



St Albans
City & District Council

Statement of Accounts 2020/21

UNAUDITED

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Foreword by the Deputy Chief Executive (Finance and Legal)

Dear Reader,

I am pleased to present the Statement of Accounts for St Albans City and District Council for the year ended 31 March 2021.

The Council continues to operate in challenging financial times. Nevertheless, I am pleased to report that our financial position remains strong, with sound financial management practices and controls.

My report this year is expanded to include additional information to provide people with transparent information about the Council's financial position and how public money is spent.

Signed

Colm O' Callaghan
Deputy Chief Executive (Finance and Legal)

Narrative Statement

General Information

The City and District of St Albans has a rich and noble history. The District is a blend of historic City, vibrant towns and pretty villages, and beautiful countryside. It has a resident population of over 149,000 people – the District with the third highest population in Hertfordshire.

The District covers an area of 163 square kilometres and is located within the Metropolitan Green Belt, 32 kilometres north of London. Hertfordshire's towns are influenced by their proximity to London. These towns are relatively close to each other with complex spatial relationships between them for shopping, leisure, employment, education and other purposes. St Albans District is no exception.

The historic Cathedral City of St Albans is the largest settlement in the District. St Albans is Hertfordshire's oldest town. In Roman times, when it was called Verulamium, it was one of the largest towns in Britain. This strong mediaeval heritage is still evident, and, with each successive century, the City has become rich in character and architectural variety.

A home to many employers

The majority of employment in the District (2019) is in business administration and support services (20%) followed by wholesale and retail trades (16%), professional, scientific and technical work (14%) and education (9%).

St Albans residents are primarily employed in management, professional and technical occupations. This accounts for 72% of employed residents against an average for the East of England of 49%. Administrative and skilled trades account for 10.7% of residents' occupations in St Albans District against an average for the East of England of 21%.

There are over 9,000 businesses in the District, most of which are small. 92% are micro-businesses and employ fewer than 10 employees. Many of the larger business rate payers are known nationally and globally, especially within the accountancy, legal and financial and engineering sectors. These include Apple, Aecom, Deloitte, Premier Foods, Logica, and Aon. Two globally renowned centres of excellence in agri-tech and the built environment are located in the District – Rothamsted Research in Harpenden and the Building Research Establishment (BRE) in Bricket Wood.

Narrative Statement

About St Albans City and District Council

St Albans District is in West Hertfordshire.

- We are one of ten District and Borough Councils in Hertfordshire.
- We provide a wide range of local services including planning and building control, housing, waste and environmental services.
- We are represented by 58 District Councillors in 20 wards.
- We currently employ over 357 full time equivalent employees.
- We work with partners such as Town and Parish Councils, Hertfordshire County Council, the Police, the voluntary and community sector, and health and educational sectors.
- We own our own housing stock and also work with a number of partner housing associations to provide homes for local people.
- We work with a number of commercial partner organisations that provide local services on our behalf.

Our Vision and Priorities

Our vision: a vibrant economy; a thriving community; a great place to live and work; and a cost-effective Council.

The Council's four priorities areas in 2020/21 are set out below:

- The climate emergency
- The shortage of social housing
- Improved community facilities
- Creating a business-friendly Council

Each year we develop and publish a Corporate Plan outlining the actions we will take to deliver our vision and the priority projects we are focusing on. These provide direction for our work and a focus for our activities.

Performance on the priority projects has been reported quarterly and published on the Council's website, alongside quarterly key service performance measures:

<https://www.stalbans.gov.uk/performance-vision-policies-strategies-and-plans>

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Our priorities for 2020/21 are set out below:

Managing the climate emergency

Priority projects 2020-21	Status at the end of Q4 2021
<p>Continue to improve Council houses and flats in order to reduce significantly energy use and CO² emissions, providing better homes and lower energy bills:</p> <ul style="list-style-type: none"> • Grade A boilers in 300 properties; • Windows and doors in 100 properties; • Bathrooms and Kitchens in 40 properties. 	<p>Having been put on hold due to Covid-19 restrictions during Quarter 1 and 2, installations of new doors, windows, boilers were completed by the end of the financial year.</p> <p>During Quarter 3, a decision was taken to suspend the work to install new bathrooms and kitchens due to Covid-19 restrictions, and to take this forward in the following year.</p>
<p>Take forward the Climate Crisis Response action plan, developing proposals and funding plans, and actioning Year 1 measures.</p>	<p>Progress is being tracked against targets.</p>
<p>Progress the River Ver and Verulamium Lakes Project.</p>	<p>The planning application has been progressed and outline designs produced.</p>
<p>Progress the development of a new Mausoleum at the London Road cemetery.</p>	<p>Feasibility study of the mausoleum project and other potential Cemeteries Service improvements will take place in 2021.</p>
<p>Continue digital transformation – investment in ICT Infrastructure, IT Equipment, document management system, and digital meeting capability to underpin Council digital transformation.</p>	<p>Civic Centre desk booking system and check-in system delivered. Work on a new online parking permit system and garden waste subscription system in progress.</p>

Narrative Statement

Increase the quantity and quality of social housing

Priority Projects and Targets 2020/21	Status
<p>Continue to progress a high-quality development at the St Albans City Centre Opportunity Site (CCOS) South which will provide the Council with a good annual income (subject to planning approval):</p> <ul style="list-style-type: none"> • 34 affordable/social apartments • 64 apartments for sale • 50,000 sq feet of office space • 121 car parking spaces 	<p>The CCOS South main contract was signed at the end of March 2021. Main works underway.</p>
<p>Continue to progress a high-quality development at the St Albans City Centre Opportunity Site (CCOS) North which will provide the Council with a good annual income (subject to planning approval):</p> <ul style="list-style-type: none"> • 25 affordable/social apartments • 38 apartments for sale • 50,000 sq feet of office space • 360 car parking spaces 	<p>Architects are working on a masterplan for CCOS North and culture area, including the Alban Arena.</p>
<p>Progress the sheltered housing redevelopment programme:</p> <ul style="list-style-type: none"> • Wavell House (renamed Warner House) – 24 apartments for the over 55s -due for completion in summer 2020; • Mereden Court – refurbishment of building into 18 new social rent apartments – due for completion in summer 2020. 	<p>Completed.</p>
<p>Progress affordable housing on Council owned land:</p> <ul style="list-style-type: none"> • Holyrood Crescent garage site – development of 2 two-bedroom houses on former garage site - due for completion in November 2020; • Noke Shot garage site – development of mixed tenure site including 4 three-bedroom houses for social rent - estimated completion in March 2022; • The Hedges mobile home site – redevelopment of former temporary accommodation site for 	<p>Holyrood Crescent – now due for completion September 2021.</p> <p>Noke Shot garage site – now due for completion May 2022.</p> <p>The Hedges mobile home site – planning permission obtained. Due for completion July 2022.</p>

Narrative Statement

<p>social housing -estimated completion August 2021.</p> <ul style="list-style-type: none"> King Offa and Norman Close mobile home site – redevelopment for social housing -estimated completion March 2022. 	<p>King Offa and Norman Close mobile home site - anticipated completion in September 2022</p>
<p>Continue to progress the redevelopment of Ridgeview in London Colney to provide:</p> <ul style="list-style-type: none"> 26 apartments for use as temporary accommodation for homeless people including families (to help achieve the aim of not putting homeless families in Bed and Breakfast accommodation outside the District); 19 private rental homes. 	<p>Planning permission has been approved subject to completion of S106 agreement.</p> <p>Final contracts for the main works are prepared</p> <p>Works are progressing on refurbishment of blocks A and C and are on programme.</p>
<p>Progress the development of land at Leyland Avenue in St Albans to provide 7 three-bedroom houses for sale.</p>	<p>Demolition of existing building is now complete. Foundations and piling are complete and access road nearing completion.</p>
<p>Progress the development of Harpenden Public Halls to provide:</p> <ul style="list-style-type: none"> 14 affordable apartments; 19 apartments for sale; 734 sq metres of office space; 60 car parking spaces. 	<p>RIBA Stage 2 completed.</p>

Support our communities

Priority Projects and Targets 2020/21	Status
<p>Continue to progress development of Harpenden leisure and cultural facilities - due to open in early 2021.</p>	<p>The new leisure centre, car park, and depot were handed over in January 2021.</p> <p>The new cultural centre is due to open in Autumn 2021.</p>
<p>Continue to progress the redevelopment of Marlborough Pavilion in St Albans with new community and leisure facilities.</p>	<p>The RIBA Stage 2 Concept design was completed in February 2021.</p> <p>The RIBA Stage 3 Developed Design was completed in February 2021.</p> <p>The Planning application was submitted at the end of March 2021.</p>

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Progress play areas including at Verulamium Park and Clarence Park.	Verulamium Park play area opened in December 2020. Clarence Park – opened May 2021
Progress the Local Plan	The 'call for sites', Sustainability Appraisal scoping and Statement of Community Involvement consultations concluded in March 2021. The development of the Local Plan continues.

Be a business-friendly Council

Priority Projects 2020/21	Status
Achieve break-even against budget at St Albans Museum and Gallery by the end 2020/21.	During Quarter 3, the Museums Service received £143k from the UK Government's Cultural Recovery Fund. This was used to cover losses incurred while the Museum was closed due to the pandemic.
Produce a 5-year Destination Management Plan.	The BID, through St Albans Visitor Partnership (SAVP), is now leading on destination management for the District including the 5-year destination management plan
Delivery of an enhanced city centre and community focused Christmas programme.	This was affected by the pandemic.
Delivery of a strong programme for the Herts Year of Culture working with the private sector.	This was affected by the pandemic.
Review of current marketing of cultural assets, destination management and street scene.	Work was delayed due to national restrictions; the museum has been closed most of the year and staff resources were needed for Covid-19 response.

Narrative Statement

The Current Financial Climate

The Covid-19 pandemic has had a very large impact on the Council's expenditure and more especially income. The Council's future financial position and make up of its future plans will also depend on the speed and extent of income recovery.

The Council, by law, manages its Housing finances (the Housing Revenue Account) separately from those for the rest of its services (General Fund). General Fund services are predominantly funded from income from services, Council Tax, retained Business Rates and a small amount of government grants. The Council has generated additional income/made savings of, £0.9m, £0.8m, £1.3m, £1.0m, £0.8m and £1.6m in the six years up to and including 2020/21.

