



Hertsmere
Borough Council

A decorative horizontal band spanning the width of the page. It features a light, warm-toned background with a faint, circular pattern. Below this band is a row of approximately 15 small, empty square boxes, each with a thin white border.

Statement of Accounts

2006/2007

Statement of Accounts: 2006/07**Contents:**

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Message from the Leader of the Council

As the new Leader of the Council, I am pleased to be able to contribute to the Statement of Accounts of Hertsmere Borough Council (“the Council”) for the financial year 2006/07. Over the last year, the Council consolidated, and further improved upon, many of the achievements outlined by my predecessor in last year’s message. At the same time the Council has focused on putting in place a specific action plan that should enable the Council to make further significant improvements in the future.

Maintaining Low Levels of Council Tax

In common with many district authorities throughout the country, the Council is finding it increasingly difficult to balance, on the one hand Government demands for increased provision of services, and on the other hand the limited resources being made available. Despite this we managed to restrict the increase in Council Tax for the 2006/07 year to only 4.95%.

What is the Council’s Aim for Service Provision?

To secure continuous service delivery improvements, the Council reviewed its corporate goals to ensure that its services were meeting the needs of residents. The Council published a new Corporate Plan in June 2006 (available at www.hertsmere.gov.uk). The revised goals are:

- Create an even safer community for all.
- Sustain improvements in the quality of Hertsmere’s environment.
- Continue to promote healthy living, leisure and cultural opportunities.
- Encourage economic prosperity.
- Work towards meeting local housing needs through our strategic housing role.
- Sustain organised improvements to meet community needs.

The revised Corporate Plan includes outcome-based objectives against each of its corporate goals. The delivery of the Corporate Plan is detailed within individual work programmes for each business unit that form an integral part of the Service Plan. To ensure clear linkage of accountability, achievement of objectives are cascaded down into individual employees’ appraisals. It is this improved way of work planning that now underpins the Council’s service improvement process.

The Council is currently in the process of collating six monthly updates of progress on commitments made in the Corporate Plan and these will be reported to the Executive Performance Management Panel (EPMP). The EPMP is a key component of the Council’s performance framework and constitutes Executive members and Scrutiny members from all political groups.

The improvements in the Council’s service performance was recognised by the Audit Commission in its ‘Direction of Travel’ statement which stated “*The Council has good plans for future improvement, with a clear strategic direction and targets that align with those of partners at a local and sub-regional level*”. Furthermore the Council improved in its Use of Resources Judgements score from a 2 to a 3, further details of which can be found in the Statement on Internal Control 2006/07 on page 20.

What has Been Achieved to Date / Is Being Achieved?

The report below on achievements to date is structured around the Council’s six corporate goals. These goals have been developed following consultation carried out in surveys conducted by Market & Opinion Research International (MORI) and through the use of the Council’s resident’s panel and therefore reflect what our residents think is important in terms of Council service delivery. Many of the achievements detailed in this section involve partnership working with other agencies through bodies such as the Local Strategic Partnership (LSP), the Crime and Disorder Reduction Partnership (CDRP) and the Housing Forum.

Create an Even Safer Community for All

The most important issue for Hertsmere's residents is the promotion of community safety and the reduction in the fear of crime. Already identified as an excellent area of Council performance following the CPA assessment, the Council is keen to further develop its involvement in this key issue.

During 2006 the Council, in partnership with Hertfordshire Constabulary and Hertfordshire County Council, increased its investment in the boroughwide Police Community Support Officer scheme to £128,000. The portfolio holder with responsibility for community safety chaired the CDRP and the chief Executive chaired the Responsible Authorities Group. The Council has also led on community partnership initiatives, for example, in running five SPOTLIGHT events and four Environmental Action Days during 2006. These are multi-agency activity days designed to promote the CDRP and target low level crime and anti-social behaviour in identified neighbourhoods. The Council is currently in the process of extending alcohol free zones to Potters Bar following the successful pilot in Borehamwood. The combination of this activity throughout the Council has led to reductions in burglaries, violent crime and robberies and along with the resultant increase in areas of the Borough covered by neighbourhood watch combined to allow 92% of residents to feel safe or very safe living in Hertsmere.

Sustain Improvements in the Quality of Hertsmere's Environment

During 2006/07 the Council has made improvements to the physical environment of the Borough and has focused heavily on other environmental issues particularly increasing the amount of waste recycled by residents.

During the year the Council has introduced a new "*additional bin collection*" scheme designed to encourage residents to recycle more. This was introduced in November 2006 and lifted average recycling rates for the year from 24.2% to 29.7% indicating real monthly rates at the end of the year of around 35% suggesting significant further improvement in prospect for the recycling percentage in 2007/08. In support of this major initiative the Council carried out an education programme in schools in partnership with the countywide Waste Aware initiative.

After external scrutiny the Council has retained Green Flag status for two of its parks: Oakmere in Potters Bar and King George in Bushey. An application is in for Green Flag status for Aberford Park in Borehamwood and in recognition of this the Council has set aside £75,000 of capital finance for park improvement works. The focus on its parks and open spaces has led to an increase in public satisfaction rates as measured by the latest MORI opinion survey.

The Council continues to perform in the top quartile when compared nationally with regard to the number of new homes built on previously developed land. In the year completed no houses were built on green belt anywhere in the Borough, thereby supporting our policy of protecting the green belt.

Finally in a busy year, the Council continued to roll out the introduction of decriminalisation of yellow line parking across the Borough and is pleased to announce that, in accordance with instructions from the Department for Communities & Local Government (DCLG), in its first full year, the parking operation recorded a small surplus of £9,000.

Continue to Promote Healthy Living, Leisure and Cultural Opportunities

The council reviewed its Cultural Strategy during the year and published a document in March 2007. As noted above the Council has continued to invest in its park and open spaces and this was given a further fillip by a major lottery success in October 2006. The lottery have indicated that subject to preparation of detailed plans, they will support the redevelopment of the Herkomer Rose Garden in Bushey, a project costing in excess of £1 million. A second success was achieved for Bushey when the lottery agreed to fund the preservation of a historically important art studio in Bushey that will be re-sited on the grounds of the Museum.

The Council has continued to develop its youth recreation programme "Be There Do It" that has contributed to a year on year reduction in nuisance youth behaviour over the summer months when compared to previous months' performance.

The Council completed a Best Value Review of services to young people that has enhanced its overall approach to children's services and ensured compliance with the new statutory duty to engage with the County Council on aspirations contained in the countywide Children and Young People Plan. In October 2006 the Council was delighted to receive from Hertfordshire County Council the Herts Quality Standard for its Play Schemes and late in the year the Council was awarded exemplary status, the only borough in the county to receive such an award.

The Council has made commitments to further enhance the recreation infrastructure of the Borough through its commitment to the development of a new community theatre in Borehamwood, in partnership with Hertfordshire County Council, and a new multi-purpose community facility in Borehamwood town centre under the auspices of the LSP.

This sustained focus on the implementation of the Cultural and Leisure Strategy will ensure that high satisfaction rates for leisure services, as identified in the 2005 MORI residents' survey, are maintained.

Encourage Economic Prosperity

The main focus for the Council with regard to this corporate goal has been to secure the long term future and management arrangements for Elstree Studios. The Council recognises that as well as being an important asset, the Studios generate substantial economic activity in the Borough (estimated to be in the region of £17 million per annum and the provision of 600 jobs). During the year the Council sought partners to enter into a long-term lease for the development of the Studios. At the end of the year the Council was in discussion with one party who had expressed an interest in entering into the lease contract.

As part of implementing the Elstree Way Corridor planning brief, the Council has engaged in ongoing dialogue with key public sector and commercial partners and work commenced on the development of a new hotel on a site adjacent to the Council Offices.

The Council has focused on an improved approach to determining and negotiating Section 106 agreements and the Executive has approved a report outlining new procedures. This year to date the Council has negotiated over £500,000 of Section 106 money for the Borough. This includes an innovative deal with Arsenal Football Club that secures improved sports development delivery across Hertsmere for the next five years.

The Council continues to support the local voluntary and community sector and recognises the valuable contribution it makes to quality of life in the Borough. The Council has given its support to the merger of two of the largest voluntary sector organisations in the Borough (Hertsmere Community Partnership and Hertsmere Community Voluntary Support) through the funding of a Chief Officer post for two years to help establish the new organisation. As a combined entity the intention is that within two years the new body will have become a sustainable operating entity without long-term reliance on the Council for its revenue funding.

The Council is working with a number of its partners through the LSP on a project to redevelop a community facility in the centre of Borehamwood. As part of this project the Council is leading on a bid for £600,000 to the East of England Development Agency (Investing in Communities). The outcome of the bid will be known by January 2008.

Work Towards Meeting Local Housing Needs Through our Strategic Housing Role

This area of service provision was the subject of an Audit Commission inspection during September 2006. The report by the Audit Commission highlighted that the Council's service has improved on previous inspections and that it demonstrates the capacity to improve further in the future.

The improvements have come from a number of areas. The Private Sector Housing Strategy is now complete which seeks to make properties held in private ownership available as housing stock. To encourage this council tax is now charged on all empty homes and a number of options are also being explored to secure funding for affordable housing, including the development of an Empty Property Scheme. Further items include an increase in grant aid for disabled facilities and funding of £36,000 has been agreed to implement Choice Based Letting in the Borough. Targets for returning empty properties into use are now being exceeded.

The Council is confident that it will meet its target of enabling 123 affordable housing units to be built during 2006/07. Part of this confidence comes from the agreed sale of land to Registered Social Landlords at an opportunity cost of over £750,000 to the Council

In its housing inspection report, the Audit Commission observed "*the Council has improved a number of its strategic housing services which are bringing benefits for customers*".

Sustain Organisational Improvements to meet Community Needs

The Council continues to focus on the performance management framework improvements whilst at the same time delivering on a range of corporate initiatives that will help the organisation to grow its capacity and improve efficiency and value for money.

During 2006 the Council delivered a series of internal training workshops targeting new requirements concerning equal opportunities, diversity and gender issues. The Council has also developed an Equality and Diversity Policy. It has improved the website, launched a new staff magazine, completed a staff survey and associated action plan, launched a new staff suggestion scheme and staff reward scheme, delivered media relations training for key staff, approved an updated medium term financial strategy, and employed a new Procurement Manager in partnership with Welwyn and Hatfield District Council.

The Council has also continued to build its capacity throughout 2006 strengthening workforces in Housing, Planning and Human Resources, increasing its corporate training budget and committing additional capital finance for housing schemes.

Conclusion

In conclusion it is clear that the Council can demonstrate a sustained focus on service improvements that has resulted in real outcomes for our residents, improved efficiencies and value for money, and improved performance against performance indicators for 2005/06.

The 2006/07 Statement of Accounts

The Statement of Accounts for 2006/07 have changed from those published in the previous year in accordance with the new SORP. Although the Statement of Accounts still concentrates on how we have spent our financial resources during the year there has been substantial presentation and accounting policy changes and I draw your attention to the explanatory foreword for further details.

I would like to take this opportunity to thank the Director of Resources, as well the Head of Finance, Revenues & Benefits and ICT and his team, for all their hard work and dedication in producing a final set of accounts by the end of June, ready for audit, within the accelerated deadline imposed by Central Government. I would also like to thank Councillor Rebecca Foy, as Infrastructure Portfolio Holder, for her efforts in supervising the finance function.



Councillor John Graham
Leader of the Council

Date: 28 September 2007

Explanatory Foreword

Overview from the Director of Resources

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2006/07. Compared to metropolitan boroughs, Hertsmere Borough Council is a small district council with distinctly individual communities and several smaller settlements. The Council is continuing with its programme of continuous improvement in performance and service delivery. The Council has made considerable progress in developing its Corporate Governance framework and various strategies have been developed, finalised or reviewed. The Audit Committee, that meets quarterly and is attended by the external auditors, continues to play an important role in promoting probity and accountability.

This document, as well as incorporating all the financial statements and disclosures required by statute also includes an outlook statement to illustrate how the Council is planning to deliver continuous improvement from a financial perspective. (Refer to the Outlook section)

The Accounts and Audit Regulations 2003 requires that the Statement of Accounts be approved by 30 June 2007 and are published by 30 September 2007. Furthermore the Statement of Internal Control has also been approved by the Executive Committee and by the Audit Committee.

Once again I would like to take this opportunity to thank formally the Head of Finance, ICT, Revenues & Benefits and all the finance staff and service managers for their assistance in preparation of these accounts, and for their support throughout the year.

If you would like to have any further information on the accounts, you can forward details of your request to the Council by post using the following address:

Director of Resources
Civic Offices, Elstree Way, Borehamwood, Hertfordshire WD6 1WA.

You may wish to send your query by using our website.

Further details of the Council's activities for the year are given in the Annual Report, obtainable from Customer Services at the same address.

How we have Managed the Council's Resources in 2006/07

Managing Resources

For 2006/07 the overall budget for the cost of services was set at £17.311m. The actual spend for the year is £17.254m. The explanation of this variance of £57k is given on the following page. The explanations column is determined using the total spend adjusted for depreciation where applicable, i.e. the line marked as *. These depreciation charges are non-cash items and have no impact on the Council Tax calculation.

How the Council's Resources have been Managed in 2006/07				
Services:	Spending 2006/07			Explanation for Variance: Favourable / (Adverse)
	* Budget	* Actual	Variance	
	£'000	£'000	£'000	
Central: Democratic representation & corporate management, collection of local taxes, registration of electors, conducting elections, emergency planning, and local land charges.	4,344	4,282	62	Mainly due to under spend on central contingency and additional grant towards benefit administration costs.
Cultural & related: Museums & galleries, theatres, recreation and sport facilities, allotments, community centres, tourism, parks and open spaces.	4,632	4,608	24	Primarily due to additional external funding and a reduction in employee costs
Environmental: Cemeteries, churchyards, food safety, pollution reduction, health & safety, pest control, public health, licensing, public conveniences, community safety, flood defence, household & trade waste collection, recycling and street cleansing.	5,021	5,044	(23)	Mainly due to increase staff overtime and agency expenses for travelling to the green waste disposal site. Variance reduced by additional licensing fees.
Planning & development: Building regulations & control, development control, local & regional planning, environmental initiatives, economic and community development.	704	813	(109)	Mainly due to reduced rental income than budgeted from Bushey Golf & Country Club.
Highways, roads and transport: Routine highways & roads maintenance, street lighting, traffic management and road safety, public parking services and public transport including concessionary bus fares.	1,623	1,605	18	Surplus from parking: although income was lower than budgeted, employee, repairs and maintenance costs were significantly under budget.
Housing: Housing strategy, private sector housing renewal, homelessness, housing benefits, administration costs and other housing property.	781	713	68	Mainly due to a reduction in demand for housing services (B&B) and lower employee costs.
Social: Service strategy, elderly people, etc.	206	189	17	Reduced demand on services.
Net cost of services (including depreciation)	17,311	17,254	57	
Depreciation included in above net cost of services ^	(4,043)	(4,043)	-	
Net cost of services (excluding depreciation)	13,268	13,211	57	
* Budgeted and actual spending includes depreciation charges where applicable. ^ Depreciation charges have not been adjusted to facilitate comparison with budgeted figures as this does not impact on the net budget requirements.				

Reconciliation from the Financial Monitoring Report to the Audited Statement of Accounts

In order to arrive at the final Statement of Accounts there have been a number of adjustments made to the year-end financial monitoring report previously reported.

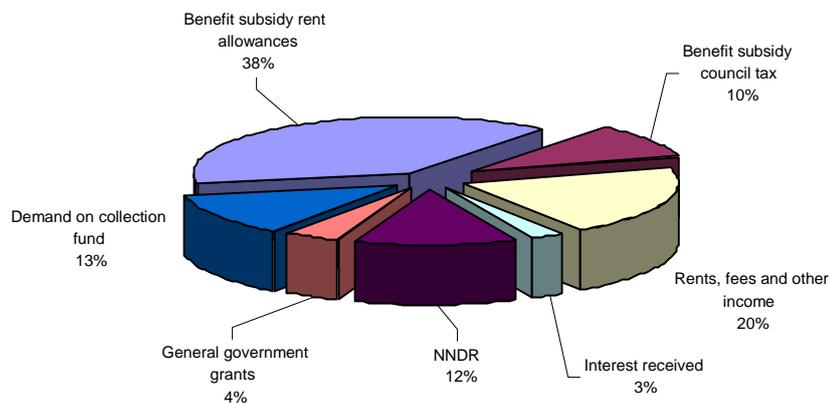
£'000	2006/07 £'000
Surplus per Financial Monitoring Report	57
Final year-end adjustments:	
Finalised housing benefit and council tax benefit subsidy claim.	(40)
Investment income surplus & unused prior years one off funding written back	117
Adjustments to NNDR relief, administration & recovery of court costs	99
Other minor adjustments	(15)
	161
Increase in the Council fund for the year	218

Illustrative Review of the Key Components of 2006/07

Actual performance as per the Statement of Accounts

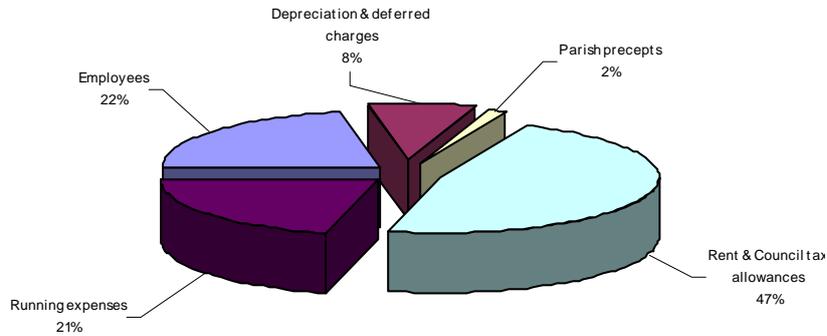
Revenue Funding

The Council's revenue spending is funded from various sources as illustrated below. Other income includes fees, charges for services, bank interest and recharges between Council services.



