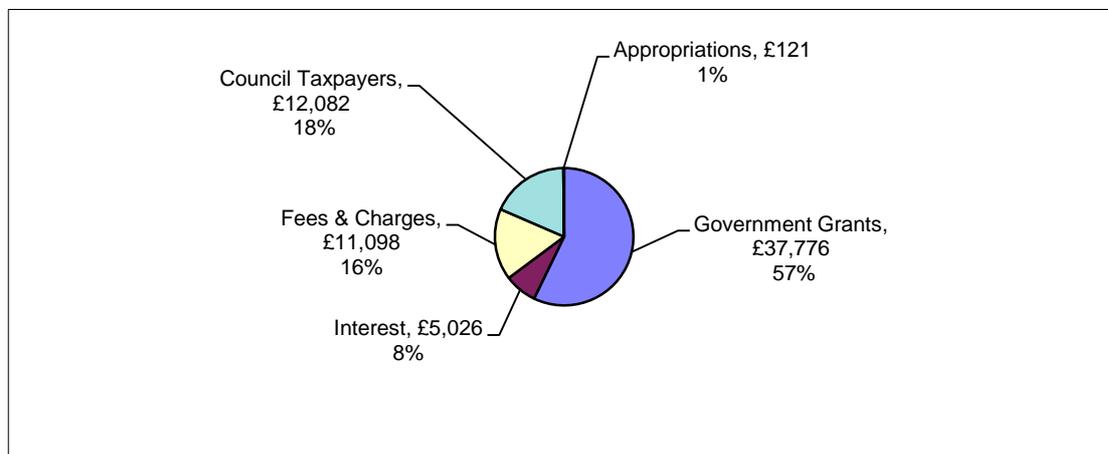
**Supplementary Financial Statements** - The **Collection Fund** shows the level of Non Domestic Rates and Council Tax that has been received by the Council, as billing authority, during the period.

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

### 2. Overview of Council's Activities

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

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

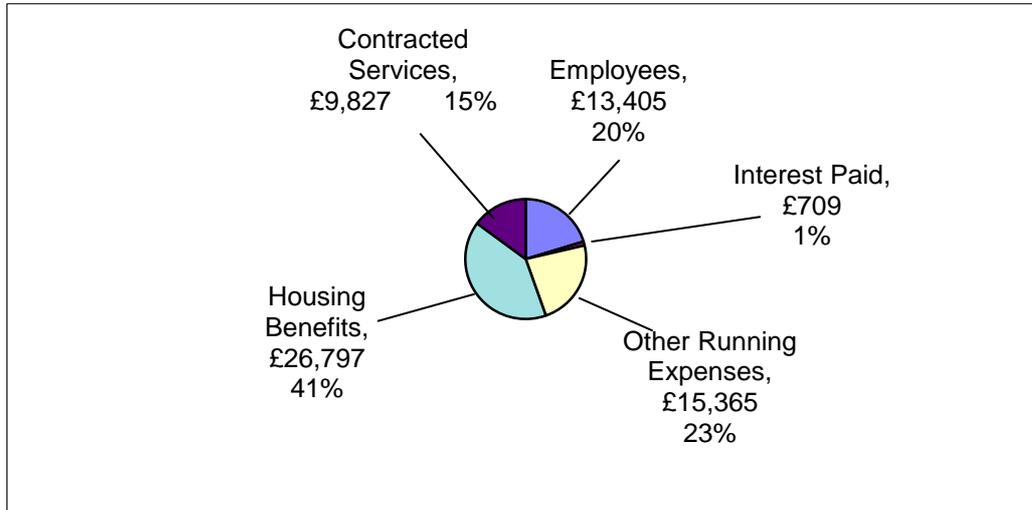


It can be seen that the largest source of the Council's income is from Government Grants.

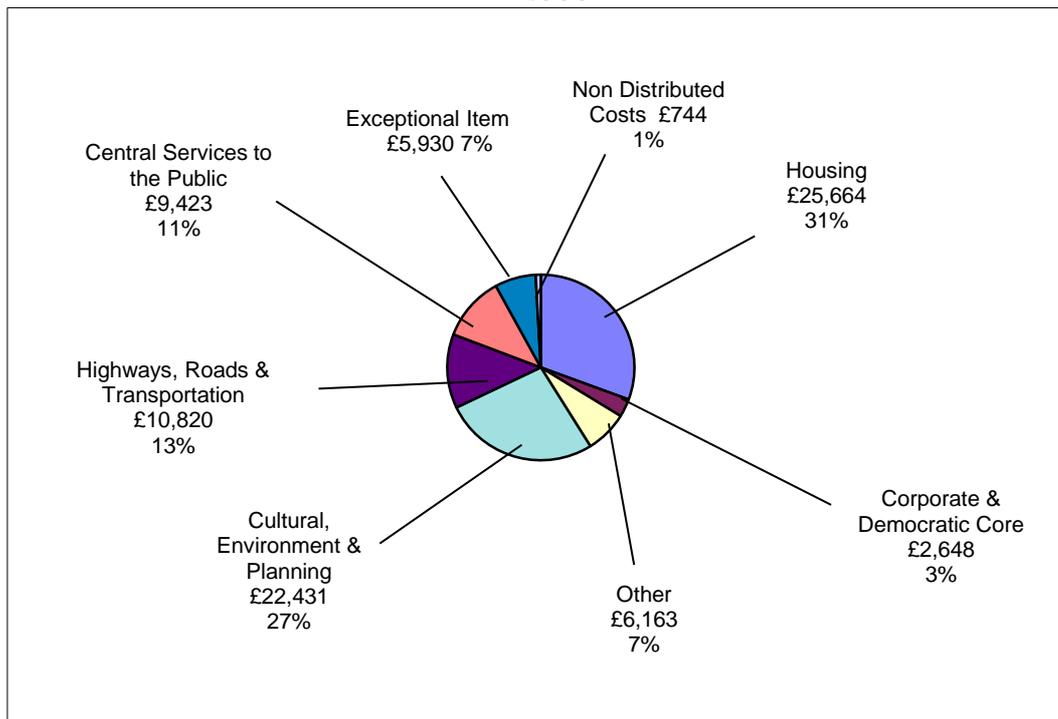
# STATEMENT OF ACCOUNTS 2008/09

## EXPLANATORY FOREWORD (continued)

### HOW THE MONEY IS SPENT £000



### THE SERVICES PROVIDED £000



The cost of "The Services Provided" includes capital charges, impairments, revenue funded from capital under statute and deferred government grants totalling £17,719,705 which have been excluded from the chart "How the money is spent".

# STATEMENT OF ACCOUNTS 2008/09

## EXPLANATORY FOREWORD (continued)

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

A comparison of the budget with actual income and expenditure for 2008/2009 is shown below:

	Budget £'000	Actual £'000	Variance £'000
Net cost of services	23,849	36,908	13,059
Finance Transactions	(1,818)	(15,204)	(13,386)
Interest Transactions	(3,297)	(4,317)	(1,020)
Pensions Interest Cost & Expected Return on Pensions Assets	(412)	270	682
Appropriations - Financing Items	10	25	15
Appropriations - REFCUS (see Note 23, Page 10)	(3,050)	(2,516)	534
Movement on the Pensions Reserve	1,364	20	(1,344)
Net Expenditure	16,646	15,186	(1,460)
Collection Fund Contribution	20	20	0
Contribution from NNDR Pool	(7,111)	(7,111)	0
Revenue Support Grant	(990)	(990)	0
General Grant	0	(22)	(22)
Council Tax Raised	(8,710)	(8,710)	0
Appropriation to reserves	145	1,627	1,482

The above variance is represented by: £'000

Increase in appropriation to the General Reserve relating to 2008/09 underspend 1,736

Less:-

Contribution from General Reserve to fund budgets b/fwd from 2007/08 138

Contribution from Service Improvement Reserve in respect of new invest to save initiatives 101

Reduced contribution to planned earmarked reserves as expenditure incurred in 2008/09 15 254

1,482

Overall, this has resulted in £1.627m being added to the Council's overall Reserve balances.