We need to make savings and additional income of approximately £2.5m for 2022/23 due to the level of income being below early 2020 levels and likely long term behaviour change (in terms of its impact on travel and hence parking). The Council is working on this.

The Housing Revenue Account (HRA) is funded primarily by rents paid by tenants. It does not get income from local taxation. The main financial driver for the HRA is the requirement to cover borrowings from Government, which are all at fixed interest rates. The Council produces a 30 year business plan for the HRA. This takes into account debt repayment, the amount it spends on providing housing services to tenants, including repairs and investment programmes, and the rents it expects to get. The latter is based on Government Guidance. The main financial challenges for the HRA are:

- Balancing the investment needs against rent levels
- An increase in rent arrears arising from Covid-19 and the economic situation.

The main impact of general economic conditions on the Council's General Fund and HRA relate to:

- Our ability to set appropriate charges and collect them
- Interest rates and inflation, where there look like to be some high pressures on some cost types
- Any impacts on the economy due to the UK leaving the EU and Covid-19 pandemic.

Risks

The Council manages risk via corporate and departmental risk registers where it sets out inherent risks, current mitigations and residual risk as well as any further action proposed to be taken. During 2020/21 we highlighted and reported to Audit Committee on some specific risks arising from the pandemic.

Where possible the Council's approach has been to take action to reduce risks to an acceptable level. Our main financial risks are those related to income loss during the pandemic, large capital project spending, or income streams which support them, income from recycling sales and the rate of recycling and the cost of planning appeals. The Annual Governance Statement provides details about how the Council manages risk. The Council, when it sets the budget, reviews the major risks and the level of reserves that could be used to meet any costs.

Narrative Statement

The Council has in the light of the severe financial pressure it is under used general fund balances in setting the 2021/22 budget as such set a new lower target minimum General Fund balance level of £1.4m (down from £2.5m).

As mentioned above we would be affected by any general changes to the economy including via the pension fund, and investment returns.

We also review the risks of any of the counter-parties we lend to as a part of our Treasury Management Strategy. This is to take account of any possible adverse movements in their creditworthiness. For the avoidance of doubt at the present time we do not see the activities of the Council's Housing Company in 2020/21 as generating any major risks.

Narrative Statement

Summary of the Council's Financial Performance in 2020/21

General Fund results compared to budget

The General Fund records all income and expenditure relating to the provision of services except amounts that go through the supplementary statements. Supplementary statements include the Housing Revenue Account and the Collection Fund Income and Expenditure Account. The following table shows a comparison between the Council's agreed budget and our actual income and expenditure.

Comparison of Actual to Budget 2020/21	Notes	Budget £'000	Actual £'000	Variance £'000
Net Cost of Department *				
Chief Executive & Policy	i	2,317	1,958	(358)
Finance and Legal	ii	3,203	3,415	212
Commercial & Development	iii	626	1,949	1,322
Community Services	iv	4,874	7,608	2,734
Corporate Services	v	747	648	(99)
Housing	vi	879	1,042	163
Planning & Building Control	vii	2,261	2,318	56
Harpden Estate	viii	(90)	177	267
Covid	ix	-	(4,001)	(4,001)
Net Council Budget		14,818	15,114	296
Funded by:				
Council Tax		11,427	11,427	-
Retained Business Rates	x	2,336	2,409	(73)
Collection Fund Surplus	xi	100	182	(82)
New Homes Bonus and other grants		737	745	(8)
Total Income		14,599	14,763	(163)
Budgeted Contribution from General Balances and (Surplus)/Deficit for the year		219	351	132
Working Balance Brought Forward			(3,413)	
Net movement on General Balances 2020/21			351	
Working Balance Carried Forward			(3,061)	

* including contribution to/from earmarked

The outturn for 2020/21 is a reduction to general reserves of £0.351m which is £0.132m more than budgeted. This resulted in a General Fund balance of £3.061m as at 31st March 2021.

Regular monthly budget monitoring reports are presented to the management team. The amounts in the 'actual' column in the table above are reconciled to the amounts reported in the Comprehensive Income and Expenditure Statement (CI&ES).

Narrative Statement

The significant variances were as follows:

- i. a) £0.137m underspend on salaries across the department. Some staff were reassigned to Covid-19 related activity and funded from the Covid-19 general grant and in addition there were staff vacancies.
b) £0.221m caused by the impact of Covid-19 which limited some of the planned activities for Chief Executive and Policy Department and other general underspends. For example, plans for The Mayor's Office and Economic Development could not go ahead during the year and there were no new councillors elected during the year, so less was spent on training and other costs.
- ii. a) £0.4m loss of summons costs income. This was a Covid-19 effect as the courts were closed for a long period and as a consequence income from summons costs for non-payment of council tax and business rates was reduced.
b) £0.099m underspend from deferring the implementation of the pay boundary review to 2021/22.
c) £0.089m net underspend on all other budgets.
- iii. a) £2.07m loss of income within the Commercial and Development department as Covid-19 prevented leisure centres and museums from opening for much of the year and income from lettings was reduced. The leisure centres make up the main portion of income shortfall with a total shortfall of £1.18m. Museums income shortfall was £0.59m and the shortfall in property rents and leases including leased car parks was £0.253m. Other income shortfall was £0.05m.
b) £0.605m offsetting expenditure underspends across the department including running costs of facilities when closed.
c) £0.147m Cultural Recovery grant award for the museums to fund the recovery from Covid-19.
- iv. a) £2.58m loss of car parking and on-street parking services income. Due to Covid-19 the operations were significantly underutilised.
b) £0.4m loss of Charter Market income principally due to social distancing measures and restrictions on goods that could be sold during the year which limited the number of stalls.
c) £0.1m loss of recycling income, principally due to the price of recycled materials.
d) £0.188m additional cemeteries income.
e) 0.158m other underspends, mostly in staffing and related costs to partially mitigate the loss of income.
- v. a) £0.130 underspend due to cancellation of elections in May 2020 as a result of Covid-19.
b) £0.054m over budget for software licenses. The additional costs partially caused by the Council's flexible approach to recruitment where some posts have been split between more than one person, increasing pressure on license numbers and all staff working remotely.
c) £0.023m all other variances.

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- vi. a) £0.08m increase in the provision for housing benefit bad debt
b) £0.083 loss of income as Covid-19 prevented Housing benefit fraud investigations to be undertaken by the DWP and increase in supported accommodation costs.

- vii. £0.47m lower income than budgeted for planning fees, most of the effect seen in the larger scale schemes rather than householder applications. However, this was offset by significant savings in staff and related costs and some other savings across the department (£0.414m).

- viii. £0.267m over budget for Harpenden Estate. The purchase of the Estate was approved by Councillors but following a rigorous scrutiny process, Councillors decided it was not prudent to proceed. The variance includes abortive costs from prior years.

- ix. a) £3.36m sales, fees and charges income guarantee grant from the Government to offset the loss of income the Council suffered as a consequence of Covid-19.
b) £0.641 Other net Covid-19 related grants.

- x. Additional retained business rates from designated growth area.

- xi. £0.022m grant from the Government (Council Tax 75% income tax guarantee) and the remainder is final collection fund outturn position for 2019/20.

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Housing Revenue Account (HRA) compared to budget

The HRA budget, approved at Council in February 2020, shows a net deficit position. The following table shows the major variances between the approved HRA budget and the actual income and expenditure for the year. The table shows that the Council's net position, including transfers to and from reserves. For 2020/21 the net deficit was £1.6m, higher than originally budgeted. The HRA balance has reduced to £3.09m.

Comparison of Actual to Budget 2020/2021	Notes	Budget £'000	Actual £'000	Variance £'000
Income				
Dwelling Rents and service charges		(27,443)	(26,869)	574
Other Rents and income		(2,119)	(1,920)	199
Total Income	i	(29,562)	(28,789)	773
Expenditure				
Supervision & Management	ii	5,882	6,092	210
Repairs and Maintenance	iii	4,515	3,842	(673)
Other expenditure		637	670	33
Total Expenditure		11,034	10,604	(430)
Other charges to the HRA				
Capital programme charges	iv	7,852	8,266	414
Net Interest paid		4,815	4,656	(159)
Provision for debt repayment		9,000	9,000	-
Other			86	86
Total other charges to the HRA		21,667	22,008	341
Contribution from MRR to fund debt repayment		(2,000)	(2,000)	-
Revenue Contribution to Capital & EMR	v	3,199	3,855	656
(Surplus)/Deficit for the year		4,338	5,678	1,340
Balance brought forward		(8,524)	(9,031)	(507)
Balance carried forward		(4,186)	(3,353)	(834)

- i. Total Income: Dwelling rents increased by 2.7% in the year. Covid-19 related delays in the year pushed back the completion of Warner House and Hawksley Court to the end of the year. Other losses arose from the reduction in interest rates relating to the HRA Investment income.
- ii. Supervision and Management: The main overspend relates to Covid-19 related cleaning, PPE and fire safety works costs.
- iii. Repairs and maintenance: Covid-19 related access issues resulted in some non-urgent repairs and maintenance being deferred into 21/22.
- iv This amount is the depreciation charge on housing stock and is effectively set aside in the Major Repairs Reserve (MRR) for Capital Programme charges and debt repayment. Capital

Narrative Statement

expenditure on enhancements such as new bathrooms, kitchens and windows, roofing that improve and add value to the housing stock totalling £4.155m were funded from the MRR. Consequently the MRR has increased which will be used in future years to fund capital spend and repay debt.

- vi Revenue Contribution to Capital and EarMarked Reserves (EMR) were £0.656m adverse to budget largely due to the rephasing of capital budgets from 2019/20 to 2020/21 and an £0.1m EMR for repairs costs to reflect the increase in material prices expected in 2021/22.

The government introduced Housing Self Financing (HSF) in April 2012. Under this scheme the costs of running, maintaining and replacing the Council's housing stock is financed from income generated from rents and, if necessary, capital borrowing. The Council borrowed £189.6m in 2011/12 in order to provide the funds to pay for the Housing Self Financing debt. The Council took out a series of fixed interest loans and has so far repaid £41.9m to the lender, the Public Works Loans Board.

The Council prepares a 30-year business plan for housing which is reviewed annually. From 2020/21 rents have increased by CPI + 1%. During the year the Council borrowed £5m externally to enable the housing capital programme to be fulfilled.