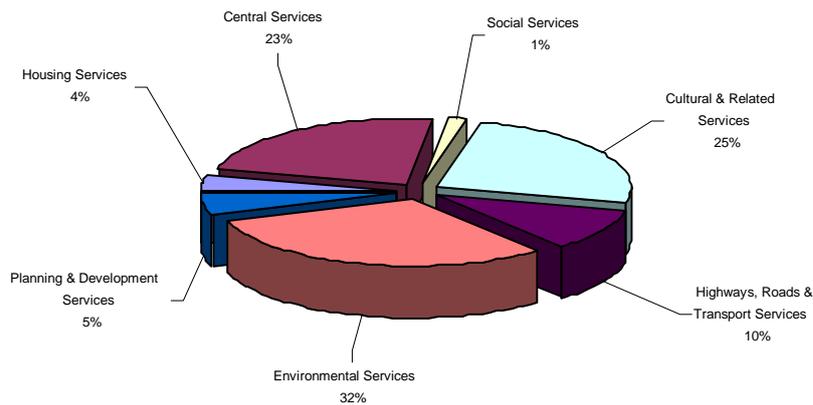
Revenue Expenditure

This chart shows the main categories of expenditure over all Council fund services. Running expenses include maintenance of buildings, purchases of supplies and services and gross recharges between Council services. Employee costs account for 22% of total expenditure.



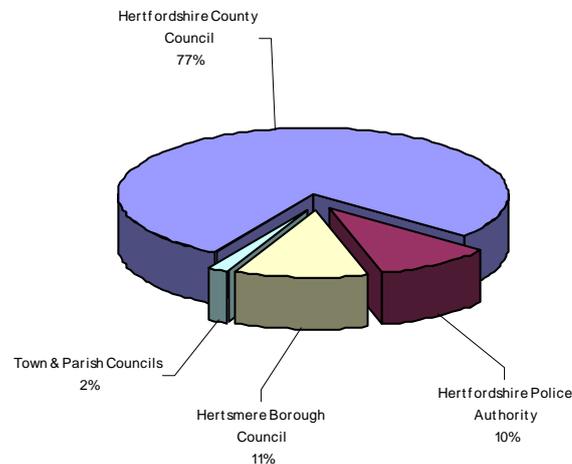
Services Provided

The chart in this section shows the proportion of Council’s actual expenditure (including depreciation) on the different service areas during the year. Please see the table on page 7 for a description of the areas covered under each service.



Council Tax – Where the Money Goes

Hertsmere collects Council Tax on behalf of other precepting authorities. The chart below depicts how the amounts collected are split between these authorities.



Council Fund

In accordance with its financial strategy and its policy on level of reserves, the Council has continued to maintain a healthy level of reserves and during the year has increased its council fund reserve by 3.3% (2005/06: increase of 2.4%). Maintaining these reserves is the product of prudent financial management that in turn helps with planning for the future of the Council.

Capital Receipts

During the year the sale of surplus land generated £0.7m for the Council whilst £0.9k was received from the sale of previously owned houses under the “right to buy” scheme and from the release of covenants and other sundry sales. All of these receipts, by their nature, are placed in the “usable capital receipts” fund for use on future capital projects.

Capital Expenditure Programme

During the year the Council incurred £1.8m on capital projects, which can include anything from the purchase or replacement of equipment to the refurbishment of existing assets. Significant projects include the replacement of refuse vehicles and the enhancement of the Council’s recycling facilities at a cost of £0.4m. Development of local leisure facilities has resulted in £0.2m being spent on skate parks and £0.2m on the replacement of equipment in the borough’s leisure centres. Potters Bar Town centre has been refurbished at a cost of £0.1m and the Council has awarded grants in the sum of £0.2m for the implementation of disability access throughout the borough.

Moving forward, the Council is committed to spending a further £6.6m on capital projects. Significant work will continue on a wide range of leisure facilities including the development of the Hertswood Community Theatre at a cost of £1.4m over the next few years. Funds have also been committed for the structural repairs and refurbishment of the Council’s many properties including its civic offices in Borehamwood.

All capital expenditure is funded from usable capital receipts.

Further analysis of the projects carried out during the year and those committed for the future can be seen in note 13 to the accounts on page 60.

Earmarked Reserves

Earmarked reserves are funds generated through the revenue account that has been specifically set aside for future revenue and capital projects. During the year £2.5m was transferred from the council fund for future projects whilst £0.9m was spent on previously earmarked projects, including the replacement of refuse vehicles previously mentioned and works to land drainage. Total funds earmarked for future use at 31 March 2007 was £11.1m

Pension Fund Liability

A better performance from equity investments and the increase in interest rates has had a positive effect on the Council's pension fund liability. During the year the overall net liability has decreased by £4.3m to £21.5m.

Statement of Accounts

The Council's Accounts for the year ended 31 March 2007, including the statement of accounting policies, are set out on pages 39 to 89. Where appropriate, figures for 2005/06 are also shown to enable comparisons between the two years.

Under provisions contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003, the Statement of Accounts for 2006/07 have been made available for inspection.

In addition to this report, the Council is required to meet certain statutory requirements. Details of these responsibilities and the officer responsible for the task are disclosed on page 26 under the 'Statement of Responsibilities'.

Significant Changes in the Code of Practice on Local Authority Accounting: Statement of Recommended Practice (SORP)

There have been some significant changes in the way the Council is required to prepare the Statement of Accounts following a revision of the SORP issued in 2006. The new SORP has been designed to move the way local authorities report their Statement of Accounts in line with the UK Generally Accepted Accounting Principles (UK GAAP). The significant impacts on the Council's Statement of Accounts can be summarised as follows:

Changes in the Presentation of the Accounts:

The Consolidated Revenue Account (CRA) previously shown in the 2005/06 accounts has been replaced with the Income and Expenditure Account (I&E):

The main effect of this is that the appropriations previously shown as an income or credit on the CRA, and therefore reducing the net operating expenditure, has now been shown separately as a movement in the reserve. This has an "apparent" negative effect on the surplus for the year in that it now shows a significant deficit. This does not affect the performance of the council nor the reserves available at the balance sheet date. The I&E and Statement of Movement on the Council Fund together with the financial effects can be found on pages 44 and 45.

Introduction of the Statement of Movement on the Council Fund

Whilst the new I&E ensures that the Council is reporting in line with UK GAAP, local authority statute required the Council to report its income and spending on a different basis, consistent with the previous CRA. As a result the SORP introduced the Statement of Movement on the Council Fund, which adjusts the deficit now reported on the I&E for the items we removed from the old CRA, thus returning our overall surplus previously reported under the old SORP and CRA. Readers should note that further disclosure on the movements are contained within the notes to the accounts. The Statement of Movement on the Council Fund and the financial effects can be found on page 45.

Introduction of the Statement of Total Recognised Gains and Losses

Again, the introduction of this statement moves our Statement of Accounts in line with UK GAAP and the main purpose of the statement is to disclose the gains and loss recognised in the year that have not been included in the I&E account.

Removal of the Statement of Movement in Reserves

Following the introduction of the statement of total recognised gains and losses, the SORP now removes the requirement of this statement. However the movements on each of the reserves are now disclosed within note 23 to the accounts.

Other Changes to the Presentation of the Statement of Accounts

Readers may note other small amendments, though not significant, to the way the Statement of Accounts are presented. The CRA (now I&E) and balance sheet notes are now combined for example, but there are also other subtle changes in the layout and references, neither of which have any effect on the underlying results reported within the statements.

Changes in Accounting Policies:

The changes in the SORP have resulted in the Council needing to adopt new accounting policies. Whilst the changes have not effected the overall performance reported in the accounts, certain amounts reported in the Income and Expenditure Account have changed and this has required the Council to make a prior year adjustment to the 2005/06 comparatives. The changes in accounting policies are set out below:

- a. Capital financing charges for the use of fixed assets are no longer required to be charged to service revenue accounts, support services and trading accounts.
- b. Government grants and deferred charges are now posted to service revenue accounts, support services and trading accounts rather than operating income and expenses.
- c. Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

The 2005/06 comparatives shown within the I&E are restated for these changes and note 11 to the accounts illustrates the effect of the prior year adjustment.

New Statement of Accounts

The core statements included within the new Statement of Accounts consists of:

Income & Expenditure Account (previously the Consolidated Revenue Account)

Reports expenditure and income relating to all the services provided by the Council in accordance with UK GAAP and demonstrating how the net expenditure has been financed from Council Tax and Central Government Grants.

Statement of Movement in the Council Fund

Reconciles the surplus / deficit (net expenditure) as reported under UK GAAP in the income & expenditure account with the basis required under local authority statute.

Statement of Total Recognised Gains and Losses

Reports all gains and losses not reported within the income & expenditure account.

Balance Sheet

Sets out the Council's financial position as at 31 March with the balances of reserves at the Council's disposal and the assets employed in its operations.

Cash Flow Statement

Summarises the inflows and outflows of cash made by the Council with third parties for both revenue and capital purposes.

The Collection Fund

Summarises the precepts requested by the main precepting bodies (Hertfordshire County Council, Hertfordshire Police Constabulary and Hertsmere Borough Council including Parishes) along with the amount of Business Rate income collected on behalf of the Government and paid over to them. In addition, residual Community Charge adjustments are shown with all income from this source being transferred to Hertsmere's General Fund.

Group Accounts

Reports the consolidated main financial statements and notes of the Council and its subsidiary entities

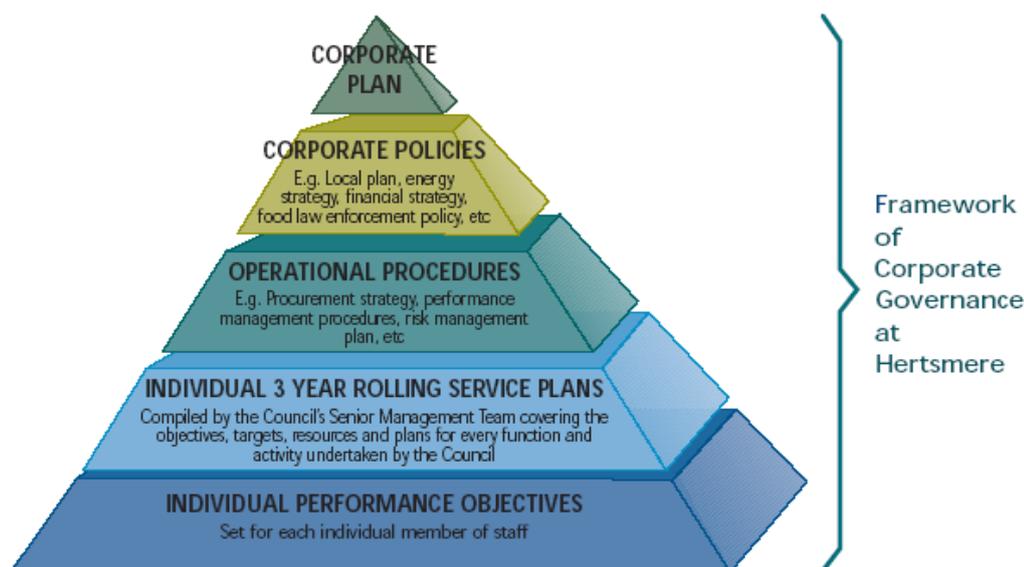
Corporate Governance

Introduction

The Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards and best practice, and that public money is safeguarded and properly accounted for. To this end members and senior officers are responsible for ensuring that proper arrangements exist for the governance of the Council's affairs and stewardship of its resources. The Council is committed to the standards of Corporate Governance and is ensuring that it complies with the Statement of Recommended Practice (SORP) and CIPFA/SOLACE best practice on Corporate Governance. The Council's Corporate Plan 2006-2009, which was adopted by the Council in June 2006, reflects best practice and the Council's new Community Strategy and Corporate Goals.

Corporate Governance Framework

The Council has identified a model to illustrate how its plans and strategies link together and influence the work of the Council. The model recognises the external influence of the Community Strategy whilst also referencing internal business planning processes.



General

The Council adopted the Leader and Cabinet style of political management under the provisions of the Local Government Act 2000 and, in accordance with this Act, produced a comprehensive constitution that governs its actions and decision-making. This document, which is regularly reviewed, is available to the public on the internet at <http://www.hertsmere.gov.uk>. The Council acknowledges its responsibility for the systems of internal control within the Council and for ensuring that these systems maintain the integrity of accounting records and safeguard its assets. The purpose of these systems is to provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. No system of internal control can, however, provide absolute assurance against material misstatement or loss. The Management Team has been made aware of and consulted upon the financial procedures and controls outlined in the constitution and are required to sign a declaration of compliance at the end of each year. Further, individual service heads are responsible for ensuring that their staff are aware of and consistently apply the requirements of the constitution. A full description of the principal elements underlying the Council's systems of internal control is outlined on page 17 to 25.

Community Focus

The Council, in conjunction with its partner agencies represented in the Local Strategic Partnership (LSP), has prepared a Community Strategy, which underpins its Corporate Plan. Moreover, the Council also publishes, on a timely basis, an annual report and a Best Value Performance Plan, which show its activities, achievements, financial position, and performance. It also shows the Council's current performance in service delivery and its plans to maintain and improve service delivery. The Council also has in place proper arrangements for monitoring and reporting operational processes. The Community Strategy and Corporate Plan also ensure that the Council's strategic plans, priorities and targets are developed through a robust mechanism, and in consultation with the local communities and other key stakeholders.

Service Delivery Arrangements

The Council regularly monitors its Best Value Performance Indicators and has put in place sound systems for providing management information and to enable monitoring and reporting of performance against agreed standards and targets. The allocation of the Council's resources is based on the Council's priorities. The Council is also entering into partnership agreements with other public sector agencies and organisations in the private and voluntary sectors. There are also proper procedures to effectively implement the findings of both the internal and external auditors and statutory inspectors' recommendations. The Audit Committee is responsible for monitoring of internal and external auditors' work.

Structures and Processes.

The role of various committees, bodies and systems and procedures in maintaining and reviewing the effectiveness of the system of internal control is described below. A revised committee structure was approved at the Annual Council meeting on 21 May 2007.

The Authority

The Council, as a whole, takes decisions on budget and policy framework items as defined by the Constitution. The Council is scheduled to meet seven times a year, but may meet more often if required. At the Annual Meeting it elects a Leader of the Council for the forthcoming year. The Leader then seeks approval to his proposals for membership of the Executive and the allocation of portfolios. Individual Executive Members are fully responsible for their portfolios and exercise the powers delegated to them. All Councillors are entitled to attend the Executive meetings and question/challenge the Executive in public forum. Additionally, a key role of the Overview and Scrutiny Committees is to review and scrutinise the decisions and performance of the Executive.

The Executive

The responsibilities of the Executive are as follows:

- To lead the preparation of the Council's policies and budget.
- To deliver and implement the budget and policies decided by the full Council.
- To respond to any recommendations and reports from the Overview or Scrutiny Committees.
- To undertake all the powers and duties of the authority with the exception of those reserved to the Council itself or delegated to a committee or officer.
- To make appointments/nominations to outside bodies which arise between annual meetings of the Council.
- To approve policy changes which do not fall within the policy framework.

The Executive comprises seven Councillors, each of whom has their own portfolio of particular responsibilities in the following areas:

- Leader of the Council.
- Community Safety & Property.
- Culture & Healthcare.
- Environment.
- Housing & Planning.
- Infrastructure.
- Transportation & Enforcement.

Meetings of Executive take place at least once a month and are chaired by the Leader of the Council. Similar to any public meeting, members of the public are entitled to attend.

Overview and Scrutiny

The Council has an Overview Committee and two Scrutiny Committees, whose role is to review and scrutinise the decisions and performance of the Executive and Council Committees, and undertake policy development and review work. The work of the Committees includes consideration of any matter affecting the area or its inhabitants. The Overview and Scrutiny Committees are made up of non-executive councillors.

The Overview Committee co-ordinates the work programmes for the scrutiny committees. Its scope includes community planning, corporate procurement and e-government, corporate risk management, corporate strategy, Comprehensive Performance Assessment, Financial Monitoring and Performance Management.

The scope of the Housing and Environment Scrutiny Committee includes housing and homelessness, pollution, planning and building control functions, infrastructure and transportation, drainage, environmental co-ordination, health improvement, emergency planning, refuse management, street cleansing, recycling, energy conservation, health and safety and food safety, street markets, parks and open spaces, allotments and grounds maintenance.

The scope of the Property, Community and Support Services Scrutiny Committee includes community meals, voluntary sector and grants, internal and external communications and complaints handling, equality, council tax and housing benefits, business rates, community safety, cultural services, financial services; and corporate services, corporate communications strategies, finance, leisure facilities and property.

Planning Committees

The Council has three Planning Committees (Bushey/Aldenham, Elstree/ Borehamwood, and Potters Bar/ Shenley) to consider planning applications and enforcement action and take decisions relating to protection of trees for those areas. The Committees may refer a planning application to the Planning Referrals Committee for determination and must do so if it is minded to reverse an officer's recommendation contrary to the provisions of the Development Plan.

Major Planning Committee

The Council has a Major Planning Committee to consider planning applications, which have been determined to have a potential significant impact on the Borough, affecting the area of more than one planning committee.

The Personnel Committee

The Council has a Personnel Committee, which is responsible for determining staffing issues within the organisational framework including the development of strategic personnel policies.

The Standards Committee

The Council has a Standards Committee, comprising three non-executive Borough councillors (one nominated from each of the three principal political parties on the Council), four independent members and two representatives from the Town and Parish Council's. This Committee exists to maintain high ethical standards and probity at all levels within the Council.

The Audit Committee

The Council has an Audit Committee, comprising five non-executive councillors. This Committee promotes internal control, it focuses external and internal audit resources and it monitors the performance of both external and internal audit - all key components of corporate governance.

The Approval of Accounts Committee

The Council has a Committee to approve the end of year Statement of Accounts in accordance with the legislative timetable.

The Licensing Committee

The Council has a Licensing Committee, comprising fifteen councillors. This Committee keeps under review the Alcohol and Entertainment Licensing Policy and the impact of alcohol related crime and disorder in the Borough. The Committee has delegated authority to determine applications for alcohol, regulated entertainment, late night refreshment and sex establishment licences where representations have been received to sub-committees which will conduct hearings into those applications. It also has a role to develop a gambling and licensing policy and its sub committee will determine applications in appropriate circumstances.

