



WATFORD

BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2006/07

PRE-AUDITED
VERSION

CONTENTS

	PAGES
EXPLANATORY FOREWORD	3-11
STATEMENT OF ACCOUNTING POLICIES	12-18
STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS	19
STATEMENT OF INTERNAL CONTROL	20-24
CORE FINANCIAL STATEMENTS:	
INCOME AND EXPENDITURE ACCOUNT	25
STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	26-27
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	28
BALANCE SHEET	29
CASH FLOW STATEMENT	30
NOTES TO THE CORE FINANCIAL STATEMENTS	31-50
HOUSING REVENUE ACCOUNT	51-55
THE COLLECTION FUND	56-58
AUDITOR'S REPORT	59
GLOSSARY OF TERMS	60-62

EXPLANATORY FOREWORD

1 INTRODUCTION

The purpose of this foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts.

The Accounts and Audit Regulations 2003 require the Council to produce a Statement of Accounts for each financial year giving certain specified information. The Foreword sets out to explain the financial facts contained in the Council's Accounts. A glossary of accounting terms is included on pages 60 to 62 for reference.

2. FINANCIAL STATEMENTS

The financial statements attached include the following:

a. *Statement of Accounting Policies*

The purpose of the statement of accounting policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

This statement provides accounting policies, which are consistent with the accounting concepts and relevant accounting standards. The approach taken ensures that the Council's accounts present fairly the financial position and transactions of the Council.

b. *Income and Expenditure Account (I&E Account)*

The Income and Expenditure Account brings together all of the functions of the authority and summaries all the resources that the authority has generated, consumed or set aside in providing services during the year.

This statement is fundamental to the understanding of a local authority's activities, in that it reports the gross and net cost for the year of all the functions for which the authority is responsible and demonstrates how the cost have been financed. The net operating expenditure for 2006/07 amounted to £16.96 million and was financed by government revenue support grant of £1.24 million; redistributed non-domestic rates of £6.43 million and demands on the collection fund of £7.6 million. This left a deficiency of £1.69 million.

The Income and Expenditure Account is out of line with the statutory provision that specify the net expenditure of local authorities when setting local Taxes. In order to give a full presentation of financial performance the I&E account needs to be reconciled to relevant statutory provisions, and this is undertaken in the Statement of Movement on the General Fund balance.

c. *Statement of Movement on the General Fund Balance*

The opening entry in this Statement is the outturn on the Income and Expenditure Account, which was a deficiency of £1.69 million. The next line contains the total of all reconciling items to convert the I&E account figure into the sum required by statute and proper practice, and this amounts to net income of £0.993 million. The outcome is the decrease in general fund balance for the year of £0.7 million.

The balance of the general fund reserve as at 31st March 2007 was £2,047 million.

d. Statement of Total recognised Gains and Losses

The Statement of Total recognised Gains and Losses brings together all the gains and losses of the council for the year and shows the aggregate increase or decrease in net worth.

The statement reveals an increase in net worth of £46.018 million and includes the surplus on revaluation of assets, gains recognised on the pension fund, and the deficit on the Statement of Movement on the General Fund Balance

e. Balance Sheet

This shows all the assets and liabilities of the Council at 31 March 2007. The balance sheet total is £509.747 million and represents the net worth of the Council.

The Fixed Assets have a net book value of £518.512 million. £389.306 of this sum is for the council's housing stock, which is calculated on the basis of Existing Use Value for Social Housing (EUV-SH). The Council has decided to transfer its housing stock, and will receive only a Tenant Market Value which is based on rent income and expenditure analysis and will produce a much lower capital sum.

f. Cash Flow Statement

The Cash Flow Statement shows the cash inflows and outflows arising from transactions with third parties for capital and revenue activities. The statement enables the full movements in cash to be identified. The overall outcome was a reduction of cash balances of £0.76 million.

g. Housing Revenue Account

The Housing Revenue Account records the financial position of the Council's statutory obligation to account separately for the costs of its housing provision. The gross expenditure amounted to £18.66 million. The surplus reported is £646,000. However, when the HRA is adjusted through the statement of movement on the HRA balance to bring the HRA into line with the statutory practice for rent burden outcomes the net change of £114,000 reduces the surplus for the year to be added to balance to £532,000.

The total reserve on the Housing Revenue Account increased from £0.53 million to £1.73 million as at 31 March 2007.

h. Collection Fund

The Collection Fund shows the transactions of the Council as a billing authority in relation to Council Tax and its distribution to the following precepting authorities; Hertfordshire County Council, Hertfordshire Police Authority and Watford Borough Council. The total net income from council taxpayers in 2006/07 amounted to £42.564 million.

In addition, the collection fund also collects income from non-domestic ratepayers in Watford, which is then passed to the Government after deducting collection costs.

The total net income from non-domestic ratepayers in 2006/07 amounted to £54.977 million.

The deficiency for the year on the fund was £0.62 million, and the final balance a surplus of £0.619 million.

3. PENSION COSTS

The Council's share of the assets and liabilities of the pension fund show an estimated £36.804 million shortfall at 31st March 2007. While the figure is substantial it should be remembered that:

- The deficiency was reduced by £7.8 million during 2006-07
- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities both for existing pensioners and current employees who are accruing pension entitlement.
- It is not a problem unique to Watford Borough Council or indeed local authorities generally. There is a national problem for pension funds in both private and public sectors.
- The Hertfordshire pension fund is regularly reviewed and additional contributions have already been initiated to address the problem over a period of years.

Details of the pension liability and assets can be found on pages 44 to 46 of these statements.

4. CAPITAL

Capital expenditure during 2006/07 amounted to £8.76 million. The addition value added to fixed assets in the balance sheet was £2.34 million, £6.2 million of this was related to expenditure not deemed to have added value such as grants for renovation. No new material asset was acquired. However major works were commenced on the provision of a new Leisure Centre and Swimming Pool.

5. CURRENT BORROWING

At the cabinet meeting of 23 January 2006 members considered a report on the prudential code, which makes provisions for borrowing by local authorities, provided it is within affordable limits.

The council set authorised limits for borrowing and an operational boundary. The report explained that temporary investments were in excess of £30 million and that there was no need to borrow in the short or medium term

A review of borrowing requirements will be carried out during 2007/08.

6. SOURCES OF FUNDS AVAILABLE TO MEET CAPITAL EXPENDITURE

The council intends to meet capital expenditure through any direct grants or revenue contributions, with the remaining finance being provided through the use of capital receipts.

7. REVIEW OF THE FINANCIAL YEAR

This review sets out the Council's financial performance in the following three principal financial areas:

a General Fund

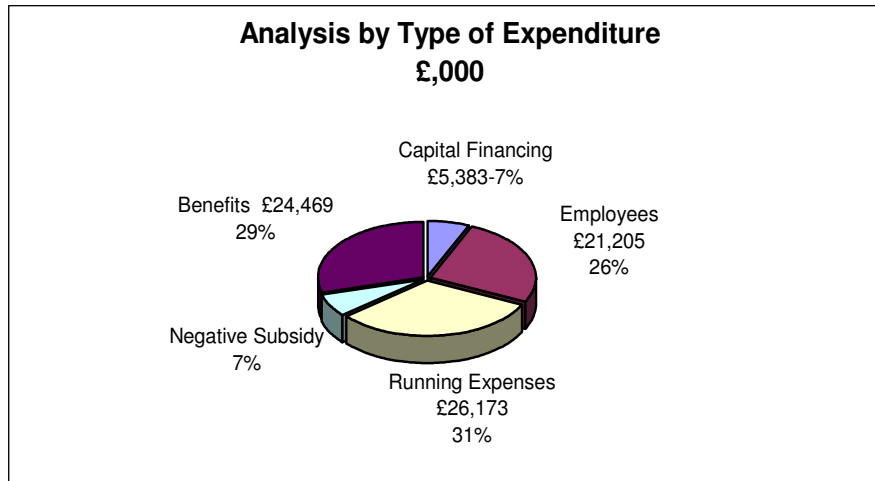
The net General Fund revenue spending for 2006/07 is £14.467 million, against a budgeted figure of £15.304 million, an under spend of £0.836 million.

	2006/07 Estimate £ 000	2006/07 Actual £ 000	Total Variance £ 000
Total Net Expenditure	15,304	14,467	(836)
Financed by: -			
Revenue Support Grant	(1,241)	(1,241)	
Non Domestic Rates	(6,427)	(6,427)	
Precept on Collection Fund	(7,602)	(7,602)	
Contribution (to)/from Balances	0	(836)	

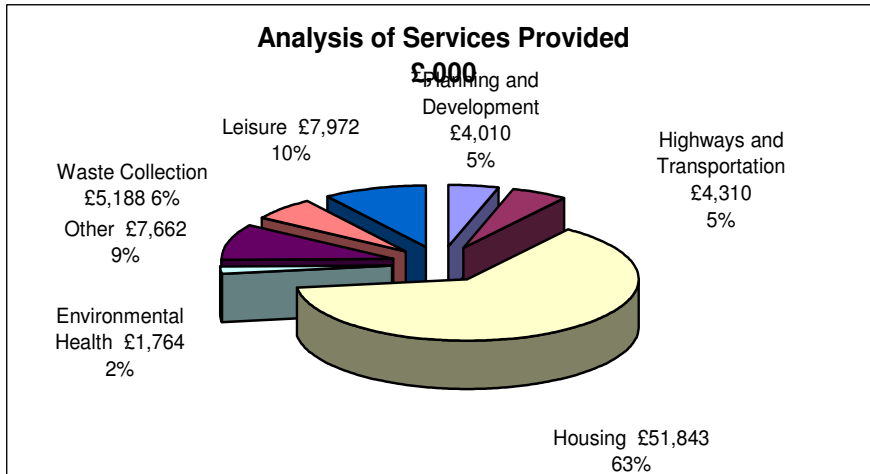
SUMMARY OF GENERAL FUND VARIANCES

	Current Budget	Actual	Variance
	2006/07	2006/07	2006/07
	£000	£000	£000
Leisure & Community Services	7,098	7,110	12
Environmental Services	6,875	6,729	(146)
Planning & Development	(2,393)	(2,968)	(575)
Housing	148	941	793
Managing Director	1,238	1,230	(8)
Strategic Services	703	482	(221)
Legal & Democratic Services	1,312	1,326	13
Human Resources	41	0	(41)
Revenues & Benefits	1,374	1,419	45
Business Information Systems	5	0	(5)
Finance	536	467	(69)
Corporate Financing	(1,634)	(2,269)	(635)
Total General Fund Revenue	15,304	14,467	(836)

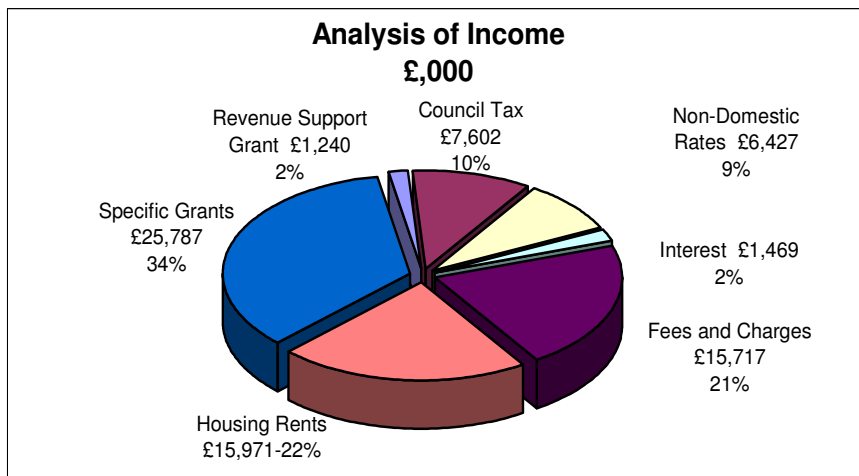
Where the money was spent



The Services Provided



Where the money comes from



b Housing Revenue Account (HRA)

The Housing Revenue Account is detailed on pages 51 - 55. At the start of the year the Council had budgeted for a net deficit of £53,170 million. The table below explains the difference between the actual surplus of £0.531 million and the budget, a variance of £0.585 million.

