

16 June 2006

Our Ref. Council 27/6/06
Your Ref.
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To: The Chairman and Members of North Hertfordshire District Council

You are invited to attend the

MEETING OF THE COUNCIL

to be held in

**COUNCIL CHAMBER, COUNCIL OFFICES, GERNON ROAD,
LETCWORTH, SG6 3JF**

on

TUESDAY, 27 JUNE 2006

at

8.00p.m.

Yours sincerely,



David Miley
Democratic Services Manager

AGENDA
PART I

ITEM	PAGE
1. APOLOGIES FOR ABSENCE	
2. DECLARATIONS OF INTEREST To receive from Members of the Council any declarations of interest in respect of any business set out in the agenda. Members should either declare a prejudicial or personal interest and are required to notify the Council of the nature of any interest declared.	-
3. 2005/06 ANNUAL STATEMENT OF ACCOUNTS To consider and approve the Council's 2005/06 Annual Statement of Accounts.	1

Future meetings of the Council have been scheduled to take place on:

Thursday, 27 July 2006
Thursday, 21 September 2006
Thursday, 2 November 2006
Thursday, 14 December 2006
Thursday, 18 January 2006
Thursday, 8 February 2007
Wednesday, 28 February 2007
Thursday, 29 March 2007

TITLE OF REPORT: 2005/2006 ANNUAL STATEMENT OF ACCOUNTS

REPORT OF THE DIRECTOR OF FINANCIAL AND REGULATORY SERVICES

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to update Full Council on the unaudited financial statements for 2005/2006; these are embodied within the Statement of Accounts.
- 1.2 The Annual Statement of Accounts for 2005/2006 is complete and attached as part of the 2005/06 annual Statement of Accounts report to Cabinet, (there is a statutory requirement for Members to consider the Statement of Accounts prior to 30th June 2006).
- 1.3 Statement of Accounts prior to 2003/04, have been referred from Cabinet to Council for approval. The accounts for the years 2003/2004 and 2004/05 were only approved by Cabinet, primarily due to the timing issues arising from the fact that the deadline for approval has been moving forward a month each year over these years. Although the Council's external auditors have signed off the Statement of Accounts for these two years, it is now clear the relevant statutory instruments preclude Executive committees from approving the Statement of Accounts. The Council's Auditor have confirmed this.
- 1.4 In previous years the Statement of Accounts has been signed by the Leader of the Council, however regulation 10 of the Accounts and Audit Regulations 2003, states the accounts should be signed and dated by the Member presiding at the formal approval meeting.

2. FORWARD PLAN

- 2.1 This Report does contain a recommendation on a key decision and was first included in the Forward Plan on 1st April 2006.

3. BACKGROUND

- 3.1 There is a statutory requirement that the Annual Statement of Accounts is approved before the 30th June.

4. ISSUES

- 4.1 A copy of the report represented to Cabinet on the 27th June 2006 is appended to this report. That report will be considered by the Scrutiny Finance Sub group on 22nd June 2006 and their comments will be considered by Cabinet. The report includes the Consolidated Revenue Account statement on pages 19 to 26 of the Annual Statement of Accounts, this is the statement of General Fund transactions.
- 4.2 The Statement of Accounts has yet to be audited, (deadline of 30th September), and changes to the General Fund balance may arise as a result of the final audit.

5. LEGAL IMPLICATIONS

- 5.1 The Accounts and Audit Regulations 2003 require that the Annual Statement of Accounts be approved by the deadline date of 30th June 2006.

6. FINANCIAL AND HUMAN RESOURCE IMPLICATIONS

- 6.1 Financial implications are contained in the report to Cabinet which is appended to this report.
- 6.2 There are no direct human resource implications arising from this report, Members will note that the Annual Statement of Accounts are required one month earlier than last year (2004/05, 31st July 2005).

7. RECOMMENDATIONS

- 7.1 Council is requested to carefully consider the contents of this report and note the Annual Statement of Accounts and ask any questions which may arise.
- 7.2 That the Statement of Responsibilities, (page 3 of the Statement of Accounts), is signed by the Chairman of the Council.
- 7.3 That the Statement of Internal Control (pages 13 to 18) is signed by the Chief Executive and the Chairman of the Council.

8. REASONS FOR RECOMMENDATIONS

- 8.1 To enable any queries raised to be addressed before Council approve the Statement of Accounts for 2005/2006.
- 8.2 To ensure scrutiny and acceptance of the Annual Statement of Accounts by the 30th June 2006.

9. APPENDICES

- 9.1 Appendix A – Annual Statement of Accounts 2005/2006 report to Cabinet 27th June 2006.

10. CONTACT OFFICERS

- 10.1 Report Writer - Finance – Clare Fletcher, Accountancy Manager Tel. 474470 - E mail clare.fletcher@nhdc.gov.uk
- 10.2 Contributors - Frances Bogie – Head of Legal & Democratic Services Tel 474460
- Kerry Shorrocks- Head of Human Resources Tel 474224

11. BACKGROUND PAPERS

- 11.1 Revenue Estimates 2005/2006
Financial Ledger (March 2006) Unaudited

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No.
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TITLE OF REPORT: 2005/2006 ANNUAL STATEMENT OF ACCOUNTS

REPORT OF THE DIRECTOR OF FINANCIAL AND REGULATORY SERVICES

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update Cabinet on the unaudited financial statements for 2005/2006; these are embodied within the Statement of Accounts.
- 1.2 The Annual Statement of Accounts for 2005/2006 is complete and enclosed with the report as Appendix A, (there is a statutory requirement for Members to approve the Statement of Accounts prior to 30th June 2006). For the years 2003/04 and 2004/05, only Cabinet has approved the Annual Statement of Accounts and although the Council's external auditors have signed off those accounts, it is now clear that regulations preclude an executive committee from approving the Statement of Accounts.
- 1.3 Prior to 2005/06 the Statement of Accounts has been signed by the Leader of the Council, however regulation 10 of the Accounts and Audit Regulations 2003, states the accounts should be signed and dated by the Member presiding at the meeting which formally approves the accounts.
- 1.4 This report will update Cabinet on the position of the Council's Provisions and Reserves as at 31st March 2006.
- 1.5 This report will update Cabinet on the impact of the 2006/07 Projected General Fund Balances as a result of the 2005/06 Statement of Accounts.
- 1.6 This report will advise Cabinet of any requests for 2006/07 carry forwards that require approval.
- 1.7 This report will inform Cabinet of the outturn on the Council's Treasury Management activities.

2. FORWARD PLAN

- 2.1 This Report does contain a recommendation on a key decision and was first included in the Forward Plan on 1st April 2006.

3. BACKGROUND

- 3.1 The 3rd quarter monitoring report was presented to members on the 28th February 2006 and reported to Cabinet the position for both the General Fund and the Trading Accounts. There was a request to approve carry forward budgets totalling £128k.
- 3.2 There is a statutory requirement that the Annual Statement of Accounts is approved by Council before the 30th June.

4. ISSUES

General Fund 2005/2006 Outturn

4.1 The General Fund balance, as at 31st March 2006, was £3.882million, (see Statement of Accounts, (Consolidated Revenue Account, page 19). This is an increase of £1.840million over that previously reported, of which £644k relates to additional carry forward requests; these are detailed in Appendix B for Members' consideration. The major variances for 2005/06 are detailed below in Table 1. The proposed 2006/07 savings/cost column contains information on items which continue to impact on 2006/07 and for which the 2006/07 budgets should be adjusted.

Table 1-Significant changes to the General Fund

Expenditure/ Income	Variance £'000	Explanation	2006/07 saving £'000
Employee Related:			
Pension Repayments on severances	419cr	At the November Cabinet, Members recommended seeking approval from the ODPM to capitalise pension payments arising as part of the restructuring exercise. ODPM approval was not received until March 2006. Members should note that the previous request to capitalise pension costs was refused by the ODPM in April 2004 and it was not prudent to assume approval would be granted when setting the 2006/07 Budgets.	
Vacancy Control and Restructure Target	54cr	The total over-recovery on the vacancy control target was £223k. At the 3 rd quarter, Cabinet approved the funding of the Strategic Priorities Fund (up to a value of £100k) from any over-recovery on the target. This is because from 2006/07 the Strategic Priorities Fund is no longer budgeted for. A further carry forward request from the vacancy control target, (£76k) has been requested to meet the 1 off restructure costs identified as part of the 2006/07 Engineering savings option (£50k per year), which will be spent in 2006/07, (see Appendix B). The 2006/07 vacancy control savings target was increased by £100k for 2006/07.	
Operating Costs:			
IT leasing and maintenance costs	137cr	I.T. leasing and maintenance charges (£849k budget) have been reducing year on year, compounded by capitalisation of some costs in 2004/05. It should be noted however, that a number of I.T. projects have not yet been implemented and system maintenance costs are estimated to increase for 2006/07, this budget is currently being reviewed and any reductions will be reported as part of the quarterly budget monitoring process.	

Expenditure/ Income	Variance £'000	Explanation	2006/07 saving £'000
Compost- Service Team Contract	8cr	There was a two week delay in starting collections for new 2005/06 bin allocations, resulting a small under spend. However in 2006/07, the growth bid of 20,000 bins is now estimated to be 16,500 for 2006/07. The remaining 3,500 bins (relating to flats) are not likely to be rolled out until the building of a new processing plant, (which is now likely to happen in 2007/08). It is understood that planning permission has not yet been granted for the new plant enabling kitchen waste to be taken.	104cr
Compost Processing Costs	34cr	The price was re-negotiated for processing compost at a lower rate, which has subsequently resulted in lower costs for 2005/06. The £61k saving reflects a full year saving at the lower rate and the collection of compost from 16,500 as opposed to 20,000 bins.	61cr
Highways Services- Street Furniture.	30cr	A joint project with Hertfordshire Highways which identified street improvements in Hitchin was withdrawn by the Agency in light of major development proposals for Hitchin & Letchworth town centres. The Street furniture budget was an approved savings option in 2006/07 of £72k, leaving a 2006/07 residual budget of £8k.	
Electricity charges	20cr	There was an under spend across all budget areas, however the 2006/07 budgets were based on the lower costs.	
Meals Service- food costs	10cr	The meals cost overall was lower than anticipated (total budget £176k). The number of meals produced in 2006/07 is projected to be significantly lower as a result of the closure of Beechridge Lodge in March 2007. There will be an associated loss of income with any reduction in food costs. Negotiations are currently underway with NHH concerning the price of meals supplied.	
Council Tax Benefit	+26	Increase in benefit paid to claimants, this is offset by the increase in benefit due (see governments grants below)	
Income Related:			
Recycling Credits	35cr	Recycling credits for paper & glass and income on paper sales were higher than originally estimated for. This income has been reviewed and the 2006/07 budget will be increased by £20k. (The 2006/07 increase in credits has been abated by a reduction in compost credits as the tonnage will be lower than estimated for 2006/07).	20cr

Expenditure/ Income	Variance £'000	Explanation	2006/07 saving £'000
Domestic Refuse- Transport Subsidy (HCC)	10cr	The transport subsidy is based on average cost of vehicles & crew across all districts in Hertfordshire. The final settlement is not notified by HCC until all claims are in. The 2006/07 budget is estimated to increase by £12k.	12cr
Planning Fees	38cr	Planning fees received in 2005/06 are £88k higher than the 2006/07 original budget. (£50k higher reported at 3 rd qrt.) Fee income is dependant on value and scale of building activity in the district. Notwithstanding this, the 2006/07 budget can be increased by £70k.	70cr
Land Charges Income	15cr	The 2005/06 actual income was £5k higher than the 2006/07 budget. (Savings options (SP46)), it is anticipated that the 2006/07 budget can be increased by a further £30k.	30cr
Markets Income	+6	Despite efforts to promote the Market, Tuesday trader numbers have declined resulting in a fall off in income. The council are working with the market traders association to enhance utilisation of weekday markets. The 2006/07 budgeted income is estimated to reduce by £14k.	+14
Benefit Overpayments	69cr	The 2005/06 budget of £226k, was in line with the 2004/05 actual overpayments. However in 2005/06, £71k was received in March 2006 compared to an average of £20k for the preceding months. The increase of £69k in overpayments collected may not be replicated in 2006/07, any exception to the budget will be monitored and reported as part of the quarterly monitoring stage.	
Government Grants:			
Social Housing Compensation Grant	70cr	The ODPM allowed a further claim to be submitted relating to 2003/04 expenditure and interest foregone. This claim was finally agreed and certified in March. The last year for payment of this grant was 2005/06.	
Housing Benefit Subsidy	233cr	The total budget for subsidy is £27.68million, the underspend represents 0.8% of the total budget. Changes to entitlement on extended payments has increased the benefit due. However the final claim has yet to be audited. It is anticipated that the 2006/07 grant budgets can be increased by £90k	90cr

Expenditure/ Income	Variance £'000	Explanation	2006/07 saving £'000
Transfers from Reserves:			
Transfer from Insurance Fund	76cr	Review of insurance reserve based on risks analysis has meant that a reduction in the insurance reserve was required. Reserve balances generally will be reviewed on a quarterly basis, to incorporate any future contributions to/from the General Fund.	
Carry Forward Budget Requests	644cr	Carry Forward requests are listed in detail in Appendix B	
Other variances	+30		
Total decrease in General Fund Expenditure	1,840cr		373cr

- 4.2 The 2005/06 General Fund revenue transactions are summarised on pages 19 to 26 of the Annual Statement of Accounts.
- 4.3 The Statement of Accounts has yet to be audited, (deadline of 30th September), and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim has yet to audited (due by December 2006), (estimated total value £28.273 million), the accounts are based on unaudited figures.
- 4.4 The additional 2006/07 Carry Forwards Cabinet is asked to approve are detailed in Appendix B. Included within the carry forwards of £644k, is a request for the Local Authority Business Growth Incentive (LABGI) grant, received in March to be carried forward. Members are asked to approve the use of part of the grant for Town Centre Partnerships

Trading Operations

- 4.5 The Council's trading accounts for 2005/06 made a combined loss of £108k these are summarised in Table 2 below:

Table 2-Trading Operations 2004/05

Trading Account	Projected Outturn 2005/06 £'000	Actual 2005/06 £'000	Variance to Projected Outturn £'000
Public Conveniences	74	67	7cr
Swimming Pools & Archers	0	12	+12
Careline Centre	12cr	29	+41
Total	66	108	+46

- 4.6 Members agreed an additional 2005/06 contribution from the General Fund to the DSO reserve of £74k relating to the Public Conveniences Contract, however the actual contribution required was £67k, a decrease of £7k.

- 4.7 The Pools contract losses relate to final utility bills which were estimated for the 2004/05 accounts, but when invoiced at a later date, were subsequently higher than estimated. This resulted in a contribution to the DSO reserve of £12k. The overall increase to the DSO reserve was a net increased contribution requirement of £5k.
- 4.8 The DSO reserve balance is zero and the Public Conveniences contract has been incorporated into the General Fund budgets for 2006/07 onwards, taking into account the increased costs.
- 4.9 The Careline Centre made a deficit for the year, this was as a result of an increase in recharges of £18k relating to legal and IT costs. There was also an increase in costs due to the implementation of new call handling equipment, which resulted in increased leasing costs (£7k) and other costs which could not be leased (£2.7k.)

Collection Fund

- 4.10 Collection Fund surpluses can be transferred to the General Fund in future years to reduce the amount of council tax that the Council has to raise to finance its own expenditure. Similarly surpluses on the Collection Fund attributable to Hertfordshire County Council and Hertfordshire Police Authority can be transferred to their respective General Funds in future years to reduce their amount of council tax.
- 4.11 The Collection Fund statements are detailed in pages 43-46 of the Statement of Accounts. There was a deficit of £518k on the Collection fund for 2005/06. The deficit on the collection fund arose partly due to the increase in the provision for bad debt of £690k on ageing debt. This creates a carried forward net deficit at the year end of £424k, apportioned over the precepting authorities as follows:

Table 3 – Collection Fund Deficit (2005/06)

Precepting Authority	Apportioned Deficit £'000
North Hertfordshire District Council	62
Hertfordshire County Council	322
Hertfordshire Police Authority	40

- 4.12 As part of the budget setting process for 2006/07 a £33k contribution to the Collection Fund was estimated as part of the 2006/07 General Fund budget. If the Collection Fund does not make a surplus in this current year then the provision will need to be made for a contribution from revenue to cover the current net deficit of £29k.