The favourable underlying variance of £1.736m against original budget demonstrates the Council's commitment to sound financial management and its prudent approach to funding. The Council has benefited from the investment strategy agreed with its Fund Managers. Capital gains on Gilts together with fixed rate returns that had been locked into prior to rates falling resulted in significant additional investment interest of £1.02m. Additional Government Grant income of over £132k has also been received in respect of business growth within the District. A necessary reprofiling of the planned Alternate Weekly Collection / Recycling arrangements (due to the County Council being unable to provide the planned composting facility) into 2009/10 resulted in a further underspend of £128k. These three items represent some 75% of the total budget variance.

Other variances contributing to the overall underspend included:

Net savings in delivering the Council's Benefits service (£310k), Grounds Maintenance service (£96k) and Street Cleansing service (£82k).

Additional Development Control income (£107k) and savings in respect of IT Licence fees (£89k) and Legal costs (£72k).

This was offset by reduced net income of £264k from Land Charge searches due to a downturn in economic activity.

# STATEMENT OF ACCOUNTS 2008/09

## EXPLANATORY FOREWORD (continued)

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

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

In light of the underspend position, the Council has reviewed its financial reserves. Decisions have been taken to enable further investment in priority services as well as ensuring that it will be able to smooth potential fluctuations in investment earnings given the uncertainty over future interest rate levels. Accordingly the additional investment earnings over budget of £1.03m has been added to the interest equalisation Reserve.

Budget resources of a further £132k from the LABGI income will also be carried forward into 2009/10 to support the local economy.

The Income and Expenditure Account (see page 14), shows a deficit of £15.5m. This compares to a nil net movement on the Council's General Fund working balance. A note of the reconciling items is shown on page 16.

The main difference relates primarily to capital related charges ( principally impairment ), the net gain on asset disposals and transfers to Reserves which largely reflect the underspend in the year.

### 4. Capital Expenditure & Financing

During 2008/09 the Council incurred expenditure of £4.09m, (see page 23 ,note 8) on capital projects compared with an original budget of £6.89m.

The underspend of £2.8m against the original estimate arose from a combination of strategic decisions regarding the delivery of a number of key projects together with delays to some schemes resulting in them 'slipping' into 2009/10.

In particular, the Council determined to defer various works in relation to its operational buildings as well various IT projects in order to consider the works in relation to its overall accommodation requirements and the C3W (Changing The Way We Work) programme.

The Council also re-appraised the Leisure Project proposal for Presdales and determined to proceed with a scheme on a smaller scale.

Just over half of the Council's spending was on housing services. Some £0.90m was given in grants to private sector owners for renovation and provision of disabled facilities and £1.27m in assistance to housing associations.

The policy of giving capital grants towards community projects (inc. partnership funding) continued and £0.2m was spent in the year.

Expenditure on environmental projects included £199,000 on play equipment, £221,000 improving the Council's car parks, £15,000 on Town Centre enhancements and over £100,000 on refuse and recycling schemes.

Details of the Council's financing arrangements for the year are set out on page 23.

No borrowing was undertaken in 2008/09 and the Council's overall long term borrowing remains at £7.894m at 31st March 2009. The balance sheet shows a liability of £8.111m , however, this includes accrued interest of £217k ( see note 16 on page 27 ).

# STATEMENT OF ACCOUNTS 2008/09

## EXPLANATORY FOREWORD (continued)

### 5. Changes to the Statement of Accounts introduced in the 2008 Statement of Recommended Practice

The 2008 Statement of Recommended Practice (SORP) has introduced further changes to the content of the Council's Statement of Accounts in line with new Financial Reporting Standards.

In particular, under a new Pension SORP, changes have been made to the basis for valuing pension assets and liabilities. This has also resulted in both enhanced and additional disclosure requirements.

Other areas of change relate to the basis for valuing specialised properties where there is no active market for the asset being valued and accounting arrangements for expenditure that was (formerly) treated as deferred charges.

Further explanatory notes are provided within the statements.

### 6. Impact of Economic Climate.

The current economic climate has resulted in more volatile asset values. This resulted in professional guidance being issued in which a comprehensive impairment review of asset valuations was advocated. The Council's Asset and Valuation Manager has carried out a full review, the result of which has been a reduction in values predominantly due to falling land values of £7.74M (excluding finance lease). This has had a significant effect on the Accounting Statements and in particular the Income and Expenditure Account ( see page 14 ).

### 7. Pensions Liabilities

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. Since the introduction of FRS17 in 2003/04 the impact of any pension liability must be shown in the balance sheet. The Council's liability at 31st March 2009 is £19.041m which is an increase of £13.444m compared to the position at 31st March 2008. This change is largely due to a fall in pension asset values. Further information is given on page 31 - 33.

### 8. Financial Reporting and the Euro

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

### 9. Provision of Leisure Facilities

A new ten year contract for the management of the Council's Leisure Facilities was awarded from 1st January 2009 to Sport Leisure Management. The Council subsequently took up the option set out in the variant bid to approve capital investment in exchange for a reduction in annual management fee.

### 10. Exceptional Items

A review of the accounting for the relevant lease was undertaken in preparation for IFRS (to be implemented from 1st April 2009) and in conjunction with a proposed disposal of the Council's lease interest in the Causeway building in Bishop's Stortford. The review concluded it would be more appropriate for the lease to be regarded as a finance lease. As a result the Council recognised a liability in respect of its future rental commitment of £7,030k and after taking account of impairment of £5,930k an asset value of £1.1m in respect of the unexpired term of its leasehold interest.

### 11. Further Information

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

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

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



# STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF ACCOUNTING POLICIES

### INTRODUCTION

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year ended 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2008 (the SORP). The accounting convention adopted is historic cost modified by the revaluation of certain categories of tangible fixed assets and financial instruments.

### ACCOUNTING PRINCIPLES

#### 1. Support Service Costs and Overheads

The costs of management and administration are allocated over all services as appropriate. This is in accordance with the costing principles of the CIPFA Best Value Code of Practice 2008. The basis of allocation used for the main areas is outlined below:

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

#### 2. Intangible Fixed Assets

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

#### 3. Tangible Fixed Assets

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

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

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

The Council revalues the assets by category on a five yearly basis. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income & Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

# STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF ACCOUNTING POLICIES (continued)

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

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

The 2008 SORP has introduced a change in the basis of valuation to be used for specialised properties - these being where because of the specialised nature of the asset there is unlikely to be sufficient market evidence to support a valuation on the Existing Use basis.

Accordingly a Depreciated Replacement Cost (DRC) valuation basis has been applied in line with the RICS guidance. Council assets affected include Multi Storey Car Parks, Swimming Pools, Public Toilets and Community Halls.

The current asset values used in the accounts are based upon a certificate issued by the Council's internal Asset & Valuation Manager, Martin Shrosbree MRICS as at 31 March 2009. Fixed Assets are classified in the Balance Sheet in line with the current Accounting Codes of Practice.

### 4. Impairment

Given the current economic climate, a full impairment review has been undertaken in 2008/09 in accordance with FRS11.

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

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

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

### 5. Depreciation

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

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

# STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF ACCOUNTING POLICIES (continued)

### 6. Local Area Agreement

Allocations of funding receivable from the accountable body (Hertfordshire County Council), are accounted for on an accruals basis and apportioned across those services in respect of which new funding is provided. (see note 18, page 28).

