



Statement of Accounts 2008/09

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Explanatory Foreword

1. Summary of Contents

The Council's accounts for the year ended 31 March 2009 are set out on pages 7 to 49. They consist of :-

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

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

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

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

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

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

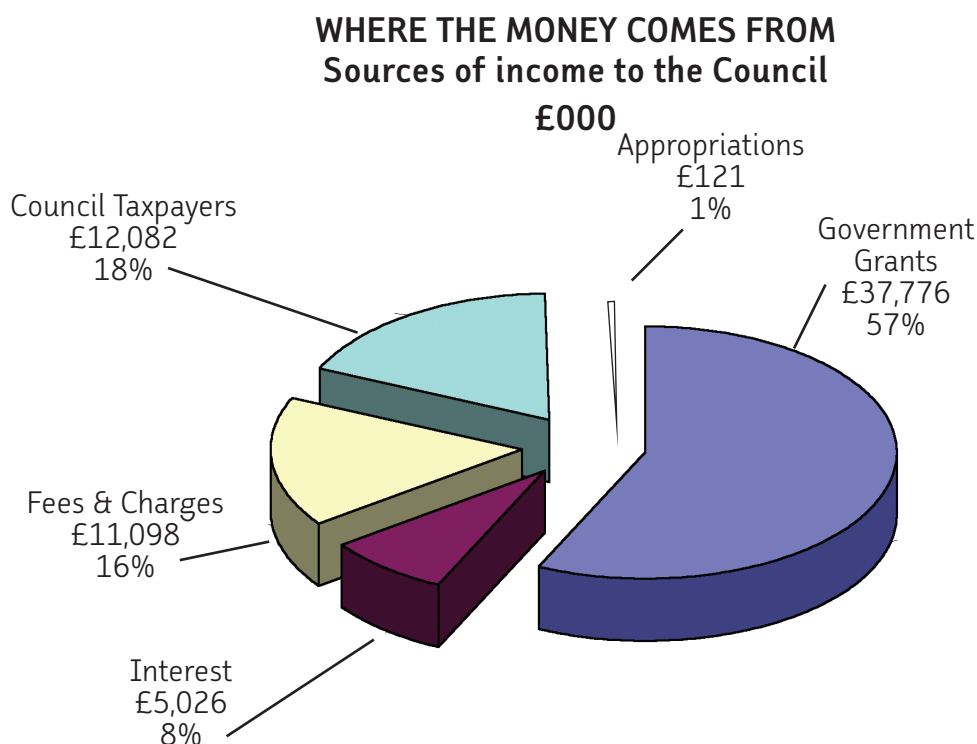
Notes to the accounts - provide support to the core financial statements, which informs and gives sufficient information to present a good understanding of the Council's activities.

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

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

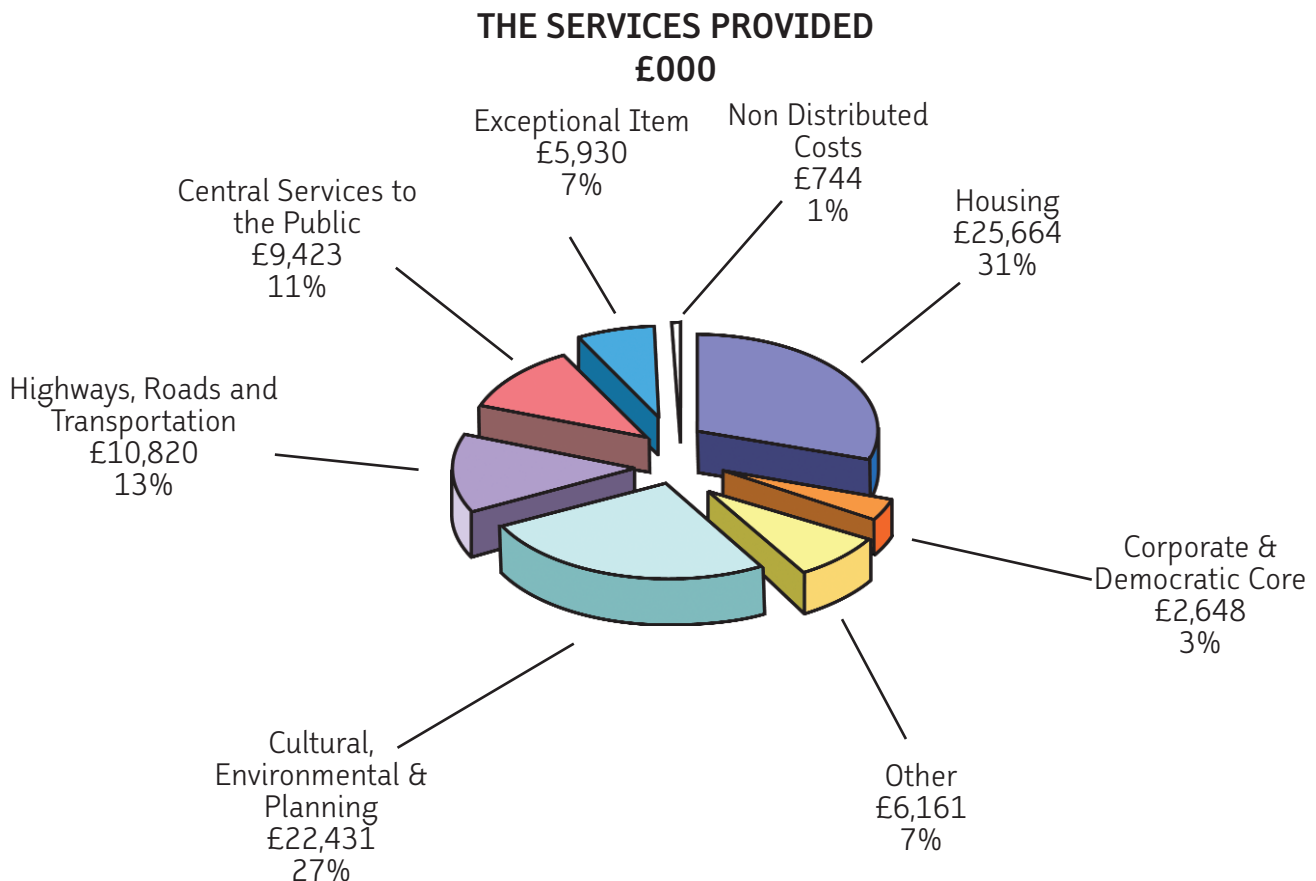
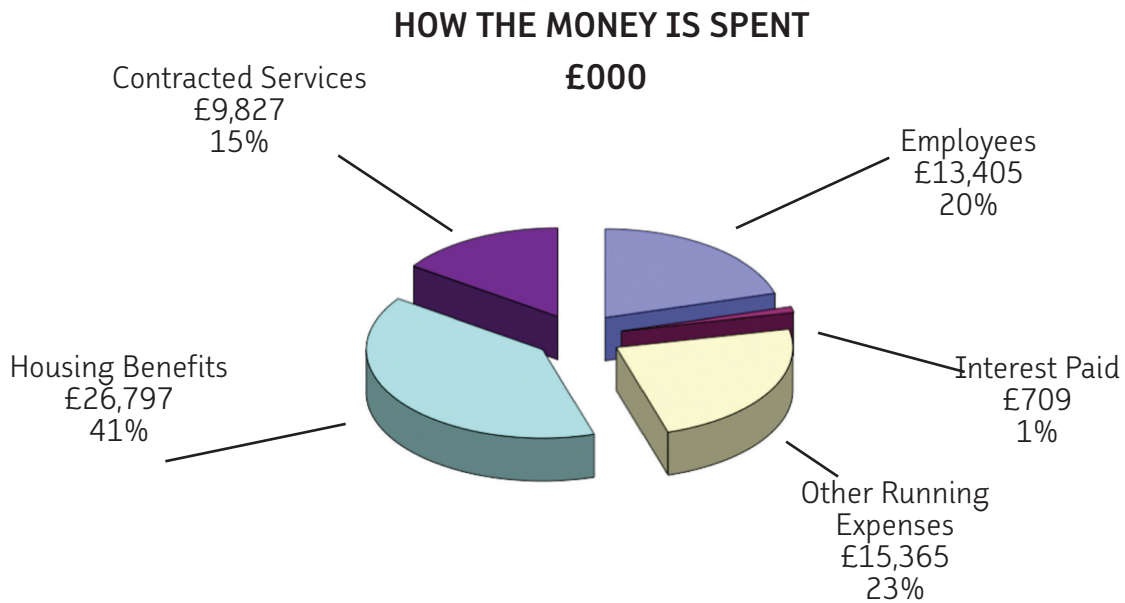
2. Overview of Council's Activities

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



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

Explanatory Foreword continued



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

Explanatory Foreword continued

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

A comparison of the budget with actual income and expenditure for 2008/09 is shown below:

	Budget £'000	Actual £'000	Variance £'000
Net cost of services	23,849	36,908	13,059
Finance Transactions	(1,818)	(15,204)	(13,386)
Interest Transactions	(3,297)	(4,317)	(1,020)
Pensions Interest Cost & Expected Return on Pensions Assets	(412)	270	682
Appropriations - Financing Items	10	25	15
Appropriations - REFCUS (see Note 22, Page 12)	(3,050)	(2,516)	534
Movement on the Pensions Reserve	1,364	20	(1,344)
Net Expenditure	16,646	15,186	(1,460)
Collection Fund Contribution	20	20	0
Contribution from NNDR Pool	(7,111)	(7,111)	0
Revenue Support Grant	(990)	(990)	0
General Grant	-	(22)	(22)
Council Tax Raised	(8,710)	(8,710)	0
Appropriation to Reserves	145	1,627	1,482

The above variance is represented by:	£'000
Increase in appropriation to the General Reserve relating to 2008/09 underspend	1,736
Less:-	
Contribution from General Reserve to fund budgets b/fwd from 2007/08	138
Contribution from Service Improvement Reserve in respect of new invest to save initiatives	101
Reduced contribution to planned earmarked reserves as expenditure incurred in 2008/09	15
	<u>254</u>
	<u>1,482</u>

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

The variances related to the Net Cost of Services and Finances Transactions result from unbudgeted impairments in respect of tangible fixed assets.

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

Explanatory Foreword continued

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

Other variances contributing to the overall underspend included:

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

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

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

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

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

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

The Income and Expenditure Account (see page 16), shows a deficit of £15.5m. This compares to a nil net movement on the Council's General Fund working balance. A note of the reconciling items is shown on page 18.

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

4. Capital Expenditure & Financing

During 2008/09 the Council incurred expenditure of £4.09m, (see page 26 ,note 8) on capital projects compared with an original budget of £6.89m.

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

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

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

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

Explanatory Foreword continued

4. Capital Expenditure & Financing (cont)

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

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

Details of the Council's financing arrangements for the year are set out on page 26.

No borrowing was undertaken in 2008/09 and the Council's overall long term borrowing remains at £7.894m at 31st March 2009. The balance sheet shows a liability of £8.111m, however, this includes accrued interest of £217k (see note 16 on page 30).

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

The 2008 Statement of Recommended Practice (SORP) has introduced further changes to the content of the Council's Statement of Accounts in line with new Financial Reporting Standards. In particular, under a new Pension SORP, changes have been made to the basis for valuing pension assets and liabilities. This has also resulted in both enhanced and additional disclosure requirements. Other areas of change relate to the basis for valuing specialised properties where there is no active market for the asset being valued and accounting arrangements for expenditure that was (formerly) treated as deferred charges.

Further explanatory notes are provided within the statements.

6. Impact of Economic Climate.

The current economic climate has resulted in more volatile asset values. This resulted in professional guidance being issued in which a comprehensive impairment review of asset valuations was advocated. The Council's Asset and Valuation Manager has carried out a full review, the result of which has been a reduction in values predominantly due to falling land values of £7.74M (excluding finance lease). This has had a significant effect on the Accounting Statements and in particular the Income and Expenditure Account (see page 16). Additionally the Council is receiving increased demand for Housing Benefit.

7. Pensions Liabilities

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. Since the introduction of FRS17 in 2003/04 the impact of any pension liability must be shown in the balance sheet. The Council's liability at 31st March 2009 is £17.942m which is an increase of £12.345m compared to the position at 31st March 2008. This change is largely due to a fall in pension asset values. Further information is given on page 35 - 37.

8. Financial Reporting and the Euro

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

Explanatory Foreword continued

9. Provision of Leisure Facilities

A new ten year contract for the management of the Council's Leisure Facilities was awarded from 1st January 2009 to Sport Leisure Management. The Council subsequently took up the option set out in the variant bid to approve capital investment in exchange for a reduction in annual management fee. See also Accounting Policy Note 29, page 15.

10. Exceptional Items

A review of the accounting for the relevant lease was undertaken in preparation for IFRS (to be implemented 2010/11 Accounts) and in conjunction with a proposed disposal of the Council's lease interest in the Causeway building in Bishop's Stortford. The review concluded it would be more appropriate for the lease to be regarded as a finance lease. As a result the Council recognised a liability in respect of its future rental commitment of £7,030k and after taking account of impairment of £5,930k an asset value of £1.1m in respect of the unexpired term of its leasehold interest.

11. Further Information

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

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

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

STATEMENT OF ACCOUNTING POLICIES

INTRODUCTION

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

ACCOUNTING PRINCIPLES

1. Support Service Costs and Overheads

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

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

2. Intangible Fixed Assets

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

3. Tangible Fixed Assets

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

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

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

Statement of Accounting Policies continued

3. *Tangible Fixed Assets (cont)*

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. During the year the Council now undertakes a revaluation review of the asset at the point of proposed disposal. This policy follows the accounting requirement to disclose gains or losses on disposal within the Income & Expenditure Account. Income from the disposal of fixed assets is credited to the Income and Expenditure Account and the carrying value of the assets is debited to the Income and Expenditure Account. Gains and losses on the disposal of assets are reversed out in the Statement of Movement on the General Fund Balance by crediting the Useable Capital Receipts Reserve with an amount equal to disposal proceeds and debiting the Capital Adjustment Account with an amount equal to the book value of the disposal.

The 2008 SORP has introduced a change in the basis of valuation to be used for specialised properties - these being where because of the specialised nature of the asset there is unlikely to be sufficient market evidence to support a valuation on the Existing Use basis. Where car parks, swimming pools, public toilets and community halls are deemed to be specialised assets, as defined within the local government Statement of Accounting Practice, these have been valued using the depreciated replacement cost method. The Jackson Square car park has been valued using the Existing Use valuation method on the basis that a market value for this car park can be readily obtained.

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

4. *Impairment*

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

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

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

When the Council has identified that an asset has been impaired the Council compares the book value of the assets in the accounts against the net realisable value and value in use of the asset. The asset is then written down to the higher of net realisable value and value in use in accordance with Financial Reporting Standard No. 11 ("FRS11"). Where the value in use cannot be readily obtained the asset is written down to net realisable value in accordance with FRS11. Impairments have been implemented for Land & Buildings only where a decrease in value was greater than 10% of the carrying value or over £50,000.

Statement of Accounting Policies continued

5. Depreciation

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

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

6. Local Area Agreement

Allocations of funding receivable from the accountable body (Hertfordshire County Council), are accounted for on an accruals basis and apportioned across those services in respect of which new funding is provided. (see note 18, page 31).

7. Employee Costs

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

8. Pension Costs (FRS 17)

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

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

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

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

Statement of Accounting Policies continued

8. Pension Costs (FRS 17) continued

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

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

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

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

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

The Council's liability for pension costs on its Leisure contract are set out in the Accounting Policies Note 29, page 15.

9. Past Service Contributions (Pension Backfunding)

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

10. Pension Fund Accounts

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

Statement of Accounting Policies continued

11. Premises Related Expenses

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

12. Transport Related Expenses

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

13. Supplies and Services

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

14. Interest Payable

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

15. Government Grants and Third Party Contributions

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

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

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

16. Customer and Client Receipts

Customer and client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate. Provision is made for doubtful debts and known uncollectable debts are written off (see note 28, page 13).

17. Investment Income

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

18. Investments

The majority of the Council's internally managed investments are money market deposits but investments placed with our External Fund Managers in money market instruments include Certificates of Deposit and Treasury Stock which are valued at fair value. (See Note 10, Page 27)

Statement of Accounting Policies continued

19. Post Balance Sheet Event

Where it is considered that a material event has occurred since the date of the balance sheet (31 March 2009) details would be provided including an estimate of any financial effects, as a disclosure to the Accounts.

20. Reserves

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

21. Minimum Revenue Provision (Redemption of debt)

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

22. Revenue Expenditure Funded from Capital under Statute

REFCUS represents expenditure which may properly be classified as capital for funding purposes, when it does not result in expenditure being carried on the Balance Sheet as a fixed asset.

REFCUS is charged to the Income & Expenditure Account in the year in which it occurs, and reversed out in the Statement of Movement on the General Fund Balance.

This change in accounting policy has required the restatement of the 2007/08 Cashflow and Note 28 to the core statements (Reconciliation of the Income and Expenditure Account to the Revenue Activities in the statement. See Pages 21 and 38).

23. Capital Receipts

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

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

24. Debtors and Creditors

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

25. Stocks and Work in Progress

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

Statement of Accounting Policies continued

26. Leases

The Council accounts for any leasing arrangements in line with the current accounting requirements.

The Council has reviewed its policy in respect of finance leases and has determined that the lease of The Causeway offices should now be treated as a finance lease (see note 10 Explanatory Forward). It has, therefore, been brought onto the balance sheet at 31 March 2009.