The major variances are as follows:

	£'000	£'000
Additional costs:		
Repairs & Maintenance	492	
Increase in Provision for Bad Debts	<u>55</u>	547
Reduced Income:		
Rental & Charges Income	245	245
Reduced costs		
General & Special Management	(830)	
Transfer to Pension Fund	(190)	
Reduced Negative Subsidy	(279)	
Rent, Rates & Taxes	<u>(15)</u>	
Increased Income		(1,314)
Supporting People's Grant	(43)	
Other minor variations	<u>(19)</u>	(63)
TOTAL		<u>(585)</u>

The Housing Revenue Account balances as at 31 March 2007 are £1.73 million

c Capital

Capital expenditure together with details of how it was funded is set out on pages 42 and 43. Actual expenditure for the year is £8.761 million, an under spend of (£2.153) million. The major variations on the programme were as follows:
(Under-spending)/Overspending

GENERAL FUND	£'000
ICT projects	(311)
Redevelopment of Leisure Facilities	8
Public Toilets and Refurbishment	(164)
Green Spaces Strategy	(211)
Cardiff Road Health Campus	(345)
Private Housing Condition Survey	65
Recycling Vehicles and Containers	(194)
Empty properties (CPO's)	(226)
Private Sector Grants	(146)
Streetcare Depot	(150)
Community Centre Refurbishment	62
Strategic Environmental Projects	12
Introducing Pay & Display to Surface Car Parks	(130)
Adventure Playground Refurbishment	89
Office Moves	(22)
Charter Place	(71)
Westfield	113
Other Variations	84
	<hr/>
	(1,537)
HOUSING (INCLUDING MRR)	
Kitchen re-planning & replacement	(50)
Boiler Replacement & Central Heating	(479)
Bathrooms (Plumbing planned maintenance)	(60)
Cavity insulation - Abbots Garden	44
Chimneys - High Level Work	182
Rewiring	(21)
I.T. Development	34
Entry Phones and Emergency Alarm Systems	106
Window replacement	(23)
Environmental Improvements (Estate Improvements)	41
Stock condition survey	(58)
E & M improvements Meriden H/R	(500)
Hostel repairs	(144)
Water tank renewal	212
Front back and flat door renewal	(118)
Fencing / gates	80
Other Housing	138
	<hr/>
	(616)
	<hr/>
	(2,153)

Capital expenditure was funded from capital receipts and a number of other sources. The capital receipts at 31 March 2007 were £20.65 million and the main receipts received during the year were Hampstead Road £0.62 and from Right to Buy sales amounting to £0.89 million after pooling. (See HRA note 5).

8. KEY CHANGES IN THIS YEAR'S FINANCIAL STATEMENTS

The Statement of Recommended Practice (SORP) has been revised this year to include the following:

The revenue operating account is now an Income & Expenditure Account rather than a Consolidated Revenue Account –This is due to the need for Local Authorities accounting to comply with GAAP-Generally Accepted Accounting Practices. The changes involve the:

- Removal of notional interest Capital financing charges, but not depreciation
- Provision for profit & loss on the sale of fixed Assets in the operating statement
- Charging of service accounts for deferred debtors

In addition the SORP introduces a Statement on the Movements on General Fund balance which is provided to ensure that the Income & Expenditure Account is adjusted for taxation purposes to ensure that proper local government practices apply in determining the level of Council tax charges.

The name of the Consolidated Balance Sheet has been amended to simply state Balance Sheet. This is not because of a substantive change in its contents but because Consolidation is less appropriate with the change in the name of operating statement.

A new Statement of Total Recognised Gains and losses-demonstrates how the movement in net worth in the Balance sheet is identified to the Income & Expenditure Account surplus/deficit and to other unrealised gains.

Statement of Total Recognised Gains and Losses

This Statement of Total Recognised Gains and Losses is a new statement which accords with Generally Accepted Accounting Practices. The statement shows the major outcomes which affect the net worth of the Council

- Surplus or deficit on the Income and Expenditure Account. This figure is in accordance with Generally Accepted Accounting Practices, rather than the tax burden and The Watford statement shows a deficiency in both 2005/06 £131,000 and 2006/07 £1.7 million, while in accordance with local government accounting statutory and proper practice after allowing for reserve transfers both years would have reported surpluses.
- Surplus or deficit on revaluation of fixed assets. In accordance with statutory requirements and proper practice the fixed assets subject to revaluation must be revalued over a five year period, and Watford adopt a rolling programme of approximately 20% revalue every year. The guidance on revaluation of Council Housing Stock is provided by the Government, and also reviewed every five years. In 2005/06 the guidance had the effect of reducing values nationwide, and a deficit of £67.1 million was sustained on revaluation. The outcome in 2006/07 was a surplus with a £39.9 million increase in value.
- Actuarial Gains and Losses on Pension Fund Assets and Liabilities. The Watford Council share of the Pension Fund is shown in the Council's Balance Sheet, and represents the excess of liabilities over assets held in the fund. The balance is subject to an Actuarial valuation each year. In 2005/06 the fund experienced a gain of £631,000, while in 2006/07 the gain was £7.8 million

Stock Valuation and Stock Transfer

The most significant financial issue which needs to be identified for readers of the final accounting statements is the value placed on the Council's Housing stock. In the final statements the value of Council Dwellings is stated as at the 31 March 2007 at £389.3 million, and the valuation basis is Existing Use Valuation for Social Housing (EUV-SH) However, the transfer value of the Housing stock will be significantly different. The transfer value will be based on the Tenanted Market Value. (TMV) this value is concerned with the level of income and expenditure likely to flow from the management of the stock in the future, and while a final sum has not been agreed it will be a tiny fraction of the EUV-SH

9. CONCLUSION

The Foreword has provided an analysis of expenditure between the main types incurred and has set out the different forms of income. These figures have been shown in pie charts (Page 7) to reflect the figures in a visual and understandable way.

Each of the financial Statements has been analysed and interpreted, with the underlying outcome identified.

Comparison has been drawn for both revenue and capital expenditure between the original budget and the outturn, to enable the variations to be identified and an explanation given.

STATEMENT OF ACCOUNTING POLICIES

GENERAL

The Statement of Accounts summarises the council's transactions for the 2006/07 financial year and its position as the year ended of 31 March 2007. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom A statement of Recommended Practice 2006 (the SORP). The accounting convention adopted is historical cost, as modified by the revaluation of certain categories of tangible fixed assets.

Details of changes in Accounting Policies resulting from SORP2006:

- **Notional Interest-** During 2006/07 a change in accounting Policy has occurred regarding the provision of notional Interest charges to service revenue accounts. The SORP no longer requires notional interest charges to be made, and these accounts for 2006/07 do not therefore include notional interest charges.
- **Deferred debtor-** The SORP 2006 requires deferred debtor to be credited over the deferred period the service revenue account, and these credits would previously have been made to the Corporate Section of the operating account.
- **Profit and Losses on the disposal of assets-** A new requirement of SORP2006 is to account for profits& losses on the disposal of fixed Assets during 2006/2007the profit on sale for all assets sold was £1,203,000.
- **Restatement of final statements 2005/06-** There is a separate restatement of the Income & Expenditure account for 2005/06, which allows service costs to be compared between 2005/06 and 2006/07 on a like to like basis. The restatement note appears below:

	2005/06 Net Exp £000s	2005/06 Change Categories £000s	2005/06 Remove CFC £000s	Reloc. of Govt Grants Deferred Credits £000s	Recog of Gains & Losses on Disposal of Fixed Assets £000s	2005/6 Comp in Income and Exp Account £000s
Central Services:						
Council Tax Collection	308	-	(13)	-	-	295
Other Central Services	6,545	(6,074)	(167)	-	-	304
Cultural, Environmental & Planning Services:						
Leisure Services	6,049	(11)	(401)	(9)	-	5,628
Cemeteries & Crematoria	158	-	(22)	-	-	136
Environmental Health	1,285	44	(11)	-	-	1,318
Waste Collection & Disposal	3,846	-	(68)	-	-	3,778
Planning & Development	1,726	1,063	(337)	(27)	-	2,425
Other CE&P Services	1,601	1,160	-	-	-	2,761
Highways & Transport	695	181	(230)	-	-	646
Housing Services:						
Housing General Fund	2,636	113	-	-	-	2,730
Housing Revenue Account	12,103	-	-	-	-	(497)
Corporate and Democratic Core		3,524	-	-	-	3,524
Non-distributable Costs	694	-				694
Impact on NET COST OF SERVICES	37,646	-	(13,868)	(36)		23,742
Profit on sale of fixed assets					(3,794)	(3,794)
Asset Management revenue account (Interest Payable and similar Charges in 2006/7)			(13,868)	(36)		(13,904)
Surplus on Trading Services	(19,390)					(19,390)
Impact on NET OPERATING EXPENDITURE	18,256	-	-	-	(3,794)	14,426
Net Amount From Grants and Taxpayers	14,295					14,295
General funds Surplus	(583)					131
Adjustments to convert 2005/6 to I&E	-					(713)
Balance at beginning of the Year	(2,162)					-
Balance at End of the Year	(2,745)					(2,745)
Analysis of Convert to I&E						
Amounts in I&E But Excluded by Statute						(4,287)
Amount Not in I&E But Required By Statute						3,402
Transfer to & from Funds						(28)
TOTAL						713

1. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed-where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the balance sheet date.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for in the year, to which it relates, on a basis that reflects the overall effect of the loan or investments.
- Where Income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might be collected.
- Income and expenditure are carried and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

2. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes clearer that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

3. Reserves

The Council set aside specific amounts as reserves for the future policy or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movements on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the 'Net of Services' in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against the Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for the tangible fixed assets and retirement benefits and that do not represent usable resources for the council-these reserves are explained in the relevant policies below.

4. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date the authority satisfies the conditions of entitlement to the grant/contribution, there is a reasonable assurance that the monies will be received and the expenditure for which the grant has been incurred. Revenue grants are matched in a service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure account after Net Operating Expenditure.

5. Retirement Benefits

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme: The liabilities of the HCC pension scheme attributable to the council are included in the balance sheet on the actuarial basis using the projected unit methods i.e. an assessment of the future payment that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The financial information provided in the final accounting statements is in accordance with FRS17 "Retirement Benefits". The Local Authorities (Capital Finance/Amendment No. 2) (England) Regulations 2003 (SI 2003/515) provide the legislative framework for this. In addition the disclosures are in accordance with the Code of Practice on Local Government Accounting in the United Kingdom – The Statement of Recommended Practice 2006 issued by CIPFA/LASAAC joint Committee.