General Fund Balances Projected For 2006/07

- 4.13 A review of all the net underpends/increases in income will result in an increase in General Fund balances in 2006/07 of £373k (see table 1, paragraph 4.1). However, there are a number of other pressures on the General Fund, which may increase net expenditure and will be reported to Cabinet as part of the quarterly budget monitoring process. These relate to:
- savings options approved 2006/07, which are yet to be fully implemented and will be reported as part of the 1st quarter monitoring report, including an estimated shortfall in car park income of £60k.
 - Concessionary fares, consultants have been appointed to calculate reimbursement based on usage and are due to report back in October. The free scheme was introduced on 1st April 2006. The Council's current contribution is £800k.

- The estimated capital receipts income assumed for the 2006/07 capital programme is currently £4.102 million, however, it is likely that only £2.152 million will be achieved. This may necessitate a revenue contribution to capital. This will be dealt within the capital element of the Financial Strategy reported to Cabinet in July. The impact of any reduction in capital receipts estimated for the year is likely to have a negative impact on the investment interest budget.
- Investment interest may also be lower because the value of investments at the start of 2006/07 was only £67million, compared to the estimated value of £71million. The Council had investments of £75million for the same period last year.
- North Herts. Homes will be tendering the legal Service Level Agreement (SLA), with the Council in September, which could result in a loss of income if the Council's bid is not successful.
- The net expenditure estimated for 2007/08 of £17.398 million would require a 5% General Fund balance of £870k. the Financial Strategy which will be reviewed in July 2006 envisaged a General Fund balance of £1million in 2007/08, leaving a balance of only £130k for risks.

4.14 The changes to the 2005/06 actual General Fund balance impacts on the projected balance for 2006/07. The General Fund Balance is now projected to be £2.335million at 31st March 2007, a summary of the transactions creating this change are shown in Table 4 below:

Table 4 Projected General Fund Balances as at 31st March 2007

Projected General Fund Balances as at 31st March 2007	£'000
Balance Brought Forward (1/4/2006)	3,882cr
Projected Net Spend (original estimate)	17,684dr
Precept Receipts & Government Grants	16,312cr
Contribution from LSVT reserve*	320cr
Contribution to Collection Fund	33dr
Estimated shortfall in savings options	163dr
Estimated reductions in General Fund net expenditure	373cr
Carry Forwards Agreed 3 rd Quarter Report	128dr
New Carry Forwards requested	644dr
Balance Carried Forward (31/3/2007)	2,235cr

* the projected balances in the 2005/06 Budget Strategy included an allowance for underspends, the 2006/07 LSVT contribution has been adjusted to reflect this.

4.15 The projected balance on the General Fund is £1,035k higher than estimated, however as stated in paragraph 4.13, there are a number of factors which may reduce the General Fund balance. Table 5 Summarises the effect on balances of the under spend identified in Table 4 above.

Table 5 Reconciliation of 2006/07 General Fund Under spend

Reconciliation of Under Spends on General Fund	£'000
Under spend on General Fund between Council Tax setting & 3 rd quarter (reported to Cabinet 28 th February 2006)	324cr
Under spend on General Fund between 3 rd quarter and 2005/06 closure (Table 1)	1,840cr
Allowance for under spend in Council Tax Setting process	567
Carry Forwards approved 3 rd quarter	128
Carry Forwards requiring approval in this report	644
Additional 2006/07 net savings identified in Table 1	373cr
Estimated savings option shortfall	163
Total projected increase in balances	1,035cr
which relates to:	
Estimated on-going savings	233cr
One off savings	802cr
Total projected increase in balances	1,035cr

- 4.16 A number of the underspends identified are of a one off nature and would not lead to an on-going reduction in net spend. The 2006/07 on-going base reductions are likely to be in the region of £233k which are as a result of higher income (Planning, Land Charges) and a reduction in some recycling costs. Much of 2006/07 savings on composting will be a one-off, assuming the new processing plant is open for 2007/08. The on-going base reductions could be used to reduce future years savings targets, however it should be noted that the income increases relate to demand led income, which may carry a higher risk in terms of budget setting and should the income on these demand led budgets reduce, there would need to be a corresponding increase in General Fund net expenditure. Further work is being completed to assess the effect of the savings in table 5 on the General Fund budgets and this will be incorporated into the July Budget Strategy report.
- 4.17 However, Members are reminded that the 5 year Budget Forecast for the period 2006/07 to 2010/11, showed that expenditure exceeded income and required a savings target of £1.5million in addition to the use of balances to set a Council Tax of inflation plus 2% and that the Local Voluntary Transfer reserve (LSVT) had been fully utilised by 2010/11.
- 4.18 The balance on the LSVT reserve and the General Fund was projected to be £3.770million, the projected balance for both reserves is now estimated to be £4.905 million, an increase in balances of £1.035 million.

Consolidated Balance sheet (Net Worth)

- 4.19 The Council's balance sheet is detailed on page 27 of the Statement of Accounts; this shows the 'net worth' of the Council or how the Fixed and Current Assets have been financed. The Council's net worth for 2005/06 was £90.421 million a decrease of £3.483 million on the previous year, this is partly due to the increased liability of £1.238 million on the pension reserve. The Council is required under accounting regulation FRS 17 to show the pension liability in the accounts. However, FRS 17 valuations do not determine the contributions the employer needs to pay into the fund.

Other Reserves & Provisions

Reserves

- 4.20 A reserve can be established from 'events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled.' A description of each of the General Fund reserves is given on page 38 of the Statement of Accounts and the movement on each earmarked reserve is detailed on page 39, the total of the earmarked reserves was £5.116million as at 31st March 2006.
- 4.21 The other Reserves shown on the balance sheet are a combination of balances or resources that have already been applied to finance capital expenditure such as the Capital Financing Account and Government Grants deferred which are not available to finance future expenditure plans.
- 4.22 The Reserve balance, (other than the earmarked reserves mentioned in paragraph 4.19) available to finance future spend is the Usable Capital Receipts Reserve, this had a balance of £19.397million at the year-end, further detail is given on page 33 of the Statement of Accounts. A large part of the available balance was from LSVT receipts and members will note that, from 2005/06 the Council no longer receives a share of the right to buy income and will only generate future receipts from the sale of land and properties.

Provisions

- 4.23 A provision must be established for any 'material liabilities of uncertain timing or amount to be settled by the transfer of economic benefit'. Provisions, totalling £262k are detailed on page 33 of the Statement of Accounts, together with a brief description of their purpose.

Debtors and Bad and Doubtful Debt Provisions

- 4.24 The following table summarises the movements in the Authority's debtor accounts in 2005/06. This information can also be found on page 32 of the Statement of Accounts:

Table 6 – Debtors 2005/06

	Balance at 31 March 2006 £'000	Movement in balance £,000	%
Government Departments	1,939	+1,603	+475.94
Custom & Excise	156	-82	-34.39
Other Local Authorities	0	0	0
Ratepayers/Charge payers	5,402	-552	9.27
Sundry Debtors	3,697	-872	-19.09
Total	11,194	+97	+0.87

Government Department Debtors

- 4.25 Government Department debtors have increased from the 2004/05 balance largely as a result of two payments. Firstly, payments to the NNDR pool were £644k more than the actual due for the year; compared to £286k in 2004/05.

4.26 Secondly, the DWP was a creditor of the Council in 2004/05 as the DWP payments exceeded the estimated final subsidy by £397k. However, in 2005/06, due to the delay in the submission of the 2004/05 final audited claim, the DWP held back monies and consequently the DWP debtor is estimated to be £1.069 million.

Sundry Debtors

4.27 In 2004/05 £983k was due from NHH for the Council's share of Right to Buy receipts and VAT for the period January to March 2005. The receipts due from NHH have now ceased.

4.28 Net arrears on Debtors raised via the Council's sales ledger have increased by £814k to £1.248million, an increase of £434k, most of the increase relates to outstanding debt raised on the 30th March, relating to leasing agreements. However the age profile of the debt has increased and this required an increase in the debtor provision.

Bad and Doubtful Debt Provisions

4.29 Members will notice below, that the provision for bad and doubtful debts has increased from £1.553 million to £2.528 million. A review of NNDR and Council Tax debt provisions required an increase in the amount of provision made based on the age of the debt. The NNDR debt provision in the year was a negative contribution due the writing on of £410k of credit balances relating to numerous NNDR accounts over a number of years. Should any of these credits be subsequently claimed, a higher in year provision will be required.

Table 7-Bad and Doubtful Debt Provisions

	Balance B/F £'000	Write Off /On in Year £'000	Provision in Year £'000	Balance C/F £'000
General Fund:				
Summons Costs	246cr	4	20cr	262cr
Sundry Debtors	259cr	38	51cr	272cr
UPVC	13cr	0	13	0
Collection Fund:				
NNDR	405cr	410cr	134	681cr
Council Tax	630cr	7	690cr	1,313cr
Total	<u>1,553cr</u>	<u>361cr</u>	<u>614cr</u>	<u>2,528cr</u>

5. TREASURY MANAGEMENT ACTIVITY 2005/06

5.1 The Treasury Management Statement in Appendix C details the treasury management function for 2005/06. This sets out the total borrowing and interest earned on investments for the year. £3.680 million interest was generated in the year from investments.

5.2 Page 1 of Appendix C details the operating lease agreements entered into in 2005/06; these totalled £366k and require Cabinet formal approval. The leases relate to I.T equipment and wheeled bins.

6. LEGAL IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2003 require that the Annual Statement of Accounts be approved by the deadline date of 30th June 2006. The Statement is provided for information, however it is Council that must approve the Statement as this cannot be an executive function.

7. FINANCIAL AND HUMAN RESOURCE IMPLICATIONS

- 7.1 Financial implications are contained in the body of the report.
- 7.2 There are no direct human resource implications arising from this report, Members will note that the Annual Statement of Accounts are required one month earlier than last year (2004/05, 31st July 2005).

8. RECOMMENDATIONS

- 8.1 Cabinet is requested to carefully consider the contents of this report and note its impact on the Annual Statement of Accounts and ask any questions which may arise.
- 8.2 Cabinet is requested to note the increase in the transfer to the DSO reserve of £5k, (paragraph 4.7 refers).
- 8.3 That Cabinet approves the additional carry forward of budgets totalling £644K, including the carry forward proposal for the LABGI grant (paragraph 4.4 refers), making the total carry forwards for the year, £772k.
- 8.4 That Cabinet approve the amendments to the 2006/07 budget of £373kcr, (Paragraph 4.1, table 1 refers).
- 8.5 That Cabinet notes the Council's treasury management activities for 2005/06 and approves the operational lease agreements entered into in 2005/06, totalling £366k.

9. REASONS FOR RECOMMENDATIONS

- 9.1 To enable any queries raised to be addressed before Council approve the Statement of Accounts for 2005/2006.
- 9.2 To ensure Cabinet's budget monitoring role is fulfilled before acceptance of the Annual Statement of Accounts by the 30th June 2006.
- 9.3 To ensure scrutiny of the Council's treasury management activities for 2005/06 and approval of all operational leases entered into in 2005/06.

10. APPENDICES

- 10.1 Appendix A – Annual Statement of Accounts 2005/2006, attached as a separate document.
- 10.2 Appendix B – Carry Forward Budgets requested for 2006/07
- 10.3 Appendix C – Treasury Management Activity 2005/06

11. CONTACT OFFICERS

- 11.1 Report Writer - Finance – Clare Fletcher, Accountancy Manager Tel. 474470 - E mail clare.fletcher@nhdc.gov.uk
- 11.2 Contributors - Frances Bogie – Head of Legal & Democratic Services Tel 474460
- 11.3 - Kerry Shorrocks- Head of Human Resources Tel 474224

12. BACKGROUND PAPERS

- 12.1 Revenue Estimates 2005/2006
Financial Ledger (March 2006) Unaudited

**Annual
Statement of Accounts
2005/2006**

**North
Hertfordshire
District Council**

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The 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 Director of Finance & Regulatory Services;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

The Director of Finance & Regulatory Services Responsibilities

The Director of Finance & Regulatory Services 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 the statement of accounts, the Director of Finance & Regulatory Services has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Director of Finance & Regulatory Services has also:

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

I certify that the statement of accounts presents fairly the financial position of the authority at the 31 March 2006 and its income and expenditure for the year then ended.

Norma Atlay
Strategic Director of Finance & Regulatory Services

The Chairman of the Approving Committees Responsibilities

I confirm that these accounts were approved by Council at the meeting held on 27th June 2006

Signed on behalf of North Hertfordshire District Council:

Chairman of meeting approving the accounts: _____
Councillor C.P.A. Strong, Chairman of the Council

Date **27th June 2006**

Foreword by the Director of Finance & Regulatory Services

1. The Council's accounts for the year 2005/2006 are set out on pages 8 to 49 and consist of a number of statements, these are listed below, together with their purpose and the relationship between them:

The Statement of Internal Control (page 13)- The system of internal control is designed to manage risk to a reasonable level, the Council's statement details how this is achieved.

The Consolidated Revenue Account (page 19) –This statement is the Council's revenue account, it reports the net cost for the year on the functions for which the Council is responsible. The statement also demonstrates how this cost has been financed, from Government grants and the tax payer.

The Consolidated Balance sheet – (page 27) -This statement shows the balances and reserves at the Council's disposal and its long term indebtedness, the fixed and net current assets employed in its operations, together with summarised information showing, fixed assets owned by the Council and the Council's net worth.

The Statement of Total Movement in Reserves (page 37) – This statement sets out the recognised gains and losses of the Council for the financial period and identifies those that have not been recognised in the Consolidated Revenue Account as at 31st March 2006. The overall movement on the Statement represents the movement in net worth between the opening and closing balance on the Consolidated Balance Sheet for the 2005/06 financial year.

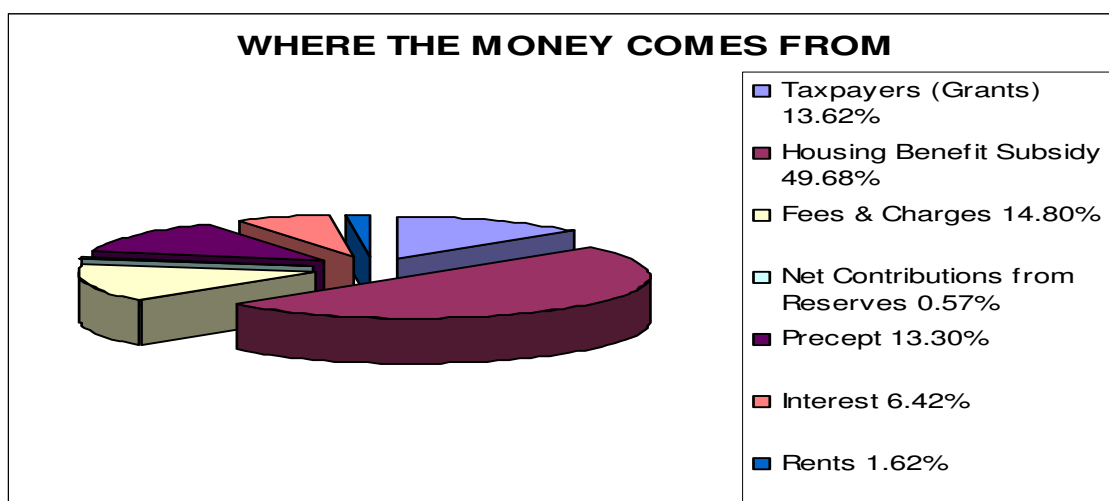
The Collection Fund Account (page 43)-This statement shows Council Tax, Community Charge and National Non-Domestic Rates income and expenditure on the Collection Fund together with the Collection Fund Income and Expenditure Account.