During 2020/21 the Council sold 10 council homes under the government's Right to Buy scheme. The closing stock of housing at 31 March 2021 was 4,958 properties.

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Capital

Capital expenditure relates to the acquisition of non-current assets or expenditure that adds to (and not merely maintains) the value of an existing asset. The following table shows the capital outturn results for 2020/21 compared to budget and approved capital spend for the following two years.

SERVICE	Budget £'000	Actual £'000	Variance £'000
Housing Investment Programme (HRA)	15,413	10,776	(4,637)
Housing Investment Programme (Affordable Housing)	8,274	5,517	(2,757)
Community Services	857	438	(419)
Commercial and Development	31,741	28,619	(3,122)
Other Departments	778	513	(265)
Total	57,063	45,863	(11,200)
This Capital Programme was financed as follows:			
Capital receipts (General Fund)	-	18	18
Major repairs reserve	10,158	5,999	(4,159)
Government grants and third party contributions	2,268	2,503	235
Revenue contribution to capital expenditure	3,670	3,762	92
Prudential borrowing	39,867	31,019	(8,848)
Capital Receipts (Housing)	1,100	2,562	1,462
Total	57,063	45,863	(11,200)
APPROVED CAPITAL EXPENDITURE FOR THE FOLLOWING YEARS IS:			
	2021/22 £'000	2022/23 £'000	
General Fund	63,476	53,893	
Housing investment programme	16,496	13,245	
Total Capital Expenditure	79,972	67,138	
Financed by:			
Borrowing requirements	62,269	37,309	
Major repairs reserve	6,115	5,785	
Revenue contribution to capital expenditure	353	-	
Grants and contributions	2,208	573	
Capital reserves / receipts	9,027	23,471	
Total	79,972	67,138	

The main General Fund projects incurring expenditure during the year include:

- £11.9m on the Harpenden Leisure and Cultural Project which started in 2016/17
- £7.1m on the Civic Centre Opportunity Sites which started in 2017/18
- £6.6m on the Purchase of Lockey House

The remainder was spent on a range of projects across the district, to improve access to sports facilities, parks and open spaces and play equipment

Narrative Statement

The General Fund capital budget was underspent by £3.8m, the main reasons being:

- £629k Underspend related to Ridgeview. The budget will be re-phased into 2021/22
- £533k Underspend related to CCOS North and South. The budget will be re-phased into 2021/22
- £503k Underspend related to Noke Shot. The budget will be re-phased into 2021/22
- £470k Underspend related to Leyland. The budget will be re-phased into 2021/22
- £414k Underspend related to Hertfordshire House. The budget will be re-phased into 2021/22
- £402k Underspend related to purchase of Lockey House.

Remainder of underspend spread across a variety of project including £186k underspend on Market depot. The budget will be re-phased into 2021/22

The Housing capital spend was £16.3 million against a budget of £23.7 million. The main areas of spend were:

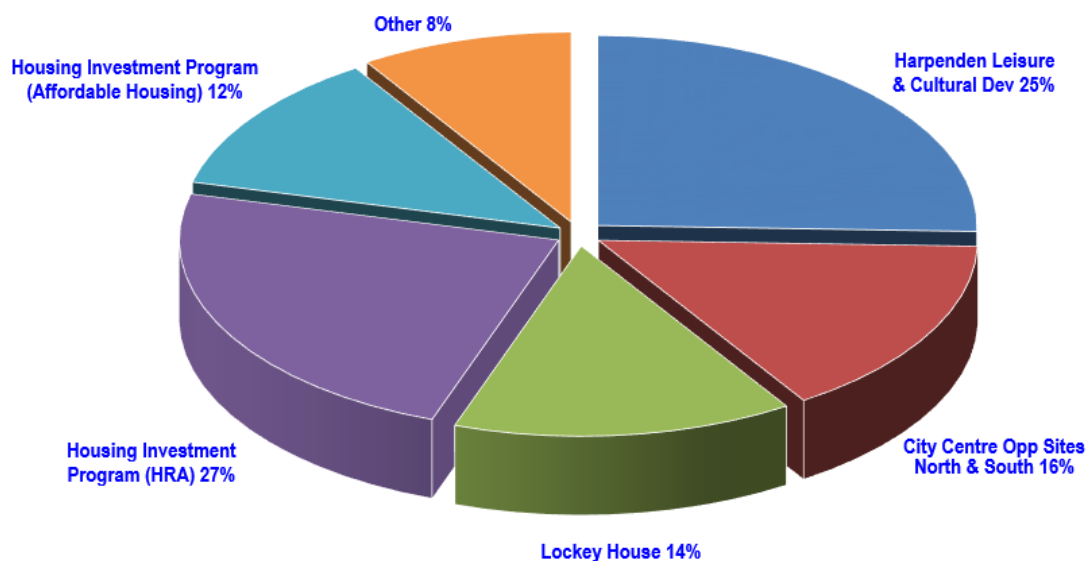
- £4.8m on Affordable Homes. This includes the purchase of properties on the open market of £4.6m with the remainder on schemes including the Holyrood, King Offa and the Hedges site.
- £4.9m on the housing stock on items such as bathrooms, kitchens, windows and doors; other planned improvements and reactive preventative works. Kitchen and Bathroom works were mainly undertaken in void properties, the planned programme was suspended due to Covid-19 working restrictions within occupied dwellings.
- £4.0m on planned developments including Wavell House, Mereden Court and Ridgeview. Both Wavell House and Mereden Court completed in 2020-21
- £0.6m on Disabled Facilities Grants.

The Housing capital budget was underspent by £7.4m and the main reasons being:

- £3.5m on Planned Improvements largely due to delays in works starting at Telford Court, taking into consideration the scope and complexity of the works following the structural survey undertaken
- £2.7m on Affordable Housing due to delays in works starting at Holyrood, King Offa and The Hedges. These works were delayed due to the appointment of a contractor, a change to the scope of works and additional planning requirements respectively.
- £2.3m on Planned Developments due to a delay in works starting on site at Ridgeview.

Narrative Statement

Capital Expenditure by Project

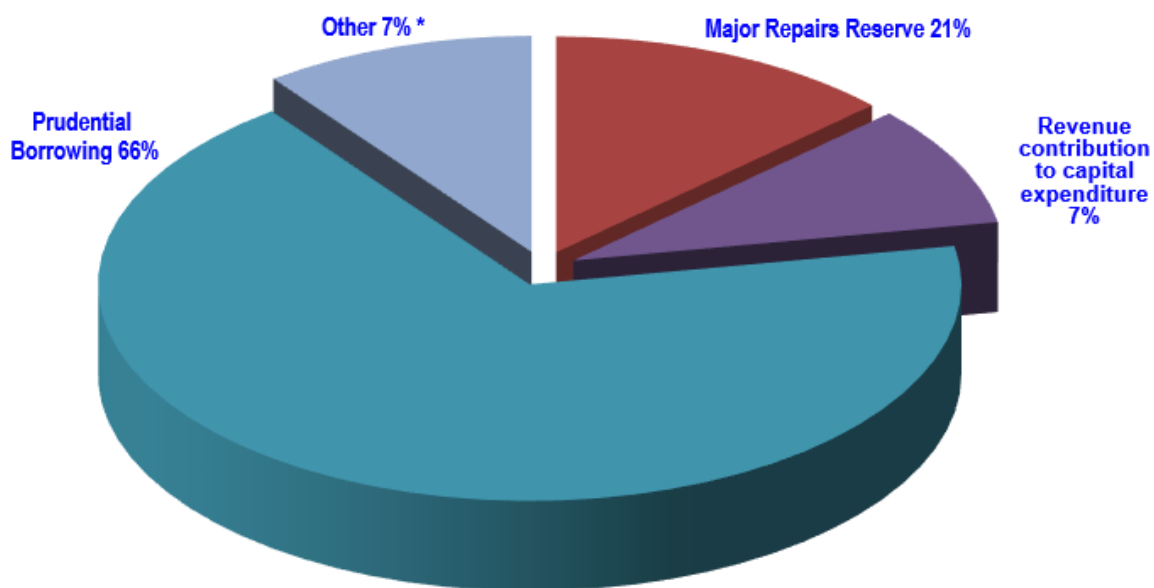


Above – Capital expenditure in 2020-21 by project category

The Council has an ongoing programme of capital expenditure for improvements to our housing stock. A breakdown list of housing additions is shown in the HRA section of the statement of accounts.

Below – Capital funding in 2020-21 by source of funding

Source of Capital Funding



*Other is capital receipts and government grants and third party contributions.

Narrative Statement

Collection Fund

The Council collects Council Tax for itself and also on behalf of a number of other public bodies.

These are Hertfordshire County Council, the Police and Crime Commissioner for Hertfordshire and Town and Parish Councils. It also collects Business Rates for itself and on behalf of Hertfordshire County Council and Central Government.

The Collection Fund records the income from Council Tax and Business Rates and its distribution.

The Collection Fund had a deficit for the year of £37.618m (2019/20 £5.036m deficit) increasing the cumulative deficit at 2019/20 of £8.649m to £46.267m. Under the Business Rates Retention Scheme introduced in 2013/14, amounts are paid to precepting bodies on estimates at the beginning of the year. Any over or under payments are accounted for in subsequent year's estimates.

	Business Rates £'000	Council Tax £'000	Total £'000
Collection Fund Balance as at 31/03/21 of which:	40,873	(819)	40,782
St Albans District Council (surplus)/deficit share	16,172	(97)	16,075

The Council's share of the Collection Fund deficit of £46.267m is £18.27m. The Business Rates deficit is due to the substantial reliefs the government awarded to retail, hospitality and leisure services and nursery providers to support them through the pandemic during 2020/21. The government compensated councils for these reliefs with a Section 31 grant. The legislation that governs Collection Fund accounting means the related deficit as a result of the loss of business rates income in-year will not be charged to the Council's General Fund until 2021/22. These reliefs are shown as a deficit on the Council's share of income within the Collection Fund Adjustment Account reserve (see note 23.4), whilst the grant income is shown within the Council's General Fund in 2020/21. As a result, the £18.33m has been transferred to the Collection Fund Earmarked Reserve and will be drawn down to offset the deficit in 2021/22.

Another key element of the Collection Fund is the estimation of the Business Rates Appeals' provision. This is explained in the notes to the Collection Fund.