Citizens' Rights

Residents or anyone who owns a property or business in the Borough may submit a question for consideration at a Council meeting. Questions must relate to a matter within the Council's remit but must not seek any information, which is about an individual, Data Act protected or about any organisation. Neither may questions relate to specific decisions taken as part of the Council's regulatory functions such as individual planning applications. Questions should be limited to one subject submitted in writing no later than ten working days before a Council meeting. Citizens have further rights under the Freedom of Information Act

When a group of residents feels strongly about an issue in which the Council has an interest or involvement they may present a petition on the matter. This should include a clear statement of the petitioner's concerns and a list of supporting names and addresses.

Members of the public can speak at a planning committee for three minutes on any application being considered at that meeting. The procedure allows one person to speak in favour of the application and one against. A free phone telephone line operates on the day of the meeting and requests to speak are dealt with on a first come, first served basis.

Councillors are elected to represent members of the public and the community. They should be the first point of contact. Members of the public are free to contact Councillors at any reasonable time. Some Councillors also hold "surgeries" – these are opportunities for residents to meet their council representatives face to face and discuss matters of concern.

Standards of Conduct

The Council's constitution defines the standard of behavior to which individual members and officers are required to subscribe. This ensures the employees of the Council are not influenced by prejudice, bias or conflict of interest in dealing with different stakeholders. Moreover, the Council also has in place proper arrangements for "whistle blowing" to which staff and all those contracting with the Council have access.

Risk Management and Internal Control

The Council's procedures regarding Risk Management and Internal Control are further explained on pages 17 to 25 as part of Statement on Internal Control, which is signed by the Chief Executive and the Leader of the Council.

Statement on Internal Control 2006/07

Scope of Responsibility

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

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

The Purpose of the Systems of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore, only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Council for the year ended 31 March 2007 and also up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues as set out at Section 5, accords with proper practice.

The Internal Control Environment

The key elements of the Council's Internal Control Environment include:

- Establishing and monitoring the achievement of the Council's Priorities.
- Facilitating policy and decision making.
- Ensuring compliance with laws and regulations.
- Identifying, assessing and managing the risks to the Council's objectives.
- Ensuring the economical, effective and efficient use of resources and securing continuous improvement in the way in which the organisation's functions are exercised.
- The financial management of the organisation (including its subsidiary) and the reporting of financial management.
- The performance management of the organisation and the reporting of performance management.

Establishing and Monitoring the Achievement of the Council's Priorities

The Corporate Plan 2006 – 2009 was approved by the Executive and recommended to the Council for approval at its meeting on 21 June 2006. Even though it is not obligatory for local authorities to develop, adopt and implement a Corporate Plan, it has become essential for the Council to be able to demonstrate to its residents and its other stakeholders what it is trying to achieve for the local community.

Furthermore, inspection bodies, such as the Audit Commission, expect local authorities to demonstrate that there are clear and robust corporate objectives and to show how they intend to meet the priority needs of the local community.

The Local Strategic Partnership, which comprises the Council, other statutory organisations and stakeholders, has, as a statutory requirement, produced the Community Strategy “Hertsmere Together”.

The Corporate Goals within the Corporate Plan are closely allied to the Strategic Objectives of this overarching document to ensure that there is an integrated approach to delivering services to meet community needs:

Local Strategic Partnership “Community Strategy” Strategic Objectives	Hertsmere Borough Council Corporate Plan Corporate Goals
Create a safer environment	Create an even safer community for all
Improve and sustain the quality of Hertsmere’s environment	Sustain improvements in the quality of Hertsmere’s environment
Promote healthier communities and leisure and cultural opportunities	Continue to promote healthy living, leisure and cultural opportunities
Encourage economic development, lifelong learning, employment and regeneration opportunities	Encourage economic prosperity
Work towards meeting local housing needs	Work towards meeting locals housing needs through Hertsmere’s strategic housing role
	Sustain organisational improvements to meet community needs

Facilitating Policy and Decision Making

The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are matters for the Council to choose.

Article 1 of the Constitution commits the Council to pursuing its priorities and to ensuring that its Constitution provides for fair and clear decision-making as well as review and scrutiny of those decisions to ensure the improvement of delivery of services to the community.

There are regular meetings of the Council, the Executive, the Management Board, the Chief Officers’ Board and the Management Team.

There are regular meetings of the Overview Committee, the Housing and Environment Scrutiny Committee and the Property, Community and Support Services Committee.

There is a realistic level of delegation to officers in place, which permits the Council’s business to be conducted as effectively as possible.

The Constitution and the decision-making structures (both Members and officers) are regularly reviewed to ensure that they are up-to-date, relevant, in line with good practice and fit for purpose.

Ensuring Compliance with Laws and Regulations

The Council places great emphasis on compliance with approved policies, procedures, laws and regulations.

There are many different ways that compliance takes place:

Employees

- a. Employee Code of Conduct.
- b. Employee's Job Specification.
- c. Regular Staff Appraisals.
- d. Regular Staff Meetings.
- e. Training & Development – including Employee Induction sessions.

Members

- a. Member Code of Conduct.
- b. Member Role Descriptions.
- c. Member Training & Development - including the development of personal Member Development Plans.
- d. All Members are required to sign a Declaration of Interest.

Other

- a. The availability of the Constitution and other policies and procedures via the Council's Internet, Intranet and hard copy.
- b. Timely reports to all of the Council's decision-making bodies (including the Executive, the Management Board, the Audit Committee and the Chief Officers' Board) relating to statutory requirements and proposals regarding their implementation.
- c. Standard Report Formats which require the implications of Corporate Policy, Finance, Health & Safety, Legal, Personnel and Risk Management to be considered.
- d. The work of the Internal Audit Team, which assists the statutory officers in discharging their duties effectively.

Identifying, Assessing and Managing the Risks to the Council's Objectives

Whilst the Council has had a Risk Management Strategy in place for some time, it has only recently compiled a Corporate Risk Register, which was approved by the Chief Officers Board in March 2007.

The Corporate Risk Register comprises two parts:

- a. Corporate Risks.

Those risks which may threaten (or present an opportunity for) the achievement of the Council's overall corporate strategy and objectives and which cut across some or all of the Council's activities and therefore need to be addressed at a corporate level.

b. Operational Risks.

Those risks which have the potential to affect the day-to-day provision of services (both internal and external) to the Council's customers.

In order to facilitate the implementation of this Strategy, the Council entered into a Shared Services initiative with Three Rivers District Council (TRDC) whereby from June 2007, a Risk Management Officer will work two days per week with TRDC and three days per week at Hertsmere.

Use of Resources

The Council aims to use its resources efficiently, effectively and economically – the Constitution provides specific guidelines towards this.

In support of the National Procurement Strategy, the Council has compiled and approved a Procurement Strategy. In October 2006, to facilitate the implementation of this Strategy, the Council entered into a Shared Services initiative with Welwyn Hatfield Borough Council whereby their Head of Procurement spends approximately two days per week at Hertsmere.

The Council's Contract Procedure Rules have been updated to reflect a procurement lead in all major procurement projects. This will ensure legislative compliance and utilisation of best practice throughout the process.

The Council's single largest asset is the Elstree Film Studios Site and the existing lease with Elstree Film and Television Studios Ltd expired on 31 March 2007. To secure the long-term future of the Site, the Council commenced an exercise to invite tenders from suitable organisations with appropriate expertise and financial resources.

The Council has been mindful that, towards the end of the existing lease, it was possible that there may be a range of business uncertainties and, in order to maintain the Studios' status of a "going concern", the Council has undertaken to bring the Studios' operations in-house if the tender exercise were to prove to be unsuccessful.

An important component of the Comprehensive Performance Assessment framework is the External Auditors' Use of Resources Judgments, designed by the Audit Commission. This is an assessment of the Council's arrangements for use of resources in the following five areas:

Element	2006	2005
Financial Reporting	3	3
Financial Management	3	2
Financial Standing	3	3
Internal Control	2	2
Value for Money	2	2
OVERALL SCORE	3	2

Note: the scores shown above can be interpreted as follows:

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistency above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

The External Auditors also undertook an assessment of the Council's overall management arrangements for securing data quality, which covered the following five themes:-

- Governance and Leadership.
- Policies.
- Systems and Processes.
- People and Skills.
- Data Use.

The External Auditors concluded that the Council's performance was adequate in all areas.

Financial Management and the Reporting of Financial Management

The Council takes a proactive and sound approach in the management of its finances and this is evidenced by:

- a. Annual review and update of the Finance Strategy.
- b. Annual detailed budget preparation starts in April / May of the current financial year for the following financial year.
- c. The budget goes through extensive Member consultation - twice to the Executive, to the Scrutiny Committees and ultimately to the full Council – as well as community consultation (via internet) for a 6 – 8 week period.
- d. Budgets are monitored on a monthly basis via variance analysis and reporting. The monthly financial monitoring reports are presented to the Financial Monitoring Panel as well as being discussed, monitored and managed by the Management Board.
- e. Sound reserve position – as at 31 March 2007 the reserve position was as follows:

	£'000
Usable Capital Receipts	14,822
General Fund Reserve	6,749
Earmarked Reserves	11,180

However, most of the Usable Capital Receipts and Earmarked Reserves have been committed.

- f. Reporting of year-end financial performance and financial position to the full Council (rather than the relevant bodies only) after consideration and approval by the Accounts Approval Committee.
- g. The Council's Budget, the Statement of Accounts as well as the Audit Commission's Annual Audit and Inspection Letter are available on the Council's website for stakeholders' information, consultation and feedback purposes – the Council has received a number of enquiries from this source.
- h. The Council's subsidiary, the Bushey Golf and Country Club, is fully-owned and its Directors are Council Members. The Council receives the subsidiary's Business Plan, Audited Accounts and other Financial information through out the year. Officers review the financial performance and position, explanations and/or corrective measures are sought regarding any deviations from the Business Plan.

Performance Management

In response to concerns raised following the Comprehensive Performance Assessment in 2004, the Executive agreed a Performance Management Framework together with an Action Plan to ensure that due consideration was given to performance management as well as to performance monitoring.

The Council has established a team of officers who are responsible for the collection, analysis and reporting of Best Value and selected Local Performance Indicators, which are collected on a quarterly basis – this process is facilitated by a software package, Covalent.

An Executive-led Performance Management Panel, which comprises key Members and Chief Officers, meets regularly to consider Best Value and selected Local Performance Indicators – should the performance of any indicator be deteriorating or be below target, the Panel can issue a "Remedial Action Template" to be completed by the relevant Service Head and presented back to the Panel.

In addition, indicators are regularly reported to Members and Senior Managers.

As stated above, the Financial Monitoring Panel meets on a monthly basis to scrutinise the Council's financial performance.

The Staff Appraisal System is based on individual employee performance, which is linked to corporate objectives via Service Plans, i.e., "the golden thread".

Review of Effectiveness

The Council has the statutory responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.

This review is informed by those Members and Officers, who have the responsibility for the development and maintenance of the internal control environment:

- The work of the Members of the Executive and the Audit Committee.
- Annual Management Assurance Statements compiled by all Service Heads (including the Section 151 Officer and the Monitoring officer) relating to internal controls, risk management and performance management within their areas of activity.
- The Audit Manager's Annual Audit Report summarising the work of the Internal Audit Team.

This annual review is also supported by the findings of the Council's External Auditors and other review agencies and inspectorates such as the Department of Works and Pensions, the Audit Commission and the Benefit Fraud Inspectorate.

Members

The role of various Committees as well as operational systems and procedures in maintaining and reviewing the effectiveness of the system of internal control is described on pages 13 to 16 as part of the Section on Corporate Governance.

Service Heads

There are three officers who are statutory appointments – the Chief Executive's role as the Head of Paid Service, the Director of Resources' role as the Section 151 Officer and the Interim Head of Legal Services' role as the Monitoring Officer.

As the Chief Executive (together with the Leader of the Council) signs off this Statement on Internal Control, the Director of Resources, the Interim Head of Legal Services and all of the Service Heads have completed and signed off Annual Management Assurance Statements for the financial year 2006/07.

These Management Assurance Statements have been designed to require each Head of Service to certify the effective operation of internal controls in their service area, including arrangements for risk management and performance management, and, as a consequence, they are key supporting documents in identifying any Significant Internal Control Issues – see next section.

Note: The Bushey Golf Country Club's Audited Accounts for 2006/07 (including the Management letter) are still awaited – any significant control issues will be identified as appropriate.

Internal Audit

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on the control environment (comprising the systems of governance, risk management and internal control) by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Audit Team undertake an Annual Work Programme, which is approved by the Audit Committee, and will always seek to operate in accordance with the professional standards prescribed in the CIPFA Code of Practice.

In line with the Code, the Audit Manager is required to compile a formal annual report to the Council which:

- Includes an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- Discloses any qualifications to that opinion, together with any reasons for the qualification.
- Draws attention to any issues which the Audit Manager judges particularly relevant to the preparation of the Statement on Internal Control.

The Council's External Auditors regularly review aspects of Internal Audit work and seek to place reliance on that work, where appropriate, to inform their audit of the Council's financial statements.

Recommendations made by the Internal Audit Team to strengthen the internal control environment and agreed by management are kept under review by the Audit Committee to ensure that they are implemented in a timely manner.

Other Formal Review / Assurance Mechanisms

The Council's External Auditors are Grant Thornton UK LLP, who are appointed by the Audit Commission and whose work is governed by the Audit Commission Act 1998, supported by the Code of Audit Practice.

The External Auditors' role is to give an independent opinion on the Council's financial statements and report on the arrangements put in place by the Council to ensure the proper conduct of its financial affairs, performance management and use of resources.

The External Auditors presented a report under International Standard on Auditing (UK and Ireland 260) – Communication of audit matters with those charged with governance (ISA 260) to the Audit Committee in September 2006.

The Council's Relationship Manager presented the Annual Audit & Inspection Letter to the Audit Committee in April 2007 – this report provided an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection (including Strategic Housing Service and Environment Inspection follow-up) and performance assessment work.

The main messages contained within the Annual Audit & Inspection Letter were as follows:

- The Council has begun to consolidate its performance improvement, making good progress on key issues of importance to local people, such as community safety, housing benefits and recycling.
- The Council has good plans for future improvement, providing clear strategic direction to the processes of change, which are underway.
- The Council's overall use of resources score has improved due to a continued strengthening of financial management.
- Although processes have improved, the Council's achievement of value for money remains patchy in terms of costs and outcomes when compared to peers.
- Risk management remains a key weakness at the Council when compared to other authorities, as the necessary cultural change cannot be achieved until key processes are fully embedded.

Recommendations made by the External Auditors to strengthen the internal control environment and agreed by management are kept under review by the Audit Committee to ensure that they are implemented in a timely manner.

Significant Internal Control Issues

The key issues arising from the assessment and appraisal of internal controls for the year 2006/07 and planned actions are summarised below:

Key issues arising from the assessment and appraisal of internal controls	Planned Actions
<p><u>1. Risk Management</u> This is the one area where the Council scored below the minimum requirements in the Use of Resources Judgements.</p>	<p>To appoint a Risk Management Officer to address the capacity issue, to update the Council's Risk Management Strategy and to refine the Risk Register – it is anticipated that these (and other) actions will improve and embed the Council's risk management arrangements.</p>
<p><u>2. Internal Control System</u> There is a continuing need to formalise and keep under regular review some of the components of the internal control environment, e.g., documenting all operational procedures, articulating service/ business continuity needs.</p>	<p>To continue the programme of Business Process Review as well as to implement business continuity arrangements for critical services.</p>
<p><u>3. Civil Contingencies Act</u> There is a continuing need to ensure that the Council has adequate arrangements in place to discharge its statutory duties.</p>	<p>In conjunction with other relevant bodies (e.g., Herts Constabulary), to undertake a desktop exercise to test the adequacy of arrangements.</p>
<p><u>4. Elstree Film Studios</u> To secure the long-term future of the Studios Site as a Film and Television Studios, following the expiration of the previous lease on 31 March 2007.</p>	<p>The activation of Elstree Film Studios Ltd to manage the business, as an interim measure, pending either determination of a suitable lessee or exploration of alternative options.</p>

The following table provides some follow-up information on those significant control issues identified in the Statement on Internal Control 2005/06:

<p><u>1. Corporate Governance, Risk Management and Internal Control</u> Whilst there is a continuing need to improve the awareness of Members, managers and staff of their respective responsibilities and accountabilities relating to Corporate Governance, Risk Management and Internal Control, there is a need to increase the impetus for embedding risk management throughout the Council.</p>	<p>Whilst good progress was made during 2006/07 improving the awareness of Members, managers and staff regarding corporate governance and internal controls, both areas require ongoing attention. Due to the lack of a dedicated resource, risk management remains an area of significant concern.</p>
<p><u>2. Procurement</u> There is a continuing need for the procurement of goods, services and works from third parties to be subject to robust processes and that these processes take place at all levels throughout the Council.</p>	<p>Some good progress has been made during 2006/07 – particularly since October 2006, due to the Shared Services initiative, whereby the Council has obtained the dedicated resource of a procurement professional.</p>
<p><u>3. The Internal Control System</u> There is a continuing need to formalise some of the components of the internal control environment, e.g., documenting all operational procedures, articulating service / business continuity needs, etc.</p>	<p>Again, some good progress has been made during 2006/07. However, it is important to continue the programme of Business Process Review as well as to implement business continuity arrangements for critical services – due to the links with Risk Management, this remains a high profile area of activity.</p>

<p>4. Civil Contingencies Act There is a continuing need to ensure that the Council has adequate arrangements in place to discharge its statutory duties.</p>	<p>The partnership with Herts County Council has developed further during 2006/07 and a Business Impact Analysis has been undertaken across the Council. Due to the links with Risk Management, Emergency Planning, this remains a high profile area of activity.</p>
<p>5. Anti-fraud and Anti-corruption There is a need for more proactive measures to reinforce the culture against fraud and corruption and to strengthen management arrangements to prevent fraud and corruption.</p>	<p>Whilst some good progress has been made during 2006/07, these areas of activity will continue to require ongoing attention.</p>

Outline of Actions in Place and Proposed

The Council has action plans in place at different levels:

- At a strategic level, the key action plans arising from the overarching Community Strategy, Corporate Plan, Finance Strategy, Housing Strategy and CPA.
- At a tactical level, there are action plans arising from financial monitoring, performance monitoring, Best Value Reviews and Committee meetings.
- At an operational level, each service has its own action plan.