The Cash Flow Statement (page 47)- This statement which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

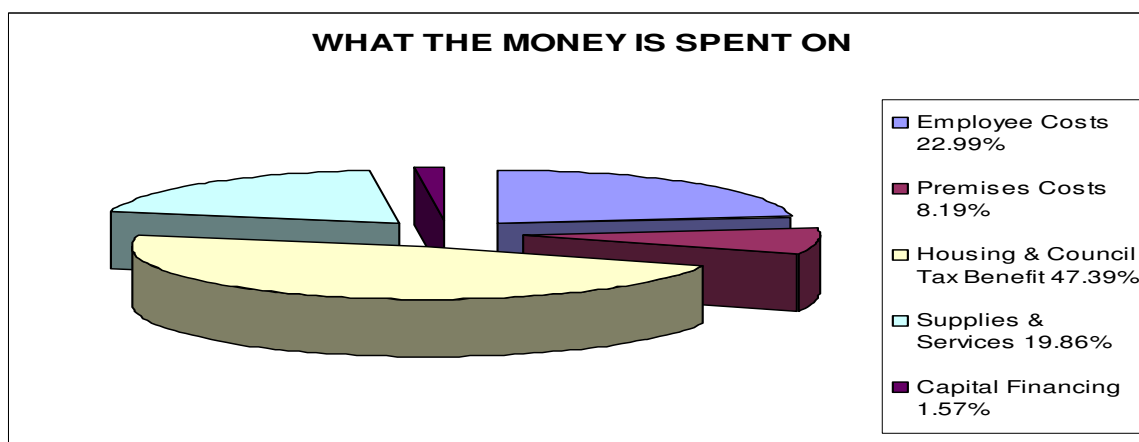
A Statement of Accounting Policies is shown on pages 8-12, these accounting policies apply to the accounting statements and give an explanation of the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Foreword by the Director of Finance & Regulatory Services

2. This foreword gives a brief explanation of the financial aspects of the Council's activities for 2005-06 and draws attention to the main characteristics of the Council's financial position. The two charts below show in broad terms where the money came from and what it was spent on.
3. The 2005/06 gross income was £57.97 million, (including income from trading accounts), the largest single item was Housing Benefit subsidy providing 49.68% of the income total. Secondly, Fees and Charges accounting for 14.80% and then the third largest source of income was Government Grants which accounted for 13.62%. Precept income from tax payers which accounted for 13.30%,. was the fourth largest source of total income.



4. Housing and Council Tax Benefit payments accounts for 47.39% of all expenditure (including trading account expenditure). Employee Costs (including associated costs such as training and recruitment costs) account for 22.99% of costs. Service and supplies such as, operating vehicles and purchase of supplies and services are 19.86% of the total expenditure. Financing charges account for 1.57% of the total this consists mainly of the payments of interest on loans and contributions to capital expenditure. Premises costs make up the remaining 8.19% of costs.



Foreword by the Director of Finance & Regulatory Services

GENERAL FUND BUDGET

5. The 2005/06 Revised General Fund Budget was a net expenditure of £17.34million (including parish precept payments), with a net contribution from other reserves of £0.642million. The balance at year-end on the General Fund was estimated to be surplus of £2.042million. The actual General Fund balance as at the 31st March 2006 was a surplus of £3.882million, an increase of £1.84million over the estimate. There were two main reasons for the increase in surplus; firstly additional requests to carry forward budgets, (£643 thousand), these relate to schemes or projects that were committed, but where the budget had not been fully spent. Secondly, Government approval was given to capitalise payments to the pension fund relating to retirements (£419 thousand), the approval was given after the revised General Fund budget was approved by the Council's Cabinet committee on the 28th February 2006.
6. Council has a policy of seeking to maintain a prudent level of General Fund balance. At 31st March 2006 with a balance totalling £3.882 million, the General Fund balance was above the recommended balance of £1.2 million in the General Fund Budget Report 2005/06, approved by members on the 10th February 2005.

HOUSING REVENUE ACCOUNT

7. The Council sold it's housing stock to North Hertfordshire Homes on the 31st March 2003. The dwellings were sold following a ballot of Council tenants in July 2002 in which 60% of tenants voted in favour of transferring to a new landlord. (69% of tenants voted).
8. In 2003/04 the HRA was closed with Secretary of State consent under the Local Government and Housing Act 1989 section 74(4), there is no requirement to keep a HRA and the surplus of £5,399,430 was transferred to the General Fund.

CAPITAL AND BORROWING

9. In 2005/2006 the Council had an original capital budget of £13.823million approved by Cabinet members on the 18th January 2005. This budget was revised to £9.410million and approved by Cabinet members on the 28th February 2006 The actual 2005/06 spend was £8.309million on capital items, of which £0.249million was funded from operating leases and the remaining £8.060million was funded from capital receipts, revenue and third party contributions.
10. The 2005/06 Original Budget allocated £2.931 million, (21.2% of the original budget), to assisting Housing Associations with new build and refurbishment schemes, £1.426 million of this budget was spent in 2005/06, the remaining £1.505million will be spent in 2006/07.
11. The Council funds the capital programme, primarily from the sale proceeds from assets. £7.126 million of capital receipts were used in this way in 2005/2006. The Council resources all capital expenditure (paid and accrued), within the financial year. The total amount of capital expenditure (excluding leased items), that required financing was £8.060million, of which 88.41% was financed from capital receipts, the balance of the funding requirement coming from third party contributions and other sources.
12. In previous years the Council has funded part of the capital programme from loans, the value of loans owed to external parties for capital spending amount to £6.62 million, as at 31st March 2006. This sum should be viewed, however, in relation to the value of the Council's assets which are valued by a combination of replacement cost and historic cost and have a net book value of £55.975 million and have an insurance value of over £82 million (31st March 2006). The ratio of outstanding debt to asset value appears high, however, the Council at the 31st March 2006 had investments of £67.35 million.

Foreword by the Director of Finance & Regulatory Services

PENSIONS

13. The Council participates in the Local Government Pension Scheme, the scheme is administered by Hertfordshire County Council. With the implementation of FRS 17 in 2003/04, the impact of the pension liability must be shown on the face of the consolidated balance sheet. The effect of the 2005/06 pension liability is to reduce the value of the Council's reserves by £30.5 million, (£29.261 million in 2004/05). Further information is given in Note 11 to the Consolidated Revenue Account, Note 13 to the Consolidated Balance Sheet and Note 1 to the Statement of Total Movement on Reserves.

GROUP ACCOUNTS

14. The Council is required to publish Group Accounts as part of the 2005/06 Statement of Accounts. Local Authorities have to consider all their interests and where material, in subsidiaries, associates and joint ventures include the value of the interest in the Group accounts. The Council has reviewed all such interests and has no material interest and therefore has no requirement to complete Group accounts.

POST BALANCE SHEET EVENTS

15. Events may occur between the balance sheet date and the date the accounts are signed by the Strategic Director of Finance & Regulatory Services and Regulatory Services which may have a bearing on the financial results of the year. Under FRS 21 (Events after the balance sheet date) there is a new requirement to disclose the date after which events will not have been recognised in the statement of accounts. This date is the 16th June 2006, this being the date the accounts will be ready for distribution to Council.

FURTHER INFORMATION

16. Further information about the accounts can be obtained by contacting the Strategic Director of Finance and Regulatory Services, Town Lodge, Gernon Road, Letchworth, Herts. SG6 3HN.

Statement of Accounting Policies

GENERAL

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2003, the Code of Practice on Local Authority Accounting issued in 2002 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and guidance notes issued by CIPFA on the application of Accounting Standards (S.S.A.P's) and Financial Reporting Standards (F.R.S's).

ACCRUALS OF INCOME AND EXPENDITURE

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. The sums that are due to or from the Council during the year are included in the accounts whether or not the cash has actually been received in the year. In closing the accounts it is sometime necessary to estimate the amount of income or expenditure due. Capital accruals have been financed in the 2005/06 accounts, this is a change from previous years. Further information on the financing of capital expenditure is detailed in Note 2 to the Consolidated Balance Sheet (Page 30).

BORROWING - VOLUNTARY CODE OF PRACTICE

The Voluntary Code of Practice for the regulation of borrowing by local authorities has been adopted, and the authority has complied with since 2004/2005.

CAPITAL RECEIPTS

Income for the disposal of assets or 'capital receipts', are credited to the useable capital receipts reserve and accounted for on an accruals basis. North Hertfordshire District Council is no longer a Housing authority but is required to pay pooled capital receipts to the Government on mortgage repayments relating to Right to Buy properties and any discount repaid. This replaces the requirement under the Local Government and Housing Act 1989 to set aside a specified proportion of the receipt in the capital financing account.

CONTINGENT LIABILITIES

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the authority; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

The Council had no known contingent liabilities as at 31st March 2006

DEFERRED CAPITAL RECEIPTS

Income from the loan repayment on Council House mortgages are treated as capital receipts, however the proportion on the loan outstanding is not treated as capital receipts but are shown in the balance sheet as deferred capital receipts

Statement of Accounting Policies

DEFERRED CHARGES AND PRIOR YEAR ADJUSTMENTS

Deferred charges arise when the Council incurs capital expenditure, where no asset is realised, i.e. improvement grants. Because of the type of expenditure to which deferred charges usually apply, a local authority will seldom control the economic benefits arising from the expenditure and in such cases 100% of the deferred charge should be amortised to revenue in the year the deferred charge is recognised.

The 2004 SORP has been updated to be consistent with FRS 18. Deferred charges has been deleted as a heading in the balance sheet and replaced with the category 'intangible asset', because any unamortised deferred charges carried in the balance sheet must correspond to a recognised asset category, e.g. intangible asset in the case of purchased software.

FIXED ASSETS

Recognition

All expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis. Expenditure on fixed assets is capitalised in the balance sheet, if the asset yields benefit to the authority of more than one year.

Capitalised expenditure on fixed assets could be the acquisition of land or buildings or the enhancement of existing land, buildings and infrastructure. Enhancement meaning expenditure, which lengthens the life of the asset, increases substantially the open market value, or increases substantially the extent to which the asset can be used.

Where a fixed asset is acquired for other than a cash consideration or where payment is deferred, the asset is recognised and included in the balance sheet at fair value.

Measurement

The CIPFA code of practice recommends how assets should be valued in the balance sheet. Infrastructure assets and community assets are included in the balance sheet at historic cost, net of depreciation where appropriate. Operational land and properties are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational land and buildings, including investment properties are included in the balance sheet at the lower of net current replacement cost or net realisable value.

In previous years the assets have been valued by the in-house Senior Estates Officer on an annual basis. From 2005/06, all assets included at current value are re-valued at intervals of not more than five years. The revaluation of fixed assets is carried out by a qualified internal valuer.

Where an asset has been included in the balance sheet at current value and is subsequently re-valued, the increase in the valuation is credited to the fixed asset revaluation reserve.

Statement of Accounting Policies

Impairment

The value at which an asset is included in the balance sheet is reviewed at the end of each reporting period and where the value of the asset has changed materially, the valuation should be changed accordingly. This could happen as a result of, a decline in the fixed assets market value, obsolescence or physical damage, adverse change in the statutory or regulatory environment, or a commitment to undertake a significant re-organisation.

Where an impairment loss on a fixed asset occurs it is recognised, if the loss is due to physical damage, the loss is recognised in the revenue account and the asset management account, as if the asset has been consumption of economic benefit, (as with depreciation). Other impairments, such as a drop in prices are recognised in the fixed asset restatement reserve.

Fixed assets, other than depreciated land should be reviewed for impairment at the end of each reporting period when either:

- No depreciation is made on the grounds it would be immaterial
- The estimated remaining useful life of the fixed asset exceeds 50 years

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life, with the exception of non-depreciable land and non-operational properties. Depreciation is based on the amount at which the asset is included in the balance sheet, whether at net current replacement cost or historic cost. Depreciation is charged on a straight line method and depreciated over the useful economic life of the asset.

Charges to Revenue

All services are charged a capital charge for all fixed assets used in the provision of the service. The charge is comprised of, an annual charge for depreciation and a capital financing charge, the latter being calculated by applying a specified rate of notional interest to the net amount the asset is included in the balance sheet.

To ensure that the capital charges do not impact on the level of local taxation, they are reversed within an asset management revenue account that is disclosed below the net cost of services in the consolidated revenue account.

GOVERNMENT GRANTS

Revenue grants are matched to the expenditure to which they relate. Grants given to finance general activities are credited to the revenue account of the period in respect in which they are payable. Where a fixed asset is financed wholly or partly by a government grant, the amount of the grant is credited to the government grant-deferred account and written off to the asset management account over the useful life of the asset, to match the depreciation of the asset to which it relates.

INTEREST CHARGES

Interest charges and debt management expenses were recharged to revenue accounts from the Loans Fund. Interest payable on external borrowings and interest income, are accounted for on accruals basis, so that they are accounted for in the period to which they relate.

Statement of Accounting Policies

LEASING

The capital value of material items acquired during the year under operating leases is recorded as a note to the Balance Sheet, Note 3. The amount of operating lease rentals paid during the year and an estimate of the undischarged leasing obligations is also shown as a note, (See Page 30). Operating lease rentals are charged to revenue on a straight line basis over the life of the lease.

OVERHEADS

All costs relating to support costs are fully charged to their users, including services to the public, trading undertakings and capital accounts. The costs of corporate and democratic core and unapportionable overheads are not allocated to service accounts but to a separate expenditure head, these costs are shown separately in the Consolidated Revenue Account.

PENSION COSTS

Pension Reserve

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the Local Government Pension Scheme which is classed as a defined benefit statutory scheme.

Where payments made for the year in accordance with the scheme requirements do not match the change in the authorities recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This is represented by an appropriation to or from the pension reserve, which equals the net change in the pensions liability recognised in consolidated Revenue Account.

PRIOR PERIOD ADJUSTMENTS

The SORP requires that Financial Statements should disclose where practicable the effect of a prior year adjustment on the results of the preceding period. In addition the cumulative effect on reserves of any prior period adjustment should be disclosed at the foot of the Statement of Total Movements in Reserves. There were no prior year adjustments in the 2005/06 Statement of Accounts

Statement of Accounting Policies

PROVISIONS

Provisions are included in the accounts for liabilities that the North Hertfordshire District Council has a present obligation for as a result of a past event. The provision is charged to an appropriate revenue account, payments relating to the provision are charged directly to the provision.

PROVISION FOR BAD DEBTS

The value of Debtors shown on the balance sheet is adjusted for doubtful debts and in the collection fund for Council Tax and NNDR. The uncollectable debts are written off against the provision. Balance sheet provision for bad debts provided for are sundry debtors and summons costs. The provision is based on the age of the debt.

REDEMPTION OF DEBT

The Council operates a Consolidated Loans Pool, under the powers contained in Schedule 13 of the Local Government Act 1972

RESERVES

Reserves are set aside for specific purposes. The Statement of Total Movement in Reserves (page 37) identifies all the Council's reserves. These include both capital and revenue reserves, but capital reserves cannot be used for revenue purposes and some reserves are required by statutory provision. Prior to 2005/06, commuted sums and revenue contributions received from developers have been treated as earmarked reserves. The 2005 Statement of Recommended practice reclassifies these sums as receipts in advance, (creditors in the Consolidated Balance Sheet). As at 1st April 2005, the balance of commuted sums and revenue contributions received unapplied was £456,172 and £467,170 respectively. These monies are now shown as creditors in the 2005/06 Consolidate Balance Sheet. For further information on reserves see Note 1 to the Statement of Total Movement in Reserves.

VALUATION OF INVESTMENTS

Investments appear in the balance sheet at cost.

WORKS IN PROGRESS, STOCKS AND STORES

Consumable stocks are valued at cost based on a first-in-first-out basis (FIFO) in accordance with the 2005 Statement of Recommended Practice.

VAT

Value added tax (VAT) is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

Statement of Internal Control

1. Scope of Responsibility

- 1.1 North 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.
- 1.2 In discharging this overall responsibility, North Hertfordshire District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

- 2.1 The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can only therefore provide reasonable, not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.
- 2.2 The system of internal control has been in place for the year ended 31st March 2006 and up to the date of the approval of the annual report and accounts accords with proper practice.

3. The Internal Control Environment

- 3.1 The Council acknowledges its responsibility for the establishment and maintenance of an effective system of internal control, which adequately manages the risks that are significant to the fulfilment of strategic objectives.
- 3.2 The Council has an internal Audit and Consultancy service that has no operational responsibilities. This ensures that their duties are performed impartially. The annual audit risk-based plan contributes to the review of the Council's corporate governance arrangements, risk management processes and key internal control systems. The audit plan is reviewed after 6 to 9 months to identify any amendments needed to reflect changing priorities and emerging risks.
- 3.3 The objective of the work of internal audit is to provide reasonable assurance that the Council's control environment is adequately managed.
- 3.4 The Council has a Risk Management Strategy and Policy which was reviewed in November 2005. A dedicated Risk Manager oversees the implementation of the strategy.
- 3.5 The key elements of the Council's system of internal control are detailed in the following paragraphs.
- 3.6. Achievement of the Council's objectives**
- 3.6.1 Consultation with our partners through the Local Strategic Partnership was key to the development of our vision, 'Making North Hertfordshire a vibrant place to live, work and prosper'. The Council's mission, 'To work collaboratively with our partners and communities to deliver the vision for the district of North Hertfordshire' supports this vision. The original Community Strategy, developed in 2003 with the assistance of the LSP identified eight key areas of interest to our communities, and from these the Authority has developed six strategic objectives, which govern every aspect of service delivery.

Statement of Internal Control

3.6.2 The achievement of our strategic objectives is dependent on the delivery of a range of short, medium and long-term projects. The overarching projects are outlined in the Council's Corporate Plan and developed in more detail in the individual service plans which underpin it.