We participate in one scheme, the Local Government Pension Scheme which is a defined benefit scheme. The information in this Statement of Accounts has been prepared in accordance with the Regulations and the Code and the accounting policies fully set out therein. The policies applied are summarized below:

- Attributable assets of the scheme have been measured at fair value at the balance sheet date.
- The attributable liabilities have been measured on an actuarial basis using the projected unit method. These have been discounted at the rate of 2.1% as at 31st March 2007. The rate as at 31st March 2006 was 1.7%, and the impact is to significantly add to the liabilities.
- Net liabilities that reflect the legal or constructive obligation of the authority have been disclosed. These are the shortfall of the value of assets in the scheme below the present value of the scheme liabilities.
- Current Service Cost has been based on the most recent actuarial valuation (31st March, 2004). The current service cost has been included in all relevant service areas including the Housing Revenue Account.
- Interest Cost has been based on the discount rate and the present value of scheme liabilities.
- The Expected Return of Assets is based on long term expectations at the beginning of the period as advised by the actuary.
- When actual events have not been the same as actuarial assumption made for the last valuation, or assumptions have been changed, actuarial gains and losses have been calculated to reflect conditions at March, 2007.
- Past Service Costs of £0 were recorded.
- Losses or gains arising on settlements and curtailments have been measured and disclosed in the period when they are determined. Curtailment costs are £0.245 million.
- Contributions paid to HCC pension fund amounted to £2.868m as employers' contribution and £0.564m as a result of early retirements.

The change has had the following effects:

The net costs disclosed for individual services are 0.71% lower (2004/05 1.72% lower) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 9.91% higher (4.63% higher in 2004/05) than it would otherwise have been.

The requirement to recognize the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 8.71% (2004/05 7.61%).

Statutory provisions limit the council to raising Council Tax to cover the amounts payable by the council to the pension fund in the year. In the statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amount payable to the fund but unpaid at the year end.

7. VAT

Value Added Tax is not included in these accounts except where the Council is unable to recover the tax from H. M. Customs and Excise. A provision has been made relating to V.A.T. Partial Exemption.

8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2006. The total absorption costing principle is used-the full cost of overheads and supports services are shared between users in proportion to the benefits receive, with the exception of:

- Corporate and Democratic Core-costs relating to the council's status as a multi-functional, democratic organisation.
- Non Distributed Costs-the costs of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software Licences) is capitalised when it will bring benefits to the council for more than one year. The balance is amortised to the relevant service revenue account during the year.

10. Tangible Fixed Assets

Tangible assets are assets that have a physical substance and held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the assets into working conditions for its intended use. Assets are then carried in the balance sheet using the following measurements bases:

The Councils' policy is to undertake a complete valuation of all assets over a five year period, with 20% of assets revalue each year. Therefore, 20% were revalued on 1st April 2006. The valuation of Watford's assets is performed by the Council's Property Manager, who is an FRICS qualified valuer. The valuation of assets ensures that current values are provided as well as identifying signs of impairment of assets and recognising increases in asset values, thus avoiding unacceptable differences between the balance sheet and current value. Increases in valuation are matched by credits to FARA to recognise unrealised gains.

An asset register has been compiled and is incorporated into the property management system.

The basis of valuation of assets is as follows:

- Council dwellings have been valued at net realisable existing use value for social housing;
- Other land and buildings have been valued either at net realisable existing use value or, where it is of a specialised nature and no demonstrable market exists, at depreciated replacement cost;
- Infrastructure assets, vehicle, plant and equipment have been valued at historical cost;
- Non operational assets have been valued at open market value.

Impairment: A review of assets for impairment has been undertaken and there were no assets which have been adversely affected by market conditions and the other criteria embodied in FRS11. In addition, an impairment review has been undertaken in accordance with FRS15 for assets, which have long lives and immaterial depreciation charges. No assets in this category were found to have fallen below the value in the consolidated balance sheet.

The valuation certificate makes special reference to impairment. In addition a specific review was carried out as at 31 March 2007.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and Capital allowances) is payable to the Government). The receipts are required to be credited to the Useable Capital Receipts reserve, and can be only used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movements on the General Fund Balance. As a debt free authority in 2006/07, 25% of the sum payable to the Government is returned to Watford Council.

The written –off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Financing Account from the Statement of Movement on the General Fund Balance.

Depreciation: The following are not depreciated:

- Fixed assets with a useful economic life in excess of 50 years where depreciation is immaterial in aggregate both for the year and cumulatively;
- Land and investment property;
- Newly acquired fixed assets in the year of acquisition;
- Community assets held in perpetuity.
- The following fixed assets with a useful economic life of up to 50 years are being depreciated over the remainder of that life on a straight-line basis:
 - Buildings including council dwellings;
 - Infrastructure assets.

Vehicles, plant and equipment are depreciated at 25% on a reducing balance basis.

Council Dwellings have been depreciated even where economic life is greater than 50 years because the depreciation charge is material.

If elements of the fixed asset have significantly different useful economic lives then the fixed asset is split for the purpose of depreciation.

Grants and Contributions: Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. Charges to Revenue for Fixed Assets

Service revenue accounts, support services trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service. Although none incurred during 2006/07.
- Amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual provision from revenue reserve to contribute towards the reduction in its overall borrowing requirement. Watford had no borrowing requirement in 2006/07. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two, which removes all of the charges.

12. Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangibles assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of the deferred charges from the existing capital resources, a transfer to the capital Financing Account then reverses out the amount charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of the council tax.

13. Leases

The Council has not acquired any finance leases and therefore all leases are operational and are charged to the service revenue accounts over the term of the lease on an accrual basis.

14. Investments

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made to the Income and Expenditure Account if this is likely to be a temporary fall.

15. Stocks and Work-In-Progress

All stocks, stores and work-in-progress are included in the consolidated balance sheet at cost price. This is a departure from SSAP 9, which requires stocks to be shown at the lower of actual cost or net realisable value. The different treatment is not considered material.

Work in Progress on uncompleted jobs is valued at cost including an allocation of overheads and recharged to the service revenue account.

STATEMENT OF RESPONSIBILITIES FOR THE 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.
- 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'S RESPONSIBILITIES

The Director of Finance 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 United Kingdom.

In preparing this Statement of Accounts, the Director of Finance has:

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

The Director of Finance has also:

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

THE DIRECTOR OF FINANCE 'S STATEMENT

In my opinion the Statement of Accounts, set out on pages 12 to 58, presents fairly the financial position of Watford Borough Council as at 31 March 2007 and its Income and Expenditure for the year ended 31 March 2007.

Janice Maule
Director of Finance

Date

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

Watford Borough 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. Watford Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Watford Borough 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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A system of internal control has been in place at Watford Borough Council for the year ended 31st March 2007 and up to the date of approval of the Statement of Accounts.

3. The Internal Control Environment

The key elements of the internal control environment include:

- Establishing and monitoring the achievement of the authority's objectives:

The full council meeting sets key policies and objectives, through the annual Performance Plan and the Budget and individual strategies for key activities. The Mayor and Cabinet form the Executive and are responsible for ensuring that the council's plans are carried out by officers. Monitoring reports on the achievement of service improvements and financial performance are reported to Cabinet meetings and to the Call-In and Performance Scrutiny Committee. In addition, Cabinet Members, in their capacity as Portfolio Holders with specific responsibilities, hold quarterly meetings with Heads of Service to review performance.

- Facilitation of policy and decision-making

Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from Members include comments on financial, legal and other appropriate issues such as potential risks, to ensure that comprehensive advice is provided. Policy Development Scrutiny Committee considers selected topics and advises Cabinet on its findings. Call-in and Performance Scrutiny may review Cabinet decisions. Budget Panel considers the draft budget proposals made by Cabinet.

- Ensuring compliance with established policies, procedures, laws and regulations

This is achieved through a combination of: training events, written policy and procedure documentation, authorisation procedures, managerial supervision, review by internal audit and use of the disciplinary procedure where appropriate. Officers are subject to the Code of Conduct for Council Employees and the standards of any professional bodies they belong to.

A Risk Management Group comprised of senior officers from all services is responsible for implementing and developing the Risk Management Strategy in accordance with the agreed Framework. Corporate and service-specific Business Continuity Plans for the council's own activities have been formalised. A Disaster Recovery Plan for ICT systems is in place.

The Head of Legal & Democratic Services is the Council's Monitoring Officer and her duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

Members are subject to a Code of Conduct and the Standards Committee has a key role in promoting and maintaining high standards of conduct for members.

- Ensuring the economical, effective and efficient use of resources, and ensuring continuous improvement in the way its functions are exercised

The council seeks to ensure the economic, effective and efficient use of resources and to secure continuous improvement through:

- work carried out as part of the annual budget process
- project appraisal and formal project management for major schemes
- undertaking Best Value and managerial reviews
- implementing the recommendations of Internal Audit
- implementing the recommendations of external auditors and inspectors
- the adoption of best practice in all aspects of its activities
- modernisation of working practices
- consultation with the public and staff
- partnership working with companies and other public bodies

During 2006/07 the Council submitted a "backward-looking" Annual Efficiency Statement for 2005/06 and a "forward-looking" Annual Efficiency Statement for 2006/07, both of which showed efficiency savings in excess of the target set by the Government.

- Financial management and its reporting

The Director of Finance is the statutory Chief Finance Officer. Her duties include: overall responsibility for financial administration; reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account; and giving advice to the Mayor, councillors and officers on the Budget and Policy Framework or issues of maladministration, financial impropriety or probity.

The council's Internal Audit team works in accordance with the standards prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the Code of practice for Internal Audit in Local Government in the United Kingdom. The audit team's objectives are to independently provide assurance on the adequacy of internal controls as a contribution to the proper, economic, effective and efficient use of resources and to support the achievement of Best Value and other key corporate objectives.

At the completion of every audit a report is issued to the line manager and his or her Head of Service setting out the conclusions of the audit and recommendations to address any weaknesses identified. Follow-up procedures are in place to ensure recommendations are acted on. The Audit Manager produces an annual report providing an overall opinion on the effectiveness of the system of internal financial control.

The Council has established an Audit Committee which operated throughout 2006/07. It approved the annual audit plans of the internal and external auditors, and receives the quarterly and annual reports of the Audit Manager. It approves the Statement of Accounts, the Statement on Internal Control and the review of the effectiveness of the internal audit system. It receives reports on risk management and certain governance issues. During the year it considered a report from the Benefit Fraud Inspectorate.

The Council approved a Code of Corporate Governance in July 2003. This sets out the framework for accountability by the Council to users, stakeholders and the community at large.

Budget monitoring reports are submitted to Cabinet and Call-In and Performance Scrutiny Committee quarterly. The 2006/07 Statement of Accounts has been approved by the Audit Committee.

The Annual Audit and Inspection Letter from the council's external auditors is reported to Members annually.

- Performance Management and its reporting

Quarterly reports detailing progress on the Performance Plan and Best Value Performance Indicators are submitted to Call-In and Performance Scrutiny Committee. Service plans are reviewed quarterly by Portfolio Holders.

During 2006/07 the Council reported progress on its improvement plans to an Improvement Panel to obtain the benefit of external advice and challenge. The Panel is chaired by the Audit Commission's Relationship Manager for the council, and is attended by representatives of the Government Office for the East of England and the IDEA. The council is represented by the Mayor and Managing Director.