### 7. Employee Costs

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

### 8. Pension Costs (FRS 17)

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

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

Current service cost is based on the most recent actuarial valuation (2007) with financial assumptions updated to reflect conditions at 31 March 2009. The cost is net of employee's contributions and is included in the reported cost of all services.

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

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

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

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

The Balance Sheet reflects the net position of attributable assets and liabilities. Under the 2008 SORP, following a change in accounting policy, the council has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value.

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

### 9. Past Service Contributions (Pension Backfunding)

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

### 10. Pension Fund Accounts

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

### 11. Premises Related Expenses

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

## STATEMENT OF ACCOUNTS 2008/09

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### 12. Transport Related Expenses

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

#### 13. Supplies and Services

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

#### 14. Interest Payable

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

#### 15. Government Grants and Third Party Contributions

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

Capital grants are currently received in respect of Mandatory Disabled Facilities Grants given by the Council (which are treated as Revenue Expenditure Funded from Capital under Statute) and are credited to the service revenue account consistent with the charging of expenditure for which the grant has been given.

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

#### 16. Customer and Client Receipts

Customer and client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate. Provision is made for doubtful debts and known uncollectable debts are written off (see note 29, page 11).

#### 17. Investment Income

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

#### 18. Investments

The majority of the Council's internally managed investments are money market deposits but investments placed with our External Fund Managers in money market instruments include Certificates of Deposit and Treasury Stock which are valued at fair value. (See Note 10, Page 24 )

#### 19. Post Balance Sheet Event

Where it is considered that a material event has occurred since the date of the balance sheet (31 March 2009) details would be provided including an estimate of any financial effects, as a disclosure to the Accounts. No such events have occurred.

# STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF ACCOUNTING POLICIES (continued)

### 20. Reserves

Amounts appropriated to / from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

### 21. Basis of Capital Financing

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

The Minimum Revenue Provision (MRP) is not charged against the Income & Expenditure Account, but in line with the SORP is required to be included by statute when determining the movement on the General Fund balance for the year (see page 15)

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

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

### 23. Revenue Expenditure Funded from Capital under Statute

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

This change in accounting policy has required the restatement of the 2007/08 Cashflow and Note 28 to the core statements (Reconciliation of the Income and Expenditure Account to the Revenue Activities in the statement. See Pages 19 and 34).

### 24. Capital Receipts

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

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

### 25. Debtors and Creditors

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

# STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF ACCOUNTING POLICIES (continued)

### 26. Stocks and Work in Progress

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

### 27. Leases

The Council accounts for any leasing arrangements in line with the current accounting requirements. The Council has reviewed its policy in respect of finance leases and has determined that the lease of The Causeway offices should now be treated as a finance lease (see note 10 Explanatory Forward). It has, therefore, been brought onto the balance at 31 March 2009. Details of operating and finance leases are shown at Notes 12 & 13 (pages 24 and 25)

### 28. VAT

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

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

### 29. Provision for Bad Debts

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

The following methods are used:-

Trade Accounts Receivable	-	Age and collectability.
National Non Domestic Rates	-	0.6% against the net debit due reviewed against sums written off and opening yearly balances.
Council Tax	-	0.3% against the net debit due reviewed against sums written off and opening yearly balances.
N N Domestic Rates costs	-	25% against arrears.
Council Tax costs	-	20% against arrears.
Hostel rents	-	100% provision.

### 30. Financial Instruments

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

#### Financial Assets

Financial assets are classified into two types:

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

#### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (including accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

## STATEMENT OF ACCOUNTS 2008/09

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### 30. Financial Instruments (cont.)

##### Financial Assets (cont.)

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

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

##### Available-for-sale Assets

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

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

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

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

##### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (including accrued interest) and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

##### Soft Loans

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

## STATEMENT OF ACCOUNTS 2008/09

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### 30. Financial Instruments (cont.)

##### **Financial Guarantees**

Commencing on 1 January 2009 the Council has awarded a new 10 year contract for the Management of its Leisure Pools (see note 9 to the explanatory foreword). Under this contract the Council has given two guarantees in respect of pension liabilities and utility costs.

The guarantee relating to pension costs relates to increases in employer contributions above 17.9%. Any increase would be effective following the 2010 actuarial revaluation and would be payable from 1 April 2012. Each 1% increase in contribution rate would result in a liability of approximately £3k.

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

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

The levels of liability assessed at March 2009 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees.

No financial guarantees were identified in 2007/08.

# STATEMENT OF ACCOUNTS 2008/09

## INCOME AND EXPENDITURE ACCOUNT

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

	2008/09 Gross Expenditure £000	2008/09 Gross Income £000	2008/09 Net Expenditure £000	2007/08 Net Expenditure £000
Central Services to the Public	9,423	(7,089)	2,334	2,431
Cultural, Environmental & Planning Services	22,431	(6,960)	15,471	13,731
Highways, Roads & Transport	10,820	(4,371)	6,449	613
Housing	25,664	(22,317)	3,347	3,049
Corporate & Democratic Core	2,648	(14)	2,634	2,561
Non Distributed Costs	744	0	744	0
Exceptional Item	5,930	0	5,930	0
<b>NET COST OF SERVICES</b>	<b>77,660</b>	<b>(40,751)</b>	<b>36,909</b>	<b>22,385</b>
Gain on the disposal of fixed assets			(515)	(425)
Parish Council Precepts			3,391	3,268
Interest payable and similar charges			709	712
Contribution of housing capital receipts to Government Pool			9	15
Interest and investment income			(5,026)	(5,133)
Pensions interest cost and expected return on pensions assets			270	(420)
<b>NET OPERATING EXPENDITURE</b>			<b>35,747</b>	<b>20,402</b>
Demand on the Collection Fund			(12,081)	(11,556)
General government grants	<i>See Note 11</i>		(1,012)	(1,142)
Non-domestic rates redistribution			(7,111)	(6,805)
<b>DEFICIT FOR THE YEAR</b>			<b>15,543</b>	<b>899</b>

All operations arise from continuing activities.

# STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. The whole of the General Fund balance is generally available to the Council, although the balance includes an accumulated surplus of £469,000 in respect of the Council's Building Control Account (see note 2, page 20).

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

	<b>2008/09 £000</b>	<b>2007/08 £000</b>
Deficit for the year on the Income and Expenditure Account	15,543	899
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(15,543)	(899)
Increase in General Fund Balance for the year	<u>0</u>	<u>0</u>
General Fund Balance brought forward	(3,854)	(3,854)
General Fund Balance carried forward	<u>(3,854)</u>	<u>(3,854)</u>

# STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

	2008/09		2007/08
	£000	£000	£000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
Depreciation and impairment of fixed assets	(15,956)		(2,674)
Government Grants Deferred amortisation	752		625
Write down of REFCUS to be financed from capital resources	(2,516)		(2,558)
Net gain on sale of fixed assets	515		425
Net charges made for retirement benefits in accordance with FRS17	(2,040)		(1,216)
		(19,245)	(5,398)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>			
Minimum revenue provision for capital financing	-		(99)
Capital expenditure charged in year to the General Fund Balance	25		25
Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(9)		(15)
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	2,060		2,192
		2,076	2,103
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
Net transfer to or (from) earmarked reserves	1,626		2,396
		1,626	2,396.00
Net additional amount required to be credited to the General Fund Balance for the year		(15,543)	(899)

# STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate decrease in its net worth. In addition to the deficit generated on the Income and Expenditure Account (page 14), it includes gains relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	<b>2008/09 £000</b>	<b>2007/08 £000</b>
Deficit for the year on the Income and Expenditure Account	15,543	899
Surplus arising on revaluation of fixed assets	(2,997)	(3,784)
Surplus/ deficit arising on revaluation of available-for-sale financial assets	(463)	-
Actuarial loss / (gain) on pension fund assets and liabilities	13,464	(3,384)
Any other losses	111	92
<b>Total recognised losses / (gains) for the year</b>	<b><u>25,658</u></b>	<b><u>(6,177)</u></b>