3.6.3 Projects included in these plans are included within the Service and Financial Planning Programme for the Authority to align the service proposals to appropriate levels of funding to deliver each project. This is a robust framework which scores individual projects against the Authority's strategic objectives, results of public consultation, and legislative need. The Council's Risk management process is a critical element of this process. Any significant risks to delivering key projects on the Corporate Plan are likely to be considered as "Top Risks". The Top Risks are owned by Cabinet and the Corporate Management Team and are monitored on a quarterly basis by PARC.

3.6.4 A rigorous overview and scrutiny function is provided by the Council's Performance, Audit and Review Committee which regularly monitors the Council's performance in its key areas against agreed targets.

3.7 Policy and decision-making

3.7.1 The Council's Constitution, which is regularly reviewed, sets out the roles and responsibilities of Members and officers as both individuals and members of committees.

3.7.2 The Members' roles are to ensure that effective policy making, scrutiny and monitoring occur. The committee structure has been developed to maximise the effectiveness of these processes. Additionally, Member expertise and involvement are enhanced by the Portfolio role of key members in their delegated roles and the training and development of all Members in the above functions.

3.7.3 Officer decision-making at a strategic level is led by the Corporate Management Team, which comprises the Chief Executive, two Strategic Directors of whom one is the Council's Section 151 Officer, the Monitoring Officer and the Corporate Property Officer. At a directorate level, the senior officer Directorate Management Teams lead decision making.

3.7.4 To ensure that projects relating to key objectives are achieved on time and within budget and that effective scrutiny takes place, a robust project management process exists. This will ensure that the management of individual projects is undertaken in a manner proportionate to the overall project; at the review of the Corporate Plan annually, it will be possible to identify those projects that require Prince II methodology to deliver, and those which can use a 'lighter touch' (sub Prince) method. This will be subject to regular review through CMT, Directorate Management Teams (DMT) and reported to Performance Audit and Review Committee (PARC) six monthly.

3.8 Policies, procedures, laws and regulations

3.8.1 The Council's objectives must be compliant with current legislation and regulations. The Council's policies and procedures are drawn up to ensure such compliance. A regular review process confirms that changes in legislation and regulations are identified and appropriate updates are made. Changes are disseminated to relevant staff through the Council's training and development programme and more broadly using the Council's internal communication mechanisms.

3.8.2 The Council's Appraisal Process identifies skills' gaps, which are then addressed through the individual's training and development plan.

3.8.3 Recruitment procedures ensure the appointment of officers capable of understanding, implementing and complying with all policies, procedures, laws and regulations.

Statement of Internal Control

3.8.4 Concerns regarding non-compliance with policies, procedures, laws and regulations can be reported through the Council's Anti-Fraud and Corruption and Confidential Reporting (Whistleblowing) policies and will be investigated and acted on following clearly defined guidelines.

3.9 Economic, effective and efficient use of resources

3.9.2 The Council operates a system of priority led budgeting. This ensures that resources are directed and / or redirected towards the achievement of strategic objectives (as outlined at 3.6.3 above). The service and financial planning system facilitates a critical review of existing services and budgets which ensures the economic, effective and efficient use of resources.

3.9.3 Service led reviews are carried out under the auspices of the Best Value regime. The review process is scrutinised by the PARC to ensure its robustness. Service improvement action plans arising from reviews are regularly monitored annually to ensure that key targets are achieved. We have just completed our five year Best Value cycle and proposals are being drawn up for consideration by CMT and PARC to develop another five year plan for service reviews, but in a manner that reflects the potential benefits to and size of the service itself. This will ensure that Fundamental Service Reviews are used predominantly to measure the effectiveness of cross-cutting services (or those which impact in a number of areas) with more discrete reviews for remaining services and with regard to their emergence from existing action plans and inspection reviews.

3.9.4 Further analysis of the Council's use of resources is achieved at Member level through the Scrutiny Committee and at officer level through the work of the Council's internal audit service.

3.9.5 Central Government's drive for efficiency in local services has been incorporated into the Council's existing mechanisms for the achievement of economy, effectiveness and efficiency and value for money. Such mechanisms include the Council's Procurement Strategy, Contract Standing Orders and Procurement Procedure guide.

3.10 Financial Management

3.10.2 The Council's annual service and financial planning process targets resources to meet the Council's strategic objectives. To achieve the delivery of services which both allow the Council to meet its statutory duties and achieve its strategic objectives, the service and financial planning process includes challenge through a senior management group, Challenge Board. Portfolio holders, area committees, Member workshops and Scrutiny Committee exercise Member challenge through consultation and scrutiny. The integrated timetable for corporate planning, priority setting and budget planning process outlines at which point each of these committees will be consulted.

3.10.3 Key to the service and financial planning process is the management of both growth and efficiency savings. The risk management process together with a regular monitoring and review regime involving Members through PARC/Cabinet and officers through Corporate and Directorate Management Teams ensures that continuous progress is made towards achieving of all objectives.

3.10.4 To ensure a balanced budget is set and to provide adequate financial resources to deliver the 10 year Corporate Plan, a medium to long-term financial strategy has been adopted.

3.10.5 Underpinning the Council's financial management arrangements is a regulatory framework comprising Financial Regulations, Contract Standing Orders, key systems audits and the role of the statutory Section 151 officer.

Statement of Internal Control

3.11 Performance Management

- 3.11.2 The process for the collection of and reporting on a range of statutory and local performance indicators is well established. Member scrutiny is exercised through the roles of the Portfolio holders and the Performance, Audit and Review Committee who receive regular reports on the attainment of targets and review the recovery plans for any failing targets.
- 3.11.3 Officers attending Corporate and Directorate Management Teams review performance against the Authority's key performance indicators as well as those 'local' indicators relating to their service areas.
- 3.11.4 The Council's annual Best Value Performance Plan, which was unqualified in 2004/05, is used as a vehicle to inform the local community and partners of success and progress against both strategic objectives and service performance.

4. A review of effectiveness

- 4.1 North Hertfordshire District Council has responsibility for conducting, at least annually, a review of the system of internal control. The review of the effectiveness of internal control is informed by the work of senior managers within the Council, and the Council's risk management and internal audit functions. If appropriate, comments made by the Council's external auditors and other review agencies and inspectorates are incorporated.
- 4.2 In 2005/6 the Council formed a Corporate Governance Group chaired by the Chief Executive. One of the key roles of this Group is to continually review the Council's control environment and to prepare this Statement.
- 4.3 To further support the production of this Statement all Heads of Service and Strategic Directors (thereby including the Section 151 Officer and Monitoring Officer) have produced their own Assurance Statements. They have responsibility for developing and maintaining an adequate internal control environment within their service area
- 4.4 The Corporate Governance Group has undertaken an in depth review of the risk management process and found an overall medium to high level of assurance. An action plan to ensure continual improvement in the risk management processes at the Council is in place.

4.5 Achievement of the Council's objectives

- 4.5.1 The Vision for North Hertfordshire was agreed in 2004/05. The strategic objectives set out in the Council's Corporate Plan have been developed from the original Community Strategy published in 2003. Annual progress against the Corporate Plan will be reported each year. The plan itself will be refreshed in 2006/7 (and indeed each year to 2015) to ensure that new actions are developed for the longer term, that those in the medium term are considered for completion in the short term and that any implications with regard to legislation or policy direction are also included. Many of the original measures of success will remain, but it is also intended to ensure that actions to be undertaken also include clear performance measures to ensure more effective quarterly monitoring can be carried out by PARC.
- 4.5.2 The PARC has maintained a robust overview and scrutiny function and regularly monitors progress in key areas against agreed targets.

4.6 Policy and decision-making

- 4.6.1 Current arrangements supporting policy-making at North Hertfordshire District Council are working effectively. The Council will be continuing to review the efficiency and cost of democracy in 2006/7.
- 4.6.2 We have implemented a major organisational restructuring to both improve how we deliver services and improve efficiency. In order to continually develop it is recognised that further more minor restructures will take place in 2006/7 .

Statement of Internal Control

4.7 Policies, procedures, laws and regulations

- 4.7.1 During 2005/6 the requirements arising out of the Licensing Act 2004 have been successfully implemented. Parking services successfully completed its first year of operation under revised legislation decriminalising parking contraventions. Internal audit found it to be well managed and running to published guidance. The Council also achieved level 3 in the Local Authority Equality Standard and to ensure delivery and a robust measurement of service compliance, equalities and social inclusion consideration will be built into the new timetable for individual service reviews described at 3.9.2.
- 4.7.2 During 2005/6 additional training for elections administration staff has been undertaken and the procurement process for a new electoral administration software package has commenced. In 2006/7 the new software will be implemented.
- 4.7.3 In the 2004/05 Statement on Internal Control it was revealed that further work was required to ensure full compliance with both Health and Safety Legislation and The Money Laundering Regulations 2003. In 2005/6 the risk of full compliance with Health and Safety legislation has been reduced and in 2006/7 a health and safety strategy with relevant performance indicators will be implemented. With regard to the Money Laundering Regulations the only remaining action for 2006/7 is to ensure relevant staff are given proportionate training on the policy.
- 4.7.4 The 2003/04 Statement on Internal Control highlighted the need to embed the requirements of the Data Protection Act across the Authority. In 2005/6 one Notice of Non-Compliance was issued by the Data Protection Officer where a breach was identified. A number of recommendations were completed by 30th April 2006 and the notice has been lifted. A continuing training programme for Data Protection and the Freedom of Information Act remains in place.

4.8 Economical, effective and efficient use of resources

- 4.8.1 The Council has undertaken a self-assessment against the CPA Use of Resources which has been reviewed by the Audit Commission. We have assessed our current level as a "2" and will be seeking to improve our performance in the year. A separate action plan is in place for work in 2006/7. In particular we will undertake a review of our partnerships in order to analyse those considered by the Authority to be considered significant.
- 4.8.2 During 2005/06, PRINCE2 training was provided for additional key officers and the PRINCE2 methodology is now used to manage all large projects. This was demonstrated by the delivery to time and within budget of the new Royston Leisure Centre alongside the appointment of new leisure facility management contractors. In 2006/7 further guidance will be provided for programme governance.
- 4.8.3 Since the 2005/06 Statement of Internal Control a Business Continuity Strategy Management Strategy has been agreed and all key service areas have produced business continuity plans. In 2006/7 further work needs to be undertaken to test the plans and to ensure that all the key service areas have relevant procedure notes. The completion of the testing may lead to further work being undertaken. The IT Disaster Recovery Contract needs to be reviewed in line with business continuity requirements.
- 4.8.4 In the 2004/5 Statement of Internal Control concerns were raised about the Council's Delphi Payroll system. The 2005/6 internal audit of payroll has produced a medium level of assurance and the procurement process of acquiring a replacement HR system that incorporates a payroll module is now underway. It is anticipated that the new system will be implemented before the end of the 2006/7 financial year.

Statement of Internal Control

4.8.5 The IDeA has conducted a peer challenge of the Council's preparedness to complete the national procurement Strategy milestones. It concluded that North Herts has a clear leadership vision for procurement with members having a defined role in respect of overview and scrutiny for strategic procurement. In addition there is a need to review and develop an appropriate governance structure for procurement. It suggests the existing procurement and contracts group remit could be extended to include all procurement and that it comprises those heads of service that have a significant role in procurement. The group would be responsible for further developing and implementing the corporate procurement strategy, ensuring that roles and responsibilities are clear, best practice is adopted and that appropriate procurement skills and training are developed, and that gateways are embedded into strategic procurements.

4.9 Financial Management

4.9.1 Work undertaken by officers is generally compliant with the requirements of Financial Regulations and Contract Standing Orders with instances of non-compliance highlighting internal control weaknesses rather than a breakdown of internal control. At the annual review of Financial Regulations in May 2006 these issues will be addressed. Training continues to be made available through the Corporate Training Programme to ensure that officers gain the relevant competencies in these areas.

4.9.2 In the 2005/6 Statement of Internal Control, one area where further improvement could be made in procurement was the early involvement of IT professional in the procurement process to ensure that any potential problems following the acquisition of IT assets are avoided. This has now been resolved and each IT procurement now has to have a completed Project Initiation Document.

4.10 Performance management

4.10.1 In 2005/6, as part of the major restructure of the Council, the Performance Team moved to a directorate relationship model intended to provide increased knowledge of indicators and local factors affecting service delivery. This will become embedded in directorates in the coming year. As part of the risk management process Managers record the affect on a risk materialising on specific performance indicators. In addition the Service Plan Template and guidance for Heads of Service will contain reference to management of risk within their service planning.

4.10.2 The Audit Commission conducted a service review of the Planning and Building Control Service in 2005/6. The assessment was that we provide a 'fair' service that has promising prospects for improving. An action plan has been devised to respond to the recommendations. The authority was designated as a planning standards authority for not meeting interim performance thresholds for processing a proportion of planning applications within target times. This formal engagement by the ODPM was concluded on 30th March 2006. The authority currently exceeds all three national targets .

5. Significant internal control issues

5.1 There are no significant internal control issues to be reported in this Statement on Internal Control other than those raised in Section 4 (above).

Signed

J.T. Campbell - Chief Executive

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Councillor C. P.A. Strong - Chairman of
the Council

Consolidated Revenue Account

EXPENDITURE ON SERVICE	Note	2005/2006 Gross Expenditure £	2005/2006 Gross Income £	2005/2006 Net Expenditure £	2004/2005 Net Expenditure £
Central Services		3,744,151	(1,585,223)	2,158,928	2,034,489
Cultural, Environmental & Planning Services		18,820,434	(5,644,701)	13,175,733	11,862,139
Housing Services		33,289,302	(30,641,143)	2,648,159	5,228,344
Highways, Roads and Transport Services		2,772,506	(1,576,054)	1,196,452	897,326
Social Services		184,658	(131,678)	52,980	69,658
Corporate & Democratic Core		4,895,569	(9,676)	4,885,893	3,951,856
Net Cost of Services		63,706,620	(39,588,475)	24,118,145	24,043,812
Precepts paid to Parish Councils				780,358	578,455
Losses/ (Surpluses) from trading operations	1			79,245	501,951
Interest and Investment Income				(3,724,223)	(3,773,060)
Pension Interest cost and expected return on Assets	11			630,000	73,000
Asset Management Revenue Account (AMRA)	2			(1,609,162)	(1,205,660)
Contribution of housing capital receipts to Government Pool	13			220,920	0
Net Operating Expenditure				20,495,283	20,218,498
Contribution to/(from) insurance reserves				(92,935)	67,825
Contribution to/(from) reserves				(161,054)	(510,311)
Reconciling amount for provision for loan repayment	3			(4,389,878)	(6,293,836)
Revenue Contributions towards Capital				201,761	0
Contribution from The Pension Fund	11			(896,506)	429,526
Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Receipts	13			(220,920)	0
Amount to be met from Gov't Grant & Local taxpayers				14,935,751	13,911,702
Precept demanded from the Collection Fund				(8,491,927)	(7,929,615)
Revenue support grant				(3,183,592)	(3,183,104)
Contribution from non-domestic rate pool				(3,439,803)	(3,222,126)
Contribution from Collection Fund				(75,000)	(105,000)
Deficit/ (Surplus) for the Year				(254,571)	(528,143)
Balance at beginning of year				(3,627,594)	(3,099,451)
Deficit/(Surplus) for year				(254,571)	(528,143)
Balance at end of year				(3,882,165)	(3,627,594)

Best Value Accounting Code of Practice (BVACOP):

The above revenue service analysis is compliant with the latest accounting code of practice.

Notes to the Consolidated Revenue Account

1. TRADING OPERATIONS

The Council operated the following trading operations in 2005/06, which are not included in the net cost of services in the consolidated revenue account,

- Leisure Management covers the running of indoor and outdoor pools and the fitness centre. The Leisure Management contract has been re-tendered and has been awarded externally from the 1st April 2005. The residual costs relate to invoices which were accrued in the 2004/05 accounts on estimate, the actual costs were higher than anticipated.
- Public Convenience Cleaning covers the cleaning of public conveniences;
- Careline Centre covers the monitoring of alarms for the vulnerable across the district. The centre also provides a service for a number of other housing providers countrywide.

The trading accounts for these operations are detailed below.