Narrative Statement

Pensions

The Pensions liability in the Balance Sheet reflects the underlying commitments that the Council has, in the long term, to pay retirement benefits.

Overall, the pension fund deficit has increased by £18.5m during the year to £59.6m (2019/20: £41.1m). This is because of the impact of actuarial assumptions. The pension liability has a significant effect on the net worth of the Council. However statutory arrangements for funding the deficit mean the financial position of the Council is not affected. Detailed information on the performance of the Pension Fund is set out in the Core Financial Statements.

The Triennial pension valuation took place in November 2019 and the Council's pension contributions for 2020/21 onwards have been adjusted to reflect the changes. The employer's contribution in 2020/21 increased to 21.1% (18.5% in 2019/20) with a lump sum payment of £1.624m.

Narrative Statement

Introduction to the Statement of Accounts

The Accounts and Audit Regulations (England) 2015 require the Council to produce a 'Statement of Accounts' each financial year. The Council's accounts have been prepared on an International Financial Reporting Standards basis and may, by necessity, contain technical terminology. To aid the reader, the core statements are supported by explanatory notes and a glossary of terms at the back.

Core Financial Statements

- **Movement in Reserves Statement (MiRS)** – this statement shows the movement in the year on different reserves held by the Council analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other (unusable) reserves.
- **Comprehensive Income and Expenditure Statement (CI&ES)** – a summary of the resources generated and consumed by the Council in the year in accordance with generally accepted accounting practices. The format reflects the way we budget and report to management, which is in accordance with revisions to the code of accounting practice.
- **Balance Sheet (BS)** – shows the Council's balances, reserves and long term indebtedness at the financial year end, and the non-current and net current assets employed in its operations.
- **Cash Flow Statement (CFS)** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.
- **Expenditure and Funding Analysis** – shows how annual expenditure is used and funded from core resources (government grants, council tax, rents and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practice. It also shows how the expenditure is allocated for decision making purposes between the Council's services. Income and expenditure is accounted for under generally accepted accounting practices and is presented more fully in the Comprehensive Income and Expenditure Statement.

Narrative Statement

Supplementary Statements

- **The Housing Revenue Account (HRA) Income and Expenditure (I&E) Account and Statement of Movement on the HRA Balance** – reflects a statutory obligation to maintain a revenue account for the local authority housing service in accordance with Part 6 of the Local Government and Housing Act 1989. The first part of the statement shows expenditure on Council housing and how this is met by rents, interest and other income. The second part reconciles the surplus or deficit on the HRA I&E Account to the movement on the Housing Revenue Account Balance for the year.
- **Collection Fund Income and Expenditure Account** – reflects the statutory requirement for the Council as a billing authority to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to the major precepting bodies, namely the Department for Communities and Local Government, Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire.

Other Statements

- **Statement of Responsibilities for the Statement of Accounts** – this outlines the responsibilities of the Council and the Deputy Chief Executive (Finance and Legal) with respect to the Statement of Accounts.
- **The Auditor's Statement** – this is the independent Auditor's report to members of the Council including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the use of resources. This Statement will be included on completion of the audit in the audited, approved Statement of Accounts to be published before the 30 September 2021.
- **The Annual Governance Statement** – this gives a public assurance that the Council has proper arrangements in place to manage its affairs. It summarises the Council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those controls.

These accounts are supported by Accounting Policies (Note 1 to the Core Financial Statements) on which the Council has based the Statements, and by various further notes to the Core Financial Statements, providing additional information in support of the main Financial Statements.

Narrative Statement Accounting Policies

The Council's Accounting Policies follow the Core Financial Statements below and there have been no changes during the year.

About this Statement of Accounts

The Statement of Accounts provides information about how the Council has used its financial resources during the year and its financial position at year end.

These accounts have been prepared in accordance with two financial codes.

The first is the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code constitutes a "proper accounting practice" under the terms of Section 21(2) of the Local Government Act 2003.

The second is the Service Reporting Code of Practice for Local Authorities 2020/21, supported by International Financial Reporting Standards. In England and Wales, The Code constitutes a "proper accounting practice" under the terms of Section 21(2) of the Local Government Act 2003.

Glossary of Terms

While the Council makes every effort to make the Statement of Accounts as simple as possible, it is necessary to comply with accounting regulations and standards and as such, terms and phrases not in ordinary use are necessary. A glossary of terms explaining some of the main accounting terms and phrases used in the Statement of Accounts is included at the back of this document.

Further information

The Council welcomes the views of local residents, businesses, user groups, and other stakeholders about our performance.

If you would like to receive further information about these accounts, please contact us at contactus@stalbens.gov.uk, telephone 01727 866100

Statement of Responsibilities

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 Deputy Chief Executive (Finance and Legal).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Deputy Chief Executive (Finance and Legal)'s responsibilities

The Deputy Chief Executive (Finance and Legal) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom referred to as 'The Code'.

In preparing this Statement of Accounts, the Deputy Chief Executive (Finance and Legal) has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2021 and of its expenditure and income for the year then ended.

Signed

C O'Callaghan

Deputy Chief Executive (Finance and Legal)

Date:

Movements in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and rents for the year. The 'Net increase/ decrease' line shows the statutory General Fund Balance and Housing Revenue Account Balance following those adjustments and after any discretionary transfers to or from earmarked reserves undertaken by the Council.

2020/21	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(3,412)	(7,499)	(9,031)	(581)	(3,012)	(4,419)	(1,805)	(29,759)	(548,900)	(578,659)
Movement in reserves during 2020/21										
Total Comprehensive Income and Expenditure	3,006		5,204		-	-	-	8,210	(52,743)	(44,533)
Adjustments between accounting basis & funding basis under regulations (note 8)	(15,094)		197		1,139	248	665	(12,845)	12,848	3
Transfers to/from earmarked Reserves (note 9)	12,352	(12,352)	(241)	241	-	-	-	-	-	-
Net (Increase)/Decrease in 2020/21	264	(12,352)	5,160	241	1,139	248	665	(4,635)	(39,895)	(44,530)
Balance at 31 March 2021	(3,148)	(19,851)	(3,871)	(340)	(1,873)	(4,171)	(1,140)	(34,394)	(588,795)	(623,189)

Movements in Reserves Statement

2019/2020	General Fund Balance £'000	Earmarked General Fund £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2019	(3,648)	(5,212)	(4,451)	(581)	(6,363)	(10,624)	(741)	(31,620)	(530,450)	(562,070)
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	6,892		7,392		-	-	-	14,284	(30,873)	(16,589)
Adjustments between accounting basis & funding basis under regulations (note 8)	(8,943)		(11,972)		3,351	6,205	(1,064)	(12,423)	12,423	-
Transfers to/from earmarked Reserves (note 9)	2,287	(2,287)	-	-	-	-	-	-	-	-
Net (Increase)/Decrease in 2019/20	236	(2,287)	(4,580)	-	3,351	6,205	(1,064)	1,861	(18,450)	(16,589)
Balance at 31 March 2020	(3,412)	(7,499)	(9,031)	(581)	(3,012)	(4,419)	(1,805)	(29,759)	(548,900)	(578,659)

Unusable reserves are not available to fund future expenditure and include, for example, unrealised gains following the revaluation of the Council's property assets.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by taxation or rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

2019/20			2020/21		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
Service Segments					
2,298	(170)	2,128	7,302	(273)	7,029
2,359	(827)	1,532	2,975	(1,459)	1,516
14,961	(7,630)	7,331	15,665	(7,115)	8,550
8,056	(2,689)	5,367	5,320	(1,085)	4,235
894	(187)	707	934	(102)	832
4,628	(2,482)	2,146	4,339	(1,658)	2,681
Housing Services					
28,483	(26,679)	1,804	26,600	(24,874)	1,726
30,021	(28,523)	1,498	25,543	(28,629)	(3,086)
91,700	(69,187)	22,513	88,678	(65,195)	23,483
	5,756		note 10		8,531
	6,213		note 11		5,365
	(20,197)		note 12		(29,170)
	14,285		(Surplus)/deficit on Provision of Services		8,209
	(15,340)		(Surplus)/Deficit on revaluation of property, plant and equipment assets	note 23.1	(69,361)
	(15,533)		Actuarial (gains)/losses on pension	note 38	16,621
	(30,873)		Other Comprehensive Income and Expenditure		(52,740)
	(16,588)		Total Comprehensive Income and Expenditure		(44,531)

- i. General fund housing includes home renovation grants, costs of caring for homeless people and the cost of administering housing benefits.
- ii. The Housing Revenue Account is a ring-fenced account for Council tenants, which has a separate section in the Financial Statements.
- iii. The net expenditure in note 7 reconciles to the management reporting information in the Narrative.

Balance Sheet as at 31 March 2021

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

31 March 2020 £'000		Note	31 March 2021 £'000
796,390	Property Plant and Equipment	13	885,119
6,263	Heritage Assets	14	6,359
7,377	Investment Properties	15	7,894
262	Intangible Assets		331
387	Long term debtors	16	254
810,679	Long Term Assets		899,957
6,670	Assets Held for Sale	17	4,365
4,500	Short Term Investments	16	1
76	Inventories		83
9,731	Short Term Debtors	18	12,523
6,062	Cash and Cash Equivalents	19	5,129
27,039	Current Assets		22,101
(9,000)	Short Term Borrowing	16	(10,285)
(16,259)	Short Term Creditors	20	(25,966)
(1,347)	Short term provisions	21.2	(2,860)
(26,606)	Current Liabilities		(39,111)
(41,105)	Pension Liability	38	(59,045)
(188,116)	Long term borrowing	16	(196,701)
(1,924)	Other Long term Liabilities and Provisions	21	(2,009)
(1,309)	Capital Grants Receipts in Advance	33	(2,003)
(232,454)	Long Term Liabilities		(259,758)
578,658	Net Assets		623,189
(29,759)	Usable Reserves	22	(34,394)
(548,899)	Unusable reserves	23	(588,795)
(578,658)	Total reserves		(623,189)

Signed

C O'Callaghan

Deputy Chief Executive (Finance & Legal) Date:

Notes to the Accounts

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2019/2020 £'000		Notes	2020/2021 £'000
(14,285)	Net surplus or (deficit) on the provision of services		(1,525)
34,215	Adjustment to net surplus or deficit on the provision of services for non-cash movements	24	30,458
(8,458)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(7,137)
11,472	Net cash flows from Operating Activities		21,796
(25,027)	Investing Activities	26	(31,305)
16,262	Financing Activities	27	8,576
2,707	Net increase or decrease in cash and cash equivalents		(933)
3,355	Cash and cash equivalents at the beginning of the reporting period		6,062
6,062	Cash and cash equivalents at the end of the reporting period		5,129

Notes to the Accounts

Notes to the Accounts

The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves – those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is unusable reserves – those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

1. Accounting Policies

1.1 General Policies

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end 31 March 2021. It is prepared under the going concern basis of accounting. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 inventories on the Balance sheet. The exceptions to this rule are energy payments (e.g. electricity, gas, etc.) and similar quarterly payments, which are charged at the date of meter readings rather than being apportioned between financial years and rental income, where credit is taken according to rental periods. The policy is consistently applied each year and therefore does not have a material effect on any one-year's accounts.