# STATEMENT OF ACCOUNTS 2008/09

## BALANCE SHEET

		31 March '09		31 March '08
		£000	£000	restated £000
Intangible assets	Note 7	1		2
Tangible fixed assets				
Operational assets:				
- Other land and buildings		48,914		52,348
- Vehicles plant & equipment		4,136		4,292
- Software		509		588
- Infrastructure assets		4,245		4,470
- Community assets		755		677
- Enhancement to Leased Props		321		348
Non-operational assets				
- Investment Properties		11,951		12,817
			70,832	75,542
Long Term Investments	Note 10		5,121	5,185
Long Term Debtors				
- Mortgages			47	60
			76,000	80,787
<b>TOTAL LONG TERM ASSETS</b>				
Current assets				
- Debtors	Note 14	7,102		8,764
- Temporary Investments	Note 10	72,816		73,881
- Temporary Invest. Kemp Trust	Note 25	-		106
			79,918	
			155,918	163,538
Current Liabilities				
- Creditors	Note 15	(5,933)		(7,947)
- Trust Fund	Note 25	-		(106)
- Temporary Borrowing		-		(2)
- Bank Overdraft		(934)		(614)
			(6,867)	(14,673)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			149,051	154,869
Long Term Borrowing	Note 16	(8,111)		(8,111)
Provisions	Note 21	(42)		(48)
Deferred Liabilities		(6,790)		-
Deferred Credits	Note 17	(452)		(541)
Government/Other Grants-deferred	Note 20	(3,956)		(4,255)
Liability related to defined benefit pension scheme	Note 27	(19,041)		(5,597)
			(38,392)	(54,552)
<b>TOTAL ASSETS LESS LIABILITIES</b>			110,659	136,317
<b>FINANCED BY:</b>				
Revaluation Reserve			6,656	3,689
Capital Adjustment Account			100,984	115,539
Usable Capital Receipts Reserve	Note 19		11,251	13,855
Pensions Reserve	Note 27		(19,041)	(5,597)
Available for Sale Reserve	Note 34		463	-
Collection Fund			(147)	(36)
Balances				
- General Fund			3,854	3,854
General Reserve	Note 22		2,997	2,583
Other Earmarked Reserves	Note 22		3,642	2,430
<b>TOTAL NET WORTH</b>			110,659	136,317

# STATEMENT OF ACCOUNTS 2008/09

## THE CASH FLOW STATEMENT

	2008/09		2007/08
	£000	£000	£000
<b>REVENUE ACTIVITIES</b>			<b>Restated</b>
<b>Cash Outflows</b>			
Cash paid to and on behalf of employees	13,263		13,084
Other operating cash payments	21,838		20,616
Housing Benefit paid out	21,037		19,973
NNDR payments to national pool	37,976		37,859
Precepts paid to other authorities	73,849		70,202
VAT payments (net)	-		16
<b>Total Cash Outflows</b>	<b>167,963</b>		<b>161,750</b>
<b>Cash Inflows</b>			
Council Tax receipts	(76,381)		(72,666)
Local Non-domestic rate receipts	(38,451)		(36,618)
NNDR receipts from national pool (Grant)	(7,111)		(6,805)
Revenue Support Grant	(990)		(1,142)
Other Government grants	(28,916)	<i>Note 33</i>	(26,662)
Cash received for goods and services	(10,839)		(11,471)
VAT payments (net)	(31)		-
<b>Total Cash Inflows</b>	<b>(162,719)</b>		<b>(155,364)</b>
<b>Net Cash Outflow from Revenue Activities</b>		<b>5,244</b>	<b>6,386</b>
<i>Note 28</i>			
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Cash Outflows</b>			
Interest paid	700		701
<b>Cash Inflows</b>			
Interest received	(5,054)		(5,339)
<b>Net Cash (Inflow) from Servicing of Finance</b>		<b>(4,354)</b>	<b>(4,638)</b>
<i>Note 28</i>			
<b>CAPITAL ACTIVITIES</b>			
<b>Cash Outflows</b>			
Purchase of Assets	2,899		2,652
Other Capital Cash Payments	10		207
<b>Total Cash Outflows</b>	<b>2,909</b>		<b>2,859</b>
<b>Cash Inflows</b>			
Sale of Assets	(868)		(3,205)
Capital grants received	(1,548)		(1,486)
<b>Total Cash Inflows</b>	<b>(2,416)</b>		<b>(4,691)</b>
<b>Net Cash Outflow from Capital Activities</b>		<b>493</b>	<b>(1,832)</b>
<b>NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING</b>		<b>1,383</b>	<b>(84)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Net Increase / (Decrease) in Short Term Deposits		<b>1,913</b>	<b>(1,827)</b>
<i>Note 31</i>			
<b>FINANCING</b>			
<b>Cash Outflows</b>			
Repayments of amounts borrowed		2	-
<b>NET (INCREASE) / DECREASE IN CASH</b>		<b>3,298</b>	<b>(1,911)</b>
<i>Note 29</i>			

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 1. Publicity Expenditure

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

	2008/09 £000	2007/08 £000
Recruitment Advertising	84	75
Local Authority Periodical	41	42
	125	117

### 2. Building Regulations Charging Account

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

The following statement sets out the costs and income for 2008/09 divided between chargeable and non-chargeable activities.

	2008/09		Building Control Total £000
	Chargeable £000	Non Chargeable £000	
<b>Expenditure</b>			
Employee Expenses	482	129	611
Premises	47	13	60
Transport	22	7	29
Supplies and Services	44	20	64
Support Service Charges	146	36	182
<b>Total Expenditure</b>	<b>741</b>	<b>205</b>	<b>946</b>
<b>Income</b>			
Bldg Regulation Charges	642	-	642
<b>Total Income</b>	<b>642</b>	<b>0</b>	<b>642</b>
<b>(Surplus) / Deficit</b>	<b>99</b>	<b>205</b>	<b>304</b>

The cumulative position on this account from 1999/00 - 2008/09 shows an overall surplus of £469,000. Although this amount is held within General Fund balances, its use is restricted to supporting the Building Control activities.

### 3. Members' Allowances

The total payment made to Members of East Herts Council, under its Members' Allowance Scheme for the year ending 31 March 2009, was as follows:-

	2008/09 £000	2007/08 £000
Basic Allowances	270	268
Special Responsibility Allowances	179	177
<b>Total Payment</b>	<b>449</b>	<b>445</b>

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

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 4. Officer Emoluments

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

Remuneration Band	2008/09		2007/08	
	Total	Left During Year	Total	Left During Year
£50,000 to £59,999	7	-	11	-
£60,000 to £69,999	2	-	1	-
£70,000 to £79,999	2	-	1	-
£80,000 to £89,999	1	-	-	-
£90,000 to £99,999	-	-	-	-
£100,000 to £109,999	-	-	-	-
£110,000 to £119,999	1	1	-	-
£120,000 to £129,999	1	-	2	1

### 5. Audit Costs

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

In 2008/09 East Herts District Council incurred the following fees relating to external audit and inspection:

	2008/09 £000	2007/08 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	124	120
Fees payable to the Audit Commission in respect of statutory inspection	9	7
Fees payable to Grant Thornton for the certification of grant claims and returns	28	17
Fees payable to the Audit Commission in respect of the National Fraud Initiative	1	1
	<u>162</u>	<u>145</u>

### 6. Section 137 Expenditure

The Local Government Act 2000 granted new powers to local authorities in England and Wales to promote wellbeing in their area. As a consequence, the majority of the provisions of section 137 of the Local Government Act 1972 (as amended) were repealed with effect from October 2000.