SUMMARY REVENUE ACCOUNT	2005/06 Income	2005/06 Expenditure	2005/06 Surplus (Deficit)	2004/05 Surplus (Deficit)
	£(000)	£(000)	£(000)	£(000)
Public Convenience Cleaning	(98)	165	67	77
Careline Centre	(889)	918	29	(46)
Ceased Trading Operations (Leisure management)	0	12	12	470
	(987)	1,095	108	501

Appropriated to:

General Fund (Careline Centre)		29	(46)
DSO Reserve		79	547

APPROPRIATION ACCOUNT

		£	
DSO Earmarked Reserve B/F 1 April 2005			0
Loss in Year			79
Contribution From General Fund Reserve			(79)
DSO Earmarked Reserve surplus C/F 31st March 2006			0

FINANCIAL OBJECTIVES

In accordance with SORP 4.22, the nature, turnover and profits/losses of significant trading operations have been disclosed in a note to the Consolidate Revenue Account.

In previous years the Careline Centre income and expenditure has not been shown within the 'net cost of services total', but included within the 'transfer to/(from) reserves' total. Although the majority of the clients of Careline are third parties, the Centre does provides some lone worker and out of hours service for the Council's staff. Therefore in 2005/06 consolidated revenue account, the Careline gross income and expenditure is shown within the net cost of services total, under the heading 'Housing Services'. For comparison with the 2004/05 consolidated revenue account, the Housing net expenditure would have decreased by £46,665 and the transfer to reserves would have increased by £45,665.

Notes to the Consolidated Revenue Account

2. ASSET MANAGEMENT REVENUE ACCOUNT

	2005-06	2004-05
	£	£
Reversal of capital charges for the use of fixed assets	(3,261,480)	(2,756,821)
Less:		
External interest payable	587,194	637,918
Depreciation	1,114,685	885,021
Impairment	21,734	0
Capital Grants Released from Government Deferred Grants Account	(124,386)	(43,936)
Debt Management expenses	53,091	72,158
 Net Movement in Asset Management Revenue Account	 (1,609,162)	 (1,205,660)

The system of capital accounting requires that to ensure that capital charges do not impact on the level of local taxation, they be reversed within an asset management revenue account that is disclosed below the net cost of services.

3. RECONCILING AMOUNT FOR PROVISION FOR LOAN REPAYMENT

The authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute. For 2005/2006 the amount is nil, as the authority had a negative Capital Financing Requirement. This entry represents the difference between charges made to the Asset Management Account and any principal repayments, including the minimum revenue provision. The Consolidated Revenue Account shows a 'reconciling amount for the provision for loan repayment' of £4,389,878 this is the sum of the following:

	2005-06	2004-05
	£	£
Minimum Revenue Provision	0	0
Repayment of earmarked Loan (Hitchin Swim Centre)	180,000	160,500
Less:		
Commutation adjustment	(116,224)	(111,473)
Amortisation of Intangible Assets	(91,237)	(17,043)
Deferred Charges (see Page 31 note 4)	(3,350,385)	(5,484,735)
Impairment adjustment	(21,734)	0
Depreciation adjustment	(1,114,684)	(885,021)
Add:		
Capital Grants Released from Government Deferred Grants Account adjustment	124,386	43,936
 Contribution to Capital Reserves	 (4,389,878)	 (6,293,836)

Notes to the Consolidated Revenue Account

4. AGENCY SERVICES

The Council carried out certain work on an agency basis for which it is fully reimbursed for direct expenses relating to the work undertaken. Staffing costs are not fully reimbursed.

The principal areas of work are:

Engineering Services liaise with the Herts. Highways Partnership who carry out works on the district's highways, including carriageway repairs and footpath maintenance. Conversely, the Council provides verge maintenance works for the partnership. Building and ground maintenance works are carried out by the Council, on assets held by Royston Town Council and HCC Library. The 2005/06 total net expenditure for these works including income from both the Partnership and Royston Town Council was £222,102 (2004/2005 was £205,607).

TOTAL EXPENDITURE:	2005/2006	2004/2005
	£	£
Highways	206,459	194,636
Other Agencies	35,915	31,489
	<u>242,374</u>	<u>226,125</u>

5. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the United Kingdom and mayoral appeals. The expenditure is limited to £1.90 per head of resident population (equivalent to £227,810 in 2005/2006) for the benefit of people in their area on activities or projects not specifically authorised by other powers. Under this section of the Act, local authorities are required to account separately for any such expenditure:

	2005/2006	2004/2005
	£	£
Grants to Voluntary Organisations: -		
Community Grants	152,576	145,419
Section 137 limit	<u>227,810</u>	<u>226,290</u>

6. PUBLICITY

The authority is required under section 5(i) of the Local Government Act 1986, to keep a separate account of its expenditure on publicity.

	2005/2006	2004/2005	Change
	£	£	£
Staff Recruitment	96,981	108,689	(11,708)
Advertising & Publications	130,718	189,058	(58,340)
Public Relations	(32,854)	(30,008)	(2,846)
	<u>194,845</u>	<u>267,739</u>	<u>(72,894)</u>

Notes to the Consolidated Revenue Account

7. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The statement below shows the total cost of operating the building control unit between the chargeable and non-chargeable activities.

Building Regulations Account 2005/2006	Chargeable £	Non- Chargeable £	Total £
Gross Expenditure	434,466	228,764	663,230
Income:			
Building Regulation Charges	562,456	0	562,456
Miscellaneous Income	0	13,822	13,822
Total Income	562,456	13,822	576,278
Surplus/(Deficit) for year	127,990	(214,942)	(86,952)
Surplus transferred to Reserve	127,990		127,990
Building Regulations Account 2004/05:			
Expenditure	463,217	231,975	695,192
Income	533,618	12,986	546,604
Surplus/(Deficit) for year	70,401	(218,989)	(148,588)

8. EMPLOYEES REMUNERATION

The authority is required under part 6 of the Accounts and Audit Regulations 2003, to include in the notes to the accounts the number of employees in the accounting period whose remuneration was in excess of £50,000. The remuneration is to be shown in each bracket of a scale in multiples of £10,000. For this purpose remuneration means all amounts paid to or receivable by an employee other than employers pension contributions and includes sums due by way of taxable expenses and the estimated money value of any benefits.

The Number of Employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:			
remuneration band	2005/06		2004/05
	Employees	Leavers	Employees
£50,000-£59,999	7	1	9
£60,000-£69,999	0	0	0
£70,000-£79,999	2	0	2
£80,000-£89,999	1	1	0
£90,000-£99,999	1	0	1

Notes to the Consolidated Revenue Account

9. MEMBERS' ALLOWANCES

The authority is required under the Local Authorities (Members' Allowances) (England) Regulations 2003, to disclose the total amount of members' allowances paid. The following table shows the amount of members' allowances paid in 2005/2006 compared to the previous two financial years:

Allowance	2005/2006	2004/2005	2003/2004
	£	£	£
Basic	146,447	111,176	104,694
Special Responsibility	61,484	48,152	44,363
Total	207,931	159,328	149,057

10. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties - bodies or individuals that have potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central government has effective control over the general operations of the council - it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in the note to the Cash Flow Statement.

Members of the council have direct control over the council's financial and operating policies. During 2005/6, works and services to the value of £224,099 were commissioned from companies in which 23 members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, grants totalling £272,882 were paid to voluntary organisations in which 22 members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussions or decision relating to the grants. Details of all of these transactions are recorded in the Register of Members' Interest and Disclosure of Personal Interest at Meetings. Both these documents are available for public inspection at Council Offices, Gernon Road, Letchworth, Hertfordshire.

5 of the Council's members have a place on the board of North Hertfordshire Homes. Receipts from Service Level Agreements (SLA's), between the council and North Hertfordshire Homes (NHH) totalled £839,031. £87,675 was paid to NHH under reciprocal SLA's. VAT receipts valued at £1,161,251 were received from NHH under LSVT transfer agreements.

In addition the council entered into transactions with Herts. Highways Partnership (shown in Note 4 of the Consolidated Revenue Account).

The council has no substantial interests in companies or joint ventures.

Notes to the Consolidated Revenue Account

11. ACCOUNTING FOR PENSION COSTS.

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 become due until the employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in one pension scheme, the Local Authority Pension Scheme, this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Further information concerning the scheme can be found in Hertfordshire County Council Pension Fund's Annual Report, which is available upon request from Hertfordshire County Council, Corporate Services, County Hall, Hertford, Herts. SG13 8DQ.

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 actually paid as pensions. However the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure. The following transactions were made in the CRA for the year.

Local Government Pension Scheme	2005-06	2004-05
	£'000	£'000
Net Cost of Services:		
• Current Service Cost	1,451	1,349
• Past Service Cost (including curtailments)	607	201
Net Operating Expenditure:		
• Interest Costs	4,983	3,719
• Expected return on assets in the scheme	4,353cr	3,646cr
Amounts to be met from Government Grants & Taxation:		
• Movement on Pension Reserve	478cr	430
• Less Capitalised Pension Costs	419cr	0
Adjusted Movement on Pension reserve	897cr	430
Actual Amount charged against Council Tax for pensions in the year:		
• Employers' contributions payable to the scheme	2,210	2,053
• Less Capitalised Payments met from Capital Receipts	419cr	0
Net chargeable amount against Council Tax	1,791	2053

Following the publication of FRS 17 Retirement Benefits, local authorities are required to fully implement accounting for pension costs in the 2003/04 accounts onwards.

Further information on pension assets and liabilities is provided in note 13 to the Consolidated Balance Sheet, (Page 35-36) and note 1 to the Statement of Movement in Reserves (Page 39).

Notes to the Consolidated Revenue Account

11. ACCOUNTING FOR PENSION COSTS(continued)

PENSION CURRENT SERVICE COSTS

Current service costs are the increase in the present value of the scheme liabilities expected to arise from employee service in the current period. The current service cost for the year to 31st March 2006 was £1,451,000. (2004/05 £1,349,401)

PENSION PAST SERVICE COSTS

Past service costs can arise from the Employer awarding discretionary benefits e.g. added years augmentation or allowing employees to retire on unreduced benefits.

Over the year ended 31st March 2006, 3 former employees retired prematurely on efficiency grounds. The capitalised cost of the additional benefits relative to those reserved under FRS17 is calculated at £565,000. (2004/05, 3 former employees retired prematurely on efficiency grounds. The capitalised cost of the additional benefits relative to those reserved under FRS17 was calculated at £101,000.) The Council obtained approval from the ODPM under section 16 2 (b) of the 2003 Local Government Act to capitalise pension payments of £419,069, which related to these redundancies. Therefore part of the cost was met from capital receipts and not from the General Fund.

PENSION CURTAILMENTS

The costs take into account early payment of accrued pensions (including augmentations) in respect of any redundancies effected during the year ended 31st March 2006. There was 1 employee who retired early on the redundancy grounds. The capitalised cost of additional benefits relative to those reserved under FRS 17 was £42,000. (2004/05, there were 2 employees who retired early on the redundancy grounds. The capitalised cost of additional benefits was £100,000)

12. FEES PAYABLE TO THE AUTHORITIES APPOINTED EXTERNAL AUDITORS

Local Authorities are required to disclose fees payable to their external auditors in the statement of accounts, the 2004/05 fees are also detailed for comparison and these are laid out in the table below:

	2005/06 External Audit Fees	2004/05 External Audit Fees
Fees Payable:	£	£
External Audit Services	113,742	115,971
Statutory Inspection	0	0
Certification of Grant Claims	41,739	27,621
Other	0	1,149
Total	155,481	144,741

13. CONTRIBUTION TO HOUSING POOLED CAPITAL RECEIPTS

2004/05 was the first year that Authorities had to pay a proportion of specified housing related receipts into a Government pool for redistribution. Although the Council has transferred its housing stock, capital receipts relating to repaid discount and right to buy mortgages were received in 2004/05 and 2005/06. The payment of £220,920 shown in Net Operating Expenditure, relates to both financial years. The payment is offset by an appropriation from Useable Capital Receipts and is shown after Net Operating Expenditure.

Consolidated Balance Sheet at 31st March 2006

	31 st March 2006		31 st March 2005	
	£	£	£	£
NET FIXED ASSETS				
CAPITAL OUTLAY - Note 1				
Land and buildings	30,525,764		24,210,772	
Vehicles, plant, furniture and equipment	1,452,578		1,149,486	
Infrastructure assets	84,470		86,793	
Community assets	1,951,056	34,013,868	1,994,765	27,441,816
Non Operational Assets: Note 1				
Property	21,522,784		22,346,548	
Assets under Construction	438,085	21,960,869	2,729,056	25,075,604
		<u>55,974,737</u>		<u>52,517,420</u>
Intangible Assets - Note 4				
Software		165,430		34,085
Long Term Debtors:				
Mortgages	425,513		546,554	
Loans	27,015	452,528	28,505	575,059
		<u>56,592,695</u>		<u>53,126,564</u>
Total Long Term Assets				
CURRENT ASSETS				
Stocks & Works in progress – Note 5	63,329		56,593	
Debtors - Note 6	8,665,661		9,544,845	
Investments	67,359,982		74,919,982	
Bank In Hand	31,999	76,120,971	46,115	84,567,535
Less: Current Liabilities				
Loans (Less than one year) – Note 12	(396,923)		(872,486)	
Creditors - Note 7	(4,445,660)		(6,461,801)	
Bank Overdraft	(468,042)	(5,310,625)	(429,676)	(7,763,963)
		<u>70,810,346</u>		<u>76,803,572</u>
Net Current Assets/Liabilities		<u>127,403,041</u>		<u>129,930,136</u>
Total Assets less Current Liabilities				
LONG TERM LIABILITIES				
Long Term Borrowing - Note 12		(6,220,379)		(6,617,302)
Provisions - Note 10		(261,626)		(147,104)
Liability Related to Defined Pension Scheme- Note 13		(30,499,965)		(29,261,529)
		<u>90,421,071</u>		<u>93,904,201</u>
TOTAL ASSETS LESS LIABILITIES				
Financed By: :-				
Fixed Asset Restatement Account		(35,590,251)		(35,696,535)
Capital Financing Account		125,069,787		121,884,565
Useable Capital Receipts Reserve- Note 9		19,396,725		24,604,366
Government Grants		3,230,530		2,760,606
Deferred Capital Receipts – Note 8		240,607		351,075
Pensions Reserve- Note 13		(30,499,965)		(29,261,529)
Earmarked Reserves (see page 38-39)		5,115,960		5,540,678
Collection Fund		(424,487)		93,381
General Fund Reserve		3,882,165		3,627,594
		<u>90,421,071</u>		<u>93,904,201</u>
TOTAL NET WORTH				

Notes to Consolidated Balance Sheet

1. FIXED ASSETS

Movement in operational fixed assets during the year was as follows:

	Land & Buildings	Vehicles, Plant etc,	Infra- structure Assets	Community Assets	Total Operational Assets
	£'000	£'000	£'000	£'000	£'000
Certified Value of Assets at 31 st March 2005	26,037	1,910	93	2,089	30,129
Accumulated Depreciation & Impairment	(1,826)	(761)	(6)	(94)	(2,687)
Net Book Value of Assets at 31st March 2005	24,211	1,149	87	1,995	27,442
Movement in 2005/06:					
Reclassification of Assets	4,836	136	0	0	4,972
Additions	688	629	0	0	1,317
Disposals	(396)	(34)	0	0	(430)
Re valuations	1,849	0	0	0	1,849
Depreciation	(662)	(407)	(2)	(44)	(1,115)
Impairments	0	(21)	0	0	(21)
Net Book Value of Assets at 31st March 2006	30,526	1,452	85	1,951	34,014

Within each classification are as follows:

Land & Buildings – Offices, depots, Leisure Facilities, Community Centres, Museums and Pavilions

Infrastructure Assets – Capital Works to Public Roads and drainage schemes

Community Assets - Commons and Parks

Movement in non-operational fixed assets during the year was as follows:

	Investment Properties	Assets under Construction	Total Non- Operation Assets	Total Operational and Non-Operational Assets
	£'000	£'000	£'000	£'000
Net Book Value at 31 st March 2005	22,346	2,729	25,075	52,517
Movement in 2005/06:				
Reclassification of Assets	332	(5,304)	(4,972)	0
Additions	157	3,013	3,170	4,487
Disposals	(1,311)	0	(1,311)	(1,741)
Re valuations	(1)	0	(1)	1,848
Depreciation	0	0	0	(1,115)
Impairments	0	0	0	(21)
Net Book Value of Assets at 31st March 2006	21,523	438	21,961	55,975

Notes to Consolidated Balance Sheet

1. FIXED ASSETS (Continued)

Programme for revaluation:

Most fixed assets included in the balance sheet are valued in terms of current use and income streams, see capital accounting, (Page 9-10). Fixed Assets are now valued on a 5 year rolling programme, previously this had been done on an annual basis. The following statement shows the progress of the Council's rolling programme for the revaluation of assets.