4. Review of Effectiveness

Watford Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Key elements of the process of maintaining and reviewing the effectiveness of the system of internal control over the past year (from 1st April 2006 to the publication of these accounts) are as follows:

The Council:

- Has revised the Scheme of Delegations in the Constitution
- Amended the Constitution to reduce the number of Members required to initiate the Call-in procedure
- Received the annual report on Overview & Scrutiny
- Approved the Performance Plan, the Council's Budgets and other key strategy plans

The Cabinet:

- Has considered and proposed key strategy plans for Council approval
- Has agreed operational strategies and plans
- Reviewed performance management and budget monitoring reports
- Considered reports from Scrutiny Committees
- Received the external auditor's report on the Inspection of Environment Services

Council Functions Committee:

- Has approved various new and amended policies, mainly on employment issue

Audit Committee:

- Has approved the Internal Audit Service Plan and Annual Plan
- Has received progress reports from the Audit Manager and his Annual Report, including his assessment of the adequacy of internal control
- Has received progress reports on Risk Management, including an external review, has received risk management training and has appointed a Member Risk Champion
- Has reviewed the adequacy of the system of internal audit
- Has approved a revised Corporate Anti-Fraud and Corruption Strategy, including the Whistle-blowing Policy
- Approved the annual Statement of Accounts and Statement on Internal Control
- Considered the annual report on Health & Safety
- Received the annual governance report on the accounts from the external auditors
- Received the annual letter from the Ombudsman
- Considered on report on management of the housing capital programme
- Reviewed requests made under the Freedom of Information Act
- Considered the report of the Benefit Fraud Inspectorate and the Action Plan for improvement arising from it

Standards Committee

- Has approved a procedure for local investigations
- Has responded to Government consultation to changes to the Code of Conduct for Members

Licensing Committee

- Considered a report on the lessons learned from the judicial review of hackney cab delimitation

Scrutiny Committees

- Reviewed a number of activities and reported to Cabinet on suggestions for improvement
- Considered reports on performance monitoring
- Exercised the right to call-in a Cabinet decision
- Contributed to the Council's self-assessment for the Comprehensive Performance Assessment
- Considered the Audit Commission Inspection report on Environment Services
- Considered the approach to Members' performance
- Received a report from IDEA on the operation of Overview and Scrutiny in Watford
- Considered the Medium Term Financial Plan and Cabinet's budget proposals

Internal Audit:

- Have carried out a programme of audits throughout the year across the council's range of activities, achieving 89% of the audit work set out in the annual plan for 2005/06
- All internal audit staff are suitably experienced and qualified
- The Audit Manager, in his report to the Audit Committee in June 2007, concluded that, based on the work done by internal audit, the internal control environment is effective. A number of recommendations for improvement were identified and these are included in Section 5.

The Audit Commission:

- Issued its Annual Audit and Inspection Letter in March 2007. The council's accounts were unqualified. No significant weaknesses or areas of concern were identified, although some suggestions for improvement were made. The report notes improvements in a number of areas, although the overall assessment for Use of Resources as adequate was unchanged.
- Undertook a review of the Environment Service and assessed it as "good with promising prospects for improvement"

Other External Review mechanisms

- The Ombudsman made no findings of maladministration, although the number of cases referred to him did rise in 2006/07
- The Legal service has successfully retained its Lexcel status
- Leisure facilities have Quest accreditation
- The whole council has achieved Investor in People accreditation

These activities are consistent with the expectations of the Internal Control Environment outlined above.

The overall conclusion is that the council's internal control environment is adequate and has improved but that further steps can be taken to ensure that it is made fully effective and robust.

5. Significant Internal Control Issues

The following significant issues have been identified as a result of review: The target date for overall completion is 31st March 2008.

No.	Issue	Action	Lead
1	Business Continuity Plan	Implement the Action Plan to make the current BCP more robust	Head of Strategic Services, specific Heads of Service and Risk Management Group
2	Benefit Fraud Inspectorate report	Complete the Action Plan	Head of Revenues and Benefits/Audit Manager
3	Payroll Service	Identify and implement a long-term resolution to lack of resilience	Head of Human Resources
4	Arrangements for managing software changes	Need to improve controls	Head of Business Information Services

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Council Functions Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

.....

Mayor

.....

Managing Director

.....

Date

Income and Expenditure Account

2005/06 NET EXPENDITURE £000s		2006/07 GROSS EXPENDITURE £000s	2006/07 GROSS INCOME £000s	2006/07 NET EXPENDITURE £000s
	Central Services:			
295	Council Tax Collection	860	(436)	424
305	Other Central Services	638	(303)	335
	Cultural, Environmental & Planning Services:			
5,628	Leisure Services	7,718	(2,110)	5,608
136	Cemeteries & Crematoria	254	(197)	57
1,318	Environmental Health	1,764	(269)	1,495
3,777	Waste Collection & Disposal	5,188	(975)	4,143
2,424	Planning & Development	4,010	(1,783)	2,227
2,761	Other CE&P Services	2,540	(22)	2,518
646	Highways & Transport	4,310	(3,644)	666
	Housing Services:			
2,730	Housing General Fund	33,185	(30,599)	2,586
(497)	Housing Revenue Account	18,659	(18,195)	(464)
3,524	Corporate and Democratic Core	3,742	(326)	3,416
694	Non-distributable Costs	(119)	0	(119)
1	<i>Rounding adjustment</i>	1	1	1
23,742	Net Cost of Services	82,750	(58,858)	22,893
(3,794)	Profit on sale of fixed assets			(1,203)
(5,852)	Surplus/deficit on trading undertakings not included in net cost of service – Note 3			(5,852)
0	Interest payable and similar charges			0
545	Contribution of Housing capital receipts to Government Pool			1,130
0	Investment losses			0
(1,370)	Interest and investment income			(1,469)
1,254	Pension interest costs and expected return on pensions assets			518
(98)	Commutation of Improvement Grants – Note 7			(55)
14,426	Net Operating Expenditure			16,960
(7,251)	Demand on the Collection Fund			(7,602)
(4,750)	General Government Grants			(1,240)
(2,295)	Non-domestic rates redistribution			(6,427)
1	<i>Rounding adjustment</i>			
131	(SURPLUS)/DEFICIT FOR YEAR			1,691

Statement of Movement on the General Fund balance

2005/06		2006/07
£000s		£000s
131	(Surplus)/Deficit for the year on the income and expenditure account	1,691
(713)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	(993)
(1)	<i>Rounding adjustment</i>	
<u>(583)</u>	Increase in General Fund balance for the year	<u>698</u>
(2,163)	General Fund balance brought forward	(2,745)
<u>1</u>	<i>Rounding adjustment</i>	<u>0</u>
<u>(2,745)</u>	General Fund balance carried forward	<u>(2,047)</u>
<u>(2,745)</u>	Amount of General Fund balance generally available for new expenditure	<u>(2047)</u>

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

2005/06 <u>£000s</u>	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the general Fund Balance for the year	2006/07 <u>£000s</u>
(1,156)	Amortisation of intangible fixed assets	(1,094)
(1,655)	Depreciation and impairment of fixed assets	(1,363)
36	Government Grants Deferred amortisation	138
(1,156)	Write downs of deferred charges to be financed from capital resources	
3,794	Net profit on sale of fixed assets	1,203
(3,951)	Net charges made for retirement benefits in accordance with FRS17	(3,304)
(4,088)		(4,420)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the general Fund Balance for the year	
0	Minimum revenue provision for capital financing	-
850	Capital expenditure charged in-year to the general Fund	
(545)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,130)
3,096	Employer's contributions payable to the HCC Pension Fund and retirement benefits payable direct to pensioners	3,440
3,401		2,311
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
151	Housing Revenue Account balance	532
	Voluntary revenue provision for capital financing	
	Net charges made to HRA for retirement benefits in accordance with FRS17	(8)
(178)	Net transfer to or from earmarked reserves	593
1	<i>Rounding adjustment</i>	
(26)		1,116
(713)	Net additional amount required to be credited to the General Fund balance for the year	993

Statement of Total Recognised Gains and Losses

2005/06 £000's		2006/07 £000's
131	Surplus for the year on the Income and Expenditure Account	1,691
67,079	(Surplus) / Deficit arising on revaluation of fixed assets	(39,905)
<u>(631)</u>	Actuarial / (Gains) / losses on pension fund assets and liabilities	<u>(7,804)</u>
66,579	Total recognised (gains) / losses for the year	(46,018)

BALANCE SHEET AS AT 31st MARCH 2007

31st March 2006 £'000	FIXED ASSETS – Note 14	31st March 2007 £'000
	Tangible Fixed Assets	
	<i>Operational Assets</i>	
355,571	Council Dwellings	389,306
21,621	Other Land and Buildings	17,500
2,597	Vehicles, Plant and Equipment	2,174
0	Community Assets	0
8,695	Infrastructure Assets	8,509
	Non Operational Assets	
87,524	Investment Properties	89,022
6,500	Surplus assets held for disposal	12,000
482,508	TOTAL FIXED ASSETS	518,511
5,000	Long-term investments	2,000
1,358	Long Term Debtors – Note 19	1,479
488,866	TOTAL LONG TERM ASSETS	521,990
	CURRENT ASSETS	
87	Stocks and Work-in-Progress – Note 20	56
16,534	Debtors – Note 21	16,647
21,500	Investments	27,600
1,371	Cash in Hand	9
528,358	TOTAL ASSETS	566,302
	CURRENT LIABILITIES	
0	Short Term Borrowing	0
(9,140)	Creditors Note 22	(12,535)
(1,982)	Bank Overdraft	(1,348)
517,236	TOTAL ASSETS LESS CURRENT LIABILITIES	552,419
	LONGTERM LIABILITIES	
0	Long Term Borrowing	0
1,899	Government Grants - Deferred	(1764)
3,234	Deferred liabilities	(3586)
1,041	Provisions – Note 26	(518)
44,736	Liability Related to Defined Benefit Pension Scheme	(36,804)
466,326	TOTAL ASSETS LESS LIABILITIES	509,747
	FINANCED BY:	
429,917	Fixed Asset Restatement Account	463,637
47,891	Capital Financing Account	50,312
1,427	Deferred Capital Receipt	1,547
22,510	Usable Capital Receipts Reserve	20,654
(44736)	Pension Reserve – Note 28	(36804)
4,134	Earmarked Reserves – Note 29	6,004
	Revenue Balances – Note 30	
1,239	Collection Fund	619
2,745	General Fund	2,047
1,199	Housing Revenue Account	1,731
466,326	TOTAL NET WORTH	509,747

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2007

Cash is defined for the purpose of this Statement as cash in hand and deposits investments on demand less bank overdrafts repayable on demand.

The purpose of the Statement is to ensure that the significant elements of receipts and payments of cash are highlighted in a way that facilitates comparison with cash flow performance of the different areas of the Council's activities and to provide information that assists in assessing their liquidity, solvency and financial adaptability.

	2006/07	2005/06
	£'000	£'000
REVENUE ACTIVITIES		
<i>Cash Outflows</i>		
Payments to Employees	(21,205)	(21,158)
Other Operating Cash Payments	(18,910)	(18,861)
Housing Benefit Payments	(11,166)	(10,227)
NDR Payments to National Pool	(59,278)	(60,888)
Precept Payments	(35,272)	(32,406)
Payments to the Capital Receipts Pool	(960)	(457)
	(146,791)	(143,997)
<i>Cash Inflows</i>		
Net Housing Rents	9,991	8,970
Fees and Charges	19,775	14,580
Government Grants:		
Revenue Support Grant	1,241	4,750
NDR Receipts from National Pool	6,427	2,295
DWP Grant for Benefits	23,203	21,766
Collection Fund Receipts:		
Council Tax	37,363	35,959
Non Domestic Rates	53,782	51,853
	4,991	(3,823)
NET CASH (OUTFLOW)/INFLOW ETC. FROM REVENUE ACTIVITIES	4,991	(3,823)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest Paid	(0)	(4)
Interest Received	1,319	1,550
	1,319	1,550
CAPITAL ACTIVITIES		
<i>Cash Outflows</i>		
Purchase of Fixed Assets	(8,757)	(9,794)
Purchase of Long Term Investments	(4,000)	(-)
<i>Cash Inflows</i>		
Sale of Fixed Assets	3,323	5,401
Capital Grants Received	1,495	1,526
NET CASH (OUTFLOW) FROM CAPITAL ACTIVITIES	(7,939)	(2,867)
MANAGEMENT OF LIQUID RESOURCES		
Net (increase)/decrease in short term deposits	900	5,500
NET (DECREASE) / INCREASE IN CASH Note 34	(729)	357

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. DISCONTINUED OPERATIONS

During 2006/07 there were no operations that met the criteria of being classed as discontinued.