Certification

We, the undersigned, have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee and further assurances based on signed declarations by the responsible officers.

We can confirm that there is a plan in place to address weaknesses and ensure continuous improvement.

Signed:



Sajida Bijle
Acting as Chief Executive



Councillor John Graham,
Leader of the Council

Date: 28 September 2007

Statement of Responsibilities

The Council's Responsibilities

The Council 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 Council, that officer is the Director Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Responsibilities of the Chief Finance Officer.

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting. The code of practice requires that the Statement of Accounts present fairly the financial position of the Council at 31 March 2007 and its income and expenditure for the year then ended.

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgement and estimates which were reasonable and prudent.
- Complied with the Code.

The Chief Finance Officer has also:

- Kept proper accounting records that were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of Chief Finance Officer

I certify that this Statement of Accounts presents fairly the financial position of Hertsmere Borough Council at 31 March 2007 and its income and expenditure for the year then ended.



Dev S Gopal
Acting as Chief Finance Officer

Date: 28 September 2007

I confirm that the unaudited accounts were approved by the Accounts Approval Committee at the meeting held on 27 June 2007

Signed on behalf of Hertsmere Borough Council:



Councillor John Graham
Leader of the Council and Chairman of the Accounts Approval Committee

Date: 28 September 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERTSMERE BOROUGH COUNCIL

Opinion on the financial statements

We have audited the financial statements of Hertsmere Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Statement of Movement of General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the supplementary statements and related notes.

These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Hertsmere Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority or its Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

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

Auditor's Responsibilities

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

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

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in *July/August 2005*, in all significant respects, Hertsmere Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in December 2006. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Grant Thornton UK LLP

28th September 2007

Signature..... date.....

Grant Thornton UK LLP
30 Finsbury Square
London

Outlook Statement

The Development of the Council's Corporate Plan

The Community Strategy sets out the long-term vision that the Council shares with its partners and the residents of Hertsmere and has been developed in consultation with other relevant service providers and stakeholders, local voluntary and community groups, local businesses, and the wider general public. This, combined with statistical evidence, ensures that the Community Strategy reflects local needs and aspirations. These have helped the Council to develop its Corporate Plan which includes the following as corporate goals:

- Create an even safer community for all.
- Sustain improvements in the quality of Hertsmere's environment.
- Continue to promote healthy living, leisure and cultural opportunities.
- Encourage economic prosperity.
- Work towards meeting local housing needs through our strategic housing role.
- Sustain organisational improvements to meet community needs.

The Revenue Budget Setting Process

Setting an achievable revenue budget is dependent upon resolving the fundamental conflict between the desire to improve services whilst at the same time ensuring that the cost of those services to the taxpayer is acceptable, affordable and sustainable. In order to resolve these conflicting aims, the Council needs to gain a clear understanding of the following factors:

- What level of funding is required to provide each service for the forthcoming year.
- Which areas the Council considers to be its priorities for allocating funding as per the Council's Corporate Plan.
- Whether any efficiency gains or innovative service delivery solutions are possible for each service (e.g. through Partnerships and shared service).
- Whether any additional income can be generated either in the form of Government grants, external funding or through fees and charges levied.
- After consideration of all of the above factors, what will be an acceptable level of Council Tax for the forthcoming year.

Matching Financial Resources to Priorities

The Council's plans for spending on services look forward at least three years based on the Corporate Plan. This plan known as the Financial Strategy is reviewed annually to reflect changes to the Community Strategy and other strategies (e.g. the Cultural and Finance strategies). In addition, as mentioned above, the Council carries out community consultations regularly, which play a significant role in setting priorities for resource allocation in the spending plans. These spending plans are dependent on the Government's proposals for financial support to local government, as grants are the main source of income.

Determining Council Spending Plans

Considerable pressure has been placed upon spending plans by the efficiency gain targets set by central government and the overall cap placed on the Council tax increase of only 5%.

Statutory and Other Demands for Increased Expenditure

In determining its spending plans, the Council must first take account of any new unavoidable or statutory demands placed upon it, for instance:

- Concessionary Bus Fare Scheme – new scheme will be effective from 2008.
- Transformational government.
- Customer Relationship Management (CRM).
- Alcohol & Entertainment Licensing Act, The Health Act 2006.
- Changes to electoral services.

Reductions in Income

The Council receives income from many sources. Whilst officers and members take the required steps to safeguard the Council's income, there are some sources of income that are outside the direct control of the Council and as a result, the income targets in the 2007/08 budget have been reduced in the following areas:

- Uncertainty of planning application fee income due to market conditions.
- Uncertainty in Alcohol & Licensing Income.
- Uncertainty in income from Land Charges due to regulatory changes.
- Reduction in parking income.
- Reduction in the funding available from investment income as the Council seeks to reduce its reliance on this funding source.

Spending plans are further influenced by national and local priorities for the expansion and improvement of services, taking account of the following trends and policies:

Trends:

The Council is aware that the following areas require special attention and are based upon previous experience, emerging legislation and professional assessment:

- The current mismatch between the level of affordable housing available and the demand for it from young, single people and particularly key workers will continue, resulting in local employment difficulties. The recent increases in interest rates will also have an impact.
- Pressure for new development is likely to continue at present levels with fewer urban area sites becoming available in the Borough to sustain this growth.
- The condition of the local environment, waste management and recycling will attract higher public interest and demands for improvement.
- There will be a continued growth in car ownership with limited new road building or improvement in public transport.
- Climate change will result in increased risk from flooding and place more pressure on energy conservation and pollution control.

- The proportion of older people in the local population will continue to increase, but remain relatively affluent, demanding improvements in leisure, recreation, health and social services and the infrastructure needed to support it.
- Financial pressure on all parts of the public sector will continue forcing those organisations to be more active in forging strategic alliances and partnerships and in devising other innovative ways of delivering and procuring services.

Value for Money Policy and Gershon Efficiency Gains Agenda

The Council has a statutory duty for delivering value for money with public funds. It should keep its internal controls under continuous review in order to manage all its limited resources in an efficient and effective manner, taking into account guidance on good practice issued from time to time by the Council's auditors and appropriate advisory bodies.

Value for money is the term used to measure whether or not an organisation has obtained the maximum benefit from the goods and services it acquires and/or provides, with its resources. Value for money not only measures the cost of goods and services, but also takes into account quality, whole life costing, best value, benchmarking and other criteria to see whether or not, when merged together, they represent good value for money.

Achieving value for money may also be defined in terms of the 'three E's' – economy, efficiency and effectiveness:

- **Economy:** the most economically advantageous price paid to provide a service (i.e. doing less with fewer resources).
- **Efficiency:** a measure of productivity – how much you get out in relation to what you put in (i.e. doing the same as before, but with fewer resources).
- **Effectiveness:** a measure of the impact achieved and outcome (i.e. doing more than before with the same resources as now).

Department of Communities and Local Government's (DCLG) assessment on efficiency gains is categorised in the following groups:

- Reducing inputs (money, people, assets, etc) for the same output.
- Reducing prices (procurement, labour costs, etc) for the same outputs.
- Getting greater outputs or improved quality (extra services, productivity, etc) for the same inputs.
- Getting more outputs or improved quality in return for an increase in resources that is proportionately less than the increase in output or quality.

Certain types of activity are not acceptable as efficiency gains:

- Re-labelling of activity (e.g. reclassifying inspection as advice).
- Cuts that result in poorer service for the public.
- Increased income purely from higher prices in fees and charges to the public.

DCLG recognises the efficiency gains will be both cashable and non-cashable, but also has reservations that the cashable gains may be detrimental to the quality of the services. Hence DCLG has recommended that Councils should adopt a suitable set of quality cross checks to demonstrate that the quality of the service is either improved or maintained.

Approach to Delivering the Efficiency Agenda

Procurement:

- Competitive tendering.
- Introduction of the e-market place should result in economies of scale.
- Introduction of contract procedure rules has standardised procedures and documents with regards to all types of procurement.

Personnel:

- Developing flexible working, providing opportunities for home working and dedicated teleworking centres to recruit and retain better staff so that the cost of recruitment can be reduced and to improve productivity via enhanced staff morale.
- Reducing sickness absence levels.

Corporate Plan and Policy Framework:

- Business Process Review (to eliminate duplications and inefficiencies in processes).
- Partnership and collaborative working.

Asset Management Plan:

- Better use of our existing asset portfolio.

For further details refer to the Council's Financial Strategy and Annual Efficiency Statement Forward and Backward Look available on the Council's website.

The Council will have to put in place more robust and innovative ways of achieving further efficiencies. As the Council becomes more and more efficient, the challenge of achieving further annual efficiency gains set out by DCLG will become more difficult to realise. Expectations are that a new base level budget will be calculated as part of the Comprehensive Spending Review (CSR) 2007 and expected gains will be increased to 3% per annum (all cashable).

Our Council Fund Spending Plans for 2007/08

2006/07 Approved Budget £'000		2007/08 Approved Budget £'000
	Gross Expenditure:	
1,514	Planning & building control	1,681
2,057	Housing and health services	2,136
4,994	Waste street scene	5,258
2,233	Corporate support	2,309
1,635	Finance, revenues & benefits and ICT	1,682
1,821	Legal & democratic services	1,593
871	Human resources & customer services	859
1,210	Corporate management	1,316
152	Audit & assurance	160
111	Corporate communications	161
479	Other income / expenditure	434
17,077	Gross requirement	17,589
	Less:	
(14)	Mortgage interest receivable	(9)
(3,795)	Depreciation & capital charges	(3,887)
13,268	Total net requirement	13,693

Analysis of 2007/08 Budgets

	Gross Cost	Less: Income	Gross Requirements	Less: Depreciation	Total Net Requirements
	£'000	£'000	£'000	£'000	£'000
Services:					
Planning & building control	3,649	(1,968)	1,681	(176)	1,505
Housing and health services	2,410	(274)	2,136	(39)	2,097
Waste street scene	6,626	(1,368)	5,258	(679)	4,579
Corporate support	2,624	(315)	2,309	(27)	2,282
Finance, revenues & benefits and ICT	29,824	(28,142)	1,682	(41)	1,641
Legal & democratic services	6,187	(4,594)	1,593	(2,925)	(1,332)
Human resources & customer services	937	(78)	859	-	859
Corporate management	1,316	-	1,316	-	1,316
Audit & assurance	160	-	160	-	160
Corporate communications	161	-	161	-	161
Other income / expenditure	487	(53)	434	-	434
Sub-total	54,381	(36,792)	17,589	(3,887)	13,702
Mortgage interest receivable	-	(9)	(9)	-	(9)
Total	54,381	(36,801)	17,580	(3,887)	13,693

Implications of the 2007/08 Spending Plans for Tax Payers.

In order to work out the Council Tax that is required to pay for the net cost of services, the following must be considered:

- Take into account other items of corporate expenditure, such as interest receipts and payments.
- Adjust the figures for non-cash entries such as capital charges.
- Consider the amount Central Government is contributing to spending commitments.
- Add on the amount that will be required on behalf of town and parish councils.

	2007/08
	£'000
Budgeted net cost of services for 2007/08	17,589
Other items of corporate expenditure	(9)
Capital charges component	(3,887)
Income from central government grants	(7,698)
Net funds required by Hertsmere Borough Council	5,995
Funds required by town and parish councils	866
Collection fund deficit	18
Amount to be raised from Council Tax	6,879

The average Council Tax levy for Band D for the **prior year** was £160.96. This is calculated by dividing the Council Tax requirement of £6,524,764 by the equivalent number of Band D households of 40,537.

Using the new tax base of 40,742 and dividing it by the 2007/08 requirements of £6,879,287, the average levy for 2006/07 is £168.85. This means the Council has increased the Band D levy by an average 4.9%.

The Council also incurs expenditure on services that are provided in only part of the Council's area. These expenses are termed '*special expenses*'. An example is allotment maintenance costs. The following analysis looks at the increase on Council Tax within each parish including special expenses and parish council charges for a Band D property. This increase will apply on the same basis for properties within the other bands.

Analysis of Council Tax Charge at Band D by Area

	Aldenham	Elstree & Borehamwood	Ridge	Shenley	Bushey & Potters Bar	AVERAGE
Tax Base: (number of households)	4,937	13,188	94	1,796	20,727	40,742
General Expenses (before government grants)	£ 320.66	£ 320.66	£ 320.66	£ 320.66	£ 320.66	£ 320.66
Special expenses	0.16	16.68	16.85	16.68	18.18	18.18
Parish / town council charge	101.69	22.98	6.91	33.32	-	18.51
Gross charge at band D	422.51	360.32	344.42	370.66	338.84	357.35
Less:						
Revenue support grant	(30.57)	(30.57)	(30.57)	(30.57)	(30.57)	(30.57)
NNDR grant	(158.38)	(158.38)	(158.38)	(158.38)	(158.38)	(158.38)
Add:						
Collection fund deficit	0.45	0.45	0.45	0.45	0.45	0.45
Net charge at band D	234.01	171.82	155.92	182.16	150.34	168.85
Total collection	1,155,307	2,265,962	14,656	327,159	3,116,203	6,879,287
Prior year charge	223.74	163.70	151.13	174.99	143.15	160.96
Increase including Parish / Town	£10.27	£8.12	£4.79	£7.17	£7.19	7.89
	4.59%	4.96%	3.17%	4.10%	5.02%	4.90%

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Statement of Accounting Policies

Basis of preparation

The Statement of Accounts summarises the Council's performance for the 2006/07 financial year and its position as at 31 March 2007. The accounts have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets and in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP) and guidance notes on the application of UK Generally Accepted Accounting Principles (UK GAAP), as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies have been drawn up in line with recommended accounting principles as specified in the SORP and are reviewed regularly to ensure that they remain the most appropriate to its particular circumstances. Any change to the accounting policies will be made if it is judged more appropriate to the Council's circumstances.

In order to bring the SORP in line with UK GAAP, there have been several amendments made to the SORP which subsequently have resulted in the Council changing some existing and implementing new accounting policies. The changes relate to capital financing charges, government grants deferred and gains and losses on disposal of fixed assets, the impact of which have been included in the accounting policies set out below.

There is a requirement for local authorities to produce a Statement on Internal Control. This statement sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The statement (see pages 17 to 25) reports on identified material weaknesses and the actions undertaken to rectify these.

Fixed Assets

Basis of Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on the balance sheet, on an accruals basis, provided that the asset yields benefits to the Council and the service it provides is for a period of more than one year. However, due to the high administrative burden that would be required if all 'fixed assets' were included on the asset register, a de-minimus level has been set to determine which assets will be capitalised and which will be expensed on the income and expenditure account. The de-minimus level is applied against the collective total of project costs except for items of Vehicles, Plant & Equipment which are measured on an individual item basis.

Asset Category:	De-minimus level:
Council dwellings	£5,000
Other land & buildings	£5,000
Vehicles, plant, furniture & equipment	£5,000
Infrastructure assets	£1,000
Community assets	£1,000
Investment properties	£5,000

Measurement

Fixed assets are initially measured at cost, which comprises all expenditure directly attributable to bring the asset into working condition for its intended use. Assets are subsequently valued using the following basis:

Asset Category:	Basis of Valuation:
Council dwellings	Existing use
Other land & buildings	Lower of net current replacement cost and net realisable value, net of accumulated depreciation
Vehicles, plant & equipment	Lower of net current replacement cost and net realisable value, net of accumulated depreciation
Infrastructure assets	Historical cost, net of depreciation
Community assets	Historical cost, net of depreciation
Assets under construction	Historical cost
Investment properties	Lower of net current replacement cost and net realisable value

Certain assets are revalued at a minimum of every five years or where it is evident that there has been a material increase in value. All gains resulting from a revaluation are credited to the fixed asset restatement account and all losses are accounted for as an impairment loss as detailed below.

The valuation as at 31 March 2007 was carried out by the Council's Estates valuer Mr Neville Thompson, a qualified member of the Royal Institution of Chartered Surveyors.

Impairment

Each category of fixed asset is reviewed periodically for evidence of a material reduction in current value. A reduction in value may be attributable to a decline in the particular fixed asset's market or through the clear consumption of economic benefit.

Where impairment has been caused through consumption of economic benefit, any loss in excess of previous unrealised gains is charged to the relevant service account on the income and expenditure account. All other impairment losses are charged to the fixed asset restatement account.

Disposals

On disposal of assets the net sale proceeds, after any fees and repayment of secured debt, are credited to *useable capital receipts* to fund future capital expenditure. Net proceeds are also deducted from the fixed asset restatement account and any gain or loss arising on the disposal of the asset is charged to the income expenditure account.

Following the change in the SORP, this accounting policy has been amended from the prior year where previously the net book value of assets disposed were recognised in the fixed asset restatement account with no gain or loss being recognised in the consolidated revenue account (now replaced with income & expenditure account). This change was required following the amendment to the SORP and there has been no material effect other than as stated in note 11 to the accounts.

Depreciation

Fixed assets, other than land and non-operational properties, are depreciated over their expected useful economic lives on a straight line basis over the following number of years:

Infrastructure Assets	Up to 20 Years
Leisure Centres	Up to 30 Years
Council Garages	20 Years
Car Parks & Depots	20 Years
Vehicles, Plant & Other Equipment	3 to 8 Years

All E-government funded expenditure and Green Waste wheelie bins are written off in year of acquisition.

Charges to the Income & Expenditure Account for the use of Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the real cost of utilising fixed assets through depreciation and impairment losses as disclosed above. However local government statute does not require the council to raise council tax to cover these charges and they are subsequently reallocated to the capital financing account through the statement of movement on the council fund.

Deferred Charges

Deferred charge arises where the Council incurs expenditure financed by the capital financing account that is not capitalised on the balance sheet. Expenditure is initially expensed through net cost of services and is then allocated to the capital financing account through the statement of movement on the council tax fund balance, so that there is no impact on Council Tax.