	Land & Buildings	Vehicles, Plant etc,	Investment Properties	Total
	£'000	£'000	£'000	£'000
Valued at Historic Cost	400	2,608	0	3,008
Valued at Current Cost in:				
2005/06	10,388	0	0	10,388
2006/07	1,166	0	13,365	14,531
2007/08	15,398	0	8,981	24,379
2008/09	4,931	0	416	5,347
2009/10	7	0	0	7
Total	32,290	2,608	22,762	57,660

Depreciation:

Depreciation is charged on a straight line method and depreciated over the useful economic life of the asset. (see Statement of Accounting Policies page 10). Assets are depreciated over the following lives:

Fixed Asset:	Life
Operational Buildings	Up to 50 years
Vehicles & Plant	5 to 10 years
Community Assets	Up to 50 years
Infrastructure	Up to 40 years

Letchworth Leisure Centre has a balance sheet value of £100,000 because of restrictions in the lease regarding its use; the depreciated replacement value if the lease were not in place would be £8,500,000.

Notes to Consolidated Balance Sheet

2. THE FINANCING OF THE CAPITAL EXPENDITURE PROGRAMME

The Council's 2005/06 capital expenditure programme, (including accrued expenditure, which in previous years has not been financed):

	2005/06 £	2004/05 £
Capital Investment:		
Operational Assets	1,317,694	726,431
Non-Operational Assets	3,169,757	2,207,149
Intangible Assets-Software	222,582	51,128
Deferred charges	3,350,385	5,625,531
Total Capital Investment	8,060,418	8,610,239
Sources of Finance:		
Borrowing (credit approvals)		
Capital Receipts	7,126,347	6,412,021
Revenue	201,761	0
Grant	138,000	226,582
External Contributions	594,310	1,971,636
Total Finance Sources	8,060,418	8,610,239

Capital expenditure and income is accounted for on an accruals basis, and now also financed in the year the accrual appears in the accounts. This is a change in accounting procedures and is as a result of the introduction of the Prudential Code.

3. LEASES

The Council's policy was to the 31st March 2006 generally to acquire vehicles and equipment through operating leases. Lease payments charged for the year were £500,588 for operating leases, including the leased car scheme. In addition, £18,709 was paid in fees and £48,192 for leases bought out. Future year commitments, totalling £1,141,980 are as follows:

Year	£
2006/07	330,845
2007/08	264,582
2008/09	152,013
2009/10	94,730
2010/11	74,562
2011/12	74,562
2012/13	62,820
2013/14	59,513
2014/15	28,353

Of the £330,845 committed payments in 2006/07, £66,263 expires within that year £190,020 expires between 2 and 5 years and £74,562 expires in excess of 5 years.

Notes to Consolidated Balance Sheet

4. INTANGIBLE ASSETS /DEFERRED CHARGES

Intangible Assets

	Purchased Software Licences
	£
Original Cost	51,128
Amortisations to 1 st April 2005	<u>(17,043)</u>
Balance at 1st April 2005	34,085
Expenditure in Year	222,582
Written off to Revenue in Year	<u>(91,237)</u>
Balance at 1st April 2006	165,430

Software Licences purchased in 2005/06 relates to 3 projects undertaken as part of the Council's Service @ North Herts. I.T. programme. These are; Infrastructure Deployment, Service Integration and Mobile and Home Working. The cost is being written down over 3 financial years.

Deferred Charges

From 2004/05 the deferred charges heading has been removed from the balance sheet following the designation of the new Intangible Fixed Assets category. All other deferred charges expenditure has been written out to revenue as it is incurred.

5. STOCKS AND WORKS IN PROGRESS

	31st March	
	2006	2005
	£	£
Works in progress:		
Rechargeable work	<u>0</u>	<u>1,204</u>
Stocks:		
Trading Undertaking	20,096	0
Central Purchasing	<u>43,233</u>	<u>55,389</u>
	63,329	55,389
TOTAL	<u>63,329</u>	<u>56,593</u>

The trading stocks relate to the Careline Centre, which covers the monitoring of alarms for the vulnerable across the district. Careline Centre stock of £8,860 was included within central purchasing for 2004/05, this has now been shown under Trading undertakings for 2005/06.

Notes to Consolidated Balance Sheet

6. DEBTORS

	31st March	
	2006	2005
	£	£
Amounts falling due in one year:		
Government Departments	1,939,316	336,719
HM Revenue & Customs	155,741	237,390
Other Local & Public Authorities	0	0
Ratepayers/Charge payers	5,401,783	5,953,949
Sundry Debtors	3,697,198	4,569,489
	11,194,038	11,097,547
LESS: Provision for bad debts	2,528,377	1,552,702
	8,665,661	9,544,845

7. CREDITORS

	31st March	
	2006	2005
	£	£
Government Departments	1,338	397,808
HM Revenue & Customs	268,903	259,375
Other local & public authorities	0	0
Ratepayers/Charge payers	1,183,650	2,233,281
Sundry	2,991,769	3,571,337
	4,445,660	6,461,801

In previous years the Amenity Areas-Commutated Payments and Developer contributions towards revenue expenditure have been included as earmarked reserves. The recommended accounting treatment for these monies has since changed. Consequently, in 2005/06 the balances are now shown in the Balance Sheet under Creditors, as receipts in advance. (Balances as at 31st March 2005, commuted sums £456,172, Unapplied Contributions towards revenue expenditure £467,171). Further information is detailed on page 39, Note 1 to the Statement of Total Movement in Reserves.

8. DEFERRED CAPITAL RECEIPTS

Deferred capital receipts are amounts derived from sales of assets received in instalments over agreed periods in time. They arise principally from mortgages on sales of Council Houses and form the main part of mortgages under long term debtors.

Notes to Consolidated Balance Sheet

9. USEABLE CAPITAL RECEIPTS

	2005/06	2004/05
	£'000	£'000
Balance at beginning of year	24,604	23,885
Add: Capital Receipts in year from sales of assets	2,140	7,131
Less: Capital Receipts applied during year to capital	7,126	6,412
Less: Payments to the Government Pool (Mortgage and discount repaid)	221	0
Balance at end of year	19,397	24,604

The balance of £19.397 million represents capital receipts that have not yet been used to finance capital expenditure.

From 1st April 2004 capital receipts are subject to pooling where by a payment is made to the Government and there is no longer a requirement to set aside a proportion of reserved capital receipts. The Council is required to pay to the Government pooled receipts relating to Mortgage repayments on Right to Buy (RTB) properties and discount repaid on RTB properties. The latter relates to properties that were sold prior to stock transfer (pre March 2003), after 2005/06, no further receipts will be received by the Council relating to discount repaid, as the eligibility period is 3 years. The pooling payment of £221 thousand relates to capital receipts received in 2004/05 and 2005/06.

10. PROVISIONS

	1st April	Receipts In year	Payments In year	31st March
	£	£	£	£
Insurance Fund	109,184	74,576	78,178	105,582
Other	37,920	118,124	0	156,044
Total Provisions	147,104	192,700	78,178	261,626

Insurance Fund is money held to cover outstanding claims from previous years.

The other provisions are:

- Maintenance of Graves, a provision for graves that the Council has responsibility for maintaining.
- Homeless Deposit guarantees, this provision is for guaranteed deposits given to private landlords for any loss or damage as a result of housing homeless persons.
- Baldock pavilion provision, this provision is for the rebuilding the pavilion, which was destroyed as a result of fire. The monies were generated as a result of an insurance claim.
- Hitchin Swim Centre Pergola, this provision is for the rebuilding of the pergola to be completed in 2006/07.
- Leisure Contract provision, to compensate one of the Leisure Management Contractors for any future employment cost as specified within the contract if they fall due.

Notes to Consolidated Balance Sheet

11. RESERVES AND GOVERNMENT GRANTS DEFERRED

For details of the Authorities Reserves see page 38 and notes 1 to 5 of the Statement on Movement of Reserves.

12. LONG TERM BORROWING

	Total Outstanding at 31st March	
	2006 (£,000)	2005 (£,000)
Public Works Loan Board	4,703	5,395
Banks and other monetary sectors	1,000	1,000
Other financial Institutions	915	1,095
Other Sources	-	-
Total Long Term Borrowing	6,618	7,490
Less: Debt Maturing in 12 Months	397	872
Total Net Long Term Borrowing	6,221	6,618

At 31st March 2006 the average rates of interest on the different varieties of loans were as follows:

	%
Other Loans	7.89
Public Works Loan Board	8.22

The consolidated rate of interest, the rate used for internal transactions, was 8.43%.

LONG TERM BORROWING BY MATURITY

	P.W.L.B. £(000)	Banks etc. £(000)	Other £(000)	Total £(000)
Maturing in more than 1 and less than 2 years	192		223	415
Maturing in more than 2 and less than 5 years	2,106		492	2,598
Maturing in more than 5 and less than 10 years	1,693			1,693
Maturing in more than 10 years	515	1,000		1,515
	4,506	1,000	715	6,221

Notes to Consolidated Balance Sheet

13. PENSION ASSETS and LIABILITIES

The Council participates in the Local Government Pension Scheme. The scheme is administered by Hertfordshire County Council – this is a funded scheme, which means that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets. The impact of the pension liability on the consolidated balance sheet is to reduce the value of the Council's reserves by £30.5million. The movement in the deficit during the year on the pension fund is detailed below:

	Year to 31 st March 2006	Year to 31 st March 2005
	£'000	£'000
Deficit at beginning of year	(29,261)	(15,243)
Current Service Cost	(1,451)	(1,349)
Employer Contributions	2,210	2,053
Other Income	-	-
Past Service Costs & curtailments	(607)	(201)
Contributions in respect of unfunded benefits	354	290
Net Return on Assets	(630)	(73)
Actuarial Gains/ (losses)	(1,115)	(14,738)
Deficit at end of year	(30,500)	(29,261)

The pension figures included in the accounts are based on an actuarial valuation as at 31st March 2006. The last formal valuation for setting the Council's actual contributions to the fund was at 31st March 2004. The above figures have been provided by the actuaries to the Hertfordshire County Council Pension Scheme using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

The £30.5million net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2006 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them.

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

Notes to Consolidated Balance Sheet

13. PENSION ASSETS and LIABILITIES(continued)

At 31st March 2006, the Council had the following overall assets and liabilities for pensions that are included in the balance sheet:

	31 March 2006	31 March 2005
	£,000	£,000
Present value of scheme liabilities	102,889	79,013
Present value of unfunded liabilities	5,645	4,699
Fair view of attributable scheme assets	78,034	54,451
Net pension liabilities	30,500	29,261

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 pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

	31 March 2006	31 March 2005
	%	%
Rate of inflation	3.1	2.9
Rate of increase in salaries	4.6	4.4
Rate of increase in pensions	3.1	2.9
Discount rate	4.9	5.4

Assets in the pension fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion:

	Proportion of Total Assets	Expected Rate of Return
	%	%
Equities	76	7.4
Bonds	13	4.6
Property	6	5.5
Cash	5	4.6
	100.0	

The expected rate of return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The assumptions for the expected return on assets as required by FRS 17 are listed above.

As at 31st March 2006, there was an increase in the net liability of £1.239million over the previous year. In real terms the discount rate for valuing liabilities as at 31st March 2006 was 1.7% as opposed to the 2.4% for the preceding year. The drop in yield has had significant negative impact, increasing the liabilities. Conversely the value of the funds assets have also increased mostly mitigating the increase in liabilities for the year.

14. EURO COSTS

No direct costs have been incurred to date. The current financial system includes Euro Facilities. No plans have yet been established for other systems or organisational changes.

Statement of Total Movements in Reserves

	2005/06		2004/05	
	£ 000's	£ 000's	£ 000's	£ 000's
Surplus/(deficit) for the year:				
- General Fund / Council Fund	255		528	
- Collection Fund	(517)		(1,057)	
Movements on earmarked revenue reserves	(594)		199	
Capitalisation of Revenue Pension Payments to the Pension Fund	419			
Appropriation from pensions reserve	(897)		430	
Actuarial gains and losses relating to pensions	(761)		(14,448)	
		(2,095)		(14,348)
Total increases/(decreases) in revenue resources (note 1)				
Increase/(decrease) in useable capital receipts	(5,207)		719	
Reclassification of revenue reserves as capital contributions unapplied	295			
Increase/(decrease) in unapplied capital grants and contributions	(126)		(1,823)	
		(5,038)		(1,104)
Total increase/(decrease) in realised capital resources (note 2)				
Gains/(losses) on revaluation of fixed assets	2,520		111	
Impairment losses on fixed assets due to general changes in prices	(1,142)		(580)	
		1,378		(469)
Total increase/(decrease) in unrealised value of fixed assets (note 3)				
Value of assets sold, disposed of or decommissioned (note 4)		(1,272)		(200)
Capital receipts & grant contributions set aside	7,264		6,621	
Revenue resources set aside	(4,072)		(6,182)	
Movement on Government Grants deferred	470		1,967	
Other	(7)		(43)	
		3,655		2,363
Total increase/(decrease) in amounts set aside to finance capital investment (note 5)				
Increase/decrease on Deferred Capital receipt		(111)		(95)
Total recognised gains and (losses)		(3,483)		(13,853)

Notes to the Statement of Total Movements in Reserves

1. MOVEMENT IN REVENUE RESERVES

	General Fund Balances £ 000's	Collection Fund £ 000's	Earmarked Revenue Reserves £ 000's	Pensions Reserve £ 000's
Surplus/(deficit) for 2005/06	255	(517)		
Appropriations to/from revenue			(594)	(897)
Capitalisation of Revenue Pension				419
Payments to the Pension Fund				
Actuarial gains and losses relating to Pensions (including contributions in respect of unfunded benefits £354k)				(761)
Balance brought forward at 1 st April 2005	3,627	93	5,030	(29,261)
Balance carried forward at 31st March 2006	3,882	(424)	4,436	(30,500)

The Council has a number of earmarked reserves, which are detailed below:

- **Contributions to Capital Unapplied-** contributions from developers and partners relating to capital schemes that the Council has committed to undertake, contributions relate to schemes such as cycle networks.
- **I.E.G Reserve-** This reserve has been financed from Government Grant to meet the Governments implementing electronic government initiative. The monies are earmarked to be spent on the Council's 'Service @ North Herts.' project over the next 3 years. This balance was previously included within contribution to revenue unapplied, but has been identified separately with the 2005/06 accounts.
- **DSO Trading Reserve-** The surplus or deficit for the Council's DSO's are charged to the reserve. The reserve is maintained to fund any future losses on trading accounts.
- **Insurance Reserve-** used to finance potential claims for risks that are already covered by external policies together with higher excesses currently being borne by the Council.
- **Information Technology Reserve-** this reserve is used to purchase hardware and software items.
- **Post LSVT Reserve** – this is the residual balance from the HRA and will be used to fund the realignment of costs of the Council following stock transfer.
- **Risk Management Reserve-** this reserve funds improvements to the security of Council premises. Projects are identified through the risk management process and are intended to prevent the reoccurrence of previous incidents.
- **Environmental Warranty Reserve-** an environmental warranty was provided to North Herts Homes on the transfer of the Housing stock. The Council needs to make a provision for these warranties and a sum of £208,845 was set aside for this purpose.
- **Museum Exhibits Reserve,** this reserve funds the purchase of museum exhibits, this reserve is funded from donations.
- **Building Control Reserve-**In accordance with ODPM guidance Building Control surpluses are held in a separate account. These surpluses are then available to be used to offset any projected future costs when carrying out reviews of Scheme Charges or to be reinvested into the service to improve quality and performance in line with the duty of providing best value.
- **Planning Delivery Grant-**In 2002 the Government announced additional funding to Council's in the form of the Planning Delivery Grant (PDG) to realise the Government's Communities Plan Objectives. The Council has taken a medium to long term approach to the allocation of PDG funding. PDG spending plans are approved by Cabinet and unspent funding is held in a specific reserve to meet approved spending in subsequent years.

Notes to the Statement of Total Movements in Reserves

1. MOVEMENT IN REVENUE RESERVES (continued)

Amenity Areas-Commutated Sums

In previous years Amenity Areas-Commutated Payments were included as an earmarked reserve. The recommended accounting treatment for these monies has since changed, consequently the balances are now shown in the Balance Sheet under Creditors, as receipts in advance. (Balance as at 31st March 2005, £456,172). Included within the 2004/05 Commuted Sums balance of £456,172 was £275,000 developer contributions, relating to the building of a pavilion at Great Ashby. This payment should have been classified as 'Contributions to Capital Unapplied' and has been reclassified in the 2005/06 accounts.