Under Finance leases, the Council recognises an asset of its interest acquired in the property on its balance sheet together with an equivalent liability. For the element of the lease payments that are attributable to meeting the capital cost of this interest.

Rental payments under operating leases are charged against revenue on a straight line basis over the period of the lease.

Details of operating and finance leases are shown at Notes 12 & 13 (pages 27 and 28)

27. VAT

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

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

28. Provision for Bad Debts

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

The following methods are used:-

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

29. Financial Instruments

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

Statement of Accounting Policies continued

29. Financial Instruments (cont)

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-sale Assets

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

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

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

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

Financial Liabilities

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

Soft Loans

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

Statement of Accounting Policies continued

29. Financial Instruments (cont)

Financial Guarantees

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

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

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

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

The levels of liability assessed at March 2009 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees. No financial guarantees were identified in 2007/08.

Income and Expenditure Account

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

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

All operations arise from continuing activities.

Statement of Movement on the General Fund Balance

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

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

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

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

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. The whole of the General Fund balance is generally available to the Council, although the balance includes an accumulated surplus of £469,000 in respect of the Council's Building Control Account (see note 2, page 22).

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

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

Statement of Movement on the General Fund Balance

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

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

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate decrease in its net worth. In addition to the deficit generated on the Income and Expenditure Account (page 16), it includes gains relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2008/09 £000	2007/08 £000
Deficit for the year on the Income and Expenditure Account	15,543	899
Surplus arising on revaluation of fixed assets	(2,997)	(3,784)
Surplus/ deficit arising on revaluation of available-for-sale financial assets (see note 34, page 41)	(463)	-
Actuarial loss / (gain) on pension fund assets and liabilities	12,365	(3,384)
Collection Fund	111	92
Total recognised losses / (gains) for the year	24,559	(6,177)

Balance Sheet

		31 March '09 £000	31 March'08 Restated £000
Intangible assets	<i>Note 7</i>	1	2
Tangible fixed assets			
Operational assets:			
- Other land and buildings		49,235	52,696
- Vehicles, plant & equipment		4,136	4,292
- Software		509	588
- Infrastructure assets		4,245	4,470
- Community assets		755	677
Non-operational assets:			
- Investment Properties		11,951	12,817
		70,832	75,542
Long Term Investments	<i>Note 10</i>	8	5,185
Long Term Debtors			
- Mortgages		47	60
TOTAL LONG TERM ASSETS		70,887	80,787
Current Assets			
- Debtors	<i>Note 14</i>	7,102	8,764
- Temporary Investments	<i>Note 10</i>	77,929	73,881
- Temporary Invest. Kemp Trust	<i>Note 25</i>	-	106
		85,031	82,751
		155,918	163,538
Current Liabilities			
- Creditors	<i>Note 15</i>	(5,933)	(7,947)
- Trust Fund	<i>Note 25</i>	-	(106)
- Temporary Borrowing		(401)	(2)
- Bank Overdraft		(934)	(614)
		(7,268)	(8,669)
TOTAL ASSETS LESS CURRENT LIABILITIES		148,650	154,869
Long Term Borrowing	<i>Note 16</i>	(7,710)	(8,111)
Provisions	<i>Note 21</i>	(42)	(48)
Deferred Liabilities	<i>Note 12</i>	(6,790)	-
Deferred Credits	<i>Note 17</i>	(452)	(541)
Government/Other Grants-deferred	<i>Note 20</i>	(3,956)	(4,255)
Liability related to defined benefit pension scheme	<i>Note 27</i>	(17,942)	(5,597)
		(36,892)	(43,506)
TOTAL ASSETS LESS LIABILITIES		111,758	136,317
FINANCED BY:			
Revaluation Reserve	<i>Note 38</i>	6,656	3,689
Capital Adjustment Account		100,984	115,539
Usable Capital Receipts Reserve	<i>Note 19</i>	11,251	13,855
Pensions Reserve	<i>Note 27</i>	(17,942)	(5,597)
Available for Sale Reserve	<i>Note 34</i>	463	-
Collection Fund		(147)	(36)
Balances			
- General Fund		3,854	3,854
General Reserve	<i>Note 22</i>	2,997	2,583
Other Earmarked Reserves	<i>Note 22</i>	3,642	2,430
TOTAL NET WORTH		111,758	136,317

The Cash Flow Statement

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

Notes to the Core Statements

1. Publicity Expenditure

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

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

2. Building Regulations Charging Account

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

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

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

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

Notes to the Core Statements continued

3. Members' Allowances

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

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

In addition to the above £14k was claimed for travel and subsistence in the year.

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

4. Officer Emoluments

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

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

Notes to the Core Statements continued

5. Audit Costs

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

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

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

Fees payable to Grant Thornton for non-audit services in respect of advice on the Council's efficiency agenda and advice on the proposed property transaction at the Causeway were £32k.

6. Section 137 Expenditure

The Local Government Act 2000 granted new powers to local authorities in England and Wales to promote wellbeing in their area. As a consequence, the majority of the provisions of section 137 of the Local Government Act 1972 (as amended) were repealed with effect from October 2000. Allowable expenditure is limited to £1.90 per head of population, totalling around £254,619 for 2008/09. The Council did not incur any expenditure under section 137 in 2008/09.

Notes to the Core Statements continued

7. Fixed Assets

Movements in fixed assets during the year are as follows:

Cost or Valuation	As at 01/04/08	Additions	Disposals	Reclasif- ications	Revaluations	Total as at 31/03/09
	£000	£000	£000	£000	£000	£000
Other Land & Buildings	54,720	7,513	-	-	3,287	65,520
Vehicles, Plant & Equip.	9,146	599	(42)	-	-	9,703
Software	1,543	256	-	-	-	1,799
Infrastructure	7,310	145	-	-	-	7,455
Community Assets	687	81	-	-	-	768
Intangible Assets	2	-	-	-	-	2
Investment Properties	13,008	7	(330)	-	-	12,685
	<u>86,416</u>	<u>8,601</u>	<u>(372)</u>	<u>0</u>	<u>3,287</u>	<u>97,932</u>

Depreciation & Impairment

	As at 01/04/08	Charge for year	Disposals	Revalu- ations	Total as at 31/03/09	Balance Sheet As at 31/03/09
	£000	£000	£000	£000	£000	£000
Other Land & Buildings	(2,024)	(847)	-	(13,415)	(16,286)	49,234
Vehicles, Plant & Equip.	(4,854)	(732)	19	-	(5,567)	4,136
Software	(955)	(335)	-	-	(1,290)	509
Infrastructure	(2,840)	(370)	-	-	(3,210)	4,245
Community Assets	(10)	(3)	-	-	(13)	755
Intangible Assets	-	(1)	-	-	(1)	1
Investment Properties	(191)	-	-	(543)	(734)	11,951
	<u>(10,874)</u>	<u>(2,288)</u>	<u>19</u>	<u>(13,958)</u>	<u>(27,101)</u>	<u>70,831</u>

Reconciliation of Additions in the year to Capital Spend

	2008/09 £000
Additions in the year (as above)	8,601
less finance lease	(7,030)
	<u>1,571</u>
plus REFCUS (not included in note 7)	2,516
Total Capital Spend as per Note 8	<u>4,087</u>

Notes to the Core Statements continued

8. 2008/09 Capital Expenditure

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

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

The capital expenditure programme is financed as follows:

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

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

9. Analysis of Number of Fixed Assets

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

Notes to the Core Statements continued

10. Investments

The Council's investments consist of:-

	31 March '09		31 March '08
	£000	£000	£000
Long Term Investments			
Bank Deposits	-		5,075
Other	8	8	110
Temporary Investments			
Loans to:			
Money Market Fund	33,355		28,190
Building Society Deposits	5,210		4,096
Bank Deposits	36,350		41,595
U.K. Treasury Securities	3,014		
		77,929	
		77,937	79,066

The long term debenture stock of £100k with A.D.C. was repaid during the year together with £5m invested with Toronto Dominion Bank. A reinvestment of £5m for one year with new counterparties was undertaken. The above investments include an allocation of £69.29m placed with External Fund Managers. See also notes 34 and 36 the Core Statements

11. General Government Grants

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

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

12. Finance Leases

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

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

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

Notes to the Core Statements continued

12. Finance Leases (cont.)

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

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

The asset was brought onto the balance sheet at 31 March 2009, hence no depreciation or interest charges in the year.