Capital Charges

Changes in the SORP have resulted in the replacement of capital charges, as included in the prior year, with depreciation. Previously, capital charges were made to service revenue accounts and central support services, which were subsequently charged to the asset management revenue account on the previous consolidated revenue account, thus removing these charges from the net surplus for the year. The change in SORP has also removed the requirement for the asset management revenue account, and overall has had no impact in the results of the Council for the year. However as a result in this change in accounting policy, certain amounts previously disclosed in the published 2005/06 accounts have changed, thus requiring a prior year adjustment to be made. Note 11 to the accounts disclose full details of the prior year adjustment.

Government Grants

There are several instances whereby the Council may receive a central government grants. The accounting policy for each instance is as follows

Specific Revenue Grants:

Specific revenue grants are matched against expenditure it relates and are recognised within net cost of services in the same period as the related expenditure.

General Revenue Grants:

General revenue grants, such as the revenue support grant, are recognised in the income & expenditure in the period in which they relate and are credited after net operating expenses.

Capital Grants:

Capital grants relate to specific capital expenditure. Where assets are capitalised, the grants are deferred and released to net cost of services within the income & expenditure over the assets expected useful economic life in order to match depreciation. Where the grant relates to a deferred charge, the grant is deferred and released in full to net cost of services, when the charged is recognised in the income & expenditure.

Following the changes in the SORP, this accounting policy has been changed where in prior years specific and government grants were credited to the old consolidated revenue account as a recharge to the asset management revenue account, included within the net operating expenditure. Whilst this change in accounting policy has no effect on the financial results of the Council, certain amounts previously disclosed in the published 2005/06 accounts have changed and a prior year adjustment has been made. Note 11 to the accounts disclose full details of the prior year adjustment.

Section 106

Capital contributions received under section 106 are credited to the deferred contributions account and are released, as the monies are utilised, leaving the surplus amounts repayable by the Council following the completion or termination of the project. The accumulated costs are deferred until successful completion of the capital project when they are capitalised and the corresponding amount credited to the Useable Capital Receipts. The cost of the asset is subsequently financed through the Capital Financing Account.

The Council currently has no Section 106 funding from revenue projects.

Stocks

Stocks are valued at the lower of cost or net realisable value, using the first-in, first-out (FIFO) method.

Debtors

Debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified. Debtors falling due after more than one year are classified as long-term assets, which also include Council House Mortgages.

Long-term Loans

Long-term loans are recognised initially at the proceeds received, net of transaction costs incurred.

Cost of Support Services

All management, administration and central support services have been fully charged to services using appropriate apportionments as prescribed by Best Value Accounting Code of Practice (BVACOP). Costs of the corporate and democratic core are not re-allocated. These include all executive decision processes that determine Council policies and the cost of running various executive committees.

Provisions

Provisions are included in the accounts where an obligation at balance sheet date (legal or constructive) was likely to exist and that a transfer of economic benefits was likely to occur, but the timing and amount were not certain. Provisions are made for bad and doubtful debts and known uncollectible debts are written off against this provision. Details of these provisions are shown as a note to the consolidated balance sheet.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the statement of movement on the Council fund. When expenditure is financed from a reserve, it is charged to the appropriate service revenue account in that year, including it in the surplus or deficit for the year as required under the new SORP. The amounts are subsequently charged to the appropriate reserve on the statement of movement on the Council fund. All other movements in reserves, such as revaluation gains and losses are recognised in the statement of total recognised gains and losses.

Certain reserves are maintained to manage the accounting process for fixed assets and retirement benefits and do not represent resources available to the Council. Specific details relating to these reserves are included elsewhere in these accounting policies and details on all reserves are included within the statement of movement in reserves note to the accounts.

Pensions

The Council participates in the Hertfordshire Local Government Pension Scheme, a defined benefit scheme operated by Hertfordshire County Council.

The expected costs of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the income & expenditure account in order to spread the cost over the service lives of employees in the schemes. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The Councils share of the schemes assets and liabilities are included at fair value, as calculated annually by the actuary, which in turn gives rise to a actuarial gains or losses. Statutory provisions restrict the amount that the Council can fund through council tax to the amounts actually payable each year and as a result all other movements are funded by the pension reserve, through appropriations on the statement of movement on the Council fund and movements in the statement of total recognised gains and losses.

Investments

The Council has both long and short-term investments with various financial institutions and these are shown at the lower of cost or net realisable value at balance sheet date.

Leases

Rentals paid under operating leases are charged on an accruals basis to the income & expenditure account over the term of the lease.

Income & Expenditure Account

2005/06 Net Expenditure £'000	Continuing Operations	Gross Expenditure £'000	Gross Income £'000	2006/07 Net Expenditure £'000
<i>Restated - Note 11</i>				
	Central Services:			
687	Democratic representation & management	677	(9)	668
2,227	Corporate management	2,704	(124)	2,580
608	Local tax collection	6,705	(6,141)	564
126	Registration of Electors	196	(11)	185
27	Conducting elections	98	(9)	89
31	Emergency planning	56	-	56
(219)	Local land charges	106	(375)	(269)
3,487		10,542	(6,669)	3,873
	Cultural & Related Services:			
513	Culture & heritage	1,309	(831)	478
116	Elstree film & TV studios	239	(1)	238
3,738	Recreation & sport	4,025	(316)	3,709
4,367		5,573	(1,148)	4,425
	Environmental Services:			
1,170	Environmental health	1,707	(510)	1,197
238	Community safety	336	(68)	268
337	Flood defence & land drainage	876	(507)	369
902	Street Cleansing (not chargeable to Highways)	974	(20)	954
1,886	Waste collection	3,154	(923)	2,231
4,533		7,047	(2,028)	5,019
	Planning & Development Services:			
99	Building control	572	(425)	147
1,250	Planning policy	1,991	(792)	1,199
5	Environmental initiatives	9	(5)	4
(69)	Economic development	1,784	(2,217)	(433)
1,285		4,356	(3,439)	917
	Highways, Roads & Transport Services:			
216	Highways / roads (routine)	354	-	354
-	Traffic management & road safety	1	-	1
401	Parking services	1,070	(776)	294
624	Public transport	1,046	(1)	1,045
1,241		2,471	(777)	1,694
	Housing Services:			
608	Housing strategy	955	(284)	671
310	Private sector housing renewal	281	-	281
(287)	Other council housing property	460	(699)	(239)
86	Homelessness	62	(18)	44
136	Housing benefits payments	20,425	(20,474)	(49)
853		22,183	(21,475)	708
	Social Services:			
21	Service strategy	19	-	19
202	Older People (aged 65 or over including mentally ill)	262	(71)	191
223		281	(71)	210
15,989	Net cost of services – carried forward	52,453	(35,607)	16,846

Income & Expenditure Account (continued)

2005/06 Net Expenditure £'000	Continuing Operations	Note	2006/07 Net Expenditure £'000
<i>Restated - Note 11</i>			
15,989	Net cost of services – brought forward		16,846
791	Parish precepts		829
134	Deficits on trading undertakings not included in net cost of services	3	31
41	Interest payable		57
(1,267)	Interest & investment income		(1,381)
757	Pensions interest cost & expected return on pensions assets	22	339
16,445	Net operating expenditure		16,721
(6,156)	Demand on the collection fund		(6,515)
(6,921)	General government grants & Non-domestic rates redistribution	9	(8,463)
3,368	Deficit / (surplus) for the year	1	1,743
	<i>See note (a) below</i>		

The accompanying notes from an integral part of the Statement of Accounts.

Statement of Movement on the Council Fund

2005/06 £'000	Note	2006/07 £'000
<i>Restated - Note 11</i>		
(3,368)	Deficit for the year on the income & expenditure account	(1,743)
3,523	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council fund <i>(see note (b) below)</i>	1,961
155	Increase in the council fund for the year	218
6,376	Council fund as at 1 April	6,531
6,531	Council fund as at 31 March	6,749

- (a) The net operating expenses represents the true cost to the Council for the year before financing from capital grants and reserves. From the total operating expenses, only the government grant income has been allocated on the income and expenditure account to leave an apparent deficit for the year.
- (b) To determine the Council fund balance, capital financing is allocated and other adjustments made on the statement of movement on the Council fund to leave the true surplus or deficit on the Council fund for the year. **THE ACTUAL SURPLUS IN THE COUNCIL FUND FOR THE YEAR IS £218K (2005/06: £155k).**

This change in reporting followings amendments to the SORP, however readers should note that these changes have had no effect on the overall performance or financial standing of the Council. Refer to note 11 for more details.

Statement of Total Recognised Gains and Losses

2005/06		Note	2006/07
£'000			£'000
(3,368)	Deficit for the year on the income and expenditure account		(1,743)
3,013	Surplus arising on the revaluation of fixed assets	23a	10,741
2,078	Actuarial gains / (losses) on pension fund assets & liabilities	22	4,016
1,129	Other useable capital receipts	23c	922
120	Surplus arising from the collection fund		40
145	Other gains and losses		-
3,117	Total recognised gains for the year		13,976
(218)	Prior year adjustment	11c	-
2,899	Total recognised gains since last annual report		13,976

Balance Sheet

31 March 2006 £'000		Note	31 March 2007 £'000
<i>Restated - Note 11</i>			
Fixed Assets:			
<i>Operational Asset:</i>			
539	Council dwellings	12	524
73,826	Other land & buildings	12	81,426
2,197	Vehicles, plant, furniture & equipment	12	1,857
3,095	Infrastructure assets	12	2,888
3,409	Community assets	12	3,889
83,066	Total operational assets		90,584
<i>Non-operational Assets:</i>			
12,546	Investment properties	12	12,471
249	Assets under construction	12	128
95,861	Total fixed assets		103,183
201	Debtors	15	171
4,030	Long term investments	17	2,030
100,092	Total long term assets		105,384
Current Assets:			
50	Stock & work in progress	16	52
7,953	Debtors	15	6,078
15,025	Short term investments	17	22,000
45	Cash & bank		310
23,073	Total current assets		28,440
123,165	Total assets		133,824
Current Liabilities:			
228	Bank overdrafts		112
5,609	Creditors	18	6,245
636	Short term borrowing	19	785
6,473	Total current liabilities		7,142
116,692	Total assets less current liabilities		126,682
Long Term Liabilities:			
395	Deferred grants & credits	20	565
443	Deferred contributions	21	619
25,861	Liability related to defined benefit pension scheme	22	21,529
26,699	Total long term liabilities		22,713
89,993	Total assets less liabilities		103,969

Balance Sheet (continued)

31 March 2006		Note	31 March 2007
£'000			£'000
<i>Restated - Note 11</i>			
	Financed By:		
14,806	Fixed asset restatement account	23	24,805
70,105	Capital financing account	23	67,428
14,421	Usable capital receipts reserve	23	14,822
(25,861)	Pensions reserve	23	(21,529)
6,531	Council fund	23	6,749
9,517	Earmarked reserves	23	11,180
474	Collection fund	23	514
89,993	Total net worth		103,969

The Statement of Accounts were approved by:

Dev S Gopal
Acting as Chief Finance Officer



Date: 28 September 2007

Councillor John Graham
Leader of the Council



Date: 28 September 2007

The Cash Flow Statement

2005/06 £'000	Note	2006/07 £'000
Revenue Activities:		
<i>Cash Outflows:</i>		
(10,843)	Cash paid to and on behalf of employees	(11,741)
(16,535)	Other operating cash payments	(15,311)
(18,538)	Housing benefit paid out	(20,209)
(32,838)	National non-domestic rate payments to national pool	(35,264)
(43,444)	Precepts paid	(45,981)
(122,198)		(128,506)
<i>Cash Inflows:</i>		
44,893	Council tax receipts	47,187
2,708	National non-domestic rates from national pool	6,355
33,283	Non-domestic rate receipts	41,554
4,213	Revenue support grants	1,445
25,691	DWP grants for benefits	24,144
-	Other government grants	881
9,842	Cash received for goods & services	10,991
120,630		132,557
(1,568)	Net cash inflow / (outflow) from revenue activities	4,051
Returns on Investments and Servicing of Finance:		
<i>Cash Outflow:</i>		
(20)	Interest paid	(36)
<i>Cash Inflow:</i>		
1,297	Interest received	1,277
1,277	Net cash inflow from returns on investments and servicing of finance	1,241
Capital Activities:		
<i>Cash Outflows:</i>		
(3,167)	Purchase of fixed assets	(1,556)
-	Issue of short term loan	(500)
(69,370)	Purchase of long-term investments	(76,275)
(37)	Other capital cash payments	(16)
(72,574)		(78,347)
<i>Cash Inflow:</i>		
443	Sale of fixed assets	742
71,595	Sale of long-term investments	71,300
752	Capital grants	428
1,202	Other capital cash receipts	816
73,992		73,286
1,418	Net cash inflow from capital activities	(5,061)

The Cash Flow Statement (continued)

2005/06 £'000	Note	2006/07 £'000
Financing:		
<i>Cash Outflow:</i>		
(6,350)	Repayment of amounts borrowed	24c
		(1,000)
<i>Cash Inflows:</i>		
5,350	New short-term loans	24c
		1,150
(1,000)	<i>Net cash inflow/ (outflow) from financing</i>	150
127	Net increase / (decrease) in cash & equivalents	381
(310)	Opening cash & cash equivalents	(183)
(183)	Closing cash & cash equivalents	198
Cash & cash equivalents comprise:		
45	Cash at bank and in hand	24c
(228)	Bank overdrafts	24c
(183)	Closing cash & cash equivalents	24c
		198

3. Trading Operations

The Council has established 3 trading units where the service manager is required to operate in a commercial environment and balance the unit's budget by generating income from other parts of the Council or other organisations. Details of those units with a turnover of greater than £50k or a deficit of £10k in 2006/07 are as follows:

2005/06 Deficit / (Surplus) £'000		Expenditure £'000	(Income) £'000	2006/07 Deficit / (Surplus) £'000
<i>Restated – note 11</i>				
13	Building Control: The Regulations require Local Authorities to break even in their BRFE trading account over a three-year rolling period. The cumulative (surplus) / deficit is transferred to a separate holding account.	411	(415)	(4)
129	Cemeteries / Burial Grounds: The Council maintains two closed cemeteries (not available for burials) and one lawn cemetery that incurs expenditure – the trading objective is to minimise the subsidy funded from Council Tax.	161	(63)	98
(8)	Trade Refuse: The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	297	(360)	(63)
134	Net Deficit on Trading Accounts	869	(838)	31

In 2005/06 cemeteries / burial grounds expenditure included capital charges amounting to £23k. Following the prior year adjustment disclosed in note 11 these charges have been removed and the above comparatives have been restated accordingly.

4. Member Allowances

The following allowances were paid to members during the year:

2005/06 £'000		2006/07 £'000
Allowance:		
193	Basic allowance	198
108	Special responsibility allowance	113
1	Attendance allowance	1
7	Travel allowance	4
309	Total	316

5. Employees' Remuneration in Excess of £50,000

Under the Accounts and Audit Regulations 2003, Local Authorities are required to disclose the number of employees in the accounting period whose remuneration was £50k or more in bands of £10k. For this purpose, remuneration means all amounts paid to or receivable by an employee and includes sums due by way of taxable expenses and the estimated money value of any other benefits. Pension contributions payable by either employee or employer are excluded.

2005/06 Employees No.		2006/07 Employees No.
Remuneration Band:		
6	£50,000 - £59,999	8
-	£60,000 - £69,999	2
1	£70,000 - £79,999	-
-	£80,000 - £89,999	2
-	£90,000 - £99,999	-
-	£100,000 - £109,999	-
1	£110,000 - £120,000	1
8	Total	13

6. Operating Leases

The Council uses parks patrol vehicles, photocopiers, printing equipment, kitchen and fitness equipment financed under the terms of individual operating leases. At 31 March 2007 the Council had annual commitments amounting to £67k (2006: £65k) under non-cancellable operating leases as set out below:

2005/06 Other £'000		2006/07 Other £'000
Operating Leases Expiring:		
35	Within one year	1
30	More than one year but within five years	66
-	After five years	-

7. Audit Fees

During 2006/07 Hertsmere Borough Council incurred the following fees relating to external audit and inspection:

2005/06 £'000	2006/07 £'000
Audit Fees:	
103 External audit services carried out	121
15 Statutory inspection	14
13 Certification of grant claims and returns	20
131 Total	155

The audit costs includes CPA inspection costs carried out by the Audit Commission.

8. Discontinued Operations

All of the Council's operations were regarded as continuing activities.

9. General Government Grants & Non-domestic Rates Redistribution

During the year the Council received the following government grants:

2005/06 £'000	2006/07 £'000
General Government Grants:	
4,213 Revenue support grants	1,227
- Local authority business growth incentive grant	881
4,213	2,108
2,708 Non-domestic rates redistribution	6,355
6,921 Total	8,463

The local authority business growth incentive grant has been awarded by central government for the promotion of economic development within the Borough. Each individual authority may decide how to utilise this grant and the Council has this year decided to earmark the funds for future expenditure yet to be agreed.

10. Statement of Movement on the Council Fund

The income and expenditure account shows the Council's actual financial performance for the year and is measured in terms of resources consumed and generated. However, the Council is required to raise council tax on a different accounting basis with the two main differences being as follows:

- Capital investment is accounted for as it is financed rather than when the fixed asset is consumed; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The Council fund compares the Council's spending against the council tax it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future specific expenditure.

The following reconciliation statement summarises the differences between the outturn on the income and expenditure account and the Council fund:

2005/06 £'000	Notes	2006/07 £'000
Amounts Included in the Income and Expenditure Account but Required by Statute to be Excluded when Determining the Movement on the Council Fund:		
5,029	Depreciation and impairment of fixed assets	4,043
(1,213)	Amortisation of government grants deferred	(420)
607	Write downs of deferred charges to be financed from capital resources	416
2,062	Net charges made for retirement benefits in accordance with FRS 17	1,803
6,485		5,842
Amounts not Included in the Income and Expenditure Account but Required to be included by Statute when Determining the Movement on the Council Fund for the Year:		
(122)	Capital expenditure charged during the year to the Council fund balance	(99)
(2,375)	Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	(2,119)
(2,497)		(2,218)
Transfers to / (from) the Council Fund that are Required to be Taken in to Account when Determining the Movement on the Council Fund:		
(465)	Net transfers (to) / from earmarked reserves	(1,663)
3,523	Net Additional Amount Required by Statute and Non-statutory Proper Practices to be (Debited) or Credited to the Council Fund	1,961

11. Prior Year Adjustments

a. Amendments to the SORP

As a result of the change in the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP), the Council has adopted the following significant new accounting policies that have had an impact on the comparative figures (2005/06) in the Income and Expenditure Account:

- (1) Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.
- (2) Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.
- (3) Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.
- (4) The Council has this year accounted for deferred charges by service department rather than an operating expense.