Allowable expenditure is limited to £1.90 per head of population, totalling around £254,619 for 2008/09.

The Council did not incur any expenditure under section 137 in 2008/09.

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 7. Fixed Assets

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

Cost or Valuation	As at	Additions	Disposals	Reclass-	Revaluations	Total as at
	01/04/2008			ifications		31/03/2009
	£000	£000	£000	£000	£000	£000
Other Land & Buildings	54,266	7,497	-	-	3,287	65,050
Vehicles, Plant & Equip.	9,146	599	(42)	-	-	9,703
Software	1,543	256	-	-	-	1,799
Infrastructure	7,310	145	-	-	-	7,455
Community Assets	687	81	-	-	-	768
Intangible Assets	2	-	-	-	-	2
Enhancement Leased Prop	454	16	-	-	-	470
Investment Properties	13,008	7	(330)	-	-	12,685
	86,416	8,601	(372)	0	3,287	97,932

Depreciation & Impairment	As at	Charge	Disposals	Revaluations	Total as at	Balance Sheet
	01/04/2008	for Year			31/03/2009	as at 31/03/09
	£000	£000	£000	£000	£000	£000
Other Land & Buildings	(1,918)	(804)	-	(13,415)	(16,137)	48,913
Vehicles, Plant & Equip.	(4,854)	(732)	19	-	(5,567)	4,136
Software	(955)	(335)	-	-	(1,290)	509
Infrastructure	(2,840)	(370)	-	-	(3,210)	4,245
Community Assets	(10)	(3)	-	-	(13)	755
Intangible Assets	-	(1)	-	-	(1)	1
Enhancement Leased Prop	(106)	(43)	-	-	(149)	321
Investment Properties	(191)	-	-	(543)	(734)	11,951
	(10,874)	(2,288)	19	(13,958)	(27,101)	70,831

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 8. 2008/09 Capital Expenditure

In 2008/09 capital expenditure of £4,087,267 was incurred as follows:

	<b>£000</b>
Housing	1,442
Renewal and Other Housing Grants	932
Information Technology	402
Community Grants	68
Swimming Pools	166
Other Leisure & Cultural Projects	532
Planning & Town Centre Schemes	85
Recycling & Environment	340
Other	120
	<u>4,087</u>

The capital expenditure programme is financed as follows:

FINANCED:	<b>£000</b>	CAPITAL EXPENDITURE:	<b>£000</b>
Government Grants	491	Fixed Assets	1,571
Revenue Financing	25	Intangible Assets	-
Capital Receipts	3,462	REFCUS	2,516
Other Contributions	109		
	<u>4,087</u>		<u>4,087</u>

The Council has reviewed its capital programme and there are no significant capital commitments in respect of individual projects at the balance sheet date. Commitments relating to existing schemes are not considered material in relation to the Council's overall Capital Programme. Since the balance sheet date, the Council has entered into a new financial commitment to enhance its leisure pools totalling circa £3.5m.

### 9. Analysis of Number of Fixed Assets

	<b>31 March '09 (Nos.)</b>		<b>31 March '08 (Nos.)</b>	
Council Dwellings - Hostels	2		2	
- Houses	3		3	
Council Offices - Freehold	1		1	
- Leasehold	1		1	
Service Centre - Leasehold	1		1	
Cash Offices	2		2	
Off-Street Car Parks (incl. Leasehold)	31		31	
Swimming Pools (including 3 joint-use pools)	5		5	
Parks and Recreation Grounds/Open spaces	187	HA	187	HA
Public Halls/Community Centres (incl leasehold)	9		9	
Commercial Property Rented Out	52	Units	53	Units
Land Awaiting Development	3	Acres	3	Acres

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 10. Investments

The Council's investments consist of:-

	31 March '09		31 March '08
	£000	£000	£000
<b>Long Term Investments</b>			
Bank Deposits	5,114		5,075
Other	7		110
		5,121	
<b>Temporary Investments</b>			
Loans to:			
Money Market Fund	33,355		28,190
Building Society Deposits	5,210		4,096
Bank Deposits	31,237		41,595
U.K. treasury Securities	3,014		
		72,816	
		77,937	79,066

The long term debenture stock of £100k with the A.D.C. was repaid during the year together with £5m invested with the Toronto Dominion Bank. A reinvestment of £5m for one year with new counterparties was undertaken.

The above investments include an allocation of £69.29m placed with External Fund Managers.

See also Notes 34 and 36 to the Core Statements.

### 11. General Government Grants

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

	2008/09	2007/08
	£000	£000
Revenue Support Grant	990	1,142
Area Based Grant	22	-
<b>Total</b>	<b>1,012</b>	<b>1,142</b>

### 12. Finance Leases

Following a review, the lease for the Causeway building in Bishop's Stortford has been accounted for as a finance lease (see Explanatory Forward Note 10)

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

<b>Land &amp; Buildings</b>	<b>£000</b>
Value as at 01 April 2008	-
Additions	7,030
Revaluations	(5,930)
Depreciation	-
Disposals	-
Value as at 31 March 2009	<u>1,100</u>

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 12. Finance Leases (cont.)

Outstanding obligations to make payments under finance leases (excluding finance costs) as at 31 March 2009, are as follows:

<b>Land &amp; Buildings</b>	<b>£000</b>
Obligations payable in 2009/10	240
Obligations payable between 2010/11 - 2014/15	1,126
Obligations payable after 2015/16	5,664
Total liabilities at 31 March 2009	<u>7,030</u>

### 13. Operating Leases

The Authority leases the Buntingford Service Centre, and a unit at Bircherley Green Hertford, which have been accounted for as operating leases. The rentals payable in 2008/09 were £215,000 (2007/08 £455,000 including offices in Bishop's Stortford).

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

The authority was committed at 31 March 2009 to making payments of £215,000 under operating leases in 2008/09, comprising the following elements:

	<b>Other Land &amp; Buildings £000</b>	<b>Equipment £000</b>
Leases expiring 2009/10		
Leases expiring 2010/11 to 2013/14	5	
Leases expiring in excess of 5 years	<u>210</u>	
	<u>215</u>	<u>0</u>

With regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £11,331,226 as at 31 March 2009. During the year one commercial unit was sold. The income receivable of £780,086 in 2008/09, comprising the following elements:

	<b>Value £000</b>	<b>Income £000</b>
Shops	4,997	351
Offices & Industrial units	4,041	276
Miscellaneous	<u>2,293</u>	<u>153</u>
		<u>780</u>

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

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 14. Debtors

	31 March '09 £000	31 March '08 £000
Amounts falling due in one year		
Government Departments		
DWP	689	360
Dept for Communities & Local Government	952	2,137
HM Revenues & Customs	215	246
Council Tax Payers	2,283	2,233
NNDR Payers	1,242	936
Collection Fund - County & Police	859	210
Trade Accounts Receivable	1,268	1,048
Other Debtors/Prepayments	1,264	3,107
	<hr/> 8,772	<hr/> 10,277
Amounts falling due after one year		
Car Loans to Employees	-	-
	<hr/> 8,772	<hr/> 10,277
Provision for doubtful debts:-		
Trade accounts	(315)	(287)
National Non Domestic Rates	(517)	(500)
Council Tax	(805)	(687)
N N Domestic Rates costs	(4)	(3)
Council Tax costs	(29)	(24)
Hostel Rents	-	(12)
	<hr/> 7,102	<hr/> 8,764

For aged breakdown of Trade Accounts Receivable see note 37, page 40.