13. Operating Leases

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

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

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

	2008/09 Other Land Buildings £000	2007/08 Other Land & Buildings £000
Leases expiring 2009/10	0	0
Leases expiring 2010/011 to 2013/14	5	5
Leases expiring in excess of 5 years	<u>210</u>	<u>450</u>
	<u>215</u>	<u>455</u>

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

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

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

Notes to the Core Statements continued

14. Debtors

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

For aged breakdown of Trade Accounts Receivable see note 37, page 44

15. Creditors

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

Notes to the Core Statements continued

16. Borrowing

Source of Loan	Range of interest rates payable (%)	Total outstanding	
		31 March '09 £000	31 March '08 £000
Public Works Loan Board	8.875 - 10.125	1,922	1,922
Bonds	8.785	6,189	6,189
		<u>8,111</u>	<u>8,111</u>

An analysis of loans by maturity is:-

	£000	£000
Maturing within one year	401	-
Maturing in 1-2 years	-	401
Maturing in 2-5 years	-	-
Maturing in 5-10 years	-	-
Maturing in 10-15 years	6,189	6,189
Maturing in 45-50 years	1,521	1,521
	<u>8,111</u>	<u>8,111</u>

Also see notes 35 and 36 of the Core Statements.

17. Deferred Credits

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

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

Notes to the Core Statements continued

18. Local Area Agreements

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

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

Hertfordshire County Council acts as the 'accountable body' for the Hertfordshire Local Area Agreement. In 2008/09 East Hertfordshire District Council received £101,963. (2007/08 £244,685).

19. Usable Capital Receipts

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

Notes to the Core Statements continued

20. Government & Other Grants-deferred

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

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

21. Provisions

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

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

Notes to the Core Statements continued

22. Other Reserves

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

General Reserve

- this reserve is available to support General Fund activities (Capital and Revenue). In line with the Council's medium term financial plan it is anticipated that this reserve will be used to support the Council Tax for at least the next two years.

Interest Equalisation Reserve

- this reserve was established at 31 March 2006 to assist the Council in managing the financial implications of adverse interest rate fluctuations.

Insurance Fund

- this fund has been established to support the Council's insurance and risk management processes and funding of small claims arising due to uninsured losses.

Emergency Planning Reserve

- this reserve has been set up in order to facilitate arrangements in the future and support the work of an Emergency Planning Officer Group that has been established within the Council.

VAT Partial Exemption Reserve

- see note 23 on page 34.

Service Improvement Reserve

- this reserve has been established as a means of financing "one-off" initiatives that will deliver efficiencies and service improvements in the medium term.

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

Local Development Framework, Stansted G2 and Green Belt review Reserve.

Housing Condition Survey Reserve

Council Elections Reserve

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

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

Notes to the Core Statements continued

23. VAT Partial Exemption Reserve

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

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

24. Authorisation and Issue

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

25. Trust Funds

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

26. Related Party Transactions

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

Related parties to this authority would include:

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

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

All significant material transactions with related parties, such as government grants, parish precepts, pension fund contributions etc, have been disclosed elsewhere in this Statement of Accounts. The Hertfordshire County Council are a related party in respect of various transactions including pension contributions and precepts. Additionally they act as the accountable body for the Hertfordshire Local Area Agreement the transactions for which are shown on page 31, Note 18. There are no transactions to report in respect of Members or Chief Officers.

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

The principal year end balances with related parties included in these totals are shown on page 29 within notes 14 & 15.

Notes to the Core Statements continued

27. Pension Scheme

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

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

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

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

The following transactions set out the position for the year:

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

Notes to the Core Statements continued

27. Pension Scheme (cont)

Assets and liabilities in relation to retirement benefits Reconciliation of present value of the scheme liabilities:

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

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

Reconciliation of fair value of the scheme assets:

	31 March '09 £000	31 March '08 £000
1 April	61,676	66,648
Expected rate of return	4,346	4,772
Actuarial gains and losses	(17,997)	(9,641)
Employer contributions	2,258	2,243
Contributions by scheme participants	605	519
Benefits paid	(2,826)	(2,865)
Assets distributed on settlements	(1,305)	0
31 March	<u>46,757</u>	<u>61,676</u>

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

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

Scheme history

	31 March '09 £000	31 March '08 £000	31 March '07 £000	31 March '06 £000	31 March '05 £000
Present value of liabilities	(64,699)	(67,273)	(81,005)	(80,957)	(68,938)
Fair value of assets	46,757	61,676	66,648	60,500	46,861
Surplus/(deficit) in the scheme	<u>(17,942)</u>	<u>(5,597)</u>	<u>(14,357)</u>	<u>(20,457)</u>	<u>(22,077)</u>

Notes to the Core Statements continued

27. Pension Scheme (cont)

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

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £64,699 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £17,942m.

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

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

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

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

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

History of experience gains and losses

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

Notes to the Core Statements continued

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

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

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

29. Analysis of Cash Balance

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

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

Notes to the Core Statements continued

30. Liquid Resources

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

	31 March '09 £000	31 March '08 £000
Temporary Investments	72,816	73,881
Long Term Investments reclassified	5,113	-
Less Long Term Investments available on demand	(2,026)	(5,004)
Liquid Resources	<u>75,903</u>	<u>68,877</u>

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

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

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

* excludes the £5,113,671 reclassified investment (see note 30) as this is a non cash movement.

Notes to the Core Statements continued

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

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

	2008/09 £000	2007/08 £000
Net (Increase)/Decrease in cash in year	3,298	(1,911)
Cash inflow from (increase) / decrease in liquid resources	(1,915)	2,044
	1,383	133
Net Funds as at 1 April	(65,154)	(65,287)
Net Funds as at 31 March	(63,771)	(65,154)
Analysis of Net Funds	2008/09 £000	2007/08 £000
Long Term Borrowing	(7,710)	(8,111)
Temporary Borrowing	(401)	(2)
Temporary Investments	70,790	68,877
Temporary Investments on demand	2,026	5,004
Cash Overdrawn	(934)	(614)
	63,771	65,154

33. Analysis of Other Government Grants

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

Notes to the Core Statements continued

34. Financial Instruments Balances

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

	Long Term		Current	
	31 March '09 £000	31 March '08 £000	31 March '09 £000	31 March '08 £000
Borrowing				
Financial Liabilities at amortised cost	7,710	8,111	6,261	7,035
Total Borrowing	7,710	8,111	6,261	7,035
Investments				
Loans and Receivables	55	5,245	12,367	17,938
Available for Sale Financial Assets	0	0	68,309	60,344
Total Investments	55	5,245	80,676	78,282

See also Notes 10 and 16 to the Core Statements.

Available for Sale Reserve

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

The table below sets out the transactions for the year

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

Notes to the Core Statements continued

35. Financial Instruments Gains / Losses

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

2008/09	Financial Liabilities		Financial Assets	
	Liabilities measured at amortised cost	Loans and Receivables	Available for Sale Assets	Total
	£000	£000	£000	£000
Interest Expense	(709)	-	-	(709)
Realised losses	-	-	-	0
Interest Payable and Similar Charges	(709)	0	0	(709)
Interest Income	-	876	1,817	2,693
Realised Gains	-	-	2,333	2,333
Interest and Investment Income	0	876	4,150	5,026
Gains on revaluation	-	-	463	463
Impairments taken to I & E	-	-	-	0
Loss arising on revaluation of financial assets	0	0	463	463
Net Gain / (Loss) for year	(709)	876	4,613	4,780

2007/08	Financial Liabilities		Financial Assets	
	Liabilities measured at amortised cost	Loans and Receivables	Available for Sale Assets	Total
	£000	£000	£000	£000
Interest Expense	(712)	-	-	(712)
Realised losses	-	-	(88)	(88)
Interest Payable and Similar Charges	(712)	0	(88)	(800)
Interest Income	-	1,890	1,582	3,472
Realised Gains	-	-	1,787	1,787
Interest and Investment Income	0	1,890	3,369	5,259
Gains on revaluation	-	-	3	3
Impairments taken to I & E	-	-	(41)	(41)
Loss arising on revaluation of financial assets	0	0	(38)	(38)
Net Gain / (Loss) for year	(712)	1,890	3,243	4,421

Notes to the Core Statements continued

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

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

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

The fair values are calculated as follows:

	31st March 2009		31st March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	13,971	18,250	15,144	19,010

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

	31st March 2009		31st March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables *	11,434	11,501	18,636	18,624

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

Also see notes 10 and 16 to the Core Statements.

* Excludes fund managers cash included within note 34.

Notes to the Core Statements continued

37. Nature and Extent of Risks arising from Financial Instruments

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

1 Credit Risk

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

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

	Long Term Rating	Short Term Rating	Limits per category £000s	Amounts a @ 31.3.09 £000s	Historical Experience Default
UK Treasury	AAA	F1	No limit	3,014	0
Euro Investment Bank	AAA	F1	5,250	3,486	0
UK Banks	AA	F1	25,750	14,943	0
French Banks	AA	F1	10,500	10,377	0
Netherlands	AA	F1	5,250	1,131	0
Spanish	AA	F1	5,250	3,399	0
Building Societies	AA	F1	5,250	5,210	0
Irish Banks	A	F1	5,000	2,080	0
SWIP Money Market Funds	AAA		No limit	33,355	0
SWIP Cash Fund	AAA		No limit	935	0
				<u>77,930</u>	

The investment with the Irish Banks is due to mature 4th August 2009.