Notes to the Accounts

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest is receivable on investments and payable on borrowings and is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been recognised or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to the revenue for the income that might not be collected.

1.3 Principal and Agent accounting policy

For the majority of transactions the Council undertakes, it is acting entirely on its own behalf and completely owns any risks and rewards of the transactions. This is known as the Council acting as a 'Principal'.

However, there are some situations where the Council is acting as an Agent, that is, the Council is acting as an intermediary for all or part of a transaction or service. The two main instances where this occurs are in relation to Council Tax and Business Rates where the Council is collecting Council Tax and Business Rates income on behalf of itself and its precepting bodies (Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire in relation to Council Tax and the Ministry of Housing Communities & Local Government and Hertfordshire County Council in relation to Business Rates).

The implications for this is that, at year end, any balance sheet balances in relation to these Agent relationships are split between the Council and its precepting bodies and, therefore, the balances contained in the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown separately as amounts due from/to the precepting bodies.

As part of the Covid-19 response, the government provided substantial levels of support in the form of grants to businesses who were impacted by Covid-19. Many of these grants were administered by local authorities and where the local authority acts as a distribution point for grant monies to businesses and has no control over the amount of grant allocated to a recipient the authority is acting as an Agent. Conversely where the local authority has control over the distribution or the amounts of grant the local authority is deemed to be acting as a Principal. Where the authority acts as an Agent transactions are not reflected in the financial statements (with the exception of a net debtor/creditor and net cash position).

Notes to the Accounts

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three calendar months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6 Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding Non-Current Assets during the year.

- Depreciation attributable to the assets used by relevant service
- Revaluation and impairment losses on assets used by services where there are no accumulated gains in the revaluation reserve against which losses can be written off.
- Amortisation of intangible non-Current Assets attributable to the service

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction of its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund or HRA Balances by way of an adjusting transaction with the Capital Adjustment in the Movement in Reserves Statement for the difference between the two. The only exception to this is non-dwelling assets held by the HRA, where the revaluation and impairment losses are not reversed to the Capital Adjustment Account.

Notes to the Accounts

1.7 Employee Benefits

1.7a Benefits Payable During Employment

Short-term employee benefits are those expecting to be settled within 12 months of the year-end. They include wages, salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year in which the employee renders the service to the Council.

Short term employee benefits earned by the employees but not taken before the year-end, which can be carried forward into the next year is mainly untaken leave. The Council has a policy of not carrying forward leave except for exceptional circumstances and therefore the value of untaken leave at year-end is not material to the accounts and no accrual is made.

1.7b Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs of a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Employment Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.7c Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme administered by Hertfordshire County Council. The scheme provides defined benefits to members (retirement lump sum and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and the projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate.

Notes to the Accounts

- The assets of the Hertfordshire pension fund attributable to the Council are included in the Balance Sheet as their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

The change in the net pension's liability is analysed into the following components:

- Service Cost comprising:
 - Current service costs – increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employee worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
 - Net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Contributions paid to the Hertfordshire pension fund – cash paid as employer's contributions to the Local Government Pension Scheme.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserves 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 amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to

Notes to the Accounts

the General Fund of being able to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events after the Balance Sheet date

Events after the Balance Sheet date are those events, either favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. The two types can be identified:

- **Adjusting events** – those that provide evidence of conditions that existed at the Balance Sheet date and materially affect the amounts included. The Statement of Accounts is adjusted to reflect such events.
- **Non-adjusting events** – those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

1.9 Financial Instruments

1.9a Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For all of the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

1.9b Financial Assets

In line with IFRS 9, all debtor categories have been classified as being measured at amortised cost, as they are held on a "hold to collect" basis and would not be sold on an open market so have no market value. This also applies to Cash which is the Council's only other type of Financial asset.

Notes to the Accounts

Assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at their fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

There has also been a conceptual change in looking at impairments of assets under IFRS 9. With the previous IAS 39, impairments were only recognised when they happened, now impairment loss is recognised for all financial assets where the Expected Credit Loss model can be applied. This means only financial assets where the counterparty is Central Government or a local authority (this includes council tax and NNDR) will be exempt.

There are several ways to calculate the Expected Credit Loss Allowance. The simplified approach has been used as there is no significant financing elements in any of the Debtors' figures. This means the credit losses have been calculated over the lifetime of the debt rather than 12 months.

The Impairment Loss Allowance movement calculation for Trade Debtors during 2020/21 can be seen in the Credit Risk section of Note 38.

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Conditions are stipulations which specify that the future economic benefits or service potential embodied in the asset acquired using the grant or combination are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Notes to the Accounts

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.11 Heritage Assets

A tangible Heritage Asset is a physical asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

The Council's Heritage Assets can be categorised as follows:

- Land and buildings
- Artefacts
- Sculptures, and war memorials
- Civic regalia and chains of office
- Ancient walls and ruins

There are very few acquisitions or disposals. Acquisitions are initially recognised at cost, and donated assets at insurance valuation.

1.11a Land and Buildings

Heritage Property is often operational. Where this is the case, the asset remains in its operational category, and is not separately identified as Heritage Property. These assets are included in the appropriate Property Plant and Equipment or Investing Property category.

Property Heritage Assets that are not operational are identified separately on the face of the Balance Sheet as 'Heritage Assets'. The assets are re-valued every five years on a depreciated replacement cost basis as no market exists for such assets.

These assets are deemed to have an indeterminate life and high residual values and the Council does not consider it necessary to provide for depreciation.

1.11b Artefacts

Cost information for artefacts is not available and the Council is of the opinion that the cost of obtaining valuations for these assets, due to their unique nature, would be disproportionate to any benefit derived.

Notes to the Accounts

1.11c Sculptures and War Memorials

These assets are re-valued at insurance values (replacement cost). They are deemed to have an indeterminate life and high residual values and the Council does not consider it necessary to provide for depreciation

1.11d Civic Regalia and Chains of Office

The chains of office and general civic regalia are valued on the basis of the insurance replacement cost. The values are reviewed every five years. These assets are deemed to have an indeterminate life and high residual values, and the Council does not consider it necessary to provide for depreciation.

There are very few acquisitions or disposals. Acquisitions are initially recognised at cost, and donated assets at insurance valuation.

1.11e Ancient Walls and Ruins

St Albans is rich with ancient remains, and these include Roman Walls, archaeological gardens and ruins. These have no intrinsic value.

The Council has made appropriate disclosures for these assets not recognised on the Balance Sheet.

1.12 Investment Property

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation such as shops and offices let to other organisations. Where an asset is used for an operational purpose, i.e. to facilitate the delivery of services or production of goods or is held for sale, it will be considered as Property Plant and Equipment. Also, if the asset is only partially used for operational purposes it will still be classified as Property Plant and Equipment and not Investment Properties.

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued where it is considered there has been a material change in value. All Investment Properties are reviewed every year to establish which may have been subject to a material change and those identified as such are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in

Notes to the Accounts

the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

1.13 Jointly Controlled Operations and Jointly Controlled Assets

The Council is one of five contributing to the operations of the West Hertfordshire Crematorium Joint Board. The Council's share of the activity is considered to be immaterial and is disclosed by the way of a note to the Statement of Accounts and therefore Group Accounts are not prepared. The Council does not control the assets and therefore they are not included in the Balance Sheet.

1.14 Leases

Leases are classified as finance leases where the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are operational leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payments are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.14a The Council as Lessee

Operating Leases

Rentals paid under operational leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from the use of the leased property plant and equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments.

1.14b The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Notes to the Accounts

1.15 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.16 Property, Plant and Equipment

Assets that have physical substance and are held for use in production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Council does not capitalise small value items (under £10k) unless the items can be grouped together to create an asset group over £10k, for example computer equipment. Items not capitalised are charged as an expense when incurred.

1.16a Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with them will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to the potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

1.16b Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and Assets Under Construction – historical cost (for infrastructure this is depreciated). New acquisitions and completed Assets Under Construction are held at historic cost in the year and selected for mandatory valuation in the subsequent financial year.
- Dwellings – current value determined using the basis of existing use value for social housing (EUV-SH)
- Vehicles, plant, and equipment – historical cost is used as a proxy for current value in existing use on the grounds of materiality.
- Information regarding the historic cost of Community Assets is limited and of immaterial value. Given their nature, the Council does not consider that a commercial value should be placed upon Community Assets. Any cost to do so would not be commensurate to the benefit to users of the accounts. The Council's policy is therefore to hold all Community Assets at £nil value and not to disclose on the balance sheet.
- All other assets – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Notes to the Accounts

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying value is not materially different from their value at the year-end, but as a minimum every five years. This may be done on a rolling basis (for example 20% per annum) so that all assets are revalued over a five-year period. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for by either:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

1.16c Impairment

An impairment occurs when the value of an asset is reduced by other than normal market value changes. These include physical damage, obsolescence, and deterioration in the expected level of performance. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by either:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Notes to the Accounts

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.16d Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, Plant, Furniture, Equipment, and Infrastructure – straight-line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Depreciation is not charged in the year of acquisition.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.16e Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Notes to the Accounts

When an asset or a component of an asset is disposed of, derecognised or decommissioned, the carrying amount of the asset or component in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be 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 General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.17 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation 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 payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the estimation of likely settlement as at the Balance Sheet date. 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 more likely than not 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 account.