Revenue Contributions from Developers Unapplied

In previous years Revenue Contributions from Developer unapplied were included as an earmarked reserve. The recommended accounting treatment for these monies has since changed, consequently the balances for 2005/06 are now shown in the Balance Sheet under Creditors, as receipts in advance. (Balance as at 31st March 2005, £467,171). However, Included within the 2004/05 reserve total were contributions totalling £419,207, relating to I.E.G grant from the ODPM, these monies are now shown as a separate reserve identified below. There were also monies which related to capital type expenditure such as cycle routes and playground refurbishments totalling £18,800. These payments should have been classified as 'Contributions to Capital Unapplied' and has been reclassified in the 2005/06 accounts.

1. MOVEMENT IN EARMARKED RESERVES (continued)

	Balances at 1 st April 2005 £ 000's	Reclassified in other earmarked reserves £ 000's	Reclassified as Creditors £ 000's	Contributions £ 000's	Payments to Fund expenditure £ 000's	Balance at 31 st March 2006 £ 000's
REVENUE						
Contributions to Revenue Unapplied	(467)	439	28	0	0	0
I.E.G Reserve	0	(419)	0	(16)	13	(422)
Amenity Areas –commuted Sums	(456)	275	181	0	0	0
DSO Trading Reserve	0	0	0	(79)	79	0
Insurance Reserve	(251)	0	0	0	78	(173)
Information Technology Reserve	(1)	0	0	(28)	0	(29)
Post LSVT Reserve	(3,457)	0	0	0	567	(2,890)
Risk Management	(51)	0	0	0	15	(36)
Environmental Warranty Reserve	(209)	0	0	0	0	(209)
Museum Exhibits Reserve	(14)	0	0	0	0	(14)
Building Control Reserve	(124)	0	0	(128)	0	(252)
Planning Delivery Grant Reserve	0	0	0	(411)	0	(411)
Total Revenue Reserves	(5,030)	295	209	(662)	752	(4,436)
CAPITAL						
Contributions to Capital Unapplied	(511)	(295)	0	(358)	484	(680)
Total Capital Earmarked Reserves	(511)	(295)	0	(358)	484	(680)
TOTAL EARMARKED RESERVES	(5,541)	0	209	(1,020)	1,236	(5,116)

Notes to the Statement of Total Movements in Reserves

1. MOVEMENT IN REVENUE RESERVES (continued)

The Losses and gains on the pension fund identified in the statement of total movement on reserves can be analysed as follows:

ANALYSIS OF AMOUNT OF RECOGNISED GAINS AND LOSSES IN THE PENSION FUND

	Year to 31 March 2006 £'000	Year to 31 March 2005 £ 000's	Year to 31 March 2004 £ 000's	Year to 31 March 2003 £ 000's
Actual Return Less expected return on Pension Scheme Assets	11,408	1,695	7,319	(12,736)
Experience Gains and Losses arising on the Scheme Liabilities	(1,126)	(3,671)	(3)	(3,350)
Changes in Financial Assumptions underlying present value of the schemes liabilities	(11,397)	(12,762)	0	0
Actuarial Gain / (Loss) in Pension Plan	(1,115)	(14,738)	7,316	(16,086)
Increase / (Decrease) in irrecoverable surplus from Membership Fall and Other Factors	0	0	0	0
Actuarial Gain / (Loss) Recognised in STRGL	(1,115)	(14,738)	7,316	(16,086)

The History Experience of Gains and Losses on Pension Fund can be analysed as follows:

HISTORY EXPERIENCE OF GAINS AND LOSSES ON THE PENSION FUND

	Year to 31 March 2006 £'000	Year to 31 March 2005 £ 000's	Year to 31 March 2004 £ 000's	Year to 31 March 2003 £ 000's
Differences between the Expected and Actual Return on Assets	11,408	1,695	7,319	(12,736)
Value of Assets	78,034	54,451	56,790	45,922
Percentage of Assets	14.6%	3.1%	12.9%	(27.7%)
Experience Gains / (Losses) on liabilities	(1,126)	(3,671)	(3)	(3,350)
Total Present Value of Liabilities	108,534	83,712	72,033	61,218
Percentage of the Total Present Value of Liabilities	(1.0%)	(4.4%)	0.0%	(5.5%)
Actuarial Gain / (Loss) Recognised in STRGL	(1,115)	(14,738)	7,316	(16,086)
Total Present Value of Liabilities	108,534	83,712	72,033	61,218
Percentage of the Total Present Value of Liabilities	(1.0%)	(17.6%)	10.2%	(26.3%)

Notes to the Statement of Total Movements in Reserves

2. MOVEMENT IN REALISED CAPITAL RESOURCES

	Useable capital receipts £ 000's	Unapplied capital grants and contributions £ 000's
Amounts receivable in 2005/06	2,140	358
Revenue Reserves Reclassified as Capital Contributions	0	295
Amounts applied to finance new capital investment in 2005/06	(7,126)	(484)
Payments to Capital Receipts Pool	(221)	0
Total increase/(decrease) in realised capital resources in 2005/06	(5,207)	169
Balance brought forward at 1 st April 2005	24,604	511
Balance carried forward at 31st March 2006	19,397	680

Useable Capital Receipts – This is the income from the sale of capital assets over £10,000, such as land sales. From 2004/05 authorities have to pay a proportion of specified housing related capital receipts into a pool for redistribution, replacing the previous requirement to set aside a proportion of the receipt, (such as deferred right to buy receipts). The Authority received no receipts that were subject to pooling. The balance at the 31st March 2006 of useable receipts available to fund capital expenditure was 19.397 million.

Government Grants Deferred – This account is the balance of grants applied to the financing of fixed assets, awaiting amortisation to the Asset Management Revenue Account to match depreciation on the relevant assets. This reserve is matched by fixed assets within the balance sheet and is not a resource available to the Authority.

3. MOVEMENT IN UNREALISED VALUE OF FIXED ASSETS

	Fixed Asset Reinstatement Reserve £ 000's
Gains/losses on revaluation of fixed assets in 2005/06	2,520
Impairment losses on fixed assets due to general changes in prices in 2005/06	(1,142)
Total increase/(decrease) in unrealised capital resources in 2005/06	1,378

4. VALUE OF ASSETS SOLD, DISPOSED OF OR DECOMMISSIONED

	Fixed Asset Reinstatement Reserve £ 000's
Amounts written off fixed asset balances for disposals in 2005/06	(1,272)
Total movement on reserve in 2005/06	106
Balance brought forward at 1 st April 2005	(35,696)
Balance carried forward at 31st March 2006	(35,590)

Notes to the Statement of Total Movements in Reserves

The Fixed Asset Restatement Account provides the matching entry when fixed assets are restated, upon revaluation or disposal. This reserve is matched by fixed assets within the balance sheet and are not a resource available to the Authority.

5. MOVEMENT IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	Capital Financing Account £ 000's	Government grants deferred £ 000's	Total £ 000's
Capital receipts set aside in 2005/06			
- useable receipts applied	7,264		
Total capital receipts set aside in 2005/06	7,264		7,264
Revenue resources set aside in 2005/06			
- capital expenditure financed from revenue	202		
- reconciling amount for provisions for loan repayment	(4,274)		
Total revenue resources set aside in 2005/06	(4,072)		(4,072)
Other	(7)		(7)
Grants applied to capital investment in 2005/06		594	
Amounts credited to the Asset Management Revenue Account in 2005/06		(124)	
Movement on Government Grants Deferred		470	470
Total increase/(decrease) in amounts set aside to finance capital investment			3,655
Total movement on reserve in 2005/06	3,185	470	
Balance brought forward at 1 st April 2005	121,885	2,761	
Balance carried forward at 31st March 2006	125,070	3,231	

Capital Financing Account – This account includes Provision for Credit Liabilities, Reserved Capital Receipts and Minimum Revenue Provisions. This account is matched by fixed assets within the Balance Sheet, and is not a resource available to the Authority.

Collection Fund Account

The Collection Fund is a separate statutory fund under the provisions of the Local Government Act 1988. Its assets and liabilities are included in the General Fund Balance Sheet and its income and expenditure is included within the cash flow statement. The Income and Expenditure Account shown below reflects these changes. The accounts have been prepared on an accruals basis.

INCOME AND EXPENDITURE ACCOUNT

	At 31st March 2006 £	At 31st March 2005 £
INCOME		
Income from National Business Ratepayers (note 1)	28,508,657	27,114,902
Contributions -		
Adjustment to prior year Community Charge (note 3)		0
Contribution from Hertfordshire County Council 2004-05 losses		0
Contribution from Hertfordshire Police Authority 2004-05 losses		0
Council Tax (note 2)	53,140,837	50,387,391
Council Tax Benefit	5,904,329	5,430,946
Reduction in Provision for Uncollectable Amounts		0
	<u>87,553,823</u>	<u>82,933,239</u>
EXPENDITURE		
Precepts & Demands (note 5)	58,559,981	55,571,488
NNDR - Payments to Pool (note 1)	28,377,990	26,693,661
Costs of Collection Allowance (note 1)	130,667	421,241
Contribution to County Fund (note 4)	213,645	638,680
Contribution to Police Fund (note 4)	24,565	72,210
Contribution to General Fund (note 4)	75,000	105,000
Provision for Uncollectable Amounts	689,843	488,219
	<u>88,071,691</u>	<u>83,990,499</u>
Movement on Fund Balance	<u>(517,868)</u>	<u>(1,057,260)</u>
Balance at beginning of year	93,381	1,150,641
Surplus/(Deficit) for year	<u>(517,868)</u>	<u>(1,057,260)</u>
Balance at end of year	<u>(424,487)</u>	<u>93,381</u>

Notes to the Collection Fund Account

1. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain relief's and other deductions, is paid to a central pool (the 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 amount is paid to the General Fund and not to the Collection Fund. Under these arrangements the amounts included in these accounts can be analysed as follows:

	2005/2006		2004/2005	
	£	£	£	£
Net NNDR		28,508,657		27,114,902
Less:				
Allowances	189,749		186,248	
Interest on NNDR collected	75,309		107,854	
Provision for bad debt	(134,391)	130,667	127,139	421,241
		<u>28,377,990</u>		<u>26,693,661</u>
NNDR charged to pool				
Net Government Contribution (to)/from pool		28,377,990		26,693,661
		<u>0</u>		<u>0</u>

The total non-domestic rate charged in 2005/2006 was £35.47 million, (£28.07 million in 2004/2005) and the total non-domestic rateable value for North Hertfordshire District Council is £86.9 million, (£70.1 million in 2004/2005). The NNDR multiplier is 42.2p in the pound (45.6 p in the pound in 2004/2005).

2. COUNCIL TAX

The amounts credited to the Collection Fund can be analysed as follows:

	2005/2006		2004/2005	
	£	£	£	£
Original Debt	65,268,397			61,426,857
Additional Debt	7,701,221			7,705,099
		<u>72,969,618</u>		<u>69,131,956</u>
Less:				
Council Tax Benefits		5,904,329	5,430,946	
Transitional Relief		(151)	247	
Council Tax Benefits Limitation		0	0	
Discounts		5,149,587	4,822,025	
Amounts Written-off, Exemptions & Allowances		8,775,016	8,491,347	18,744,565
		<u>53,140,837</u>		<u>50,387,391</u>

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, Hertfordshire Police Authority and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). This basic amount of council tax for a Band D property, £1,223.97, (£1166.63, 2004/2005) is multiplied by the proportion specified for a particular band to give an individual amount due.

Notes to the Collection Fund Account

2. COUNCIL TAX (Continued)

Council tax bills were based on the following proportions for Bands A to H:

Proportion of Band D charge

Band	Property Numbers	Proportio n	Basic Amount
A	3107	0.67	£815.98
B	7775	0.78	£951.98
C	18113	0.89	£1087.97
D	9114	1.00	£1223.97
E	6603	1.22	£1495.96
F	4292	1.44	£1767.96
G	3005	1.67	£2039.95
H	285	2.00	£2447.94
Total	52294		

3. COMMUNITY CHARGE - Adjustments to Prior Years

Although council tax has replaced community charge from 1 April 1993, the council continues to account for residual adjustments in relation to the community charges raised in earlier years in the Collection Fund. The slight but continuing collection performance for outstanding community charge debts prompted the Council to increase the provision in 1999/2000 to the full amount of arrears in the event that income accounted for in previous years would not be collected. Any income collected would then contribute to the overall Surplus. No Community Charge was collected in 2005/2006.

Upon the transition to council tax on 1 April 1993, the Council is entitled to receive the full surplus on the Collection Fund after the adjustments to community charge income made in 2004/2005. There is a surplus of £3,568 to be transferred to the General Fund in 2006/2007 to reduce the amount of council tax that the council has to raise to finance its own expenditure.

4. PAYMENT OF SURPLUSES FROM THE COLLECTION FUND

In the year Hertfordshire County Council claimed an element of the surplus on the Collection Fund at 31 March 2005 in the amount of £213,645.

In the year Hertfordshire Police Authority claimed an element of the surplus on the Collection Fund at 31 March 2005 in the amount of £24,565.

In the year, North Hertfordshire District Council transferred an element of the surplus on the Collection Fund at 31 March 2005 to the General Fund, in the amount of £75,000.

Similarly this element of the surplus/deficit on the Collection Fund at 31 March 2006 will be distributed in subsequent financial years to Hertfordshire County Council, Hertfordshire Police Authority and the Council in proportion to the value of the respective precept demand made by the three Authorities on the Collection Fund. The apportioned (deficit) is (£321,925) Hertfordshire County Council, (£40,219) Hertfordshire Police Authority and (£62,343) (including the surplus of £3,568 on Community Charge) North Hertfordshire District Council.

Notes to the Collection Fund Account

5. PRECEPTS

	2005/2006 £	2004/2005 £
The main precepts are:		
Hertfordshire County Council	44,472,029	42,318,529
Hertfordshire Police	5,596,025	5,323,344
North Hertfordshire District Council	8,491,927	7,929,615
	<u>58,559,981</u>	<u>55,571,488</u>

Following the introduction of council tax on 1 April 1993, parish precepts are now payable from the Council's General Fund and not the Collection Fund.

Cash Flow Statement

	2005/2006	2004/2005
	£(000)	restated £(000)
REVENUE ACTIVITIES		
Cash Outflows		
Cash paid to and on behalf of employees	13,691	13,678
Other Operating Cash Payments	15,992	16,226
Precepts Payments (note 5)	51,087	48,931
NNDR Pool Payments (note 5)	28,736	25,652
Pooled Housing Payments	220	0
Housing Benefit paid out	21,453	20,052
	131,179	124,539
Cash Inflows		
Council Tax income	(53,158)	(50,192)
Non-domestic rate receipts	(27,900)	(26,514)
NNDR Contribution from the Pool (note 5)	(3,440)	(3,222)
Revenue Support Grant	(3,184)	(3,183)
DWP Grants for benefits	(26,498)	(26,084)
Other government grants (note 4)	(1,622)	(1,749)
Cash received for goods and services	(9,678)	(11,571)
	(125,480)	(122,515)
Net Cash Flow From Revenue Activities (note 1)	5,699	2,024
SERVICING OF FINANCE		
Cash Outflows		
Interest paid	686	641
	686	641
Cash Inflows		
Interest received	(4,010)	(3,516)
	(3,324)	(2,875)
CAPITAL ACTIVITIES		
Cash Outflows		
Purchase of fixed assets	4,982	2,059
Other Capital Payments	3,163	5,612
	8,145	7,671
Cash Inflows		
Sale of fixed assets	(3,133)	(8,861)
Capital grants received (note 4)	(289)	(179)
Other capital cash receipts	(358)	(1,759)
	(3,780)	(10,799)
Net Cash Flow from Capital Activities	4,365	(3,128)
NET (INFLOW)/OUTFLOW BEFORE FINANCING	6,740	(3,979)
MANAGEMENT OF LIQUID RESOURCES		
Net Increase/(Decrease) in Liquid Resources (Note 2)	(7,560)	2,560
FINANCING		
Cash Outflows		
Repayments of amounts borrowed	872	846
Capital element of finance lease rental payments	-	-
	872	846
Cash Inflows		
New loans raised	-	-
New short term loans	-	-
	0	0
(INCREASE)/DECREASE IN CASH (Note 3)	52	(573)

Notes to the Cash Flow Statement

1. RECONCILIATION OF DEFICIT TO NET CASH FLOW:

	2005/2006	
	£(000)	£(000)
(Surplus)/Deficit for the Year		
General Fund	(254)	
Collection Fund	517	263
Non-cash transactions		
Add Contribution to Capital and including commutation adjustment	(86)	
Less/Add contributions to Provision and Reserves	298	212
Costs Charged Elsewhere in the Cash Flow		
Repayment of Debt charged to General Fund	(180)	
Adjustment for Pooled Capital Receipts payment	220	
Capitalisation of Pension Fund repayments	419	
Capital creditor/debtors	420	879
Interest- paid	(686)	
- received	4,010	3,324
Items on an accruals basis		
Add increase in stocks	7	
Less decrease in debtors	(879)	
Less decrease in long term debtors	(123)	
Less decrease in creditors	2,016	1,021
Net cash flow from revenue activities		5,699

2. MANAGEMENT OF LIQUID RESOURCES

These resources are short-term investments which have a maturity date of less than 1 year and are shown in the balance sheet under current assets. (See page 27).