Accounts Receivable

Legislation allows Council Tax and National Non Domestic Rate Payers to pay their accounts over ten months. For all other services the Council does not allow credit facilities to customers in relationship to debts. The past due amount can be analysed by age as follows: (see policy 29, page 13)

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

The Council pursues all debts in line with its established debt recovery policy.

2 Liquidity Risk

The Council has ready access to borrowing from the Public Works Loans Board, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council reviews its borrowing requirements as part of its annual Treasury Management strategy in order to optimise financial performance and reduce exposure to interest rate risk. This includes safeguards that if borrowing is undertaken then the maturity profile would be monitored to alleviate any future funding problems in any one year. As no new borrowings have been entered into in recent years this has not been relevant. (see note 16, page 30).

The Council's cash flows are managed on a day to day basis in line with established procedures.

Notes to the Core Statements continued

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

3 Market Risk

Interest rate risk

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

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

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

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

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

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

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

	£'(000)
Increase in interest payable on variable rate borrowings	no variable borrowings
Increase in interest receivable on variable rate investments	20
Increase in government grant receivable for financing costs	De-minimis
Impact on Income and Expenditure Account	<hr/> 20
Decrease in fair value of fixed rate investment assets (impact on STRGL)	<hr/> 334
Decrease in fair value of fixed rate borrowing liabilities (no impact on I+E Account or STRGL)	<hr/> 1,308

The impact of a 1% fall in interest rates would be as above but with the movement being reversed.

The dramatic fall in interest rates in the second half of the financial year did not result in a fall in the original budgeted investment earnings for 2008/09. This was due to the type of investments and the financial position taken by the fund Managers.

4 Price Risk / Foreign Exchange Risk

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

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

Notes to the Core Statements continued

38. Revaluation Reserve

The Revaluation Reserve is a new account established in the accounts as at 1 April 2007, replacing the Fixed Asset Restatement Account. It was established with a zero opening balance and records the unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets. It also records impairment losses where there has been a previous accumulated gain for that asset.

	2008/09 £000	2007/08 £000
Balance as at 1 April	(3,689)	-
Revaluation Gains	(3,347)	(3,785)
Impairment losses	350	-
Disposal of assets	30	96
Balance as at 31 March	<u>(6,656)</u>	<u>(3,689)</u>

39. Post Balance Sheet Events

- a) On the 16th July contracts were exchanged between the Council and Anley Trustees Ltd and Maison Anley Nominee Ltd (nominees of Henderson Global Investors Ltd) in respect of leasehold interests in land at the Causeway, Bishop's Stortford. The contract provides for the granting by the Council of 999 year leases on four adjacent parcels of land generally referred to as the Causeway Building site, the Charrington House site, the Causeway car park and the Waitrose car park. The Council will surrender the balance of its existing lease on the Causeway Building and enter into a 15 year lease for part of Charrington House; Hendersons will surrender their existing leases in respect of the land at the Causeway and Charrington House site.

The Council will receive a premium of £7.35m in respect of the four leases it will grant. The Council will pay £5m on surrender of the lease of the Causeway building. The Council may also receive a share in the profit arising from any development undertaken by Henderson (or successors) if the profit exceeds a threshold amount realised within 35 years.

By way of a separate agreement the Council will sublet part of its interest in Charrington House to Circle Anglia Housing Association.

Planning consent for works to the lobby at Charrington House which was a condition precedent to completion was granted on 28th September 2009.

- b) The indexation of members' allowances that was implemented from 1 April 2007 was reviewed in September 2009. The indexation was determined not to be in accordance with the Independent Remuneration Panel's recommendation of December 2003 subsequently accepted by Council. Recovery action was initiated in September. The accounts have not been adjusted to reflect the recovery of an estimated over payment of £21kin 2007/08 and £26k in 2008/09.

The Collection Fund Income and Expenditure Account

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

Notes to the Collection Fund Income and Expenditure Account

1. General

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

2. Council Tax

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

Band	Estimated No. of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	595.75	6/9	397.17
B	4,549.75	7/9	3,538.69
C	12,136.25	8/9	10,787.78
D	13,007.25	9/9	13,007.25
E	9,415.00	11/9	11,507.22
F	6,456.25	13/9	9,325.69
G	4,818.25	15/9	8,030.42
H	640.25	18/9	1,280.50
	51,678.75		57,874.72

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

	77.82
2008/09 Estimated Council Tax Base	57,952.54

Tax Collection

£000

08/09 Tax Base of 57,952.54 x £1,426.61 (Average Band D Charge) 82,676 Estimated Tax Due

08/09 Council Tax Income (including Council Tax Benefits) 82,006 Actual Tax Income

670 Deficit

This deficit is explained by movements in the tax base.

The actual Tax Base for 2008/09 equates to	57,483.47
This compares to an estimated Tax Base for 2009/10 of	57,734.57

Notes to the Collection Fund Income and Expenditure Account continued

3. Income from Business Ratepayers

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

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

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

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

4. Precepts and Demands

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

5. Balance on Fund

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

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

Of the deficit balance on the fund, the following amounts are attributed to:-

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

The Hertfordshire County Council and Police Authority elements are now included as part of the debtors figure in the Balance Sheet (debtor in 2007/08). See note 14, page 29

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Scope of responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007).

This statement explains how the Council has complied with the code and also how it meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

Further copies of this statement are available on the Council's website www.eastherts.gov.uk/annualgovernancestatement2008/09, alternatively paper copies can be obtained from:

East Hertfordshire District Council
Internal Audit & Business Improvement Manager
The Causeway
Bishop's Stortford
CM23 2EN

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and by which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Controls cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 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 prioritise and manage them efficiently, effectively and economically.

The governance framework described below has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council's governance framework derives from the six core principles identified by the Independent Commission on Good Governance in Public Services - a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The Commission used work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007.

Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

The six core principles are:

- a. focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- b. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- c. promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d. taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e. developing the capacity and capability of Members and officers to be effective; and
- f. engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of East Herts Council's application of each of these core principles are as follows:

Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

The Sustainable Community Strategy outlines the vision, aims and priority themes for the district. It was produced in conjunction with the East Hertfordshire Local Strategic Partnership, which brings together all relevant stakeholders, including those that deliver services in the area. During 2008/09 the Sustainable Community Strategy replaced the earlier Community Plan.

The Council's aims and objectives are set out in the annually updated Corporate Strategic Plan. This contains six priorities, plus related aims and objectives. The Corporate Strategic Plan sets out what the Council expects to deliver over the next three years time and, in many cases, beyond this timeframe. The details of how the Council will get there are incorporated in the individual service plans. The Plan will be updated each year to include new service developments planned for the third year of each plan and to remove actions once they are completed. The Plan sets the direction for the financial planning of the Council based on the Council's priorities.

The Executive receives the Medium Term Financial Strategy covering a four-year period, which is used to set initial parameters for the coming budget process to ensure that spending proposals are affordable and sustainable over the medium term.

The diagram below sets out the various links in the process of establishing and subsequently monitoring the achievement of the Council's ambitions, and shows the links between the Sustainable Community Strategy and Corporate Strategic Plan which then feed into, and are informed by, service plans, service targets and individual employees via specific areas of responsibility allocated to them.



Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

The Council has an effective performance management framework using a dedicated IT system to record and report performance. The system is driven by the Service Plans which focus on activities that will deliver the Council ambitions and priorities. This is cascaded through individual employee appraisals.

This process monitors how the Council is meeting its targets and triggers corrective actions where targets are proving challenging.

The Council's Executive and its Scrutiny Committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary. This reporting is undertaken using a graphical speedometer system so as to make interpreting of the results easier. There are reports which include monthly and quarterly budget monitoring reports covering the revenue expenditure, capital projects, key performance indicators and absence monitoring.

The monitoring process has enabled the Council to concentrate on areas which require particular attention.

The Council is therefore able to monitor all key measures on a monthly basis and respond quickly and effectively to changes at an early stage.

The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council has adopted Contract Procurement Rules in order to ensure proper arrangements are in place for procurement of goods and services.

The Council reviewed its financial rules in February 2008, with modernised financial regulations being approved by Council in March 2008. Revised procurement rules were adopted at the same time. All budget heads are allocated to a named post holder, who is responsible for controlling spend against those budgets, and who is also responsible for maximising the benefits from assets used in the provision of their service. These changes maintain control but allow greater flexibility.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.