The adoption of the new, and amendment to existing accounting policies have had the following impact on the current year comparative figures when compared with the amounts published in the 2005/06 Statement of Accounts.

Impact	Previously Reported in 2005/06 Accounts £'000	Remove Capital Finance Charges £'000	Reallocate Credits for Gov't Grants Deferred £'000	Reallocate Deferred Charges £'000	As Restated in 2006/07 Accounts £'000
		(1)	(2)	(4)	
<i>Previous Consolidated Revenue Account and Current Income and Expenditure Account</i>					
Net Cost of Services:					
Central services	3,708	(227)	-	6	3,487
Cultural & related services	5,946	(1,654)	-	75	4,367
Environmental services	5,307	(65)	(709)	-	4,533
Planning & development services	2,472	(1,036)	(504)	353	1,285
Highways, roads & transport services	1,537	(296)	-	-	1,241
Housing services	928	(248)	-	173	853
Social Services	223	-	-	-	223
Impact on Net Cost of Services	20,121	(3,526)	(1,213)	607	15,989
Net Operating Expenditure:					
Parish precepts	791	-	-	-	791
Trading accounts	157	(23)	-	-	134
Deferred charges & capital outlay	607	-	-	(607)	-
Asset management revenue account	(3,508)	3,508	-	-	-
Interest payable	-	41	-	-	41
Interest & investment income	(1,267)	-	-	-	(1,267)
Pension interest cost & expected return on assets	757	-	-	-	757
Impact on Net Operating Expenditure	17,658	-	(1,213)	-	16,445

In order to comply with UK GAAP, amendments to the SORP have also resulted in the removal of the Consolidated Revenue Accounts (CRA) as reported in the 2005/06 accounts and replacing it with Income and Expenditure Account (I&E). While these amendments have had no effect on Council fund carried forward, certain items previously shown on the CRA are now represented as a reserves adjustments, and as a result the net surplus for the year comparative figure in this year's Income & Expenditure Account differs from the net surplus reported in the published 2005/06 CRA.

	(Surplus) / Deficit for the Year £'000
(Surplus) / Deficit for the Year:	
As previously reported in the 2005/06 Consolidated Revenue Account	(155)
Net amounts required under SORP 2006 to be disclosed as a movement in the Council fund (note 10)	3,523
As restated as a 2005/06 comparative in the 2006/07 income and expenditure account	3,368

b. Recognition of S.106 restricted funds

In previous accounting periods all S.106 restricted funds received for the purpose of third party projects were included as part of earmarked reserves. On the basis that the all unspent funds are repayable to the originator and the Council bears no influence over the funds, the Council has determined that these funds do not form part of its reserves and should therefore not be accounted for as such.

The amendment of the accounting policies have had the following impact on the current year comparative figures when compared with the amounts published in the 2005/06 Statement of Accounts.

<i>Balance Sheet</i>	Previously Reported in 2005/06 Accounts £'000	Reallocate S.106 Funds £'000	As Restated in 2006/07 Accounts £'000
Current & Long Term Liabilities:			
Receipts in advance	-	442	442
Total Net Worth:			
Earmarked reserves	9,959	(442)	9,517

c. Statement of Total Recognised Gains and Losses

The current year is the first where the SORP requires the Council to prepare a Statement of Total Recognised Gains and Losses. Whilst there is no restatement of comparatives required, as a result of the above adjustment there has been a change in the reserves brought forward as at 1 April 2005 and the adjustment of £218k is reflected on the Statement of Total Recognised Gains and Losses on page 46.

12. Fixed Assets

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Community £'000	Investment Properties £'000	Assets Under Construction £'000	Total £'000
Cost or Valuations:								
At 1 April 2006	565	81,989	7,774	5,104	6,122	12,729	249	114,532
Additions	-	-	787	11	150	61	357	1,366
Disposals	-	(18)	-	-	-	(724)	-	(742)
Revaluation	(4)	2,067	-	-	-	634	-	2,697
Transfers	-	142	(103)	(5)	478	(34)	(478)	-
At 31 March 2007	561	84,180	8,458	5,110	6,750	12,666	128	117,853
Depreciation:								
At 1 April 2006	26	8,163	5,577	2,009	2,713	183	-	18,671
Charge in year	13	2,583	1,066	214	148	19	-	4,043
Disposals	-	-	-	-	-	-	-	-
Revaluation adjustments	(2)	(8,042)	-	-	-	-	-	(8,044)
Transfers	-	50	(42)	(1)	-	(7)	-	-
At 31 March 2007	37	2,754	6,601	2,222	2,861	195	-	14,670
Net Book Value:								
At 31 March 2007	524	81,426	1,857	2,888	3,889	12,471	128	103,183
At 31 March 2006	539	73,826	2,197	3,095	3,409	12,546	249	95,861

During the year assets revalued at £742k were disposed of at their market value resulting in a surplus reported on the income & expenditure account of £nil.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by the Council's Estate Valuer (Neville Thompson M.R.I.C.S.) as at the balance sheet date. The basis for valuation is set out in the statement of accounting policies.

Valued at historical cost	-	2,099	8,458	5,060	6,750	61	128	22,556
Valued at current value in:								
current year	(4)	2,067	-	-	-	634	-	2,697
previous years	565	80,014	-	50	-	11,971	-	92,600
Total	561	84,180	8,458	5,110	6,750	12,666	128	117,853

Analysis of Fixed Assets

31 March 2006 No.		31 March 2007 No.
6	Allotments	6
18	Car parks	18
1	Caravan site	1
3	Cemetery	3
1	Civic offices	1
5	Council dwellings	5
4	Depots	4
1	Film studio	1
112	Garages	112
1	Golf & country club	1
85	Ground rents	82
9	Industrial estate units	9
9	Investment properties	9
11	Leisure centres & community halls	11
1	Museum	1
45	Parks, fields & open spaces	45
6	Pavilions	6
20	Playing fields & sports fields	20
4	Public conveniences	4
84	Shops & flats	87
140	Land sites	133

The freehold and leasehold properties, which comprise the Council's property portfolio, have been valued as at 31 March 2007 by the Council's internal Estates Valuer (Neville Thomson M.R.I.C.S) in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. Only certain of the Council's properties have been re-valued in accordance with the rolling revaluation programme.

Properties regarded by the Council as non-operational have been valued on the basis of open market value.

13. Capital Financing Statement

2005/06 £'000		2006/07 £'000
	Capital Expenditure During the Year:	
114	Other land & buildings	-
2,095	Vehicles plant & equipment	787
8	Roads & infrastructure	11
31	Community assets	150
-	Investment properties	61
249	Assets under construction	357
2,497	Total expenditure capitalised during the year	1,366
510	Deferred charges & abortive costs (<i>note 14</i>)	416
3,007	Total Capital Expenditure	1,782
	Financed as Follows:	
171	Revenue contribution (<i>note 23b</i>)	99
1,213	Government grants (<i>note 23b</i>)	420
1,623	Capital receipt allocations (<i>note 23b</i>)	1,263
3,007	Total	1,782

Commitments under Capital Contracts

	2006/07 £'000
Significant Projects Undertaken During the Year:	
Potters Bar town centre improvements	139
Central heating installation in council flats	70
Bushey golf & country club	112
Development of e-government	86
Waste depot	39
Renewal of cleansing vehicles / recycling expansion/ operational eyesore	358
Skate parks	229
Hertswood Community Theatre	128
Disability access grants	188
Replacement of leisure centre equipment	134
<hr/>	
	2007/08 Onwards £'000
Remaining Budget on Commitments:	
Bushey Grove leisure centre	340
Disability access	84
Day care facilities in Borehamwood	539
Hertswood Community Theatre	1,422
Sports pavilions / pitches - enhancement	242
Elstree film studios	252
Bushey Golf & Country Club works	209
Crime and disorder – major initiatives	186
Replacement of leisure centre equipment	378
E-government – development	407
Wylllyots Centre - improvements	995
Civic offices – new windows	300
Civic offices – heating and ventilation	77
Venue alterations	167
Rose garden	329
Other	701
Total	6,628

14. Deferred Charges

Deferred charges are created when expenditure has been incurred on items that are not capitalised as fixed assets, but have been financed from capital resources. Deferred charges are written down to the income & expenditure account over an appropriate period, usually in the same year in which the expenditure is incurred.

2005/06 Total £'000	Improvements Grants £'000	Other £'000	2006/07 Total £'000
- At 1 April 2006	-	-	-
Expenditure in the Year:			
607 Transfer from fixed assets	154	262	416
(607) Write down in year	(154)	(262)	(416)
- At 31 March 2007	-	-	-

15. Debtors

31 March 2006		31 March 2007
£'000		£'000
	Amounts Receivable Within One Year:	
24	Loans to voluntary organisations	-
3,196	Sundry debtors & accrued income	2,729
34	Council house mortgages	32
47	Employee car loans	54
-	Loan to subsidiary	500
154	Customs and Excise	102
4,387	Community charge, NNDR and council tax	2,252
-	Due from Government departments	321
111	Prepayments	88
7,953	Total	6,078
	Amounts Receivable After One Year:	
69	Employee car loans	76
132	Council house mortgages	95
201	Total	171

Sundry debtors and accrued income are shown net of bad debt provisions as follows:

31 March 2006		31 March 2007
£'000		£'000
	Bad Debt Provisions:	
374	Council fund	425
894	Collection fund	1,033
1,268	Total	1,458

16. Stock and Work in Progress

Stock and Work in Progress consists of the following at 31 March 2007.

31 March 2006		31 March 2007
£'000		£'000
5	Office stock	4
42	Hertsmere contract services	45
3	Other items	3
50	Total	52

17. Investments

Short term and long term investments are limited to institutions appearing on the Council's approved list, which is regularly reviewed and updated to ensure the Council's investments are safeguarded and that a reasonable rate of return is received. The average interest rate received on core investments during the year was 4.91% (2005/06: 4.72%).

Investments held as at 31 March 2007 were as follows:

31 March 2006 £'000		31 March 2007 £'000
	Long Term Investments:	
-	Investments in subsidiaries & related parties	-
4,000	Building societies	2,000
30	Banks and local authorities	30
4,030	Total	2,030
	Short Term Investments:	
8,000	Building societies	11,000
7,025	Banks and local authorities	11,000
15,025	Total	22,000

Investments in subsidiaries & related parties represents a £1 share holding in each of Bushey Golf and Country Club, Elstree Film Studios Limited and Elstree Film & Television Studios Limited.

Short-term investments are held for periods of one year or less.

18. Creditors

31 March 2006 £'000		31 March 2007 £'000
	Amounts Payable Within One Year:	
9	Mortgages	8
2,130	Sundry creditors	1,983
1,937	Receipts in advance	4,254
1,533	Government departments	-
5,609	Total	6,245

19. Short Term Borrowings

As at 31 March 2007 the Council had loans falling due within one year amounting to £785k (2006: £636k), the total being payable to Bushey Country Club, a related party.

20. Deferred Capital Grants & Credits

Deferred capital grants & credits as at 31 March 2007 were as follows:

31 March 2006		Grants	Credits	31 March 2007
Total		£'000	£'000	Total
£'000				£'000
602	As at 1 April	230	165	395
	Received:			
1,117	Grants received	628	-	628
	Released:			
(1,213)	Released to capital financing account	(420)	-	(420)
(111)	Released to useable capital receipts	-	(38)	(38)
(1,324)		(420)	(38)	(458)
395	As at 31 March	438	127	565

Deferred credits are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of former council houses, which form part of the council house mortgages balance shown on the balance sheet.

Deferred grants as at 31 March 2007 were made up as follows:

31 March 2006	31 March 2007
£'000	£'000
Deferred Grants:	
- Housing capital grants	232
- Safer Stronger Communities grant	54
230 E-Government	144
- Other	8
230 Total	438

21. Deferred Contributions

Deferred contributions represents Section 106 monies received from developers. Section 106 receipts are amounts paid to the Council by developers as a result of the granting of planning permission where improvement or new facility works are required as part of the condition of granting the planning permission. The responsibility to carry out the works is with the Council, however the monies are restricted to being spent only in accordance with agreement concluded with the developer and is repayable in the even that there is surplus funds remaining following completion of the contract or that the project is ceased following the agreement of both parties.

A summary of the major Section 106 balances held as at 31 March 2007 are as follows:

31 March 2006	Receipts	Utilised	31 March 2007
£'000	£'000	£'000	£'000
	Section 106 Receipts > £50k:		
129	Melrose Avenue	7	136
193	Aldenham Road, Bushey	10	203
-	Brent Timber, Bushey	102	102
121	Other	120	178
443	Total	(63)	619

Receipts include interest payable by the Council of £26k. Section 106 monies were disclosed as earmarked reserves in previous years accounts and have been amended through a prior year adjustment (note 11).

22. Defined Benefit Pension Scheme

The Council participates in the Hertfordshire Local Government Pension Scheme, which is administered by Hertfordshire County Council, to provide members with defined benefit pension scheme related to pay and service.

The Council has recognised the cost of retirement benefits in net cost of services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the statement of movement in the Council fund.

The following transactions are included in the income and expenditure account and statement of movement in the Council fund during the year:

2005/06 £'000	Income and Expenditure Account	2006/07 £'000
	Net Cost of Services:	
1,054	Current service cost	1,431
31	Past service cost	3
220	Gains / (Losses) on settlements and curtailments	30
1,305	Total net cost of services	1,464
	Net Operating Expenditure:	
3,571	Interest costs	3,772
(2,814)	Expected return on assets in the scheme	(3,433)
757		339
2,062	Net charge to the income and expenditure account	1,803
	Statement of Movement in the Council Fund:	
(2,062)	Reversal on net charges made for retirement benefits in accordance with FRS 17	(1,803)
	<i>Actual amount charged against the Council fund for pensions for the year:</i>	
2,375	Employer's contributions payable to the scheme	2,119

Local authorities are required to disclose the cost of any discretionary increases in pension payments (e.g. discretionary added years) agreed by the Council. In addition any payments towards these costs must be disclosed. This applies to in year payments and those in earlier years for which payments are still being made. For the Council the costs of discretionary increases awarded and payments made towards these costs is laid out in the table below:

	Cost of Discretionary Increases Awarded	Payments made during 2006/07
	£	£
Retirements during 2006/07	31,492	31,492

Further information can be found in Hertfordshire Local Government Pension Scheme Annual report, which is available upon request from:

Hertfordshire County Council
Corporate Services
County Hall
Hertford
Hertfordshire
SG13 8DQ

In accordance with the requirements of Financial Reporting Standard No 17 – Retirement Benefits (FRS 17) the Council has to disclose its share of assets and liabilities relating to the pension schemes of its employees.

The amounts stated below have been provided by the Actuary to the Hertfordshire Local Government Pension Scheme using information provided by the scheme and the assumptions determined by the Council in conjunction with the Actuary.

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

The following table discloses the Council's share of assets and liabilities at 31 March 2007 in the pension fund:

31 March 2006		31 March 2007
£'000		£'000
	Share of Assets & Liabilities in the Hertfordshire Local Government Pension Scheme:	
51,515	Share of assets	54,671
(77,376)	Estimated liabilities	(76,200)
(25,861)	Net share of pension liabilities	(21,529)

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability has a substantial negative impact on the net worth of the Council as recorded in the balance sheet, however the short term effect of this liability will be minimal as the deficit will be recovered by increased contributions over the remaining working life of employees, as assessed by the schemes Actuary.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the council's retirement benefit liabilities as at 31 March 2007 does not include any allowance for this change to the pension scheme.

Assets in the Hertfordshire Local Government Pension Scheme are valued at fair value and consist of the following categories:

31 March 2006			31 March 2007	
Fair Value	Expected Return		Fair Value	Expected Return
£'000	%		£'000	%
		Share of Assets:		
39,442	7.4%	Equity investments	41,852	7.8%
6,534	4.6%	Bonds	6,182	4.9%
2,846	5.5%	Property	3,167	5.8%
2,693	4.6%	Cash	3,470	4.9%
51,515	6.8%	Total	54,671	7.2%

Liabilities have been assessed on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The estimated liabilities are based on a valuation as at 31 March 2004 and are updated to the current year by Hymans Robertson, the Independent Actuary to Hertfordshire Local Government Pension Scheme.

The main assumptions used in their calculations are:

2005/06 %		2006/07 %
Rate per Annum:		
3.1%	Inflation	3.2%
4.6%	Increase in salaries	4.7%
3.1%	Increase in pensions	3.2%
4.9%	Discounting scheme liabilities	5.4%

The actuarial gains identified as movements on the Pension Reserve during the year can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

2002/03 £'000	2003/04 £'000	2004/05 £'000	2005/06 £'000		2006/07 £'000
(10,660)	5,247	1,170	8,219	Differences between the expected & actual return on assets	(143)
(33.3%)	13.4%	3.0%	16.2%		(0.1%)
(3,320)	-	(2,335)	1,926	Differences between actuarial assumptions about liabilities & actual experience	1
(6.1%)	-	(3.4%)	2.5%		0.0%
-	-	(10,418)	(8,067)	Changes in the demographic & financial assumptions used to estimate liabilities	4,158
-	-	(15.3%)	(10.4%)		5.4%
(13,980)	5,247	(11,583)	2,078	Total actuarial gains / (losses) recognised in the statement of total recognised gains & losses	4,016
(25.7%)	9.3%	(17.1%)	2.7%		5.3%

23. Reserves

The Council maintains a number of reserves in the Balance Sheet. Some reserves are required for statutory reasons while others have been established voluntarily in order to earmark resources for future spending plans.