2. PRIOR YEAR ADJUSTMENTS

During 2006/07 there were no events that required adjustments to previous years.

3. TRADING SERVICES

The Council has established trading units where the services are required to operate in a commercial environment.

The following table shows details of the result of the Council's trading operations that generate income from the public and other third parties:

	Income	Expenditure	Gross (surplus) /deficit	Movement (from)/to Reserves	(Surplus) /Deficit
	£'000	£'000	£'000	£'000	£ 000
PROPERTY ACCOUNT	(7,137)	1,694	(5,443)	(208)	(5,651)
MARKET	(825)	623	(202)		(202)
TOTAL NET SURPLUS	<u>(7,962)</u>	<u>2,317</u>	<u>(5,645)</u>	<u>(208)</u>	<u>(5,853)</u>

The Council operates car parks and the following table shows details of the car parking operations which have been included in the Revenue Account statement figures as part of the Highway & Transport expenditure within the net cost of services and are not included in the Trading Account figures.

	2006/07 £'000	2005/06 £'000
Expenditure		
Running costs	83	167
Capital Charges	13	231
Income	<u>(805)</u>	<u>(874)</u>
(Surplus)/Deficit	<u>(709)</u>	<u>(476)</u>

The Council operates a Controlled Parking Zones account, which is separate from the car parking operations shown above. Surpluses must primarily be used in the provision of the Controlled Parking Zones. An analysis of this account is shown below:

	2006/07 £'000	2005/06 £'000
Income	(1,285)	(1,469)
Expenditure	<u>1,142</u>	<u>1,175</u>
	<u>(143)</u>	<u>(294)</u>

4. OFFICERS' REMUNERATION AND MEMBERS' ALLOWANCES

The Council is required to report in its annual accounts the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £10,000, starting with £50,000. The relevant details are as follows:

Amount Range	2006/07	2005/06
	(Number)	(Number)
£50,000 - £59,999	4	8
£60,000 - £69,999	10	4
£70,000 - £79,999	0	1
£80,000 - £89,999	2	1
£90,000 - £99,999	1	0
£100,000 - £109,999	0	0
£110,000 - £119,999	0	1
£120,000 - £129,999	0	0
£130,000 - £139,999	1	0

Members' Allowances paid in the year were £0.459 million (2005/06: £0.500 million).

Further information on Members' Allowances can be obtained from the Council's Democratic Services section.

5. PUBLICITY

Section 5 of the Local Government Act 1986 requires local authorities to keep a record of all expenditure on publicity. Details of costs in 2006/07 were as follows: -

	2006/07	2005/06
	£'000	£'000
MARKETING AND COMMUNICATIONS		
General Expenses	24	27
Salaries and Support Services	250	207
LEISURE PUBLICITY		
Publicity Costs – Leisure Grouping	66	44
COUNCIL PUBLICATIONS		
"About Watford" Newspaper -		
Production Costs	33	34
Council Minutes and Agenda	17	18
Area newsletters	16	27
OTHER PUBLICITY COSTS		
Staff Advertising	78	108
Miscellaneous Publicity	36	65
TOTAL COSTS	520	530

6. MINIMUM REVENUE PROVISION

Local Authorities are generally required to make a minimum revenue provision that is a charge for repayment of debt. Watford Borough Council is debt free, and the capital financing requirement is adjusted to reflect this fact. This results in no need to provide for a minimum revenue provision.

7. COMMUTATION OF IMPROVEMENT GRANTS

A commutation adjustment has been made to reduce revenue costs, by transferring capital receipts to the revenue account. The amount transferred is £54,573 for 2006/07. An application was made to seek approval to transfer £95,432, however, the Department for Communities and Local Government restricted the sum to £54,573.

8. BUILDING CONTROL REGULATIONS ACCOUNT

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the cost of operating the section divided between chargeable and non-chargeable activities for 2006/07.

	Chargeable £'000	Non- chargeable £'000	Total £'000
EXPENDITURE			
Employees	194	119	313
Premises	11	7	18
Transport	3	2	5
Supplies and Services	27	17	44
Support Services	<u>95</u>	<u>58</u>	<u>153</u>
	330	203	533
INCOME			
Building Regulation charges	(241)	0	(241)
Other income	<u>(3)</u>	<u>0</u>	<u>(3)</u>
	<u>(244)</u>	<u>0</u>	<u>(244)</u>
(Surplus)/Deficit for year	<u>(86)</u>	<u>(203)</u>	<u>(289)</u>

9. RELATED PARTIES' TRANSACTIONS

The purpose of this disclosure is to ensure the financial statements identify the existence of related parties and any material transactions with them. The disclosure information is intended to let users judge the extent of any effect on the reported financial position and results.

The Council received the following sums as grants from Government departments.

	£'000
Housing Benefit Subsidy	24,843
Revenue Support Grant	1,241
Redistributed Non-Domestic Rates	6,427

The precepting of Council Tax by Hertfordshire County Council and Hertfordshire Police Authority is shown in the Collection Fund Account on page 61.

Council Members have made declarations of non-pecuniary interest in voluntary organisations, which are grant-aided or otherwise financed by the Council. Councillor Rabi Martin was nominated Directors of the Palace Theatre Trust in 2006/07. The Trust received £0.231 million in grant and £32,500 in rent support from the Council in 2006/07. They have also been given a loan of £0.275 million which is being repaid over five years from October 2004.

West Hertfordshire Crematorium is operated as a Joint Committee. The Council is responsible for the accounting records and the Director of Finance is the honorary Treasurer. The Managing Director is the Clerk of the Board. Councillor Ajab resigned in September 06 and was replaced by Councillor Derek Scudder from October 06. The Council's contribution, if required; to the Joint Committee would be pro-rata to the population of the participating Councils. During 2006/07 no contribution was required. The asset of the Joint Committee as at the 31st March 2007 amounted to £4.2 million.

10. LEASING

The Council operates various printing equipment, fitness equipment and plant and vehicles financed under the terms of contract hire or operating leases. The amount charged to the service revenue accounts in 2006/07 was £658,047 (2005/06 £710,108). The future revenue liabilities relating to these leases are £1,374,027.

The Council has also leased four significant land and/or property assets. The amount charged to the service revenue accounts in 2006/07 was £89,628 (2005/06 £88,820). The future revenue liabilities relating to these leases are £1,162,461 in later years.

11. PENSION COSTS

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

We participate in the Local Government Pensions Scheme (LGPS) administered by Hertfordshire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension's liabilities with investment assets, over the medium to long-term.

The accounting policy on pension costs is in line with FRS17.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge we are 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 have been made in the CRA during the year:

	Local Government Pension Scheme			
	2006/07		2005/06	
	£'000	£'000	£'000	£'000
Net Cost of Services				
Current Service Cost		2,951		2,305
Past Service Costs				
Settlement/Curtailment		245		852
Net Operating Expenditure:				
• Interest Cost		6,490		6,046
• Expected Return of Assets in Scheme		(5,972)		(4,792)
• Compulsory added years		(410)		(460)
Net charge to the Income and Expenditure Account		3,304		3,951
Statement of Movement in the General Fund Balance				
• Reverse of net charges made for retirement benefits in accordance with FRS17				
Employers' Contributions Payable to Scheme	(3,304)		(3,951)	
	<u>3,432</u>	<u>128</u>	<u>3,096</u>	<u>(855)</u>
Actual Amount Charged against Council Tax for Pensions in the Year		3,432		3,096

The above table shows the amounts charged against Council Tax. During 2006/07 the Council paid contributions of £3,432million (representing 22.1% of employees pensionable pay, when pension strain (the excess cost of early retirement) is excluded) into the Hertfordshire pension scheme.

In addition the Council is responsible for all pension payments and related increases in respect of Pension strain. In 2006/07 these amounted to £0.5640 million representing 4.30% of pensionable pay.

The contribution rate is determined by the Funds Actuary based on triennial actuarial valuations. Future contribution rates have been announced as follows: for 2006/07 24%, 2007/08 26.0%

12. AUDIT COMMISSION FEES

Audit Fees	£0.159 million
Grant Claims	£0.104 million

13. SOURCES OF GOVERNMENT GRANTS SPENT ON CAPITAL EXPENDITURE

Implementing Electronic Government	£0.045 million
Service transformation & PDG	£0.454 million
Regional Pot	£0.121 million
Leisure Services contribution TRDC	£0.666 million
Disabled Facility Grant	£0.200 million
Others	£0.005 million

Total **£1.491**

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. FIXED ASSETS

(a) Numbers

The following list shows the number of the major fixed assets owned by the Council:

Buildings	31 March 2007	31 March 2006
<u>Leisure Services</u>		
Museums	1	1
Leisure Centres (Under reconstruction)	1	1
Community Centres	6	6
Assembly Halls	1	1
Swimming Pools(Under Re construction)	1	1
Play Facilities	2	2
Theatre	2	2
<u>Council Dwellings (exc. Shared Ownership)</u>	4764	4758

Other

Council Offices	3	3
Depots	1	1
Car Parks	4	4
Commercial Properties	230	230
Business Park	1	1
Charter Place Shopping Area	250,000 sq. ft.	250,000 sq. ft.
Market	1	1
Share in Harlequin shopping Centre	7% of net profit	7% of net profit
Cardiff Road industrial Estate	1	1

Land

Parks and Open Spaces	915 acres	915 acres
Cemeteries	2	2
Allotments	9	9

(b) Valuations

The consolidated balance sheet includes net fixed assets of £518,512,000 at 31 March 2007; of this sum £493,436,000 assets were included in the Valuation as at 1 April 2006 representing the Council's property portfolio subject to a rolling revaluation programme. The valuation work was undertaken by Watford Council's internal valuers Andrew Large FRICS and Anne Collins MRICS. The basis for valuations is in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. Council Dwellings have been valued on the beacon approach, while all other assets have been valued individually. The final accounting statements have been reconciled to the valuation certificates.

The basis of valuing the individual classes of assets owned by the Council is disclosed in note 3 to the Statement of Accounting Policies on page 12.

(c) Fixed Assets

Statement of movement of Fixed Assets

	Council Dwellings	Operational L&B	Infrastructure	VPF&E	Total
	£000's	£000's	£000's	£000's	£000's
Operational assets					
Certified Valuation at 31 March 2006	363,557	23,458			
Accumulated depreciation and impairment	(7,986)	(1,837)			
Net book value of assets at 31 March 2005	355,571	21,621	8,695	2,597	388,484
Movement in 2006/07					
Additions to Fixed assets 2006/07	1,583	195	335	227	2,340
Disposal fixed assets	(1,183)	(115)	0		(1,298)
Effect of Revaluation 1 April 2006	15,728	(525)	0		15,203
Revaluation 31 March 2007	21,945	(3,158)			18,787
Reclassification	(405)	(240)	0		(645)
Depreciation		(279)	(521)	(649)	(5,383)
	(3,934)				
Net book value of assets held at 31 March 2007	389,305	17,499	8,509	2,175	417,488

	£000's	Grand Total Fixed Assets £000's
Non Operational assets		
Certified Valuation at 31 March 2007	94,024	Assets @ Value or cost 492,331
Accumulated depreciation and impairment		(9,823)
Net book value of assets at 31 March 2007	94,024	482,508
Movement in 2006/07		
Additions to Fixed assets 2006/07	0	2,340
Disposal fixed assets	(663)	(1,961)
Effect of Revaluation 1 April 2006	5,914	21,117
Revaluation 31.03.07	-	18,787
Reclassification	1,748	1,103
Depreciation	-	(5,383)
Net book value of assets held at 31st March 2007	101,023	518,512

(d) Fixed Assets valuation data

The following table illustrates the scope of the revaluation work undertaken by the council. It shows that Vehicles Plant Furniture and equipment are held at historic cost as a proxy for current value. The difference between historic cost and current value being immaterial

Council Dwellings are subject to an annual revaluation of 20% of the total assets. However, the outcome of the revaluation is applied to the whole stock as at 1 April 2006. This means that the figure for valuation below is quite close to the final balance sheet value as at 31 March 2007. The difference being sales, capital expenditure and depreciation during the year, plus an increase in value as at 31 March 2007 determined by the valuation office to reflect house price rises during the year.