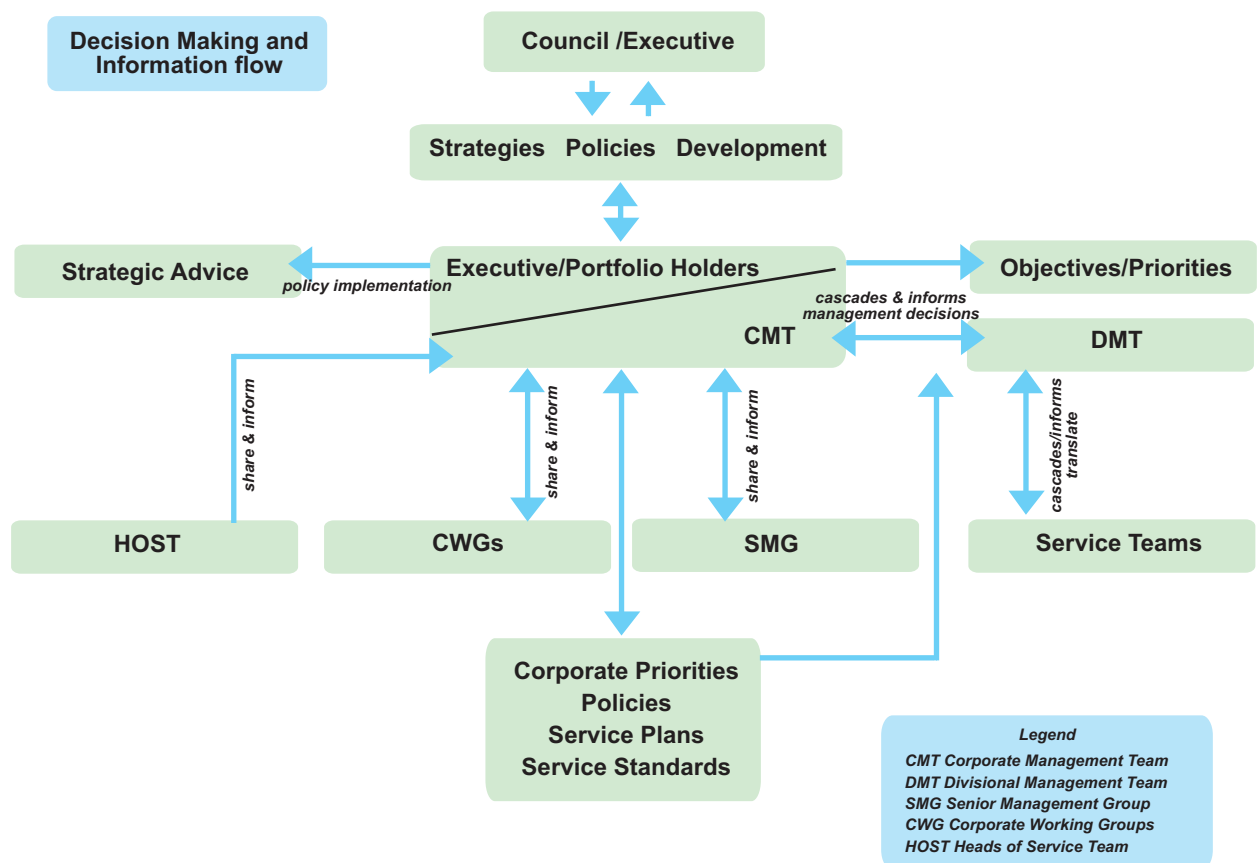
The main decision-making committee is the Executive, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except where personal or confidential matters are being discussed. In addition, senior and other officers of the Council can make decisions under delegated authority - again the extent of these delegations is set out in the constitution. The Council publishes a forward plan which contains details of key decisions to be made by the Executive. Each Executive Member has a specific portfolio of responsibilities requiring them to work closely with senior and other employees and other stakeholders so as to achieve the Council's ambitions. The Council has adopted individual decision-making powers for the Portfolio Holders.

Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

A Member-officer group undertook a thorough audit of the constitution. This resulted in amendments to the constitution which were approved by Council in March 2009. The constitution has been made more user friendly with an improved layout and greater clarity. A new guide and flowcharts have been added to improve accessibility and understanding of the Council's decision-making process.

The Council's Corporate Management Team (CMT) consisting of the Chief Executive and Directors meets on a fortnightly basis to develop policy issues commensurate with the Council's aims, objectives and priorities. CMT also considers internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management. Members of CMT meet with Portfolio Holders on a monthly basis to review progress in achieving the Council's ambitions, priorities for action, budget monitoring, performance management and forward planning for major issues. CMT has a corporate responsibility for the messages that the Council produces, both internally and externally.

Below CMT the management structure is well defined comprising the following groups and teams, the chart below indicates how decisions are implemented and cascaded:



Planning On Line Group
 Safety Committee
 Working Arrangements Project Group
 Working Arrangements User Group
 Business Continuity Corporate Group
 Emergency Planning
 Operational Risk Management
 EU Services Directive Group

ICT Strategy Group
 ICT Liaison Group
 Corporate Procurement Strategy
 Emarket place
 Responsible Authorities Group
 Use of Resources
 Equality Officers' Group

Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

The Council has adopted a number of codes and protocols that will govern both Member and officer activities. These are:

- Members' Code of Conduct
- Officers' Code of Conduct
- Members' Planning Code of Good Practice
- Member/Officer Relations Protocol

Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council has designated the Director of Neighbourhood Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive and Section 151 Officer he will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The processes have ensured compliance with policies and good practice such that there was no instance during 2008/9 of the Monitoring Officer having to consider the need for a report.

The Council recognises that expenses of politicians have recently come under serious scrutiny. The Council has an Independent Remuneration Panel which makes recommendations to Council on allowances to be paid to Members. The current scheme is published in the Constitution.

All Council services are delivered by trained and experienced people. All posts have a detailed post profile and person specification. Training needs are identified through the Personal Development Review Scheme and addressed via the Human Resources service and/or individual services as appropriate.

The Council achieved re-accreditation for a further three years from April 2009 under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.

The financial management of the Council is conducted in accordance with the Constitution and with Financial Regulations. The Director of Internal Services is the statutory Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Council has a Treasury Management Strategy Statement and Annual Investment Strategy in place. Investments are made in accordance with the Council's approved policy. All investment transactions and transfers undertaken in house are supported by appropriate documentation and are properly authorised. External fund managers are subject to strict regulation by the FSA. The Portfolio holder and the Leader of the Council receive regular updates from the Director of Internal Services.

The Council maintains an Internal Audit section, which operates to the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

Individual services have produced Service Plans, which currently cover 2009/10. These Service Plans are updated each year so that services know what they are required to do to achieve the Council's priorities and ambitions.

Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

At individual employee level the Council has established a Personal Development Review Scheme so as to jointly agree individual employee objectives and identify training and development needs. The Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for monitoring of performance during the year.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The Council has several committees which carry out regulatory or scrutiny functions. Following a review in November 2007 these are:

- Development Control Committee determines planning applications and related matters;
- Standards Committee promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the District;
- Audit Committee provides assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;
- Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- Overview and Scrutiny committees (Corporate Business Scrutiny, Community Scrutiny and Environment Scrutiny) review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions, developing the capacity and capability of members and officers to be effective.

The Council has adopted new data protection policies and a data sharing protocol to ensure personal data is maintained securely and used correctly.

The Council commissioned Zurich Insurance Company to audit its approach to risk management. Following recommendations from Zurich, the Council has adopted an improved Risk Management Strategy which was approved in February 2009.

The Strategy defines risk management, explains the benefits of a strategic approach, outlines how it will be implemented, identifies roles and responsibilities and formalises the process. The Strategy sets out the links between risk management, emergency planning and business continuity. It recognises that risk management is a key part of the management of projects and partnerships.

The Strategy highlights how risk management supports strategic planning, financial planning, policy making and review and performance management.

The Corporate Management Team is responsible for ensuring that the key risks on the strategic risk register are managed. Strategic and service risk registers are reviewed on a quarterly basis. Risks will be amended so that they reflect the current situation, obsolete risks deleted and new risks added. This will ensure that the risk register and the resulting risk mitigation measures are appropriate for corporate objectives and services.

New risk management reporting arrangements are included which describe the roles and responsibilities of Members and officers. Members have received training on the new strategy.

The Strategy sets out the foundation for integrating risk management into the Council's culture and addresses the challenges raised by the new organisational assessment component of the Comprehensive Area

Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

Assessment (CAA). It will also formalise the process to be applied across the Council to ensure consistency and through greater clarity improve understanding of the role and benefits of strategic risk management.

A new Strategic Risk Register was developed during a series of workshops with Corporate Management Team. New operational risks have also been developed. The Council is implementing a new Partnership Protocol.

Developing the capacity and capability of Members and officers to be effective

The Council plans and provides training for members in carrying out their roles effectively including their responsibilities for governance, challenge, scrutiny and review.

In 2008/09 training events included risk management, performance management and community leadership. Specialised training has been provided to enable members to undertake regulatory functions. The Council has an infrastructure in place to support members' needs in respect of ICT requirements and the Council's Democratic Services team provide advice and assistance.