### 15. Creditors

	31 March '09 £000	31 March '08 £000
Government Departments		
DWP	32	80
HM Revenues & Customs	282	289
HCC Superannuation Fund	211	190
Council Taxpayers	376	283
NNDR Payers	599	1,165
Trade Accounts Payable	3,532	5,215
Other Creditors/Receipts in Advance	901	725
	<hr/> 5,933	<hr/> 7,947

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 16. Borrowing

Source of Loan	Range of interest rates payable (%)	Total outstanding	
		31 March '09 £000	31 March '08 £000
Public Works Loan Board	8.875 - 10.125	1,922	1,922
Bonds	8.785	6,189	6,189
		<u>8,111</u>	<u>8,111</u>
An analysis of loans by maturity is:-			
		£000	£000
Maturing within one year		401	-
Maturing in 1-2 years			401
Maturing in 2-5 years			-
Maturing in 5-10 years			-
Maturing in 10-15 years		6,189	6,189
Maturing in 45-50 years		1,521	1,521
		<u>8,111</u>	<u>8,111</u>

Also see notes 34 and 36 to the Core Statements.

### 17. Deferred Credits

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

	2008/09		Total £000
	Mortgages £000	Sec 106 £000	
Balance as at 1 April	60	481	541
Movements in the year	(12)	(77)	(89)
Balance as at 31 March	<u>48</u>	<u>404</u>	<u>452</u>

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 18. Local Area Agreements

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

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

Hertfordshire County Council acts as the 'accountable body' for the Hertfordshire Local Area Agreement. In 2008/09 East Hertfordshire District Council received £101,963.

### 19. Usable Capital Receipts

	2008/09 £000
Balance as at 1 April	13,855
Usable Proportion of Capital Receipts	
Received in Year	868
Applied in Year	
- capital financing	(3,462)
- pooling	(10)
Balance as at 31 March	<u>11,251</u>

### 20. Government & Other Grants-deferred

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

	31 March '09 £000	31 March '08 £000	Movement in year £000
Government Grants	2,900	3,169	(269)
Third Party Contributions	1,056	1,086	(30)
	<u>3,956</u>	<u>4,255</u>	<u>(299)</u>

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 21. Provisions

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

	31 March '09 £000	31 March '08 £000	Movement in year £000
Provisions	42	48	(6)
	<u>42</u>	<u>48</u>	<u>(6)</u>

### 22. Other Reserves

	Balance 31 March '09 £000	Balance 31 March '08 £000	Net Movement in Year £000
General Reserve	(2,997)	(2,583)	(414)
Interest Equalisation Reserve	(2,204)	(1,178)	(1,026)
Insurance Fund	(34)	(71)	37
Emergency Planning Reserve	(37)	(37)	0
VAT Partial Exemption Reserve	(145)	(145)	0
Service Improvement Fund	(899)	(1,000)	101
LDF / Green Belt Review Reserve	(142)	0	(142)
Housing Condition Survey Reserve	(28)	0	(28)
Council Elections Reserve	(25)	0	(25)
Alternative Refuse Collection Reserve	(128)	0	(128)
	<u>(6,639)</u>	<u>(5,014)</u>	<u>(1,625)</u>

General Reserve	- this reserve is available to support General Fund activities (Capital and Revenue). In line with the Council's medium term financial plan it is anticipated that this Reserve will be used to support the Council Tax for at least the next two years.
Interest Equalisation Reserve	- this reserve was established at 31 March 2006 to assist the Council in managing the financial implications of adverse interest rate fluctuations.
Insurance Fund	- this fund has been established to support the Council's insurance and risk management processes and funding of small claims arising due to uninsured losses.
Emergency Planning Reserve	- this reserve has been set up in order to facilitate arrangements in the future and support the work of an Emergency Planning Officer Group that has been established within the Council.
VAT Partial Exemption Reserve	- see note 23 on page 30.
Service Improvement Reserve	- this reserve has been established as a means of financing "one-off" initiatives that will deliver efficiencies and service improvements in the medium term.

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 22. Other Reserves (cont.)

The Council established four new Reserves during 2008/09 in line with its Medium Term Financial Plan (MTFP) Requirements. The following three Reserves:

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

are intended to assist in smoothing expenditure flows over the medium term.

Following the necessitated reprofiling of the Council's Alternate Refuse Collection arrangements into 2009/10 the Council has established a further earmarked Reserve in order to fund costs related to this Service enhancement. It is anticipated that this will be utilised in 2009/10.

### 23. VAT Partial Exemption Reserve

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

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

### 24. Authorisation and Issue

The accounts were authorised for issue to members on 19th June 2009 by the Chief Finance Officer.

### 25. Trust Funds

The balance of the funds in respect of the Edward Kemp Will Trust have now been passed over to the Trustees'.

### 26. Related Party Transactions

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

Related parties to this authority would include :

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

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

All significant material transactions with related parties, such as government grants, parish precepts, pension fund contributions etc, have been disclosed elsewhere in this Statement of Accounts. The Hertfordshire County Council are a related party in respect of various transactions including pensions contributions and precepts. Additionally they act as the "accountable body" for the Hertfordshire Local Area agreement the transactions for which are shown on Page 28, Note 18. There are no transactions to report in respect of Members or Chief Officers.

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

The principal year end balances with related parties included in these totals are shown on page 26 within notes 14 & 15.

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 27. Pension Scheme

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

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

Under the 2008 SORP the council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value. The transitional arrangements in FRS17 allows the authority not to restate the fair value of the scheme assets for 2004/05 and 2005/06. On the grounds of immateriality 2006/07 and 2007/08 have also not been restated based on actuarial advice.

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

The following transactions set out the position for the year:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>
Income & Expenditure Account:		
Net Cost of Services:		
Current service cost (excluding Stevenage Leisure Ltd)	(1,026)	(1,636)
Past service cost	0	0
Non Distributed Costs	(744)	0
Net Operating Expenditure:		
Interest cost	(4,616)	(4,352)
Expected returns on assets in the scheme	4,346	4,772
Costs charged against Income & Expend. Account	(2,040)	(1,216)
Amounts to be met from Government Grants & Local taxation:		
movement on the pensions reserve	(20)	(976)
Actual amount charged against council tax for pensions in the year:		
Employers contributions payable to scheme	(2,060)	(2,192)

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

Reconciliation of present value of the scheme liabilities:

	<b>31 March '09</b>	<b>31 March '08</b>
	<b>£000</b>	<b>£000</b>
1 April	67,273	81,005
Current Service Cost (including Stevenage Leisure Ltd)	1,224	1,687
Interest Cost	4,616	4,352
Contributions by scheme participants	605	519
Actuarial gains and losses	(5,632)	(17,425)
Benefits paid	(2,826)	(2,865)
Past service costs	470	0
Liabilities extinguished on settlements	(1,031)	0
31 March	<u>64,699</u>	<u>67,273</u>

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 27. Pension Scheme (cont)

For FRS 17 purposes, liabilities are based on a projection of the valuation liabilities. The Compensatory Added Years pensions have been converted to funded benefits and therefore included within this projection. However, the actuary has advised that these CAY pensions had in prior years also been counted as unfunded pensions within FRS17 and as a result they have been double counted in past FRS17 disclosures. To resolve this double count CAY pensions are no longer valued as unfunded liabilities separately from the projection of the valuation results. The consequence being a reduction of the disclosed liability of £3,664m as at 31 March 2009 and a restatement of of 2007/08 Balance Sheet.

Reconciliation of fair value of the scheme assets:

	<b>31 March '09</b>	<b>31 March '08</b>
	<b>£000</b>	<b>£000</b>
1 April	61,676	66,648
Expected rate of return	4,346	4,772
Actuarial gains and losses	(19,096)	(9,641)
Employer contributions	2,258	2,243
Contributions by scheme participants	605	519
Benefits paid	(2,826)	(2,865)
Assets distributed on settlements	(1,305)	0
<b>31 March</b>	<b><u>45,658</u></b>	<b><u>61,676</u></b>

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

The actual return on scheme assets in the year was (£14,777,000). 2007/08 (£2,947,000).