Provisions for bad or doubtful debts are included within debtors on the Balance Sheet and not in the provisions figure. Known uncollectable debts have been written off.

1.18 Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Notes to the Accounts

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 39.

1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked Reserves are created by appropriating amounts out of the General Fund and HRA Balances in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year in the Comprehensive Income and Expenditure Statement. The Earmarked Reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance or the Housing Revenue Account Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.21 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenues and Customs. VAT receivable is excluded from income.

1.22 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset shall be capitalised and form part of the cost of that non-current asset. Qualifying assets are defined as schemes which will take at least 18 months to be completed and the scheme costs are at least £0.1m.

Where the Council borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Council shall apply a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs that are outstanding during the period. The amount of borrowing costs capitalised shall not exceed the amount of borrowing costs incurred during the period.

Notes to the Accounts

The commencement of capitalisation begins when all the following are met:

- Expenditure in respect of the asset are incurred;
- Finance costs in respect of the asset are incurred; and
- Activities that are necessary to develop an asset are in progress.

Capitalisation ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Capitalisation should be suspended during periods in which active development is interrupted.

2. Accounting Standards that have been issued but have not yet been adopted

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

Accounting standards issued, but not yet adopted are disclosed below. These areas will be introduced in the 2021/22 Code.

- Definition of a Business: Amendments to IFRS 3 Business Combinations. This relates to business acquisitions and is not expected to have an impact on the Council.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7. This relates to moving away from the current interest benchmark, London InterBank Offered Rate (LIBOR), to Sterling OverNight Index Average (SONIA).
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. This would affect any contractual cashflows or hedging relationships linked to LIBOR and is not expected to have an impact on the Council.

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government including the future of Business Rate income. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The full final financial impact of COVID-19 is unknown at the date of signing of the accounts. Key items of uncertainty are highlighted in Note 4 below and the Narrative Report.

Notes to the Accounts

4. Assumptions about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for the revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Going Concern

The Covid-19 pandemic has resulted in increased costs to the Council from March 2020 in responding to the crisis. There have also been reductions in income collected from fees and charges and reductions in commercial rent as the country was required to lockdown and businesses were closed. During 2020/21 the Council received government grant funding of £1.7m to support the financial impact of pandemic and in addition £3.2m from the Government's Sales, Fees, and Charges Income compensation scheme. Specific services also received financial support such as the Cultural Recovery Fund (£0.143m).

Additional grants have been announced for 2021/22 including the first quarter's extension of the Sales, Fees and Charges income compensation scheme, a general support grant of £0.555m and council tax support funding. The Government has also provided a grant to mitigate the losses in Council Tax income and both Council Tax and Business Rates deficits are spread over 3 years. The impact of Covid-19 in 2021/22 has been estimated in the latest medium term financial strategy presented to Council in February 2021. The Council can manage the cost pressure of £0.5m-£1m regarding Covid-19 and the economic recovery by utilising reserve balances. This will provide sufficient headroom to enable the Council to fund its operations over the next two years based on the modelling of the financial impact of Covid-19 on the Council's reduced income and additional spending. The Council has undertaken cash flow modelling which demonstrates that the Council can operate without exceeding its capital financing requirement. The Council concludes the application of the going concern principle is correct.

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has a programme of capital work of around £8m-£9m per year on the housing stock and undertakes major repairs and maintenance which will be able to sustain assumptions made regarding the useful lives assigned to assets.

A review of HRA Asset Components during 2014/15 resulted in a categorisation of properties by type before components are assigned and valued. The review included an analysis of components used by the National Housing Federation, St Albans Stock Condition Survey and Local Authority Accounting Panel (LAAP) bulletin 86.

Notes to the Accounts

HRA dwellings are categorised as a House, Flat or Bungalow as the first stage of component calculation. The depreciation of each component is then calculated with the main fabric of the building considered to last for 100 years.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that if the annual depreciation charge for assets were to increase by 1% the extra charge would amount to £114k (2019/20: £112k)

Pensions liability

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pension's liability of changes in individual assumptions cannot be precisely calculated. The assumptions interact in complex ways. During 2020/21, the Council's actuaries advised that the net pensions liability had increased by £18.5m to £59.6m (2019/20 £41.1m)

Business rates appeals provision

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2019/20 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses may have been overcharged up to 31 March 2021. It is unknown how many of the outstanding appeals will be successful, though estimation techniques have been applied to the outstanding appeals using historic success rate data and the latest Valuation Office (VAO) ratings list of appeals. The total provision for appeals is £11.951m (2019/20 £8.529m) and the Council's share held in the Balance Sheet is £4.78m (2019/20 £2.985m). The increase in total provision from last year is £1.795m.

If business rate appeals were to increase significantly, the provision would have to be reassessed and any increase in liability would be shared between the Council, Central Government and Hertfordshire County Council. The Council has taken independent advice on the level of provision required and believe the provision to be reasonable given the pandemic and associated uncertainty.

Sundry Debtor Arrears

At 31 March 2021, the Council had a sundry debtor balance of £3.210m (2019/20: £2.880m). A review of significant balances using historic write off rates suggested that a 21.9% (2019/20: 20.6%) impairment allowance for doubtful debts of £0.704m (2019/20: £0.592m) was appropriate.

Notes to the Accounts

If collection rates were to deteriorate, an increase in the impairment allowance for doubtful debts would be required. To provide in full for sundry debtors more than two months overdue would require an additional £1.491m to be set aside as a provision.

Fair Value measurement

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Inputs to these valuation techniques are based on observable data when possible, but where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

The authority uses the discounted cashflow (DCF) and depreciated replacement cost (DRC) models to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates (adjusted for regional factors) for both investment properties and some financial assets. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

5. 5. Material items of income and expenditure

5.1 Pension Fund Actuarial Change

The Pension Fund Actuary has reported an actuarial deficit of £17.2m (2019/20 £15.5m), increasing the pension fund deficit to £59.6m. This is reported as a loss on the Comprehensive Income and Expenditure Statement, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund implications.

6. Events after the Balance Sheet date

The Statement of Accounts was certified for issue by the Deputy Chief Executive (Finance and Legal) on 31st August 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No events leading to adjustments have occurred as of 31st August 2021.

Notes to the Accounts

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CI&ES).

Expenditure and Funding Analysis 2020/21	Net Expenditure Chargeable to the General Fund Balance	Net Expenditure Chargeable to the HRA Balance	Adjustments relating to internal management reporting	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive and Policy	6,988	-	-	(41)	7,029
Finance and Legal	3,337	-	1,872	(51)	1,516
Community Services	7,844	-	337	(1,043)	8,550
Commercial & Development	1,709	-	(215)	(2,311)	4,235
Corporate Services	725	-	-	(107)	832
Planning & Building Control	2,598	-	-	(83)	2,681
Housing General Fund	1,086	-	-	(640)	1,726
Housing Revenue Account	-	(1,527)	8,407	(6,848)	(3,086)
Net Cost of Services	24,287	(1,527)	10,401	(11,124)	23,483
Other Income and Expenditure	2,882	(38)	-	(5,687)	8,531
Financing & Investment Income and Expenditure	84	6,966	(10,401)	12,084	5,365
Taxation and other non-specific grant income and expenditure	(39,341)	-	-	(10,171)	(29,170)
Deficit/(surplus) on Provision of Services	(12,088)	5,401	-	(14,897)	8,209
	General Fund	HRA	Total		
Opening General Fund and HRA Balances	(10,911)	(9,612)	(20,523)		
Less/plus surplus or deficit on General Fund and HRA Balance in year	(12,088)	5,401	(6,687)		
Closing General Fund and HRA Balances at 31 March	(22,999)	(4,211)	(27,210)		

Notes to the Accounts

Expenditure and Funding Analysis 2019/20	Net Expenditure Chargeable to the General Fund Balance	Net Expenditure Chargeable to the HRA Balance	Adjustments relating to internal management reporting	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive and Policy	2,019	-	-	(109)	2,128
Finance and Legal	3,557	-	2,039	(14)	1,532
Community Services	5,838	-	218	(1,711)	7,331
Commercial & Development	880	-	(161)	(4,326)	5,367
Corporate Services	433	-	-	(274)	707
Planning & Building Control	1,889	-	-	(257)	2,146
Housing General Fund	949	-	-	(855)	1,804
Housing Revenue Account	-	(4,427)	5,288	(11,213)	1,498
Net Cost of Services	15,565	(4,427)	7,384	(18,759)	22,513
Other Income and Expenditure	6,054	(8,025)	(4,812)	(2,915)	5,756
Financing & Investment Income and Expenditure	(3,853)	5,420	(2,572)	(2,075)	6,213
Taxation and other non-specific grant income and expenditure	(19,814)	2,452		2,835	(20,197)
Deficit/(surplus) on Provision of Services	(2,049)	(4,580)	0	(20,915)	14,285
	General Fund	HRA	Total		
Opening General Fund and HRA Balances	(8,862)	(5,032)	(13,894)		
Less/plus surplus or deficit on General Fund and HRA Balance in year	(2,049)	(4,580)	(6,629)		
Closing General Fund and HRA Balances at 31 March	(10,911)	(9,612)	(20,523)		

The statement above reconciles the net expenditure in the CI&ES to the 'Comparison of Actual to Budget' management reporting outturn shown in the Narrative.