Protocols have been adopted to ensure clarity of the respective roles of officers and members.

The Council's recruitment process is designed to ensure only well qualified applicants are employed and the subsequent induction process is robust so that employees are effective. The PDR process ensures individual contributions are effective in meeting corporate priorities and capability issues addressed by training. Internal communications methods and processes are reviewed to ensure staff remain well informed and their feed back is responded to. A bi-annual staff survey leads to action plans to improve effectiveness.

Training in professional and management competencies in 2008/09 had a particular focus on change as the Council enters a period of restructure in implementing the C3W programme.

The Council reviews its organisation and capacity as part of its annual service planning to ensure its staffing is commensurate in both quantitative and qualitative terms with its business plans. The Council is committed to the Pathfinder programme which will ensure more effective use of scarce skills by sharing across boundaries.

The Council's Human Resources People Strategy seeks to ensure its pay and terms and conditions are adequate to attract and retain sufficient staff and to encourage staff to invest in their own development.

Extensive use is made of the Intra net to provide staff with ready access to learning material and best practice via a series of tool kits.

Engaging with local people and other stakeholders to ensure robust public accountability.

The Council is committed to encourage all members of the local communities to contribute to, and participate in, the work of the Council. The Council achieves this through its resident polls, Community Voice, Citizens Panel and the national Place Survey, to ensure that what it is doing meets the needs of its residents. The Council carried out its last residents' survey in 2007 with a random sample of 823 district residents. The next residents' survey will be conducted by the Council's external research consultants Opinion Research Services in the summer of 2009. This will be the first year the Council has undertaken the residents survey by a postal questionnaire rather than face to face.

The Council consults a representative sample of its Citizens Panel every year on the forthcoming budget proposals and for 2009/10 this took place on 11 October 2008. As a result of this consultation, along with specific focus group consultation with hard to reach groups, it was agreed in 2009/10 that the Council would encourage and support businesses to permit use of their toilets by others as well as customers making

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immediate purchases. A further example is the decision to return the responsibility for providing community meals to Herts County Council.

The national Place Survey is another vehicle the Council uses to engage with the local community. The Place Survey was introduced to replace the Best Value Performance Indicator (BVPI) survey. Currently the Council is waiting the release of the satisfaction data from this survey, which will then be used to inform the development and shape of services in partnership with others.

Internally the Council consults with its own staff every two years. The most recent Staff Survey was undertaken in December 2008 and it demonstrated that staff satisfaction had increased by 11 percentage points compared to the 2006 survey from 65% to 76%.

The Council's Community Voice meetings engage with the public. This information will be used to shape the future development of our vision including future investment and service provision. As part of this process, any impact on governance arrangements will be identified and responded to appropriately.

Individual members are active in their localities and with local groups and serve on a number of external bodies.

The Hertfordshire County LSP and the East Herts District LSP are forums for active engagement with wider stakeholders and a mutual holding to account in delivering the Community Plans.

The Council publishes an Annual Report setting out progress on its priorities in the prior year.

There is a strategic approach to consultation to ensure the information returned is reliable - the Council has adopted a Consultation Toolkit setting out best practice.

The Council's web site is under review to ensure it is of a good standard and that information is easily accessed

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process to be adopted for a review is detailed below:

- Production of a draft Annual Governance Statement, and circulation for comments by senior managers.
- Consideration by the Audit Committee of the draft.
- Consideration by the Corporate Business Scrutiny Committee.
- Provision for input from members of the Executive.
- Consideration by the Standards Committee.
- Further review by senior managers, plus completion of the 'significant governance issues' section based on External and Internal Audit reports and reviews, plus any other relevant work.
- Approval by the Audit Committee.
- Approval by the Executive.
- Approval by full Council.

Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2008/09.

The review of effectiveness is informed by the work of the Directors within the Council who have responsibility for the development and maintenance of the governance environment, the reports by the Internal Audit and Business Improvement Manager and also by comments made by the Council's External Auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. A full review of the scrutiny function was undertaken during the latter part of 2007 to ensure it was effective and reflected current best practice and legal requirements. The Financial Regulations and procurement rules were replaced in March 2008 to ensure that they complied with current best practice. An annual review is undertaken reporting to the Annual Council in May. An audit involving a Member group was undertaken in 2008/2009. E-Marketplace has been introduced to reduce transaction cost; speed up processing and provide detailed monitoring information. This will also improve the effectiveness of controls over procurement activities.
- The Council has three overview and scrutiny committees. The committees can establish 'task and finish' groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Scrutiny Committee. Four Members can "call-in" a decision which has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. In addition the Corporate Business Scrutiny Committee can exercise its scrutiny role in respect of Executive functions, Scrutiny Committees will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing. During 2008/09 examples of task and finish work were groups set up to examine refuse collection and a review of performance data reported to members.
- In July 2008 the Standards Committee approved processes for local assessment of complaints to be processed.

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Quarter	Case Details	Date received by EH	Source of Complaint	Referral Decision	Date of decision whether to refer
2008 4th Quarter	EHDC/1/08	14/10/08	Parish / Town Clerk	Referred to MO for investigation	30/10/08
	EHDC/2/08	14/10/08	Member	Referred to MO for alt. measure - apology	30/10/08
	EHDC/3/08	03/12/08	Council Officer	Referred to MO for investigation	22/12/08
	EHDC/4/08	03/12/08	Council Officer	Referred to MO for investigation	22/12/08
Quarter	Case Details	Date received by EH	Source of complaint	Referral Decision	Date of decision whether to refer
2009 1st Quarter	EHDC/01/09	20/01/09	Public	Referred to MO for investigation	25/02/09
	EHDC/02/09		Public	Referred to MO for investigation	25/02/09
	BSTC/01/2009	02/02/09	Town Councillor	No Action	06/03/09

The Standards Committee has received extensive training on the new system.

1. The Committee provides training for Town and Parish Councils, explaining the role of the Standards Committee.
2. The Committee will review the Member/Officer Relations Protocol.
3. The Committee will review the Members' Planning Code of Good Practice.

The Audit Committee. It is the function of the Audit Committee :

- To consider reports dealing with the management and performance of the providers of internal audit services.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To monitor the effective development and operation of risk management and corporate governance in the Council.
- To monitor Council policies on "Confidential Reporting" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

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- To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- To consider the Council's compliance with its own and other published standards and controls.
- To review the annual statement of accounts
- To consider the External Auditors report to those charged with governance on issues arising from the audit of the accounts.

The Audit Committee's work programme and the minutes of its meetings are public documents and are published on the Council's web site or may be obtained from:

East Hertfordshire District Council
Internal Audit & Business Improvement Manager
The Causeway
Bishop's Stortford
CM23 2EN

- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a 3-year plan, from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant chief officer and service manager. The report includes recommendations for improvements that are included within an action plan (and graded as high, medium or low risk). This requires agreement or rejection by relevant chief officer and/or service manager. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include an opinion on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions.

Substantial assurance	All required controls are in place and functioning correctly, performance indicators are good and no errors were detected during the period of review.
Good assurance	All major controls are in place, some minor controls may be absent or have faltered, performance indicators are good and no errors were detected during the period of review.
Adequate assurance	Major controls are in place, some minor controls may be absent or have faltered, performance indicators suggest no problems and no significant errors were detected during the period of review.
Limited assurance	Major controls have failed or are absent and/or major errors have been detected during the period of review.

Direction of travel statements in respect of any change of audit opinion since the previous review are also contained within all audit reports.

All Internal Audit reports are circulated to members of the Audit Committee and the progress reports on the work of Internal Audit address issues arising from these ratings.

The Internal Audit service is subject to regular inspection by the Council's External Auditors who place reliance on the work carried out by the section. The independence of Internal Audit has been strengthened in that the Internal Audit Manager has a direct reporting line to the Director of Internal Services.

Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

For performance management, a traffic light monitoring and reporting system is in place. Reporting to Audit Committee is on a quarterly basis, with corrective action plans put in place for any under-performing areas.

As part of the CPA framework for districts, the Council has been assessed twice under the 'use of resources' category. The outcome of this assessment (in December 2007) was to award a score of 3 (out of 4). The framework for "use of resources" has been amended in the past year to widen its scope and the Council has undertaken a self-assessment exercise against the new key lines of enquiry. As at the date of this report the Audit Commission assessment is still awaited. However, with it being a harder test, the expectation, along with most other councils, is that a different score will be reflected.

The most significant areas where the self assessment has highlighted further development is needed are set out below.

The Council's Corporate Management Team has reviewed this Annual Governance Statement and the evidence supporting it.