Other land and buildings have also been subject to an annual revaluation of 20% of assets. But the revaluation is not extended to other assets so the revalued sum of £8.131 million appears in this statement, rather than the balance sheet figure of £17.499 million representing approximately

Non-operational assets have also been subject to an annual revaluation of 20% of assets. But the revaluation is not extended to other assets so the revalued sum of £26.367 million appears in this statement, rather than the balance sheet figure of £101.022 million.

This Valuation information is required by FRS15, and is a demonstration of the council's rolling programme of revaluation.

The following table shows the valuation of assets each year subjected to revaluation.

Statement of valuation of fixed assets carried at current value

	Council Dwellings	Operational L&B	Investment properties	Vehicles Plant furniture and equipment	Total
	£000's	£000's	£000's	£000's	£000's
Valued at Historic cost	-	-	-	2,174	0
Valued at current value in:					
2006/07	368,729	8,131	26,636	-	403,496
2005/06	349,998	4,663	37,507	-	392,168
2004/05	430,696	7,266	44,610	-	482,572
2003/04	387,713	9,196	40,843	-	437,752
2002/03	347,523	7,051	47,232	-	401,806

15. INTANGIBLE ASSETS

These relate to capital expenditure which does not create a tangible fixed asset (e.g. development of IT systems) and are generally amortised in the year they are incurred. It is Council policy to only retain assets which represent an asset in the balance sheet. Therefore these are all amortised during the year of expenditure

	Intangible Assets	Total
	£'000	£'000
Balance Brought Forward 1 April 2006	0	0
Expenditure	600	600
Sum amortised	<u>(600)</u>	<u>(600)</u>
Balance Carried Forward 31 March 2007	<u>0</u>	<u>0</u>

16. COMMUNITY ASSETS

These assets are held for the community in perpetuity. They are often assets that have been in the Community for a long period, and little if any record exists of their original cost. The assets are not expected to be sold and have a nominal value in the accounts of £1 per asset giving a total sum £93 or 93 assets.

The assets include recreation grounds, playing fields, public open spaces and allotment sites etc.

17. DEFERRED CHARGES

These relate to capital expenditure which does not create a fixed asset (e.g. improvement grants) and are generally written off in the year they are incurred in accordance with capital accounting guidelines. Other deferred charges relate to redundancy costs capitalised and grants to RSLs for social housing.

	Improvement Grants £'000	Others £'000	Total £'000
Balance Brought Forward 1 April 2006	0	0	0
Expenditure	482	12	494
Written off	<u>482</u>	<u>12</u>	<u>494</u>
Balance Carried Forward 31 March 2007	<u>0</u>	<u>0</u>	<u>0</u>

18. ANALYSIS OF NET ASSETS EMPLOYED

	2006/07 £'000	2005/06 £'000
General Fund	47,880	45,635
Housing Revenue Account	394,727	358,720
Trading Operations	67,140	67,104
Total Net Assets	<u>509,747</u>	<u>471,459</u>

19. LONG TERM DEBTORS

Long-term debtors are debtors which fall due after a period of at least one year and are analysed as follows:

	31 March 2007 £'000	31 March 2006 £'000
Watford Irish Association	258	262
Housing Association Loans	95	107
Rent to Mortgage	1058	841
Other Mortgages	1	2
Palace Theatre	62	145
Car Loans	5	1
Loans from Revenue	0	0
Total	<u>1,479</u>	<u>1,358</u>

Included in short term debtors is the sum of £0.076 million which is the amount repayable on the above loans during 2007/08.

20. STOCKS AND WORK IN PROGRESS

	31 March 2007	31 March 2006
	£000	£000
Stocks	39	60
Work in Progress	17	27
Total	<u>56</u>	<u>87</u>

21 DEBTORS

An analysis of debtors falling due within one year is shown below:

	<u>31 March</u>	<u>31 March</u>
	<u>2007</u>	<u>2006</u>
	£ 000	£ 000
Housing Rent Arrears	497	538
Government Departments	6,381	10,430
Local Authorities	1,693	386
Non-Domestic Rates Arrears	1,586	1,410
Council Tax Arrears	5,374	2,435
Housing Benefit Overpayments	970	1,359
Sundry Debtors	2,684	2,673
Payments in Advance	<u>346</u>	<u>406</u>
Sub-Total	19,531	19,637
Less: Provision for Bad and Doubtful Debts	(2884)	(3,103)
Total	<u>16,647</u>	<u>16,534</u>

22. CREDITORS

An analysis of creditors is shown below:

	<u>31 March 2007</u>	<u>31 March 2006</u>
	£ 000	£ 000
Housing Rents Prepaid	(309)	(326)
Government Departments	(994)	(457)
Local Authorities	(543)	(419)
Non Domestic Rate Prepaid	(3,290)	(1,976)
Council Tax Prepaid	(890)	(453)
Sundry Creditors	(6,343)	(4,954)
Receipts in Advance	<u>(166)</u>	<u>(555)</u>
Total	<u>(12,535)</u>	<u>(9,140)</u>

23. DEFERRED CREDITS

Deferred credits are amounts representing capital receipts from the sale of assets that will be repaid to the Council by instalments over an agreed number of years. They have arisen from mortgages provided for the sale of Council houses, mortgage advances to Housing Association, and other Community Groups including the Palace Theatre which form part of the mortgages under long term debtors. In addition the equity interest in the rent to mortgage scheme is included representing £1.058million.

24. CAPITAL GRANTS DEFERRED

The Capital Grants Deferred Account represents amounts to be released to offset the provision for depreciation in respect of the fixed assets to which they relate.

25. SUMMARY INTRODUCTION TO DETAILS OF MOVEMENT ON RESERVES

Reserve	Balance 1 April 2006 £000's	Net movement in year £000's	Balance 31 March 2007 £000's	Purpose of Reserve
Fixed Asset Restatement Account	429,917	33,720	463,637	Store of gains on revaluation of fixed assets
Capital Financing Account	47,891	2,422	50,313	Store of capital resources set aside to meet past expenditure
Usable Capital Receipts	22,510	(1856)	20,654	Proceeds of fixed assets sales available to meet future capital investment
Pension Reserve	(44736)	7,932	(36804)	Balancing account to allow inclusion of Pensions Liability in Balance Sheet
Housing Revenue Account	1,199	532	1,731	Resources available to meet future running cost for Council houses
Major Repairs Reserve				Not in Reserve section
Deferred capital receipt	4,661	(3114)	1,547	
General Fund	2,745	(698)	2,047	Resources available to meet future running cost for non-housing services
Collection Fund	1,239	(620)	619	Resources available for council tax and NNDR
Government grants deferred	1,899	(1899)	-	Not in reserve section 2006/7
Earmarked Reserves	4,134	1,870	6,004	Specific reserves for future use
	471,459	38,288	509,747	-

26. PROVISIONS

These funds are accumulated for specific purposes and are analysed below:

	<u>31 March 2007</u> £'000	<u>31st March 2006</u> £'000
General Fund		
Housing Benefits Subsidy potential repayment	(500)	(1,016)
Planning appeal – potential costs HM Revenues and Customs	(18)	(18)
TOTAL	<u>(518)</u>	<u>(1,034)</u>

Brief details of provisions

Housing Benefits Subsidy - Outstanding issue regarding rent officer determinations for each year since 2001/02 which may result in a reduction in subsidy entitlement for those years.

Planning Appeals – Potential costs arising from appeals against planning decisions.

27 CAPITAL EXPENDITURE FOR THE YEAR 2006/07

A summary is given below of the capital expenditure on fixed assets and deferred charges.

FIXED ASSET EXPENDITURE 2006/07

	£'000	£'000
IT replacement	21	
ICT-Systems	273	
Service transformation programme	0	
Charter Place	39	
Customer service centre	<u>328</u>	661
Leisure & Community		
Redevelopment Leisure Facilities	2,383	
Community Centre refurbishment	70	
Westfield School	131	
Harebreaks Adventure Playground	103	
BECC Refurbishment Work	176	
Strategic Environment Improvements	<u>70</u>	2,934
Housing Revenue		
Housing Improvements	1,024	
Major Repairs Reserve	<u>3,274</u>	4,298
Planning & Highways		
Recycling	53	
Cardiff Road health Campus	<u>155</u>	208
Other various minor schemes		167
TOTAL FIXED ASSETS		8,267
DEFERRED CHARGES		
Renovation Grants	482	
Private purchase grants	<u>12</u>	
TOTAL DEFERRED CHARGES		<u>494</u>
TOTAL CAPITAL EXPENDITURE 2006/07		<u>8,761</u>

FINANCING OF CAPITAL EXPENDITURE

The capital outlay of £8.761 million in 2006/07 was financed from the following sources.

	£'000
Major Repairs reserve	3,275
Government grants	1,491
Usable capital receipts	3,995
 Total funding	 <u>8,761</u>

CAPITAL EXPENDITURE AND FINANCING

	2006/07	2005/06
	£'000	£'000
Opening capital financing requirement	2,801	2,989

Capital investment

Operational assets	8,267	8,764
Deferred Charges	494	1,156
	<u>8,761</u>	<u>9,919</u>

Sources of finance

Capital receipts	3,995	3,873
		0
Government grants and others	4,766	4,790
Revenue contributions		850
Funding of capital creditors		<u>0</u>
Total sources of financing	<u>0</u>	<u>0</u>
Effect of Government Grants Deferred	-135	594

Closing Capital Financing Requirement	2,666	2,801
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CAPITAL COMMITMENTS

Major commitments for capital schemes at 31 March 2007 amounted to £18.391million. (2005/06 - £1.230 million).

28. PENSIONS

DISCLOSURE OF NET PENSIONS ASSET/LIABILITY

Note 11 pages 38 to 39 to the Income and Expenditure Account contains details of the Authority's participation in the Local Government Pensions Scheme, administered by Hertfordshire County Council, providing officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March, 2006 are as follows:

	31st March, 2007 £'000	31st March, 2006 £'000
Estimated liabilities in scheme	131,288	132,502
Estimated assets in scheme	94,485	87,766
Net Liability	36,803	44,736

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £36,803 million has a significant impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

- The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. We are making an annual back-funding contribution designed to clear the liability over time.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31st March 2004.

The main financial assumptions adopted were:

	31st March, 2007 %	31st March, 2006 %
Rate of inflation	3.2	3.1
Rate of increase in salaries	4.7	4.6
Rate of increase in pensions	3.2	3.1
Proportion of employees opting to take a commuted lump sum	25.0	0
Rate for discounting scheme liabilities (NB based on 3.5% real)	5.4	4.9

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with the expected rates of return shown.