Notes to the Accounts

7.1 Adjustments between the Funding and Accounting Basis

2020/21				
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000's	£000's	£000's	£000's
Chief Executive and Policy	(15)	(26)	-	(41)
Finance and Legal	(7)	(44)	-	(51)
Community Services	(974)	(68)	-	(1,043)
Commercial & Development	(2,265)	(46)	-	(2,311)
Corporate Services	(56)	(51)	-	(107)
Planning & Building Control	(20)	(63)	-	(83)
Housing General Fund	(614)	(26)	-	(640)
Housing Revenue Account	(6,793)	(55)	-	(6,848)
Net Cost of Services adjustments	(10,743)	(381)	-	(11,124)
Other Income and Expenditure	(4,753)	-	(934)	(5,687)
Financing & Investment Income and Expenditure	13,027	(941)	-	12,086
Taxation and other non-specific grant income and expenditure	1,839	-	(12,010)	(10,171)
Difference between General Fund and HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(630)	(1,322)	(12,944)	(14,895)

2019/20				
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000's	£000's	£000's	£000's
Chief Executive and Policy	(4)	(105)	-	(109)
Finance and Legal	(13)	(1)	-	(14)
Community Services	(1,499)	(212)	-	(1,711)
Commercial & Development	(4,123)	(203)	-	(4,326)
Corporate Services	(79)	(195)	-	(274)
Planning & Building Control	(14)	(243)	-	(257)
Housing General Fund	(757)	(98)	-	(855)
Housing Revenue Account	(11,017)	(195)	-	(11,213)
Net Cost of Services adjustments	(17,506)	(1,252)	-	(18,758)
Other Income and Expenditure	(1,981)	-	(934)	(2,915)
Financing & Investment Income and Expenditure	(729)	(1,346)	-	(2,075)
Taxation and other non-specific grant income and expenditure	5,042	-	(2,208)	2,835
Difference between General Fund and HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(15,174)	(2,598)	(3,142)	(20,914)

Notes to the Accounts

Explanation of adjustments

i. Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other operating expenditure** – adjusts for capital disposals and transfers of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

ii. Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** — the net interest on the defined benefit liability is charged to the CIES.

iii. Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and national non-domestic rates (NNDR) that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Notes to the Accounts

7.2 Adjustments Relating to Internal Management Reporting

Information presented to management is in a format to enable a quick and easy assessment of performance against the approved budget. There are a number of items that are reported to management as part of their service income and expenditure that are not included in Service Expenditure in the Comprehensive Income and Expenditure Statement (as required by generally accepted accounting practice). These are interest, Minimum Revenue Provision (MRP) and Revenue Contribution to Capital Outlay (RCCO). The adjustments for 2020/21, which enable reconciliation of the Net Expenditure Chargeable to the General Fund and HRA Balances for Service Headings to the outturn reports included in the narrative, are shown below.

Adjustments Relating to Internal Management Reporting	Interest	MRP	RCCO	Trading Accounts	Total
2020/21	£'000	£'000	£'000	£'000	£'000
Chief Executive and Policy	-	-	-	-	-
Finance and Legal	91	1,774	7	-	1,872
Community Services	-	-	-	337	337
Commercial & Development	-	-	-	(215)	(215)
Corporate Services	-	-	-	-	-
Planning & Building Control	-	-	-	-	-
Housing General Fund	-	-	-	-	-
GF Total	91	1,774	7	122	1,994
Housing Revenue Account	4,651	-	3,755	-	8,407

Adjustments Relating to Internal Management Reporting	Interest	MRP	RCCO	Trading Accounts	Total
2019/20	£'000	£'000	£'000	£'000	£'000
Chief Executive and Policy	-	-	-	-	-
Finance and Legal	24	1,574	441	-	2,039
Community Services	-	-	-	218	218
Commercial & Development	-	-	-	(161)	(161)
Corporate Services	-	-	-	-	-
Planning & Building Control	-	-	-	-	-
Housing General Fund	-	-	-	-	-
GF Total	24	1,574	441	57	2,096
Housing Revenue Account	4,788	-	501	-	5,288

Notes to the Accounts

7.3 Segmental Income

2019/20 £'000	Segmental Income	2020/21 £'000
	Services	
(1,132)	Chief Executive and Policy	(10,762)
(9,724)	Community Services	(7,624)
(4,619)	Commercial & Development	(3,508)
(4,005)	Corporate Services	(3,541)
(3,767)	Finance and Legal	(4,305)
(26,980)	Housing General Fund	(25,109)
(28,576)	Housing Revenue Account	(29,766)
(3,289)	Planning & Building Control	(2,469)
(82,092)	Total Income analysed on a segmental basis	(87,085)
(24,611)	Non-segmental	(21,623)
(106,703)	Total Income	(108,708)

Notes to the Accounts

7.4 Expenditure and Income analysed by Nature

The Council's expenditure and income is analysed as follows:

2019/20 £'000	Expenditure/Income	2020/21 £'000
	Expenditure	
19,908	Employee benefits expenses	19,226
49,445	Other Service Expenses	53,342
12,704	Support Service recharge expenditure	10,485
27,173	Revaluation gains, depreciation, amortisation and impairment	19,744
4,858	Interest payments	4,752
1,154	Pension adjustment	938
2,721	Precepts and levies	2,882
934	Payments to Housing Capital Receipts Pool	934
2,091	Gain or Loss on Disposal of Fixed Assets and derecognition of replaced asset components	4,616
120,989	Total expenditure	116,918
	Income	
(41,000)	Fees, charges & other service income	(37,138)
(3,232)	Other capital receipts and income	(3,005)
(12,893)	Support Service recharge income	(10,580)
(102)	Interest and investment income	(16)
(13,882)	Income from council tax	(14,318)
(1,133)	Income from business rates	11,786
(34,462)	Government grants and other contributions	(55,437)
(106,704)	Total Income	(108,708)
14,285	(Gain) or Loss on the Provision of Services	8,209

Notes to the Accounts

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund expenditure in connection with the Council's landlord function or (where is deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve (MRR) for housing purposes. The MRR is restricted to being applied to new capital investment on HRA assets or the financing of historical capital expenditure by the HRA.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
2020/2021						
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (transferred to/(from) the Pensions Reserve)	(1,098)	(224)	-	-	-	1,322
Council Tax and NDR (transfers to/(from) the Collection Fund Adjustment Account)	(12,010)	-	-	-	-	12,010
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,714)	(20,442)	-	-	(1,838)	27,994
						-
Total Adjustments to Revenue Resources	(18,822)	(20,666)	-	-	(1,838)	41,326
						-
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	2,881	2,372	(5,252)	-	-	(1)
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(14)	14	-	-	-
Payments to the government of housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(934)	-	934	-	-	(0)
Posting of HRA resources from revenue to Major Repairs Reserve	-	5,750	-	(5,750)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,774	9,000	-	-	-	(10,774)
Other capital receipts taken to the CI&ES	-	-	(17)	-	-	17
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	7	3,755	-	-	-	(3,762)
Total Adjustments between Revenue and Capital Resources	3,728	20,863	(4,321)	(5,750)	-	(14,520)
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure	-	-	5,460	-	-	(5,460)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	5,999	-	(5,999)
Application of capital grants to finance capital expenditure	-	-	-	-	2,503	(2,503)
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	5,460	5,999	2,503	(13,962)
Total Adjustments	(15,094)	197	1,139	249	665	12,844

Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
2019/2020						
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (transferred to/(from) the Pensions Reserve)	(2,249)	(349)	-	-	-	2,598
Council Tax and NDR (transfers to/(from) the Collection Fund Adjustment Account)	(2,190)	-	-	-	-	2,190
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(8,708)	(23,501)	-	-	(1,314)	33,523
						-
Total Adjustments to Revenue Resources	(13,147)	(23,850)	-	-	(1,314)	38,311
						-
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	-	4,005	(4,005)	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(20)	20	-	-	-
Payments to the government of housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(934)	-	934	-	-	-
Posting of HRA resources from revenue to Major Repairs Reserve	-	383	-	(383)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,574	7,000	-	-	-	(8,574)
Other capital receipts taken to the CI&ES	3,123	9	(3,132)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	441	501	-	-	-	(942)
Total Adjustments between Revenue and Capital Resources	4,204	11,878	(6,183)	(383)	-	(9,516)
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure	-	-	9,537	-	-	(9,537)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	6,588	-	(6,588)
Application of capital grants to finance capital expenditure	-	-	-	-	250	(250)
Cash payments in relation to deferred capital receipts	-	-	(3)	-	-	3
Total Adjustments to Capital Resources	-	-	9,534	6,588	250	(16,372)
Total Adjustments	(8,943)	(11,972)	3,351	6,205	(1,064)	12,423

Notes to the Accounts

9. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account Expenditure in 2020/21.

	Balance at 31 March 2019 £'000	Transfers out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
General Fund Earmarked Reserves							
Planning appeals reserve (1)	570	(251)	-	319	(33)	-	286
Sustainability Projects			150	150	(20)	-	130
Leisure SDA	259	(17)	-	242	(204)	-	38
Building maintenance reserve	236	(115)	-	121	-	50	171
City Neighbourhoods Committee	255	(25)	-	230	(22)	-	208
Building control account	-	-	-	-	-	-	-
Syrian Refugees	274		14	288		7	295
Homelessness Reduction (FHSG)	196	-	102	298	(72)	-	226
Refuse collection reserve	150		50	200	(68)	-	132
Transformation Fund	363	(312)	-	51	-	-	51
Hemel Garden Community			279	279	(241)	-	38
Museum Trust grant			184	184	-	-	184
Grounds Maintenance Reserve						300	300
Climate initiative reserve						118	118
Covid19 government grants (2)						689	689
Other Reserves Under £100k	835	(173)	194	856	(49)	39	846
General Fund sub-total	3,138	(893)	973	3,218	(709)	1,203	3,712
Collection Fund (timing difference)(3)	2,074		2,207	4,281	-	11,858	16,139
Total General Fund Earmarked Reserves	5,212	(893)	3,180	7,499	(709)	13,061	19,851
Reserves							
HRA							
Revenue earmarked reserve	-	-	-	-	-	100	100
Capital expenditure reserve	581	-	-	581	(341)	-	240
HRA sub-total	581	-	-	581	(341)	100	340
Total	5,793	(893)	3,180	8,080	(1,050)	13,161	20,191

1. The Council does not budget for the cost of planning appeals but rather maintains an earmarked reserve to cover the costs of possible future appeals.
2. The remainder Covid-19 general grant which was unspent in 2020/21 and earmarked to fund Covid-19 related costs in 2021/22
3. The government granted business rates relief to retail, hospitality and leisure services and nursery providers to support the through the pandemic during 2020/21 and compensated councils for these reliefs with a Section 31 grant. The legislation that governs Collection Fund accounting means the related deficit as a result of the loss of business rates income in-year will not be charged to the Council's General Fund until 2021/22. These reliefs are shown as a deficit on the Council's share of income within the Collection Fund Adjustment Account reserve (see note 23.4), whilst the grant income is shown within the Council's General Fund. As a result, the £16.139m has been transferred to the Collection Fund Reserve and will be drawn down to offset the deficit in 2021/22.