Significant governance issues

The following governance issues were identified during 2008/09 as a result of the review of arrangements and by the work of external and internal audit:

Issue	Action/Progress to date
Risk of being unable to meet & reprioritise changing demands from the public	The Service Plan process identifies where there is a need to change service priorities and enables changes to be made to the provision of services to meet the changing demands of the public. In setting its priorities the Council recognises the importance of public engagement to ensure that Council decisions are well-informed.
Risk that Pathfinder Group fail to deliver required levels of efficiency across Hertfordshire.	Priorities for Pathfinder are set by the Hertfordshire Leaders Group, supported by the county-wide Hertfordshire Chief Executives Group. In 2008/09 early priorities were identified and progress is being made on the development of shared support services. The additional 0.5% efficiency target has been achieved
Risk of significant variance from financial plan.	<p>The monthly Health Check monitors the financial situation. This is reported to the Corporate Management Team and the Executive. Corrective measures are identified as appropriate.</p> <p>The single most significant financial risk is around investment income, given volatility of interest rates. The Medium Term Financial Plan makes provision to use funds from the Interest Equalisation Reserve. In 2008/09 the Council reviewed its treasury management arrangements in response to the Audit Commission report on Icelandic investments. Corporate Business Scrutiny Committee recognised the need to ensure greater Member oversight on treasury management issues. Further Internal Audit reviews of Treasury Management will be undertaken during 2009/10.</p>

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Issue	Action/Progress to date
Risk of significant variance from financial plan (cont).	<p>There is currently significant pressure on local authority income generated from taxpayers. This includes parking, land searches and building control. Collection of council tax and business rates are likely to fall during economic downturns whilst there is also an increase in applications for benefits. This could result in a greater risk to controlling costs and maintaining performance.</p> <p>A lack of receipts from the sale of capital assets would increase the risks of not being able to deliver the capital programme in the medium term.</p>
Risk of action by key strategic partnerships occurring in an uncoordinated way.	A partnership protocol is still being developed to be applied to all key partnerships to ensure risk is effectively managed within partnerships and that good governance arrangements are in place. Registers for significant individual partnerships have been completed.
Need to ensure the Council has the capacity and capability to commission and procure quality services and supplies, tailored to local needs, to sustainable outcomes and value for money.	A Procurement Officer post is shared with North Herts Council as a means of best practice. The Corporate Procurement Strategy is being updated and was presented to Corporate Business Scrutiny Committee in July 2009. It will be considered by the Executive in September 2009. An Annual Procurement Plan will be developed. Procurement has been identified as an early project within Pathfinder. Procurement Officer to provide advice on new initiatives.
Need to promote and demonstrate the principles and values of good governance, particularly through a strong ethical framework and culture.	<p>The Constitution was audited in full and revisions were approved by Council in March 2009. The Anti-Fraud and Anti-Corruption Strategy and the Disclosure Code are being revised. Training for Members and officers will be provided on the revised Members' Code of Conduct and the officer Code of Conduct in January 2010. The Council has made good progress in these areas but recognises the need to respond to recent public concerns following events at Westminster that have served to undermine public confidence in government generally. Internal Audit will review arrangements for the claiming and payment of Members Allowances during 2009/10. The Independent Remuneration Panel will commence a review of the Council's Members Allowance Scheme in Autumn 2009.</p>
Need to ensure that the HR policies that have been developed throughout 2008/09 become embedded across the organisation.	The HR People Strategy 2009-12 which is the Council's framework for the delivery of people management was approved by Human Resources Committee on 15 July 2009
Need to ensure that the Audit Committee is effective across all areas of its responsibilities.	The Audit Committee has been in place since May 2006. Members will be given the opportunity to assess the effectiveness of the Audit Committee and identify training needs.

Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

The following table contains five outstanding governance actions from the Annual Governance Statement Action Plan 2008/09.

Required enhancements to internal control arrangements:

Milestone	Resp. Off.	Target Date	Position as at 12 Aug 2009	Status
Risk of failure to deliver an effective, efficient and economic IT service	Peter Searle	March 2010	Reviews of IT Services undertaken by SOCITIM, External and Internal Audit. Implementation of outstanding recommendations has been included within PDR's for IT managers. Follow-up of all outstanding recommendations from these reviews have been picked up by Internal Audit in April/ May 2009. IT Resources are now more strategically deployed. There is a dedicated resource focussed on IT Strategy and two other areas focussed on Development and Network/ Systems support.	AMBER
Leisure Contract- risk of contract failure	George Robertson	March 2010	New contract with SLM commenced 1 January 2009. A project team has overseen the total procurement process, supported by an external consultant with expertise in this field. A number of professional officers from across the council have also contributed to ensuring the process benefited from a wide number of perspectives. External Audit have reviewed the arrangements for awarding the Leisure Management contract. Their report was presented to Audit Committee on 31 March 2009. It confirms good practice by the Council and provides suggestions for improvement. A post award review group met on 13 March 2009. The next phase in the Leisure Contract revolves around capital works at the two major leisure centres.	AMBER

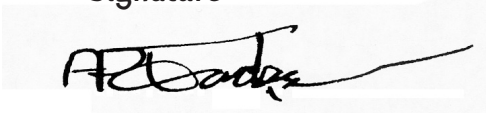
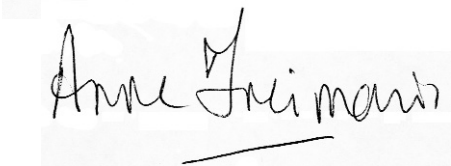
Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

Milestone	Resp. Off.	Target Date	Position as at 12 Aug 2009	Status
<p>Working arrangements- risk of failure to introduce flexible working arrangements will limit the opportunity to make cost savings, opportunities to work with other partners and adversely affect staff retention.</p>	<p>Philip Hamberger</p>	<p>July 2011</p>	<p>The Changing The Way We Work Programme (C3W) is continuing. Flexible working, including remote and home , working to be developed to reduce the office space and desk requirements is being introduced in an initial service. A schedule for other services has been agreed in principle. Specialist support is being commissioned where it has been requested by IT management. Work is continuing with Heads of Service to identify the benefits that can be attributed to C3W. Risks are reported to the Programme Board</p>	<p>AMBER</p>
<p>Risk Management- risk that strategies and risk registers do not reflect an accurate position.</p>	<p>Simon Drinkwater Chris Gibson</p>	<p>Sept. 2009</p>	<p>A revised strategy and Strategic Risk Register was approved by Council on 18 February 2009. Operational risks have been identified in service plans. Revised operational risks were agreed by Departmental Management Teams for monitoring and advice review with and support. These risks will be monitored and the results will be reported on a quarterly basis.</p>	<p>AMBER</p>
<p>To implement health and safety risk assessments and to continue the programme of health and safety training and to review the effectiveness of the risk assessment toolkit and training initiatives.</p>	<p>Chris Gibson</p>	<p>March 2010</p>	<p>Existing risk assessment processes updated, streamlined and simplified to promote ease of use. A set of generic risk assessments have been produced that are designated to reduce management workload without reducing the commitment. Risk assessments have received positive feedback</p> <p>Additional Display Screen and Workstation Assessors and Safety Liaison Officers have been recruited. Training arrangements for these staff are already in place.</p> <p>Very good progress in all areas of health and safety. The profile of the Council's Health and Safety Officer has been raised significantly.</p>	<p>AMBER</p>

Annual Governance Statement 2008/09 / Action Plan 2009/10 (cont)

We propose to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Certification by the Leader of the Council and the Chief Executive

Name	Position	Date	Signature
Councillor AP Jackson	Leader	30/9/09	
Anne Freimanis	Chief Executive	30/9/09	

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required:

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

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

approve the Statement of Accounts.

The Chief Finance Officers' responsibilities:

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

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

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the Local authority SORP.

The Chief Finance Officer has also:

kept proper accounting records which were up to date;

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

EAST HERTFORDSHIRE DISTRICT COUNCIL Certificate of Responsible Financial Officer

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

Signed  Dated 30 September 2009

A Madin
Director of Internal Services
East Hertfordshire District Council

Signed  Dated 30/9/09

Councillor S Bull
Chairman of the Council

Independent auditors' report to the Members of East Hertfordshire District Council

OPINION ON THE FINANCIAL STATEMENTS

We have audited the Authority accounting statements and related notes of East Hertfordshire District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of East Hertfordshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 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 and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE RESPONSIBLE FINANCIAL OFFICER AND AUDITOR

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither are we 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 accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

Independent auditors' report to the Members of East Hertfordshire District Council continued

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 accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, 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 accounting statements and related notes 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 accounting statements and related notes.

OPINION

In our opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 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 regularly to review the adequacy and effectiveness of these arrangements.

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.

Independent auditors' report to the Members of East Hertfordshire District Council continued

CONCLUSION

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, East Hertfordshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

CERTIFICATE

We are currently unable to 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. This is because of questions raised by local government electors. We are satisfied that these issues do not impact on whether accounts presents fairly but they require formal resolution before the audit can be certified closed.



Paul Dossett

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

30 September 2009