	31 st March, 2007		31 st March, 2006	
	Proportion	Expected Return	Proportion	Expected Return
	%	%	%	%
Equity Investments	76	7.8	76	7.4
Bonds	12	4.9	13	4.6
Property	6	5.8	6	5.5
Other Assets	6	4.9	5	4.6
	100.00		100.00	

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

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

The estimated net liability of £36,803 million at 31st March 2007 has decreased from an estimated net liability of £44.736 million at 31st March 2006.

The £36,803 million net liability represents the difference between the value of the Authority's pension fund assets at 31st March 2007 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2007 would also have an impact on the capital value of the pension fund asset.

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

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that during 2006-07 25% of members would take their maximum tax free cash allowance, commuting part of their pension to increase their lump sum payments.

Actuarial Gains and Losses

	2006/07		2005/06		2004/05		2003/04		2002/03
	£'000	%	£'000	%	£'000	%	£'000	%	£'000
Difference between the expected and actual returns on assets	191	0.2	14,047	16.0	1,942	2.9	8,425	13.3	(16,880)
Difference between actuarial assumptions about liabilities and actual experience gains and losses	5	0.0	631	0.5	(17,130)	(15.5)	8,240	9.0	(21,350)
Changes in financial assumptions underlying the present value of scheme liabilities	7,804	5.9	967	0.7	(1,460)	(1.3)	(185)	(0.2)	(4,470)

29. EARMARKED RESERVES

The Council has set aside funds which are earmarked for specific purposes as detailed below: -

	<u>31 March 2007</u>	<u>31 March 2006</u>
	£'000	£'000
General Fund		
Disabled Access Fund	97	91
Charter Place Tenants Fund	1,665	1,457
Repairs Fund ~ Le Marie Centre	14	14
Multi-Storey Car Park Repair Fund	128	103
Car Parking Zones Fund	573	432
Special Project Reserve	1,967	1,000
Leisure Reserve	500	
Ground Maintenance Reserve	12	45
Private Sector Bond Fund	9	0
Housing Revenue Account		
Major Repairs Reserve	1,038	992
TOTAL	<u>6,004</u>	<u>4,134</u>

Details of the purpose of each earmarked reserve are set out below:

General Fund

Disabled Access Fund – alterations to Corporate Buildings in order to comply with the Disabled Access Act.

Charter Place Tenants Fund –tenants’ contributions to meet major works.

Repairs Fund Le Marie Centre – Council’s obligation as landlord.

Multi Storey Car Park Repair Fund – major structural works.

Car Parking Zone Fund – future replacement of meters.

Special Project Reserve- provide for future investment and other expenditure such as redundancy

Leisure Reserve - to allow the Council to manage the increase into the budget years once the Leisure centres are open.

Ground Maintenance Reserve- Council’s obligation to maintenance

Private Sector Bond Sector- Reserve for Homelessness unit

Housing Revenue Account

Major Repairs Reserve – to fund major repairs to Council dwellings

30. REVENUE BALANCES

These are unallocated accumulated balances on the various funds as set out below:

	<u>31 March 2007</u>	<u>31st March 2006</u>
	£’000	£’000
Collection Fund	619	1,239
General Fund	2,047	2,745
Housing Revenue Account	<u>1,731</u>	<u>1,199</u>
Total	<u>4,397</u>	<u>5,183</u>

31. SINGLE EUROPEAN CURRENCY

The Council continues to make preparations for the possibility of the introduction of the Euro on its services. All new computer systems being introduced are Euro compliant. The Council has, as yet, made no commitment or identified any additional cost of preparing for the possible introduction of the Single European Currency.

32. CONTINGENT LIABILITIES

Under Watford Council's agreement with its previous insurer Municipal Mutual Insurance (MMI) the council are exposed to the possibility of having to repay all or part of claims already settled by MMI. This will only apply if MMI cannot achieve a solvent run off of its liabilities. As at the 31st March 2007 the maximum repayment stands at £374K.

MMI's accounts for the year ended 30th June 2006 include the statement that "The Directors remain of the view that a solvent run off is achievable". MMI external auditors PricewaterhouseCoopers LLP gave the final accounting statements of MMI a true and fair view approval, but included an emphasis of matter which recognised the uncertainty that is involved with estimating the gross claims outstanding. Notwithstanding this caveat, the likelihood of any repayment by the Council is low.

On this basis no provision for repayment has been made. The situation will continue to be reviewed, and if the outlook changes, a provision for losses will be considered

33. POST BALANCE SHEET EVENTS

There are no post Balance sheet events this year.

34. NOTES TO THE CASH FLOW STATEMENT

	2006/07 £'000	2005/06 £'000
Reconciliation of Net Surplus/(Deficit) on the Consolidated Revenue Account to the Movement in Cash		
Deficiency on Income and Expenditure Account	1,691	0
Revenue Surplus for the Year - General Fund	0	581
Revenue Surplus for the Year – HRA	0	151
Revenue Surplus for the Year - Collection Fund	0	606
	1,691	1,338
<i>Adjustments for Non Cash Transactions</i>		
Commutation	54	98
Interest received/ included in I&E	0	(1,705)
Major Repairs Reserve	(3,320)	3,321
Revenue contribution to capital outlay	0	850
Depreciation and amortisation	(2,457)	0
Deferred Grant amortised	138	0
Profit on sale of Fixed Assets	1,203	0
FRS 17 adjustment	106	0
<i>Adjustments for Movements</i>		
Debtors	(933)	(8,702)
Creditors	4,216	1,172
Stocks/Work in Progress	31	89
Provisions/ Reserves	(0)	(279) (6)
	(932)	(7,726)
NET CASH FLOW FROM REVENUE ACTIVITIES	(729)	3,824
Analysis of Changes to Cash and Overdrawn Balances During the Year		
Bank Overdraft at beginning of year	(621)	(974)
Cash in Hand at beginning of year	10	7
Bank Overdraft at end of year	(1,348)	(621)
Cash in Hand at end of year	9	1,372
Net Cash Inflow / (Outflow)	(729)	(357)

35. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	<u>31st March 2007</u>	<u>31st March 2006</u>
	£'000	£'000
Investments	29,600	26,500
Cash in Hand	10	9
Bank Overdraft	<u>(1,348)</u>	<u>(621)</u>
	<u>28,261</u>	<u>25,889</u>

36. MANAGEMENT OF LIQUID RESOURCES

Included under liquid resources are the Councils investments.

The policy of the Council is included in the Treasury Management Strategy.

**HOUSING REVENUE ACCOUNT (HRA)
FOR THE YEAR ENDED 31ST MARCH 2007**

The HRA summarises the transactions relating to the provision, maintenance and sale of council houses, flats and garages. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from the General Fund.

<u>HOUSING REVENUE ACCOUNT 2006/07</u>			
2005/06	<u>INCOME</u>	2006/07	2006/07
£000s		£000s	£000s
(15,971)	Dwelling Rents	(16,560)	
(802)	Non-Dwelling Rents	(794)	
(466)	Charges - Services & Facilities	(458)	
(230)	Contributions towards Expenditure	(91)	
0	Sums Directed by the SOS that are Income in accordance with UK GAAP	0	
(289)	Other Income	(292)	
(17,758)	TOTAL INCOME	(18,195)	
<u>EXPENDITURE</u>			
3,401	Repairs and Maintenance	3,700	
4,540	Supervision and Management	5,267	
95	Rents Rates and Taxes	87	
5,266	Negative HRA Subsidy Payable – Note 8	5,513	
3,601	Depreciation and Impairment of Fixed Assets – Note 7	4,020	
0	Debt Management Costs	0	
81	Increase in Bad Debt Provision	70	
0	Sums Directed by the SOS that are Expenditure in accordance with UK GAAP	0	
301	Other Expenditure	2	
17,285	TOTAL EXPENDITURE	18,659	
(473)	NET COST OF SERVICE PER Income & Expenditure ACCOUNT	464	
0	HRA services share of Corporate and Democratic Core	0	
0	HRA Share of Other Amounts included in the Whole authority Net Cost of services but not Allocated to specific services	0	
0		0	
(473)	NET COST OF HRA SERVICES	464	
(1,942)	(Gain) or loss on sale of fixed assets	(822)	
0	Interest Payable and Similar Charges	0	
0	Amortisation of premiums and discounts	0	
(278)	Interest and investment income	(288)	
0	Pensions interest cost and expected return on pensions assets	0	
0	Appropriation of Reserves	0	
(2,693)	(Surplus) or Deficit for the year on HRA services	(646)	

Statement of Movement on the HRA Balance

2005/06 £000s		2006/07 £000s
(2,693)	Surplus or deficit for the year of the HRA Income and Expenditure	(646)
<u>2,543</u>	Net amount required by statute to be debited or (credited) to the HRA Balance at the year end.	<u>114</u>
(150)	(Increase) or Decrease in the HRA Balance	(532)
(1,048)	HRA surplus brought forward	(1,199)
<u>(1,199)</u>	HRA surplus carried forward	<u>1,731</u>

Note to the Statement of Movement on the HRA Balance Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year

0	Difference between amounts charged to income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	0
0	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	0
(3,601)	Depreciation and impairment of fixed assets	(4,020)
1,942	Gain or loss on sale of HRA fixed assets	822
(253)	Net charges made for retirement benefits in accordance with FRS 17	(287)
<u>0</u>	Sums directed by the National Assembly to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	<u>0</u>
(1,912)		(3,493)

Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
3,322	Transfers to/(from) Major Repairs Reserve	3,320
0	Transfers to/(from) Housing Repairs Account	0
283	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	295
0	HRA minimum Revenue Provision	0
0	Voluntary set aside for debt repayments	0
850	Capital expenditure funded by the HRA	0
<u>4,455</u>		<u>3,607</u>
<u>2,543</u>	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	<u>114</u>

NOTES TO THE HRA

1. STOCK INFORMATION

The following summarises the numbers of properties held by the HRA:-

	31 March 2007	31 March 2006
Flats		
One bedroom	1,188	1,168
Two bedrooms	706	710
Three or more bedrooms	19	23
	1,913	1,901
Houses and Bungalows		
One bedroom	116	116
Two bedrooms	538	544
Three bedrooms	2,057	2,069
Four or more bedrooms	140	141
	2,851	2,870
Mobile Homes		
1 Bed Mobile Homes	0	7
Hostel		
Number of bed spaces	203	225
Full Dwelling Equivalent	79	101
Shared Ownership		
Full dwelling equivalent	34	36

2. STOCK VALUATION

The total number of dwellings in the Council's housing stock as at 1 April 2006 was 4,779, of which 1,919 were flats and 2,860 were houses. During 2006/07, 15 properties were sold under RTB and RTM rules and three other properties on the open market

The net book value of the assets held by the HRA is shown below. These amounts are included in the net book value shown on the Consolidated Balance Sheet.

	31 March 2007 £000	1 April 2006 £000
Operational Assets		
Housing Stock	381,898	363,542
Other land & Buildings	9,843	9,855
Non-Operational Assets		
(including investment property)	<u>5,729</u>	<u>4,644</u>
	<u>397,470</u>	<u>378,041</u>

The above analysis includes all property which is used by the housing services, and where income and expenditure is transacted in the HRA for the asset. The numbers do include some assets which have been purchased under general fund powers rather than Housing powers.

The vacant possession value of dwellings within the Housing Revenue Account at 1 April 2006 was £807.9m. This is based on the open market value. This compares to the balance sheet value of £363.5m when valued at existing use value (for Social Housing). The difference shows the economic cost of providing Council houses at less than market rents.