As at 1 April 2006 £'000		Transferred from / (to) Revenue £'000	Other Movements £'000	As at 31 March 2007 £'000
<i>Restated – note 11</i>				
	Reserve:			
14,806	Fixed asset restatement account	(742)	10,741	24,805
70,105	Capital financing account	(3,940)	1,263	67,428
14,421	Usable capital receipts reserve	742	(341)	14,822
(25,861)	Pensions reserve	316	4,016	(21,529)
6,531	Council fund	218	-	6,749
9,517	Earmarked reserves	1,663	-	11,180
474	Collection fund	-	40	514
89,993	Total	(1,743)	15,719	103,969

a. *Fixed Asset Restatement Account*

Following the introduction of the Capital Accounting Scheme, the Fixed Asset Restatement Account has been established and represents accumulated gains on the revaluation of fixed assets since the introduction of the scheme. Disposals from the reserve represent the removal of revaluation gains on assets disposals.

A detailed summary of the movement in the reserve during the year is as follows:

2005/06 £'000	2006/07 £'000
Fixed Asset Restatement Account:	
12,126 As at 1 April	14,806
(333) Disposals during the year (<i>note 12</i>)	(742)
3,013 Gains on revaluations during the year (<i>note 12</i>)	10,741
14,806 As at 31 March	24,805

b. *Capital Financing Account*

The Capital Financing Account contains amounts required by statute to be set aside from capital receipts for the repayment of external loans and the amount of expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The Council is debt free (provision for credit liabilities exceeds the outstanding external debt) and consequently makes no provision for set aside receipts or minimum revenue provision except for repayment of loans to Housing Associations.

A detailed summary of the movement in the account during the year is as follows:

2005/06 £'000	2006/07 £'000
Capital Financing Account:	
72,638 As at 1 April	70,105
Capital financing:	
1,623 Usable capital receipts (<i>note 23 c</i>)	1,263
267 Revenue financing and capital outlay (<i>note 10</i>)	99
1,213 Released from government grants (<i>note 20</i>)	420
(5,636) Depreciation and deferred charges (<i>note 10</i>)	(4,459)
70,105 As at 31 March	67,428

c. *Usable Capital Receipts Reserve*

The Usable Capital Receipts Reserve represents proceeds from the sale of fixed assets, which are restricted in order to finance future capital investment.

A detailed summary of the movement in the reserve during the year is as follows:

2005/06 £'000	2006/07 £'000
Usable Capital Receipts Reserve:	
14,582 As at 1 April	14,421
333 Receipts during the year from sale of fixed assets (<i>note 12</i>)	742
1,129 Other capital receipts	922
(1,623) Receipts applied during the year (<i>note 23 b</i>)	(1,263)
14,421 As at 31 March	14,822

d. Pension Reserve

The Pension Reserve is a balancing account, as required under FRS 17, to allow the inclusion of the Liability arising from the Council's participation in the Hertfordshire Local Government Pension Scheme.

A detailed summary of the movement in the reserve during the year is as follows:

2005/06 £'000	2006/07 £'000
Pension Reserve:	
(28,252) As at 1 April	(25,861)
2,078 Actuarial gains (<i>note 22</i>)	4,016
(2,062) Net charge to the income and expenditure account (<i>note 10</i>)	(1,803)
2,375 Employers contribution payable to scheme (<i>note 10</i>)	2,119
(25,861) As at 31 March	(21,529)

e. Council Fund

The Council fund represents resources available to finance future running costs of the Council. Any surplus or deficit arising during the year from ordinary activities is transferred to the reserve, which subsequently may be used for future revenue or capital financing.

A detailed summary of the movement in the reserve during the year is shown in note 10.

f. Earmarked Reserves

Earmarked Reserves represents funds retained voluntarily for use on specific projects or causes.

A detailed summary of the movement in the reserve during the year is as follows:

2005/06 £'000	2006/07 £'000
<i>Restated – note 11</i>	
Earmarked Reserve:	
9,045 As at 1 April	9,510
465 Net transfer from / (to) the Council fund (<i>note 10</i>)	1,663
9,510 As at 31 March	11,173
7 Non HRA Tenants Reserve:	7
9,517 Total earmarked reserves carried forward (<i>see below</i>)	11,180

g. *Financial Reserves*

The ability to establish "funds" was changed under the Local Government and Housing Act 1989. The power to raise financial reserves replaces the former provisions on special funds. Financial reserves now fulfil the same function as revenue balances and special funds under the former legislation.

h. *Use of Reserves*

The Fixed Asset Restatement Account and Capital Financing Account cannot be called upon to support spending. However, the Usable Capital Receipts Reserve can be used to meet expenditure designated as expenditure for capital purposes and Revenue Reserves may be used to meet both capital and revenue expenditure.

24. Cash Flow Statementa. *Analysis of Other Government Grants*

2005/06 £'000	2006/07 £'000
Other:	
- Local Authority Business Growth Incentive	881
- Total	881

b. *Reconciliation of Deficit for the Year to Net Cash Inflow / (Outflow) from Revenue Activities*

2005/06 £'000	2006/07 £'000
Surplus / (Deficit) for the Year:	
(3,368) Income and expenditure account (<i>Restated – note 11</i>)	(1,743)
120 Collection fund	40
(3,248)	(1,703)
Adjustments for Non-cash Transactions:	
5,029 Depreciation	4,043
607 Deferred charges	416
(1,213) Government grants deferred amortisation	(420)
- Loss on disposal of fixed assets	-
234 Provisions contributed for bad debts	190
313 Non cash pension costs	(316)
4,970	3,913
Movement in Working Capital:	
(3) Decrease / (Increase) in stock	(2)
(2,398) Decrease / (Increase) in revenue debtors	2,419
310 Increase / (decrease) in revenue creditors	748
(2,091)	3,165
Classification Adjustments:	
67 Interest payable	57
(1,266) Interest receivable	(1,381)
(1,199)	(1,324)
(1,568) Net cash inflow / (outflow) from revenue activities	4,051

c. *Reconciliation of Movement in Net Debt*

As at 1 April 2006 £'000	Issue of Debt £'000	Repayment of Debt £'000	Other Movements £'000	As at 1 March 2007 £'000
Cash & Equivalents:				
45	1,150	(1,000)	115	310
(228)	-	-	116	(112)
(183)	1,150	(1,000)	231	198
Debt:				
(636)	(1,150)	1,000	1	(785)
(819)	-	-	232	(587)

25. Minimum Revenue Provision

The Council is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt. The SORP requires that authorities regard their annual depreciation charge as if it were part of the MRP. The difference between the depreciation charges, impairment of fixed assets, amortisations from government-deferred account, write-down of improvement grants and the MRP should be charged to revenue and transferred to Capital Financing Account. The Council has no need to make a charge for MRP as following the Large Scale Voluntary Transfer (LSVT) of Housing Stock the Council is debt free.

26. Contingent Assets

In 1994, the Council sold its housing stock to two Housing Associations at below the market value as tenants were still occupying the homes. The agreement signed between the Council and the Housing Associations stipulated that any eventual sale of these properties (right to buy) would result in part of the proceeds reverting back to the Council. However, the quantum of any future revenue cannot be reasonably determined as the Council is not aware, at this stage, the number of properties to be sold. The agreement with the Housing Associations is coming to its end period and the Council is not anticipating any significant capital receipts from this.

27. Contingent Liabilities

There are currently two litigious actions in progress against the Council or related parties, whereby more than nominal damages are sought but the precise amounts cannot yet be quantified nor the date of resolution be determined:

- (i) A claim from an employee against the Council alleging unlawful discrimination; and
- (ii) A claim from a former employee of Elstree Film and Television Studios Ltd against that company alleging age discrimination, unfair dismissal and failure to comply with the requirements of the Transfer of Undertakings (Protection of Employment) Regulations 2006, of which the Council is joined as a respondent.

Both claims are contested in full.

The information usually required under FRS12 (Provisions, Contingent Liabilities and Contingent Assets) has not been disclosed on the grounds that it can be expected to prejudice seriously both the outcome of the litigations, and the prospects for a settlement. The Leader and Chief Finance Officer are of the opinion that the claim can be successfully resisted by the Council.

As at 31 March 2007 insurance excess liabilities of approximately £nil (2006: £10k) were outstanding. No provision has been made in the accounts as the amount was regarded as not being material.

28. Euro Preparation Costs

The Council does not expect to incur any significant direct costs in advance of the decision for the United Kingdom to join Stage 3 of economic monetary union. The Council's strategy to implement future schemes will identify Euro preparations as a factor to be included in functional specifications. Risk assessment will then be undertaken before commitment is made, to ensure that the Council does not incur unnecessary expenditure if the outcome of the referendum results in the United Kingdom not joining the single currency.

29. Related Party Transactions

The Council is required to disclose all material related party transactions included within these Statement of Accounts. Related parties of the Council include:

- Central Government
- Other Local Authorities and other bodies precepting or levying demands on the council tax
- Subsidiary and associated companies
- Joint ventures and joint venture partners
- Its Members and Chief Officers

Members & Chief Officers

Chief officers are entitled to receive car loans from the Council. During the year loans amounting to £23k (2005/06: £44k) were made to chief officers, repayments of £18k (2005/06: £19k) were received and £47k was receivable at 31 March 2007 (2006: £43k).

Pension Fund

Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 22.

Bushey Country Club Limited

The entity is a wholly (100%) owned subsidiary of the Council, and is termed as a 'Controlled Company'.

The Company manages the following activities on the site: Golf (inc. Driving Range), Health & Fitness Suite, Bars and Banqueting & General Catering. The Council owns the two allocated shares that have been appropriated from the Company's authorised share capital and, therefore, is committed to meet any future Company deficits should they occur.

A summary of the Company's draft unaudited financial results for the year ended 31 March 2007 are as follows:

2005/06 £'000	2006/07 £'000
Financial Statements:	
- Net profit for the year after taxation	-
108 Rent paid to Hertsmere Borough Council	97
108 Net profit for the year after taxation excluding rent paid	97
1 Net assets as at 31 March	1
1 Accumulated profit as at 31 March	1
1 Total shareholders funds	1
Other Disclosures:	
20 Other rents received by Council from company tenants	29
590 Due to Hertsmere Borough Council	887
636 Due from Hertsmere Borough Council	785

Elstree Film & Television Studios Limited

On 31 March 2000, a new company was incorporated to operate the infrastructure employed at Elstree Film and Television Studios in Borehamwood. The Council was issued a preference share in the company and allowed to appoint directors to the Company's board of directors. The arrangement with the Studios consists of a lease agreement, which commenced on 27 January 2005 and terminated on 31 March 2007. This lease agreement included a fixed base rent. As a consequence of this arrangement, the Council is not liable to meet any trading losses that may result from the operation of the company.

The company provides the infrastructure for television and film productions with notable programmes such as "Who wants to be a Millionaire" and "Big Brother".

Since the regulations require disclosure of material transactions with related parties that can be controlled or influenced by the Council, it was determined that financial dealings with the Company should also be included within this note. A summary of the Company's draft unaudited financial results for the year ended 31 March 2007 are as follows:

2005/06 £'000		2006/07 £'000
Financial Statements:		
73	Net profit for the year after taxation	471
800	Rent paid to the Council	800
873	Net profit after taxation excluding rent paid	1,271
137	Net Assets as at 31 March	577
135	Accumulated Profit as at 31 March	575
137	Total Shareholders Funds	577

The Council is currently working towards securing the long-term future of the studios.

Elstree Film Studios Limited

On 25 November 2003 a new company was incorporated which remained dormant until 31 March 2007. The Company, a wholly owned subsidiary of the Council, began trading from 1 April 2007 and continued the operation of the Elstree Film and Television Studio following the expiration of the existing arrangement between the Council and Elstree Film & Television Studios Limited (see related party transactions note). On 31 March 2007 the Council made a short term interest bearing loan to the Company amounting to £500k, which was repaid shortly after the year end.

Hertsmere Leisure

On 1 February 2002, the Council exercised its powers under section 19(3) of the Local Government (Miscellaneous Provisions) Act 1976 and Section 145 Local Government Act 1972 to set up a charitable trust ("Hertsmere Leisure") for the statutory provision of community arts and recreational services.

The trust is governed by a board of directors that is totally independent of the Council. The trust has also gained charitable status, which means that it is operating as a not-for-profit distributing organisation (NPDO).

In order to protect the interests of both parties to this arrangement, the following financial issues have been incorporated into the legal documents of the transfer: -

- (a) The Council does not grant any operating subsidy to Hertsmere Leisure Trust. The Council contributes towards landlords responsibility of building maintenance and any capital.
- (b) The Council has agreed for Hertsmere Leisure to manage the leisure facilities until March 2012. The leases made provision to invoke a mutual break clause after two years and two months and on expiry of six monthly intervals thereafter.

(c) The building maintenance will be based on a landlord/tenant split, with the Council retaining the major structural responsibilities as the landlord, in accordance with a schedule, together with the items of equipment with a value, which exceeds £1,000 and Information Technology equipment with a value that exceeds £100. Hertsmere Leisure as a tenant will be responsible for internal repairs and responsive maintenance, and replacing minor items of equipment.

Hertsmere Leisure has been operating since February 2002. A summary of the Trust's draft unaudited financial results for the year ended 31 March 2007 is as follows:

2005/06 £'000	2006/07 £'000
Financial Statements:	
32 Net surplus for the Year	226
(71) Net assets as at 31 March	666
(71) Accumulated unrestricted income fund	666

30. Post Balance Sheet Event

These are events that occur between the Balance Sheet date and the date the accounts are signed by the Responsible Financial Officer, which might have a bearing upon the financial results of the past year. There are two types of Post Balance Sheet events:

- Adjusting Events – require changes to the financial statements because the new information provides evidence about conditions that existed at the Balance Sheet date.
- Non-Adjusting Events – require disclosure only (no adjustment to financial statements) because the new information provides evidence on conditions that did not exist at the balance sheet date. These disclosures need to be made if the evidence is material enough to impact on the fair presentation of the accounts.

The Council does not have any adjusting post balance sheet events between 31 March 2007 and 28 September 2007.

Hertfordshire Local Government Pension Scheme

As at 29 September 2007 (the latest available date for which information was available), the value of investments in the Hertfordshire Local Government Pension Scheme has not recorded significant change. The effect of any future changes on pension liabilities is being monitored by the scheme's Actuary, who will advise the Council accordingly.

The Collection Fund

2005/06 £'000		Note	2006/07 £'000
	Income:		
44,520	Council tax		46,913
4,797	Council tax benefits		5,154
29,025	Income from non-domestic rates		36,421
78,342	Total income		88,488
	Expenditure:		
48,611	Precept and demands	2	51,478
198	Prior year's surplus distribution:	3	190
388	Provision for irrecoverable council tax debts	4	359
	Non-domestic rates:		
28,881	Payment to national pool	5	36,281
144	Costs of collection		140
78,222	Total expenditure		88,448
120	Surplus for the year		40
354	As at 1 April		474
474	As at 31 March		514

Notes to the Collection Fund

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. It shows the transactions of the Council in relation to non-domestic rates and the Council Tax. It illustrates the way in which these have been distributed to preceptors and the general fund. The collection fund is consolidated with other accounts of the Council and is prepared on an accruals basis.

2. Precepts & Demands

During the year the following authorities made precepts or demands on the collection fund of the Council.

2005/06 £'000		2006/07 £'000
	Authority:	
37,704	Hertfordshire County Council	39,927
4,744	Hertfordshire Police Constabulary	5,026
5,372	Hertsmere Borough Council	5,696
457	Aldenham Parish Council	481
274	Elstree & Borehamwood Town Council	287
60	Shenley Parish Council	60
-	Ridge Parish Council	1
48,611	Total	51,478

3. Contributions to Collection Fund Surpluses and Deficits

During the year the Council distributed accumulated surpluses and collected deficits relating to previous years from the following authorities:

2005/06 £'000		2006/07 £'000
	Authority:	
184	Hertfordshire County Council	177
21	Hertfordshire Police Constabulary	22
(7)	Hertsmere Borough Council	(9)
198	Net amount distributed	190

The collection fund surplus balance at the year-end will be distributed to authorities in subsequent years in proportion to the value of their respective precepts and demand on the collection fund.

4. Provision for Irrecoverable Council Tax Debts

During the year contributions were made to a provision for irrecoverable council tax amounting to £359k (2005/06: £388k) and £236k (2005/06: £286k) irrecoverable debts were written off.

5. Income from Business Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. During the year the rate with Small Business Relief was 42.6p (2005/06: 41.5p) and 43.3p (2005/06: 42.2p) with no relief. The total rateable value of properties at the year end amounted to £103.8m (2006: £103.8m). The total amount, less certain reliefs and other deductions, is paid to the 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.

2005/06 £'000		2006/07 £'000
	Income from Business Rates:	
29,706	Gross rates payable	36,619
(825)	Less allowances and other adjustments	(338)
28,881	Net contribution to the national non-domestic rates pool	36,281

6. Council Tax

This tax is a property-based tax and assumes that two adults are resident in the property. Discounts are available where less than two adults reside. The discount for second properties is 10% and no discount is allowed on long-term empty properties. Properties are placed into one of eight valuation bands. The base, upon which the council tax is calculated, is the total number of dwellings in each valuation band (after adjusting for discounted dwellings) and converted to an equivalent number of Band D dwellings. For 2006/07 the numbers as approved by full Council on 11 January 2006 (Ref: C/06/01) were as follows:

Band	Valuation £	Dwellings (excl discounts) No.	Equivalent Band D Dwellings (incl discounts) No.
A	Up to 40,000	411	274
B	40,001 to 52,000	2,202	1,713
C	52,001 to 68,000	5,083	4,518
D	68,001 to 88,000	11,716	11,716
E	88,001 to 120,000	7,638	9,335
F	120,001 to 160,000	3,384	4,888
G	160,001 to 320,000	3,986	6,643
H	Over 320,000	742	1,484
Total number of equivalent band D dwellings			40,571
Assumption of 99% collection			40,165
Number of equivalent band D of contribution in lieu			372
Total tax base			40,537

The Council's own tax charge was calculated as follows:

2005/06 No		2006/07 No
40,180	Number of equivalent band D properties	40,537
£		£
18,796,360	Net budget for the year:	20,509,920
Add:		
678,630	Earmarked spending for drainage schemes	-
Less:		
(7,129,170)	Capital charges	(7,228,260)
(15,000)	Interest from mortgages	(13,500)
(4,213,350)	Revenue support grant	(1,226,720)
(2,708,360)	Contribution from NNDR pool	(6,354,900)
(44,310)	Human resources strategy reserve	-
5,364,800	Council demand from the collection fund	5,686,540
790,588	Add parish/town precepts	828,916
7,021	Collection fund adjustment	9,380
6,162,409	Total council tax for collection	6,524,836
153.37	'Average' band D council tax levy	160.96

The rates disclosed above are 'average' council tax levies based on the total tax base. When the actual tax liabilities are calculated, the amount payable is adjusted for special expenses applicable to each area and then divided by the number of Band D equivalent properties in each parish/town district.