Scheme history

	<b>31 March '09</b>	<b>31 March '08</b>	<b>31 March '07</b>	<b>31 March '06</b>	<b>31 March '05</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of liabilities	(64,699)	(67,273)	(81,005)	(80,957)	(68,938)
<b>Fair value of assets</b>	<b>45,658</b>	61,676	66,648	60,500	46,861
Surplus/(deficit) in the scheme	<b><u>(19,041)</u></b>	<b><u>(5,597)</u></b>	<b><u>(14,357)</u></b>	<b><u>(20,457)</u></b>	<b><u>(22,077)</u></b>

The authority has elected not to restate fair value of schemes from mid-market to bid price for 2004/05 and 2005/06 as permitted by FRS 17 (as revised). On the basis of immateriality, as advised by the actuary, 2006/07 and 2007/08 have also not been restated.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £64,699 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £19,041m.

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

The total contributions expected to be made to the pension scheme by the authority in the year to 31 March 2010 is £1,959m.

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 27. Pension Scheme (cont)

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	<b>31 March '09</b> £000	<b>31 March '08</b> £000
Long-term expected rate of return on assets in the scheme:		
Equity investments	7%	7.7%
Bonds	5.4%	5.7%
Other	8.9%	10.5%
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.4	-
Women	24.3	-
Longevity at 65 for future pensioners		
Men	22.5	-
Women	25.4	-
Rate of inflation/ Pension increase	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate for discounting scheme liabilities	6.9%	6.9%
Take up option to convert annual pension into retirement lump sum	50%	-

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

	<b>31 March '09</b> %	<b>31 March '08</b> %
Equity investments	67	74
Bonds	19	13
Other assets	14	13
	<u>100</u>	<u>100</u>

History of experience gains and losses

	<b>31 March '09</b> %	<b>31 March '08</b> %	<b>31 March '07</b> %	<b>31 March '06</b> %	<b>31 March '05</b> %
Differences between the expected and actual return on assets	(41.88)	(13.70)	1.39	15.90	2.90
Experience gains and losses on liabilities	0.02	8.89	(0.03)	0.00	0.00

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

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

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

Revenue Balances	2008/09		2007/08
	£000	£000	£000 Restated
Deficit - I & E Account	15,543		899
Decrease / (Increase) in Coll. Fund balance	111		92
		15,654	991
<b>Non-Cash Transactions</b>			
Reversal of capital financing transactions	(15,561)		(2,049)
Movement in Pension Reserve	20		976
		(15,541)	(1,073)
<b>Adjustment for items in another classification in the Cashflow statement</b>			
Interest	(9)		(12)
Gain on disposal of fixed assets	515		425
		506	413
<b>Other Items</b>			
Increase / (Decrease) in Sundry Debtors	(209)		1,396
(Increase) / Decrease in Sundry Creditors	688		(148)
Increase / (Decrease) in Others	(208)		169
		271	1,417
<b>Net Cash Outflow from Revenue Activities and Servicing of Finance</b>		<u>890</u>	<u>1,748</u>

### 29. Analysis of Cash Balance

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

	Balance 31 March '09 £000	Balance 31 March '08 £000	Movement in year £000
Cash Overdrawn	(934)	(614)	(320)
Temporary Investments available on demand	2,026	5,004	(2,978)
	<u>1,092</u>	<u>4,390</u>	<u>(3,298)</u>

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 30. Liquid Resources

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

	<b>31 March '09</b>	<b>31 March '08</b>
	<b>£000</b>	<b>£000</b>
Temporary Investments	72,816	73,881
Less Investments available on demand	(2,026)	(5,004)
	<hr/>	<hr/>
Liquid Resources	<u>70,790</u>	<u>68,877</u>

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

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

	<b>Balance</b>	<b>Balance</b>	<b>Movement</b>
	<b>31 March '09</b>	<b>31 March '08</b>	<b>in year</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Long Term Borrowing :</b>			
Public Works Loan Board	(1,521)	(1,922)	401
Bonds	(6,189)	(6,189)	0
Repayable within 12 months :			
Public Works Loan Board	(401)	0	(401)
<b>Temporary Borrowing</b>	<hr/> 0	<hr/> (2)	<hr/> 2
<b>Total Borrowing</b>	(8,111)	(8,113)	2
<b>Less Temporary Investments</b>	70,790	68,877	1,913
	<hr/> <u>62,679</u>	<hr/> <u>60,764</u>	<hr/> <u>1,915</u>

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 32. Reconciliation of movement in cash to the movement in net funds.

The movement in net funds is the sum of long term borrowing and temporary borrowing less temporary investments and cash overdrawn. This equates to the aggregate of the tables shown against Notes 29 and 31. The reconciliation of net cash flow to movement in net funds is as follows:-

	2008/09 £000	2007/08 £000
Net (Increase) / Decrease in cash in year	3,298	(1,911)
Cash inflow from (increase) / decrease in liquid resources	(1,915)	2,044
	<u>1,383</u>	<u>133</u>
Net Funds as at 1 April	(65,154)	(65,287)
Net Funds as at 31 March	<u><u>(63,771)</u></u>	<u><u>(65,154)</u></u>

### Analysis of Net Funds

	2008/09 £000	2007/08 £000
Long Term Borrowing	(8,111)	(8,111)
Temporary Borrowing	0	(2)
Temporary Investments	70,790	68,877
Temporary Investments on demand	2,026	5,004
Cash Overdrawn	(934)	(614)
	<u><u>63,771</u></u>	<u><u>65,154</u></u>

### 33. Analysis of Other Government Grants

	2008/09		2007/08
	£000	£000	£000
DWP			
Housing Benefits			
Rent Allowance Subsidy	20,728		19,167
Admin Subsidy	724		742
Council Tax Benefits Subsidy	5,541		5,359
Other	437		99
		<u>27,430</u>	<u>25,367</u>
Dept for Communities & Local Govt			
NNDR Cost of Collection	204		202
Planning Delivery Grant	141		294
LABGI	508		148
Other	372	1,225	185
Other		261	466
		<u><u>28,916</u></u>	<u><u>26,662</u></u>

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 34. Financial Instruments Balances

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

	Long Term		Current	
	31 March '09 £	31 March '08 £	31 March '09 £	31 March '08 £
<b>Borrowing</b>				
Financial Liabilities at amortised cost	8,110,728	8,111,202	0	2,000
<b>Total Borrowing</b>	<b>8,110,728</b>	<b>8,111,202</b>	<b>0</b>	<b>2,000</b>
<b>Investments</b>				
Loans and Receivables	5,121,171	5,185,404	4,506,715	13,537,515
Available for Sale Financial Assets	0	0	68,308,958	60,343,640
<b>Total Investments</b>	<b>5,121,171</b>	<b>5,185,404</b>	<b>72,815,673</b>	<b>73,881,155</b>

See also Notes 10 and 16 to the Core Statements.

### Available for Sale Reserve

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

The table below sets out the transactions for the year

	2008/09 £000
Balance brought forward	0
Net unrealised gain on investments	463
Written off to Revenue	0
<b>Balance carried forward</b>	<b>463</b>

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

### 35. Financial Instruments Gains / Losses

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

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

2007/08	Financial Liabilities		Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for Sale Assets		
	£	£	£	£	
Interest Expense	(712)	-	-	(712)	
Realised losses	-	-	(88)	(88)	
<b>Interest Payable and Similar Charges</b>	<b>(712)</b>	<b>0</b>	<b>(88)</b>	<b>(800)</b>	
Interest Income	-	1,890	1,582	3,472	
Realised Gains	-	-	1,787	1,787	
<b>Interest and Investment Income</b>	<b>0</b>	<b>1,890</b>	<b>3,369</b>	<b>5,259</b>	
Gains on revaluation	-	-	3	3	
Impairments taken to I & E	-	-	(41)	(41)	
<b>Loss arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>(38)</b>	<b>(38)</b>	
<b>Net Gain / (Loss) for year</b>	<b>(712)</b>	<b>1,890</b>	<b>3,243</b>	<b>4,421</b>	

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

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

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

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

The fair values are calculated as follows:

	31st March 2009		31st March 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
<b>Financial Liabilities</b>	8,110,728	12,389,700	8,111,202	11,976,554

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

	31st March 2009		31st March 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
<b>Loans and Receivables *</b>	8,639,608	8,707,257	14,175,364	14,162,614

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

Also see notes 10 and 16 to the Core Statements.