3. MAJOR REPAIRS RESERVE

The account is credited with the depreciation charged to the HRA each year, with an adjustment to ensure the net credit to the account equals the major repairs allowance which forms part of Housing Revenue subsidy. The account itself can only be used to finance any major repairs carried out on the housing stock and to any transitional negative subsidy transfer. Any sums remaining can be carried forward for future years. Movements in the year are as follows:-

	£'000	£'000
Balance as at 1 April 2006		992
Credits		
Depreciation charged to HRA		4,020
Charges		
Adjustment back to HRA	(700)	
Funding of expenditure	<u>(3,274)</u>	
		<u>(3,974)</u>
Balance as at 31 March 2007		<u>1,038</u>

4. CAPITAL EXPENDITURE

Capital expenditure on Housing Revenue Account properties amounted to £4.298 million in the year, mainly on improvements to the existing stock. Details of the expenditure can be found on pages 42 - 43. The expenditure was funded as follows:-

	£'000
Major repairs reserve	3,274
Usable Capital receipts	<u>1,024</u>
	<u>4,298</u>

5. CAPITAL RECEIPTS

Housing Assets: During the year the following disposals took place:-

	Proceeds
	£'000
Houses and flats (15 including 2RTM) after pooling	897
Shared ownership (interest in 2 properties)	23
School Mead	662
TOTAL	<u>1,582</u>

6. CAPITAL CHARGES

Capital Charges are no longer made within the accounting statements of the local authorities. This change to the financial reporting requirement significantly changes the reported gross cost of the HRA. During 2005/06 £12,577 million was recorded as capital charges, but for 2006/07 the charge is nil.

7. DEPRECIATION

The charge for depreciation made to the Housing Revenue Account in the year is made as follows:-

	£'000
<u>Operational assets</u>	
Dwellings	3,898
Garages	<u>36</u>
Sub-total	3,934
Other land and buildings	52
Computer and other equipment	<u>34</u>
Sub-total	86
TOTAL	<u>4,020</u>

Non-operational property was not depreciated.

8. HOUSING SUBSIDY

The calculation of the HRA subsidy for the year, in line with the subsidy determinations is set out below. As a result of the Local Government Act 2003, the abolition of the HRA set-aside and their financial effect, from 1st April 2004 responsibility for administration of rent rebates has been transferred to the General Fund. Expenditure and subsidy for Rent rebates is now accounted for in the General Fund.

	£'000
Allowance for management and maintenance	7,734
Rental Constraint Allowance	261
Major Repairs Allowance	<u>3,320</u>
	11,315
Less	
Guideline rent income	(16,821)
Interest on receipts	<u>(14)</u>
HOUSING ELEMENT	(5,520)
Prior Year Adjustment	<u>(7)</u>
TOTAL Negative Subsidy	<u>(5,513)</u>

9. RENT ARREARS

During the year 2006/07 rent arrears as a proportion of the gross rent reduced to 2.7% (2005/06 3.3%) of the gross rent debit for the year. The Provision for Bad Debts is calculated on the age profile of the debts.

	2006/07	2005/06
	£'000	£'000
Arrears at 31 st March	497	567
Provision for Bad Debts	385	397

Bad debts written off during the year amounted to £0.083 million.

10. HRA PENSION CONTRIBUTION

The Housing Revenue Account has accounted for employers pension costs in accordance with FRS 17 to the extent that the net cost of service includes the sum of £287,000 which is the current service cost of employees provided by the Council's actuarial report. The amount to be funded by the HRA is the actual employers' contribution to the Pension fund required to meet the liability of the HRA to support the defined benefits of the pension scheme. Due to the pension fund being under funded this sum is £295,000. It is therefore necessary to increase the rent borne cost for pensions in the HRA by £8,000.00. This treatment ensures that the current cost is used to monitor performance and cost of current of service, but that full costs of pension due to be met from the HRA are ultimately funded.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2007

INTRODUCTION

These accounts reflect the statutory requirement for the Council, as the billing authority, to maintain a separate Collection Fund, which shows the transactions in relation to non-domestic rates and council tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is kept separate from the Income and Expenditure Account although it forms part of the Consolidated Balance Sheet.

	2006/07	2005/06
	£'000	£'000
INCOME		
Income from Council Tax Payers Note 3	(37,703)	(35,938)
Council Tax Benefits	(4,861)	(4,615)
	(42,564)	(40,553)
Income from Non-Domestic Rates Note 2	(54,977)	(52,302)
Total Collection Fund Income	(97,541)	(92,855)
EXPENDITURE		
Precepts and Demands		
Hertfordshire County Council		
Precept for Year	30,530	28,660
Adjustment re Previous Year Note 4	798	125
Hertfordshire Police Authority		
Precept for Year	3,843	3,606
Adjustment re Previous Year Note 4	100	15
Watford Borough Council		
Precept for Year	7,399	7,218
Adjustment re Previous Year Note 4	203	33
Write off Council Tax	323	169
Provision Council Tax	(12)	88
Write off NDR	432	238
Provisions NDR	306	60
Payment to Non-Domestic Rate Pool Note 2	54,063	51,826
Allowance for NDR Cost of Collection	176	178
Total Collection Fund Expenditure	98,161	92,216
EXCESS OF EXPENDITURE (-) OVER INCOME	620	(639)
BALANCE BROUGHT FORWARD	(1,239)	(600)
BALANCE CARRIED FORWARD	<u>(619)</u>	<u>(1,239)</u>

NOTES TO THE COLLECTION FUND

INTRODUCTION

2006/07 was the fourteenth year of Council Tax, the local taxation system that replaced Community Charge with effect from 1st April 1993.

2. NON-DOMESTIC RATES

Non-Domestic Rates (NDR) are organised on a national basis. In line with the Local Government Act 2003, from 1 April 2005, the Government specifies two amounts, the small business non-domestic rating multiplier, for those that qualify for small business rate relief, and the non domestic rating multiplier which includes the supplement to pay for small business rate relief. The Valuations Office total Rateable Value as at 31st March 2007 was £151,779,700. The small business non-domestic rating multiplier for 2006/07 is 42.6p per £ of rateable value, 41.5p for 2005/06, and the non-domestic rating multiplier is 43.3p per £ of rateable value, 42.2p for 2005/06, and, subject to the effects of transitional arrangements, local businesses pay rates by multiplying their rateable value by that amount. The Council is responsible for collecting amounts due from the business ratepayers in its area but pays the proceeds into a national NDR Pool administered by the Government.

The Government redistributes the sums paid into the NDR Pool back to local authorities on the basis of a fixed amount per head of population.

3. COUNCIL TAX BASE

Council tax income derives from charges raised according to the value of residential properties which are classified into eight bands based on 1st April 1991 valuations for this specific purpose. Individual charges are calculated by estimating the amount of income required from the Collection Fund to meet the demands of the Council, Hertfordshire County Council and Hertfordshire Police Authority and dividing this by the Council Tax Base.

The Council Tax Base for 2006/07 of £31,629.5 is the total number of properties in each band adjusted by a proportion to convert the numbers to a Band D equivalent and it represents the amount raised for each £1 of Council Tax levied.

The table below sets out the calculation for the Tax Base.

Dwelling Analysis

<u>Valuation Band</u>	<u>Total Dwellings in Band</u>	<u>Total Discounts and Exemptions</u>	<u>Total Chargeable Dwellings</u>		<u>Equivalent Number of Band D Dwellings</u>
A – Disabled Relief		+1.00	1.00	5/9	0.6
A	282	-58.25	223.75	6/9	149.2
B	3,532	-606.75	2,925.25	7/9	2,275.2
C	12,402	-1,481.25	10,920.75	8/9	9,707.3
D	10,960	-980.50	9,979.50	1	9,979.5
E	3,493	-271.50	3,221.50	11/9	3,937.4
F	1,998	-147.50	1,850.50	13/9	2,672.9
G	1,781	-109.75	1,671.25	15/9	2,785.4
H	71	-10.00	61.00	2	122.0
Total	<u>34,519</u>	<u>-3,664.50</u>	<u>30,854.50</u>		<u>31,629.5</u>

4. COLLECTION FUND SURPLUS

Surpluses on the Collection Fund are distributed in the subsequent year. Surpluses in respect of council tax are shared with major precepting authorities in relation to precepts levied.

The surplus for 2006/07 amounts to £0.619 million and will be available for distribution in 2007/08.

5. PRECEPT/DEMANDS ON THE FUND

Hertfordshire County Council made a precept demand amounting to £30.530 million. Hertfordshire Police Authority made a precept demand amounting to £3.843 million. Watford Borough Council made a precept demand amounting to £7.399 million.

AUDITOR'S REPORT

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GLOSSARY OF TERMS

Accruals

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

Agency Services

Services that are performed by or for another Authority or Public Body, where the principal body (the authority responsible for the service) reimburses the agent (the authority carrying out the work) for the cost of the work carried out.

Capital Expenditure

Spending which produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

Capital Financing Account

A reserve that reflects financing of capital from revenue and capital receipts together with the adjustment of the minimum revenue provision.

Capital Receipts

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or, to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

Collection Fund

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

Contingent Liabilities

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

Deferred Charges

Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or contributions to improvement works for joint use with other parties.

Deferred Credits

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

Deferred Grants

Amounts received or receivable which have been used to finance capital expenditure within the year. Under the capital accounting arrangements these amounts will be written off over the same period as the assets to which they relate.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

Earmarked Reserves

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

Finance Lease

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

Fixed Asset - Tangible

Tangible asset that yields benefits to the Council and the services it provides for a period of more than one year.

Fixed Assets – Intangible

Assets which are of benefit to the organisation, but have no physical presence such as software licences.

Operational Asset

Fixed assets held by the Council and used or consumed in the delivery of its services.

Non operational Assets

Fixed assets held by an organisation but not directly occupied, used or consumed in the delivery of services. Example of a non operational asset is an investment property or an asset being held pending sale.

Infrastructure Assets

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

Profit on the sale of Fixed Assets

This is a new accounting term in Local Government, and requires the book value of the asset sold to be compared to the net proceed to calculate the profit or loss on the transaction.

Fixed Asset Restatement Account

A reserve created as a result of the current capital accounting regulations that enables assets to be shown in the accounts at current values.

GAAP

Generally Accepted Accounting Practice

Group Accounts

Group Accounts are prepared using consistent accounting policies which will require authorities to align their financial statements more closely with UK GAAP.

Watford Borough Council has not used acquisitions or mergers accounting methodologies following consideration of the level of involvement with companies, voluntary organisations and other public bodies to determine if there is a requirement to undertake group accounts. There are no subsidiaries, associates or joint ventures.

Housing Subsidy

This represents a Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

Investments

Deposits for less than one year with approved institutions.

Long Term Debtors

Amounts due to the Council more than one year after the balance sheet date.

National Non-Domestic Rate (NNDR)

Under the revised arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collect Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate. The total amount, less certain reliefs and deductions, is paid to a central pool managed by the 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.

Non-Operational Asset

Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

Operational Lease

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

Pension Fund

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

Pooling

Pooling is the term given to explain the pooling of capital receipts. From the 1st April 2004 RTB receipts are subject to a payment into a government pool at the rate of 75%. Costs associated with improvement to the property expended over the past three years are deductible from the cash receipt before the pooling percentage is applied.

Precepting Authorities

Those authorities which are not billing authorities (e.g. do not collect Council Tax) and precept upon the billing authority, who then collects Council Tax on their behalf and pays over the required sums. Hertfordshire County Council and Hertfordshire Police Authority precept upon Watford.

Provisions

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

Revenue Support Grant

This funding is the Government Grant provided by the Office for the Deputy Prime Minister (ODPM), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the ODPM is fixed at the beginning of each financial year.

Statement of Standard Accounting Practice (SSAP)

A statement of accounting practice issued by the Accounting Standards Board.

Financial Reporting Standard (FRS)

A statement of accounting practice issued by the Accounting Standards Board.