RECONCILIATION OF LIQUID RESOURCES :

	Balance	Balance	Movement
	01-Apr-2005	31-Mar-2006	In the year
	£,000	£,000	£,000
Liquid Resources:			
Investments	74,920	67,360	(7,560)

3. RECONCILIATION TO INCREASE IN CASH :

	Balance	Balance	Movement
	01-Apr-2005	31-Mar-2006	In the year
	£,000	£,000	£,000
Cash in hand and at bank	46	32	(14)
Bank overdraft	(430)	(468)	(38)
Increase in cash			(52)

Notes to the Cash Flow Statement

4. ANALYSIS OF GOVERNMENT GRANTS:

	2005/06 £'000	2004/05 £'000
Revenue Activities		
Planning Delivery Grant	303	374
Regulatory Services Partnership- Training	5	5
Advance for European Elections	0	45
Building Safer Communities	188	101
Local Authority Business Growth Initiative	8	
Defective Dwelling Grant	51	152
Home Office Homeless Grant	32	30
Housing Subsidy Grant	0	(234)
Implementing Electronic Gov.	0	350
Remote Working Grant (DWP)	60	0
Benefit Admin and Fraud Initiative Grants	879	926
Waste Performance & Efficiency Grant (DEFRA)	39	0
Social Housing Compensation Grant	56	0
Admin Grant for NNDR publicity Leaflet (ODPM)	1	0
Total Other Grants	1622	1,749
Capital Activities		
Recycling Grant (DEFRA)	151	0
Disable Facilities Grant	138	179
Total Capital Grants	289	179

5. The 2004/05 Cash Flow figures have been restated to show the Precept and Business Rate payments to the pool as separate totals on the face of the Cash Flow statement. The 2004/05 Business payments to the pool is also now shown on the statement and not as note in other Government Grants.

DESCRIPTION OF REASON FOR CARRY FORWARD	WORKING BUDGET 2005/6	NEW REQUESTS FOR CARRY FORWARDS	CARRY FORWARD APPROVED 3RD QUARTER(£'s)	TOTAL CARRY FORWARDS	PROJECT COMPLETION DATE	EXPLANATION OF OVERSPEND/ UNDERSPEND/ DELAY IN PROJECT COMPLETION
CHIEF EXECUTIVE SERVICES						
Miscellaneous - General Fund						
Vacancy Control	230,190	100,000		100,000	March-07	Vacancy control 100K to be carried forward to fund Strategic Priorities in 2006/07. Members approved the Carry Forward of up to £100k on the underspend from the vacancy control target at Cabinet on 28/02/06.
Legal Services						
Other Consultants	38,000	5,000		5,000	April-07	Fees for the Law Society's Practise Management Quality Mark. Work planned by the LEXCEL Consultant in 2005/06 did not materialise due to LEXCEL timetable slipping and the department concentrating on work on reduced staffing level.
Electoral Registration						
Communications & Computing	59,510	13,200		13,200	July-06	Budget allocated from strategic priorities fund for the replacement of a 20 year old Elections Management System. This will enable more efficient registration and conduct of elections and improved customer service.
Economic Development						
Government grants	8,500	8,500		8,500	September-06	To be used for Town Centre Partnerships.
TOTAL CHIEF EXECUTIVE SERVICES	336,200	126,700	0	126,700		

DESCRIPTION OF REASON FOR CARRY FORWARD	WORKING BUDGET 2005/6	NEW REQUESTS FOR CARRY FORWARDS	CARRY FORWARD APPROVED 3RD QUARTER(£'s)	TOTAL CARRY FORWARDS	PROJECT COMPLETION DATE	EXPLANATION OF OVERSPEND/ UNDERSPEND/ DELAY IN PROJECT COMPLETION
CUSTOMER SERVICES-AREA COMMITTEES						
Letchworth Area Committee	131,890	68,080		68,080		Unspent budgets allocated to specific projects
Letchworth Visioning	37,090	28,030		28,030		Unspent budgets allocated to specific projects
Total Letchworth Area Committee	168,980	96,110	0	96,110		
Hitchin Area Committee	90,830	46,190		46,190		Unspent budgets allocated to specific projects
Hitchin Visioning	39,900	29,370		29,370		Unspent budgets allocated to specific projects
Total Hitchin Area Committee	130,730	75,560	0	75,560		
Royston Area Committee	61,250	25,320		25,320		Unspent budgets allocated to specific projects
Royston Visioning	18,150	9,860		9,860		Unspent budgets allocated to specific projects
Total Royston Area Committee	79,400	35,180	0	35,180		
Baldock Area Committee	42,460	26,670		26,670		Unspent budgets allocated to specific projects
Baldock Visioning	6,590	3,200		3,200		Unspent budgets allocated to specific projects
	49,050	29,870	0	29,870		
Southern Rural Area Committee	24,770	8,270		8,270		Unspent budgets allocated to specific projects
Southern Rural Visioning	30,210	24,650		24,650		Unspent budgets allocated to specific projects
	54,980	32,920	0	32,920		
General Visioning	23,740	10,850	0	10,850		Unspent budgets allocated to specific projects
Parish Challenge	57,450	15,000		15,000		Unspent budgets allocated to specific projects
TOTAL AREA COMMITTEES	564,330	295,490	0	295,490		
CUSTOMER SERVICES						
Senior Management Training	3,970	-1,040	30,030	28,990	September-06	Learning & Development Manager appointed in Quarter 3 of 05-06 and training plans are behind schedule. This budget was an approved carry forward for 2005/06.
Professional & Technical Training	2,710	0	19,000	19,000	September-06	Request for E-Learning proposal , this was deferred from the 2005/06 training programme due to lack of resources.
New Council Website	33,800	0	10,200	10,200	July 06	new website. The project was due to complete by 31st March, however due to staffing issues it has been delayed and will now be completed by July 2006.
Telephones Equipment Purchase - TextBox	14,200	12,530	0	12,530	June 06	Deferred spend due to technical issues in 2005/06
Information Unit Comp Supplies / Maint - NLPG	42,000	25,000	0	25,000	June 06	Deferred spend due to technical issues in 2005/06

DESCRIPTION OF REASON FOR CARRY FORWARD	WORKING BUDGET 2005/6	NEW REQUESTS FOR CARRY FORWARDS	CARRY FORWARD APPROVED 3RD QUARTER(£'s)	TOTAL CARRY FORWARDS	PROJECT COMPLETION DATE	EXPLANATION OF OVERSPEND/ UNDERSPEND/ DELAY IN PROJECT COMPLETION
Refuse Collection - Consultants	8,750	8,000	0	8,000	Sept 06	On the 5th anniversary of the contract there is an opportunity to re-negotiate the contract. Consultants will be engaged to do this.
Restructure Engineering and Parking Service.	0	76,360	0	76,360	June 06	Restructuring Costs for Engineering & Parking Services. The 2006/07 Savings Option (SP34) requires some up front severance costs which have yet to be paid and are requested from the vacancy control budget.
TOTAL CUSTOMER SERVICES	105,430	120,850	59,230	180,080		
FINANCE & REGULATORY SERVICES						
FIN & Reg MSU						
IT implementation costs	5,700		5,700	5,700	September-06	Budget for implementation costs and consultancy days for Accolaid Projects. Delay in these projects has meant that the need for post implementation consultancy days has not yet arisen. However these costs are likely to be realised in 2006/7 and so a carry forward of this budget has been requested.
Financial Services						
Other Hired Services	23,310	5,000	0	5,000	September-06	Preliminary work required for the implementation of e-marketplace.
Communications and Computing	57,480	5,920	0	5,920	September-06	Strategic Priority funding for e-market place. Project has slipped due to the pre-requirement of software upgrade.
Planning Policy						
Local Development Framework legal/consultancy & production costs	95,480	18,000	40,500	58,500	Unknown	Budget specifically for Local Development Framework. Since 3rd Q spending on LDF was less than anticipated and hence the carry forward request has been increased accordingly.

DESCRIPTION OF REASON FOR CARRY FORWARD	WORKING BUDGET 2005/6	NEW REQUESTS FOR CARRY FORWARDS	CARRY FORWARD APPROVED 3RD QUARTER(£'s)	TOTAL CARRY FORWARDS	PROJECT COMPLETION DATE	EXPLANATION OF OVERSPEND/ UNDERSPEND/ DELAY IN PROJECT COMPLETION
Environmental Improvement Grants	12,000	6,780	0	6,780	September-06	Environmental Improvement grants were accepted as a saving in 2006/7. Carryforward request is to fund final environmental improvement schemes approved in the last quarter but where works have yet to be completed.
Luton Airport	23,000		23,000	23,000	Unknown	Possibility of further legal work re airport expansions.
CCTV						
Equipment and repairs	103,640	7,000	0	7,000	October-06	Police funding for improved security measures and mobile cameras. This carry forward would support the initial mobile CCTV setup costs. (Identified efficiency savings will be able to cover the increased costs without the need of a growth bid)
Office Accommodation						
DDA required works to public buildings	20,000	15,000	0	15,000	October-06	Access improvement to Letchworth Cemetery toilets. (Deminimus value so not included in the Capital programme)
Revenues						
IT implementation costs for e-payments & e-services	34,880	34,880	0	34,880	October-06	Implementation costs for E-payments and E Services
Environmental Health						
Equipment, tools and materials	18,580	8,000	0	8,000	October-06	Due to staff shortages there was a delay in purchase of digital audiotape recorders to help with noise pollution investigations. Requested carryforward to enable this purchase in 2006/7.
TOTAL FINANCE & REGULATORY SERVICES	394,070	100,580	69,200	169,780		

DESCRIPTION OF REASON FOR CARRY FORWARD	WORKING BUDGET 2005/6	NEW REQUESTS FOR CARRY FORWARDS	CARRY FORWARD APPROVED 3RD QUARTER (£'s)	TOTAL CARRY FORWARDS		PROJECT COMPLETION DATE	EXPLANATION OF OVERSPEND/ UNDERSPEND/ DELAY IN PROJECT COMPLETION
TOTAL GENERAL FUND	1,400,030	643,620	128,430	772,050			

TREASURY ACTIVITY FOR 2005/06

1 Loans

1.1 Loans outstanding as at 31/03/06

	31/03/05 Balance Outstanding £	31/03/06 Balance Outstanding £	Reduction In Year £
Public Works Loans Board	5,395,288	4,702,803	692,485
Over 1 year	1,000,000	1,000,000	-
"Disregarded" Debt	1,094,500	914,500	180,000
Temporary Loans 364 Days and under	-	-	-
	<u>7,489,788</u>	<u>6,617,303</u>	<u>872,485</u>

1.2 Loans reduced in the year by £872,485. The reduction is due to principal repayments and loans maturing.

1.3 Interest payments totaled £587,194. This is £50,724 less than the previous year and is due to the falling balance of outstanding debt. The average rate of interest paid on loans for the year was 8.29% for PWLB and 7.89% for other loans.

1.4 Standard policy was to not take out new borrowing but to utilise capital receipts' set aside reserves. On occasions it was necessary to use the Council's overdraft facility for small amounts.

1.5 The overall borrowing limit for 2005/06, as required by the Prudential Code, was approved by Council on 26th April 2005 (minute 105). The Operational Boundary was £7.49M and the Authorised Limit was £10M. The Authorised limit was not exceeded during the year. The operational Boundary for 2006/07 is £7.0M with a £10M Authorised Limit.

1.6 The limits set for interest rate exposure were adhered to during the year.

2 Operational Leasing

2.1 Committee approval is required for operational lease agreements entered into in 2005/06. The following operational leases were entered into in 2005/06.

Leasing Company	Leased Value	Term	Annual Rental	Description of Asset
CSA Financial Ltd	116,714.06	3	36,542.01	IT Equipment
CSA Financial Ltd	58,203.17	3+	18,222.83	Careline Equipment
ILC Leasing Ltd	190,771.14	7+	28,352.41	Wheeled Bins
Total	<u>365,688.37</u>		<u>83,117.25</u>	

2.2 The above leases relate to replacement items or approved growth.

2.3 A section in the Annual Statement of Accounts shows a summary of the Authority's annual lease rental payments over the unexpired life of the leases,

thus clearly indicating the Council's continuing indebtedness on operational leases.

3 Investments

3.1 The table below shows a break down of where investments were placed.

	Investments At 31/03/05 £	Investments At 31/03/06 £
Banks	18,300,000	15,500,000
Building Societies	56,610,000	51,850,000
Local Authorities		-
	74,910,000	67,350,000

3.2 The balance of investments at year end was £67,350,000. The average daily balance for the year was £76.467M with balances varying between £66.661M and £82.830M.

3.3 £3.680M of interest was generated from investments made during the year. This is less than the estimated interest of £3.691 by £11K due to a reduction in the balances available to invest in house. In addition, £1K of interest was received on deferred Right to Buys.

3.4 Investments were split between two Cash Managers and in house. The Cash Managers each had £30M to invest with the balance invested by NHDC. The tables below detail the total interest generated from investments placed between 1st April 2005 and the 31st March 2006 and average interest rates.

	Interest Accrued to 31 st March	Interest Rec'd March	Total Interest For Year
NHDC	51,893	715,084	766,977
Sterling	541,185	906,589	1,447,774
Tradition	214,463	1,250,837	1,465,300
Total	807,541	2,872,510	3,680,051

	Ave Int Rate Deals made in 1 st Qrt	Ave Int Rate Deals made in 2 nd Qrt	Ave Int Rate Deals made in 3 rd Qrt	Ave Int Rate Deals made in 4 th Qrt	Ave Int Rate for Year.
NHDC	4.81	4.55	4.57	4.51	4.54
Sterling	4.80	4.50	4.62	4.58	4.61
Tradition	4.83	4.56	4.62	4.65	4.65

3.5 Sterling compare the average interest rate achieved against the average 3 Month LIBID rate. This was 4.51%. Commission charged by Sterling for the year was £15,000.

3.6 Tradition compare the average interest rate achieved against the average 7 Day Notice rate. This was 4.5%. Commission charged by Tradition for the year was £18,750

3.7 NHDC manage the day to day cash flow of the Council. Investments are matched to expenditure and are usually for short periods of time. Sterling and

Tradition are not constrained in the same way and are able to take advantage of higher longer term rates. This is reflected in the average interest rates achieved during the year.

- 3.8 Base rate started the year at 4.75% but was reduced to 4.5% in August where it is today.
- 3.9 The strategy of both Cash Managers was to spread the investments over a range of time periods. Investments were made for 364 day and shorter term. The logic being that when rates start to pick up, short-term investments could be converted into longer term and hence take advantage of higher rates.
- 3.10 Tradition generated more income than Sterling which is the reverse of 2004/05. Tradition placed no long term deals in the 1st quarter, £1.75M in the 2nd, £3.5M in the third and £13.0M in the 4th. Sterling placed £3.75M Long in the 1st quarter, £8.0M in the 2nd, £8.75M in the 3rd and £4.5M in the 4th.
- 3.11 Rates achieved depend greatly on timing and the maturity of deals. 364 day rates fell during the 1st quarter and remained roughly constant during the next two quarters but picked up in the last quarter. 364 day rates started the year at just over 5% and ended the year just under 5%.
- 3.12 All investments were within the limits detailed in the Treasury Strategy Statement. No investments were for longer than 364 days and none of the overall limits imposed with each institution were exceeded.

4 Cashflow

- 4.1 Precept payments made to Hertfordshire County Council and the Hertfordshire Police Authority were £50.3M. These were paid on time by 10 installments.
- 4.2 21 payments were made to the ODPM for Revenue Support Grant, National Non-Domestic Rates and Neighbourhood Renewal Fund. These totaled £25.1M.

5 2006/07

- 5.1 The level of investments placed in house at the start of 2006/07 was £7.35M which is lower than anticipated. This will have an impact on the level of interest generated during the year as deals will have to be made for short periods of time to meet cashflow requirements.
- 5.2 Council approved the 2006/07 Treasury Strategy on 20th April 2006. The new strategy allows the Cash Managers to invest funds for longer than 364 days which will yield higher interest rates. A revised estimate will be presented with the 1st quarter budget monitoring report.