The amounts charged for each band applicable to Hertsmere Borough Council is as follows:

Band	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Hertsmere and Parish Charges:								
Aldenham	149.16	174.02	198.88	223.74	273.46	323.18	372.90	447.48
Elstree & Borehamwood	109.13	127.32	145.51	163.70	200.08	236.46	272.83	327.40
Shenley	116.66	136.10	155.55	174.99	213.88	252.76	291.65	349.98
Ridge	100.75	117.55	134.34	151.13	184.71	218.30	251.88	302.26
Bushey & Potters Bar	95.43	111.34	127.24	143.15	174.96	206.77	238.58	286.30

The total amount payable when combined with Hertfordshire Council & Hertfordshire Police Constabulary levies is as follows:

Band	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
County, Hertsmere and Parish Charges:								
Aldenham	888.44	1,036.52	1,184.59	1,332.67	1,628.82	1,924.97	2,221.11	2,665.34
Elstree & Borehamwood	848.41	989.82	1,131.22	1,272.63	1,555.44	1,838.25	2,121.04	2,545.26
Shenley	855.94	998.60	1,141.26	1,283.92	1,569.24	1,854.55	2,139.86	2,567.84
Ridge	840.03	980.05	1,120.05	1,260.06	1,540.07	1,820.09	2,100.09	2,520.12
Bushey & Potters Bar	834.71	973.84	1,112.95	1,252.08	1,530.32	1,808.56	2,086.79	2,504.16

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Group Statement of Accounts

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Statement of Group Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets, and represents the financial statements of the Council and the entity it controls (its subsidiary).

On acquisition of a subsidiary undertaking, the assets and liabilities of the relevant subsidiary is measured at fair value at the date of acquisition. Where necessary, adjustments are made to the financial statement of the subsidiary to bring the accounting policies used in line with those used by other members of the Group.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and amortised on a systematic basis following an assessment of its foreseeable life of an asset subject to a maximum of 20 years.

All transactions between both entities have been eliminated as part of the consolidation process.

Group Accounting

- Subsidiary undertakings

Subsidiary undertakings, which are those undertakings in which the Group has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations have been consolidated.

- Co-terminous accounting policy

All entities have the same year-end i.e. 31 March 2007.

Group Income & Expenditure Account

2005/06 Net Expenditure £'000	Continuing Operations	Gross Expenditure £'000	Gross Income £'000	2006/07 Net Expenditure £'000
15,989	Net cost of services	53,746	(36,866)	16,880
	- Loss on disposal of fixed assets			-
791	Parish precepts			829
134	Deficits on trading undertakings not included in net cost of services			31
41	Interest payable			27
(1,267)	Interest & investment income			(1,384)
757	Pensions interest cost & expected return on pensions assets			339
16,445	Net operating expenditure			16,722
(6,156)	Demand on the collection fund			(6,516)
(6,921)	General government grants & non-domestic rates redistribution			(8,463)
3,368	Deficit for the year			1,743

The accompanying notes from an integral part of the Group Statement of Accounts.

Reconciliation of the Single Entity Deficit to the Group Deficit

2005/06 £'000		2006/07 £'000
3,368	Deficit for the year on the Council's income & expenditure account	1,743
108	Adjustments for inter-group transactions	66
3,476	Deficit included in the group income & expenditure account attributable to the Council	1,809
	Surplus in the group income & expenditure account attributable to group entities (adjusted for inter-group transactions):	
(108)	Subsidiaries	(66)
3,368	Deficit for the year on the group income & expenditure account	1,743

Group Statement of Total Recognised Gains and Losses

2005/06		2006/07
£'000		£'000
(3,368)	Deficit for the year on the income and expenditure account	(1,743)
3,013	Surplus arising on the revaluation of fixed assets	10,741
2,078	Actuarial gains on pension fund assets & liabilities	4,016
1,129	Other usable capital receipts	922
120	Surplus arising from the collection fund	40
145	Other gains and losses	(1)
3,117	Total recognised gains for the year	13,975
(218)	Prior year adjustment	-
2,899	Total recognised gains since last annual report	13,975

Group Balance Sheet

31 March 2006 £'000	Note	31 March 2007 £'000
Fixed Assets:		
<i>Operational Asset:</i>		
539	1	524
73,826	1	81,426
2,322	1	1,976
3,095	1	2,888
3,409	1	3,889
83,191		90,703
<i>Non-operational Assets:</i>		
12,546	1	12,471
249	1	128
95,986		103,302
Total fixed assets		
235		171
4,030		2,030
100,251		105,503
Total long term assets		
Current Assets:		
61		62
7,780		4,745
15,025		22,000
303		988
23,169		27,795
Total current assets		
123,420		133,298
Total assets		
Current Liabilities:		
228		112
6,483		6,494
6,711		6,606
Total current liabilities		
116,709		126,692
Total assets less current liabilities		
Long Term Liabilities:		
395		565
443		619
16		10
25,861		21,529
26,715		22,723
Total long term liabilities		
89,994		103,969
Total assets less liabilities		

The Group Cash Flow Statement

2005/06 £'000	Note	2006/07 £'000
(2,432)	<i>Net Cash Inflow / (Outflow) from Revenue Activities</i>	4,135
	Returns on Investments and Servicing of Finance:	
	<i>Cash Outflow:</i>	
(20)	Interest paid	-
	<i>Cash Inflow:</i>	
1,319	Interest received	1,275
1,299	<i>Net cash inflow from returns on investments and servicing of finance</i>	1,275
	Capital Activities:	
	<i>Cash Outflows:</i>	
(3,240)	Purchase of fixed assets	(1,589)
(69,370)	Purchase of long-term investments	(76,275)
(37)	Other capital cash payments	(16)
(72,647)		(77,880)
	<i>Cash Inflow:</i>	
443	Sale of fixed assets	742
752	Capital grants	428
71,595	Sale of long-term investments	71,300
1,202	Other capital cash receipts	816
73,992		73,286
1,345	<i>Net cash inflow from capital activities</i>	(4,594)
	Financing:	
	<i>Cash Outflow:</i>	
(45)	Capital element of finance lease payments	(15)
(45)	<i>Net cash inflow from financing</i>	(15)
167	Net increase / (decrease) in cash & equivalents	801
(92)	Opening cash & equivalents	75
75	Closing cash & equivalents	876
	Cash & equivalents comprise:	
303	Cash at bank and in hand	988
(228)	Bank overdrafts	(112)
75	Closing cash & equivalents	876

Notes to the Group Accounts

1. Fixed Assets

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Community £'000	Investment Properties £'000	Assets Under Construction £'000	Total £'000
Cost or Valuations:								
At 1 April 2006	565	81,989	8,003	5,104	6,122	12,729	249	114,761
Additions	-	-	820	11	150	61	357	1,399
Disposals	-	(18)	-	-	-	(724)	-	(742)
Revaluation	(4)	2,067	-	-	-	634	-	2,697
Transfers	-	142	(103)	(5)	478	(34)	(478)	-
At 31 March 2007	561	84,180	8,720	5,110	6,750	12,666	128	118,115
Depreciation:								
At 1 April 2006	26	8,163	5,681	2,009	2,713	183	-	18,775
Charge in year	13	2,583	1,105	214	148	19	-	4,082
Disposals	-	-	-	-	-	-	-	-
Revaluation adjustments	(2)	(8,042)	-	-	-	-	-	(8,044)
Transfers	-	50	(42)	(1)	-	(7)	-	-
At 31 March 2007	37	2,754	6,744	2,222	2,861	195	-	14,813
Net Book Value:								
At 31 March 2007	524	81,426	1,976	2,888	3,889	12,471	128	103,302
At 31 March 2006	539	73,826	2,322	3,095	3,409	12,546	249	95,986

During the year assets revalued at £742k were disposed of at their market value resulting in a surplus reported on the income & expenditure account of £nil.

2. Investment in subsidiary

Company:	Country of Incorporation:	Principal Activity:	Class of Shares:	Interest:
Bushey Golf & Country Club Ltd	United Kingdom	Operation of golf, fitness and banqueting facilities	Ordinary	100%
Elstree Film Studio Limited	United Kingdom	Operation of film and television studio	Ordinary	100%

Bushey Golf & Country Club has been a fully owned subsidiary since 1st July 1996, prior to which the company was dormant from its date of incorporation on 8th May 1996.

Elstree Film Studio Limited was incorporated on 23 November 2003, from which date until 31 March 2007 it remained dormant. The subsidiary is fully owned and will commence trading on 1 April 2007.

Glossary of Terms

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising.
- Selecting measuring bases for.
- Presenting.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).
- The actuarial assumptions have changed.

Asset

Anything which somebody owns which can be given a monetary value, for example buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.

Agency Arrangements

Services which are performed by, or for, another Council or public body, where the agent is reimbursed for the cost of the work done.

Balances

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Housing Revenue Account etc.

Business Rates

These are rates charged on properties other than domestic property. The business rate poundage is set annually by Central Government and is a flat rate throughout the country.

Capital Expenditure

Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.

Capital Receipts

Monies received from the sale of assets, which may be used to finance capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government but they cannot be used to finance day-to-day spending. Additionally, they can be used to repay debt.

Collection Fund

A fund administered by charging authorities into which Council Tax income and Business Rates collected locally are paid. Payments to, or receipts from, the non-domestic rates pool also go through the fund. Precepts are paid from the fund as is charging the Council's own requirements

Community Assets

Assets that a local Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Community Charge

A uniform annual amount paid by all adults for the three financial years from 1990/91 to 1992/93 who were solely or mainly resident in the registration area of a charging Council. Replaced by Council Tax.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingency

A condition that exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate & Democratic Core

The corporate and non-corporate democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Activities include:

- Corporate policy making.
- Representing local interests.
- Support to elected bodies.
- Duties arising from public accountability.

Council Tax

This is a local tax set by local councils to help pay for local services.

Council Tax Rebates

A reduction in the liability to pay Council Tax granted in accordance with the nationally determined scale of needs and resources.

Credit Approvals

Central Government issues local authorities with credit approvals. These give the Council permission to finance capital expenditure by borrowing or other forms of credit, up to the amount issued each year.

There are two types of credit approval:

- A basic credit approval, which can be used to finance any type of capital expenditure.
- Supplementary credit approvals, which may only be used for the purpose it is issued for.

Credit Arrangements

These are forms of credit entered into by the Council relating to leasing and contracts, which provide for extended credit.

Credit Ceiling

A measure of the difference between the Council's total liabilities in respect of capital expenditure financed by credit and the provision that has been made to meet these liabilities.

Credit Liabilities

These relate to liabilities of the Council in respect of money borrowed (principal only), or in respect of credit arrangements.

Creditor

An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period and for which payment has not been made at the balance sheet date.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailement

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business.
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DCLG

DCLG stands for Department for Communities & Local Government and replaces the Office of the Deputy Prime Minister (ODPM).

Debtor

Sums of money due to the Council but not received at the balance sheet date.

Deferred Charges

Capital expenditure that does not create a tangible asset e.g. improvement grants.

Defined Benefits Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the cost or revalued amount of the benefit of the fixed assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

Exceptional Items

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

Expected Rate of Return on Pension Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Finance and Operating Lease

A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Fixed Assets in the Balance Sheet. With an operating lease the ownership of the asset remains with the Leasing Company and the annual rent is charged to the relevant service account.

Fixed Assets

Tangible assets that yield benefits to the Council for a period of more than one year.

Council Fund

The main revenue account of the Council. Day to day spending on services is met from the fund.

Government Grants

Assistance by Central Government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local Council services.

Housing Advances

Loans made by the Council to individuals towards the cost of acquiring or improving their homes.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances, and council tax rebates toward which central government pays a subsidy.

Housing Revenue Account

Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets aside the expenditure and income arising from the provision of housing.

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction or improvement to highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

Investments (Pension Fund)

The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities (other than town parish and community councils) are required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Liabilities

Money owed to somebody else.

Liquid resources

Liquid resources are current asset investments held as readily disposable stores of value.

Minimum Revenue Provision

This is the minimum amount that must be charged to the Council's revenue account each year should certain criteria be met. It is set aside as provision to repay debt.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or the nearest equivalent, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Operational Assets

Fixed assets held by a local Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are commercial and industrial properties.

ODPM

ODPM stands for Office of the Deputy Prime Minister, which is now known as the DCLG – Department for Communities & Local Government.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

Precepts

The levy made by one Council on another. Hertfordshire County Council and Hertfordshire Police Constabulary who do not administer the council tax system, each levy an amount on the Borough of Hertsmere, which collects the required income from local taxpayers on their behalf.

Prior Year Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Provisions

An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. The overall objective of this principle is not to overstate the net worth shown of the Statement of Accounts.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party.
- The parties are subject to common control from the same source.
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transaction

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. Examples of related party transactions include:

- The purchase, sale lease, rental or hire of assets or loans, irrespective of any direct economic benefit to the pension fund.
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party.
- The provision of services to a related party, including the provision of pension fund administration services.
- Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or pension fund, such as council tax, rents and payments of benefits.

The materiality of related party transactions are judged not only in terms of their significance to the Council, but also in relation to its related party.

Rent Allowances

Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.

Rent Rebates

Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

Day to day expenses, mainly salaries and wages, general running costs and debt charges.

Revenue Support Grant

Central Government Grant towards the cost of Local Council Services.

Right to Buy

"Right to Buy" is an agreement whereby eligible Housing Association tenants may purchase the property at a reduced rate.

The Councils housing stock was sold to two Housing Associations in 1994 at a discounted rate. As part of the agreement, it was stipulated that any eventual sale of these properties under the "right to buy" scheme would result in part of the proceeds being paid to the Council.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits.
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits.
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

The amounts of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Subsidiary Company

A company is a subsidiary of a local Council if any of the following apply:

- The local Council holds a majority of the voting rights in the company.
- The local Council is a member of the company and has the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on most matters.
- The local Council has the right to exercise a dominant influence over the company.
- The local Council is a member of the company and controls alone a majority of the voting rights in the company.
- The local Council has a participating interest in the company and it actually exercises a dominant influence of the company or it and the company are managed on a unified basis.

Standard Spending Assessment

An assessment by Central Government of how much a Local Council should spend in providing a common level of service, having regard to its individual circumstances and responsibilities.

Usable Part of Capital Receipts

This is generally the balance of any capital receipt after deducting the reserved part and any repayment to the Central Government of grants made to the Council on disposal of the asset.

Vested Rights

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme.
- For deferred pensioners, their preserved benefits.
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

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اسی طرح اس پبلکیشن کو بڑے پرنٹ، برایل اور آڈیو ٹیپ میں بھی دستیاب کیا جاسکتا ہے۔ اگر آپ کو اس پبلکیشن کو سمجھنے میں مشکل ہے تو براہ کرم ایس ایم سی کے کورپوریٹ کمیونیکیشنز ٹیم سے رابطہ کریں۔ اس کے لیے آپ کو 020 8207 2277 پر کال کرنا پڑے گی۔

इंग्लिश बनि आपनार मातृभाषा ना हय एबं सेइ करणसे बनि आपनार एइ लेखांति बुरते बा एर बिषये बेन मञ्जब करते अक्बिधा हय, आहले मया करे काउंसिलेन कर्मशोरेट कमिउनिक्शन टोमेर सके 020 8207 2277 नबरे टेलेफोन करे बोधाबोध करबेन। आमरा आपनाके साहाय्य करबार अन्य बधासाध्य ठेठा करब। अनुरोध करले एइ लेखांति बड हरबे, ब्रेइले एबं अडिओ-टैशेओ पावरा बाबे। आपनि सिक बे आवे लेखांति छइह्लेन सेइआवे एटिके प्रञ्जत करे आपनादेर सेवार अन्य आमानेर मया करे बखेइ समय देबेन।

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਹ ਦਸਤਾਵੇਜ਼ ਨੂੰ ਸਮਝਣ ਵਿੱਚ ਸਮੱਸਿਆ ਹੈ ਤਾਂ ਇਸ ਤੇ ਟਿਪਣੀ ਕਰਨ ਵਿੱਚ ਤੱਥਤੀਰ ਹੋਏ ਵਿਭੂਿ ਅੰਗੀਤੀ ਤੁਹਾਨੂੰ ਪਹਿਲੀ ਤਰਾ ਨਹੀਂ ਹੈ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਕਾਉਂਸਿਲ ਦੇ ਕਾਰਪੋਰੇਟ ਸੁਬਨਾ ਦਲ ਨੂੰ 0208 207 2277 ਤੇ ਸੰਪਰਕ ਕਰੋ ਅਤੇ ਸਾਰੀ ਮਦਦ ਕਰਨ ਲਈ ਅਪਣੀ ਪੂਰੀ ਕੋਸ਼ਿਸ਼ ਕਰੀਓ। ਟਿਲੈਓਨ ਕਰਨ ਤੇ ਇਹ ਦਸਤਾਵੇਜ਼ ਵੱਡੇ ਪ੍ਰਿੰਟ, ਬ੍ਰੇਲ ਅਤੇ ਆਡੀਓ-ਟੈਪ ਵਿੱਚ ਵੀ ਪੇਸ਼ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। ਕਿਰਪਾ ਕਰਕੇ ਸਹੀ ਜਾਣੇ ਪ੍ਰਕਾਰ ਵਿੱਚ ਦਸਤਾਵੇਜ਼ ਨੂੰ ਵੁਪਲਯੋਗ ਕਰਕੇ ਪਰਯਾਪਤ ਸਮੇਂ ਦਿਓ।

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