\* Excludes fund managers cash included within note 34.

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

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

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

#### 1 Credit Risk

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

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

	Long Term Rating	Short Term Rating	Amounts as @ 31.3.09 £000s	Historical Experience Default
UK Treasury	AAA	F1	3,014	0
Euro Investment Bank	AAA	F1	3,486	0
UK Banks	AA	F1	14,943	0
French Banks	AA	F1	10,377	0
Netherlands	AA	F1	1,131	0
Spanish	AA	F1	3,399	0
Building Societies	AA	F1	5,210	0
Irish Banks	A	F1	2,080	0
SWIP Money Market Funds	AAA		33,355	0
SWIP Cash Fund	AAA		935	0
			<u>77,930</u>	

#### Accounts Receivable

Legislation allows Council Tax and National Non Domestic Ratepayers to pay their accounts over ten months. For all other services the Council does not allow credit facilities to customers in relationship to debts. The past due amount can be analysed by age as follows: (see policy 29, page 11)

	31 March '09 £000's	31March '08 £000's
Less than three months	708	485
Three months to six months	83	94
Six months to one year	2,277	2,049
More than one year	1,726	1,601
	<u>4,794</u>	<u>4,229</u>

#### 2 Liquidity Risk

The Council has ready access to borrowing from the Public Works Loans Board, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council reviews its borrowing requirements as part of its annual Treasury Management strategy in order to optimise financial performance and reduce exposure to interest rate risk. This includes safeguards that if borrowing is undertaken then the maturity profile would be monitored to alleviate any future funding problems in any one year.

As no new borrowings have been entered into in recent years this has not been relevant. (see note 16, page 27)

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE CORE STATEMENTS

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

#### 3 Market Risk

##### Interest rate risk

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

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

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

The Council has a number of strategies for managing interest rate risk. Current policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans, all borrowing at 31 March 2009 was fixed rate. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates of the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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

The Council has established an Interest Equalisation Reserve (£1.178m) in order to assist in managing interest rate fluctuations.

Based on the current Treasury Management position at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'(000)
Increase in interest payable on variable rate borrowings	no variable borrowings
Increase in interest receivable on variable rate investments	20
Increase in government grant receivable for financing costs	de-minimis
Impact on Income and Expenditure Account	<u>20</u>
Decrease in fair value of fixed rate investment assets (impact on STRGL)	<u>334</u>
Decrease in fair value of fixed rate borrowing liabilities (no impact on I+E Account or STRGL)	<u>1,308</u>
The impact of a 1% fall in interest rates would be as above but with the movement being reversed.	

The dramatic fall in interest rates in the second half of the financial year did not result in a fall in the original budgeted investment earnings for 2008/9. This was due to the type of investments and the financial position taken by the Fund Managers.

#### 4 Price Risk / Foreign Exchange Risk

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

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

# STATEMENT OF ACCOUNTS 2008/09

## THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

		2008/09	2007/08
		£000	£000
<b>INCOME</b>			
Council Tax	<i>Note 2</i>	76,246	72,857
Transfers from General Fund			
- Council Tax Benefits	<i>Note 2</i>	5,760	5,211
Income collectable from business ratepayers	<i>Note 3</i>	39,292	36,513
Contribution towards previous years deficit		136	0
		<u>121,434</u>	<u>114,581</u>
<b>EXPENDITURE</b>			
Precepts and Demands	<i>Note 4</i>	82,676	77,990
Business Rate			
- Payment to National Pool	<i>Note 3</i>	39,088	36,311
- Costs of Collection	<i>Note 3</i>	204	202
Bad Debt Provision - Increase: Council Tax		225	207
Contribution towards previous years estimated surplus		0	500
		<u>122,193</u>	<u>115,210</u>
<b>MOVEMENT ON FUND</b>			
Net Expenditure / (Income)		759	629
Balance as at 1 April		246	(383)
Deficit / (Surplus) as at 31 March	<i>Note 5</i>	<u>1,005</u>	<u>246</u>

# STATEMENT OF ACCOUNTS 2008/09

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. General

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

### 2. Council Tax

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

Band	Estimated No. of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	595.75	6/9	397.17
B	4,549.75	7/9	3,538.69
C	12,136.25	8/9	10,787.78
D	13,007.25	9/9	13,007.25
E	9,415.00	11/9	11,507.22
F	6,456.25	13/9	9,325.69
G	4,818.25	15/9	8,030.42
H	640.25	18/9	1,280.50
	<u>51,618.75</u>		<u>57,874.72</u>

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

77.82

2008/09 Estimated Council Tax Base

57,952.54

#### Tax Collection

**£000**

08/09 Tax Base of 57,952.54 x £1,426.61 (Average Band D Charge)

82,676 Estimated Tax Due

08/09 Council Tax Income (including Council Tax Benefits)

82,006 Actual Tax Income

670 Deficit

This deficit is explained by movements in the tax base.

The actual Tax Base for 2008/09 equates to

57,483.47

This compares to an estimated Tax Base for 2009/10 of

57,734.57

# STATEMENT OF ACCOUNTS 2008/09

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

### 3. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2008/09 was 46.2p. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non Domestic Rate (NNDR) pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. This contribution is paid into the General Fund.

At the year end the total non-domestic rateable value was £100.972 million.

The amounts included in the accounts for 2008/09 can be analysed as follows:

	<b>£000</b>
Gross rates payable in respect of 2008/09	39,866
Less allowances and other adjustments	<u>(574)</u>
Income collectable from business ratepayers	39,292
Less Costs of Collection	<u>(204)</u>
Payable to national NNDR pool	<u><u>39,088</u></u>

### 4. Precepts and Demands

	<b>£000</b>
East Hertfordshire District Council	12,102
Hertfordshire County Council	62,654
Police Authority	7,920
	<u>82,676</u>

### 5. Balance on Fund

The balance on the Collection Fund as at 31 March 2009 is represented by:-

	<b>£000</b>
Deficit on Council Tax element of the Fund	1,005
	<u>1,005</u>

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

	<b>£000</b>
East Hertfordshire District Council	147
Hertfordshire County Council	762
Police Authority	96
	<u>1,005</u>

The Hertfordshire County Council and Police Authority elements are now included as part of the debtors figure in the Balance Sheet (debtor in 2007/08). See notes 14, Page 26.

**STATEMENT OF ACCOUNTS 2008/09**

**ANNUAL GOVERNANCE STATEMENT**

# STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's responsibilities

The Authority is required:

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

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

approve the Statement of Accounts.

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

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the local authority SORP.

### The Chief Finance Officer has also:

kept proper accounting records which were up to date;

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

### The Chief Finance Officers' responsibilities

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

## EAST HERTFORDSHIRE DISTRICT COUNCIL

### Certificate of Responsible Financial Officer

I certify that this Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

Signed .....

Dated .....

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

Signed .....

Dated .....

**Councillor S Bull**  
**Chairman of the Council**

**STATEMENT OF ACCOUNTS 2008/09**

**INDEPENDENT AUDITORS' REPORT TO EAST HERTFORDSHIRE DISTRICT COUNCIL**

**Signed** .....

**Dated** .....