Notes to the Accounts

10. Other Operating Expenditure

2019/2020 £'000		2020/2021 £'000
2,721	Parish Council Precepts	2,882
934	Payments to the Government Housing Capital Receipts Pool	934
(2,252)	(Gains)/losses on the disposal of non-current assets	(921)
4,343	Write-off of replaced asset components *	5,759
3,243	Revaluation of Assets held for sale	-
(3,233)	Other Capital receipts and income	(123)
5,756		8,531

*Write off or derecognition of replaced components relates to the writing-off of significant components (for example bathrooms and windows) of housing properties that were replaced during the year.

11. Financing and Investment Income and Expenditure

2019/2020 £'000		2020/2021 £'000
4,802	Interest payable and similar charges	4,754
1,317	Net interest on the net defined benefit liability	938
(46)	Interest receivable and similar income	(11)
114	Changes in fair value of investment properties	(515)
59	Impairments to financial assets incl reversals	77
(33)	(Surplus)/deficit from trading operations not included in Net Cost of Services	122
6,213		5,365

Notes to the Accounts

12. Taxation and Non-Specific Grant Income

2019/2020 £'000		2020/2021 £'000
	Council Tax	
(13,708)	Council Tax Income	(14,309)
(174)	Transfer from the Collection Fund	(9)
(13,882)	Council Tax net	(14,318)
	Business Rates	
(22,298)	Share of Business Rate income	(20,741)
19,787	Tariff paid to central government	23,342
(615)	Business Rates Pilot Gain	1
1,992	Council's share of Business Rates deficit	11,892
1	Safety net payment due to/(from) central government	(2,711)
(1,133)	Business Rates net income	11,786
	Non-specific Grants	
(1,773)	Small Business Rate relief	(14,283)
(1,077)	New Homes Bonus	(737)
(8)	EU Exit Funding	(8)
0	Coronavirus Grants	(9,712)
(2,324)	Capital grants and contributions	(1,898)
(5,182)	Non-specific Grants sub-total	(26,638)
(20,197)	Total	(29,170)

Notes to the Accounts

13. Property, Plant and Equipment

Movement on Balances

The following two tables show the movements in Property, Plant & Equipment during the current and prior year analysed between categories of Property, Plant & Equipment.

Property, Plant & Equipment Movements	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Furniture & Equipment £'000	Infrastructure £'000	Asset Under Construction £'000	Property, Plant & Equipment Total £'000
Cost or Valuation						
At 1 April 2020	549,497	208,174	17,514	2,928	42,623	820,736
Transfers	(1,319)	(154)	-	-	1,682	209
Additions	10,367	8,256	230	15	25,364	44,233
Revaluation increases/(decreases) recognised in the Revaluation Reserve	60,057	1,326	-	-	-	61,383
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,141)	(123)	-	-	-	(6,264)
Write off - disposals	(709)	(26)	-	-	(120)	(855)
Write off - replaced components	(5,759)	-	-	-	-	(5,759)
Assets reclassified (to)/from	9,545	19,199	-	-	(28,743)	1
Assets reclassified (to)/from assets held for sale	(1,420)	(21)	-	-	20	(1,421)
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
At 31 March 2021	614,118	236,631	17,743	2,943	40,826	912,262
Accumulated Depreciation and Impairment						
At 1 April 2020	(7,103)	(4,603)	(11,275)	(1,365)	-	(24,346)
Transfers	17	2	-	-	-	19
Depreciation charge	(7,361)	(2,377)	(1,006)	(144)	-	(10,888)
Depreciation written out to the Revaluation Reserve	6,943	939	-	-	-	7,882
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	159	14	-	-	-	173
Write off - disposals	9	9	-	-	-	18
Impairment (losses)/reversals recognised in the Surplus/(Deficit) on the Provision of Services	-	-	-	-	-	-
At 31 March 2021	(7,336)	(6,016)	(12,281)	(1,509)	-	(27,142)
Net Book Value						
At 31 March 2020	542,400	203,565	6,239	1,563	42,623	796,390
At 31 March 2021	606,782	230,615	5,462	1,434	40,826	885,120

Notes to the Accounts

Property, Plant & Equipment Movements 2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Furniture & Equipment £'000	Infrastructure £'000	Asset Under Construction £'000	Property, Plant & Equipment Total £'000
Cost or Valuation						
At 1 April 2019	551,762	214,054	16,536	2,918	18,313	803,583
Transfers	(58)	58	-	-	-	-
Additions	12,606	374	978	10	18,683	32,651
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,945	1,286	-	-	-	3,231
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,682)	(1,690)	-	-	-	(12,372)
Write off - disposals	(1,120)	(281)	-	-	-	(1,401)
Write off - replaced components	(4,342)	-	-	-	-	(4,342)
Assets reclassified (to)/from	-	(5,499)	-	-	5,499	-
Assets reclassified (to)/from assets held for sale	(614)	(128)	-	-	128	(614)
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
At 31 March 2020	549,497	208,174	17,514	2,928	42,623	820,736
Accumulated Depreciation and Impairment						
At 1 April 2019	(7,157)	(7,191)	(9,906)	(1,164)	-	(25,418)
Transfers	8	-	-	-	-	8
Depreciation charge	(7,118)	(2,528)	(1,369)	(201)	-	(11,216)
Depreciation written out to the Revaluation Reserve	7,046	5,074	-	-	-	12,120
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	110	17	-	-	-	127
Write off - disposals	14	19	-	-	-	33
Impairment (losses)/reversals recognised in the Surplus/(Deficit) on the Provision of Services	-	-	-	-	-	-
At 31 March 2020	(7,097)	(4,609)	(11,275)	(1,365)	-	(24,346)
Net Book Value						
At 31 March 2019	544,605	206,863	6,630	1,754	18,313	778,165
At 31 March 2020	542,400	203,565	6,239	1,563	42,623	796,390

Notes to the Accounts

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation. HRA dwellings are classified into type and size of building. The components were reviewed and updated during 2014/15, they remained unchanged for 2020/21.

- Council dwellings, multi-occupied dwellings and other buildings are depreciated on the basis of their components, where appropriate as follows:
 - Land: no depreciation
 - Structure: 100 years
 - Roof: 70 years
 - Windows: 30 years
 - Internal components: 15 to 40 years
- Other buildings: 30 to 60 years
- Vehicles, plant and equipment: 3 to 35 years
- Infrastructure: 5 to 20 years.

Capital Commitments

As at 31 March 2021, the Council has entered into a number of contracts for the construction and enhancement of Property, Plant and Equipment at a cost of £3.1m. Similar commitments as at 31 March 2020 were £15.9m.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations were carried out internally by qualified surveyors with the exception of certain specialised properties, which were carried out by external firms of Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, plant, and furniture are not revalued, and depreciation costs are used as a proxy for current value.

In 2020/21 our Housing Stock was re-evaluated to 229 new Beacon properties, to ensure accuracy of the valuation approach. As part of the exercise, a 100% revaluation of the housing stock portfolio was performed in the year to eliminate any possible cumulative historic variances, and to provide accurate valuations for as at 31st March 2021.

The significant assumptions in estimating the current values are:

- a) Title – that the title is good and marketable and is free from rights of way or easements, restrictive covenants, disputes, or onerous usual outgoings.
- b) Environmental Matters – that the land and building comprising the property subject to the valuation, are not affected by any form of pollution, contamination, or adverse environmental matters.
- c) Plant and Machinery – any that has been considered to form part of the property is included in the variation.

Notes to the Accounts

- d) Statutory Requirements – that the property valued complies with all necessary statutory requirements such as the Defensive Premises Act 1972, building and fire regulations and there are no outstanding notices.
- e) Realisation Cost – no allowance has been made for the vendor's sale nor for any tax liabilities which may arise.

The Code prescribes that the classes of Property, Plant and Equipment shown in the following table are revalued at least once every five years. The table shows the carrying value of each class of asset in the accounts by year of valuation. In accordance with the Council's policy, depreciated historic cost is used as a proxy for current value for Vehicles and Plant on the grounds of materiality. In view of the materiality to the accounts and material changes in value from year to year, council dwellings are revalued annually. Assets Held for Sale (AHfS) until sold remain SADC owned council Dwellings or Other Land and Buildings. Accordingly, we consider it useful to include HRA AHfS of £1.4m and GF AHfS of £6.1m in the table below according to their last dates of revaluation.

Year of valuation of value in accounts	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles and Plant £'000	Total £'000
Valued at historical Cost	-	-	5,462	5,462
Valued at current value in:				-
2016/17	-	3,056	-	3,056
2017/18	-	9,730	-	9,730
2018/19	-	22,277	-	22,277
2019/20	182	140,417	-	140,599
2020/21	608,004	58,097	-	666,101
Total	608,186	233,577	5,462	847,225

Notes to the Accounts

14. Heritage Assets

31 March 2020 £'000	Heritage Assets	31 March 2021 £'000
4,691	Exhibits	4,767
363	Silver	366
162	Civic Regalia	164
575	Cups and Trophies	581
38	Sculptures	38
434	War Memorials	443
6,263	Carrying Value	6,359

15. Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

2019/2020 £'000		2020/2021 £'000
(597)	Rental income from investment property	(562)
93	Direct operating expenses arising from investment property	136
(504)	Net (gain)/loss	(426)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to undertake repairs, maintenance or enhancement.

Notes to the Accounts

The following table summarises the movement in the fair value of investment properties over the year:

2019/20		2020/21
£'000		£'000
7,491	Balance at start of year:	7,377
-	Reclassification	-
(114)	Revaluation	517
7,377	Balance at end of the year	7,894

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation (note 1.12).

2020/21 Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Fair value as at 31st March 2021
	£000	£000
Office Units	627	627
Retail Units	4,920	4,920
Recreational	2,347	2,347
Total	7,894	7,894

2019/20 Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Fair value as at 31st March 2020
	£000	£000
Office Units	655	655
Retail Units	4,018	4,018
Recreational	2,704	2,704
Total	7,377	7,377

Investment Properties are valued at fair value as at 31 March 2021. Analysis of the relevant valuation techniques classifies these assets as level 2 of the IFRS 13 Fair Value calculation.

Level 2 assets have significant observable inputs. The fair value has been based on the market approach using current market conditions and other relevant information for similar assets in the local authority area.

A fair value measurement of an investment asset accounts for a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Accounts

Paragraph 28 of IFRS 13 states that the highest and best use of a non-financial asset considers the use of the asset that is physically possible, legally permissible, and financially feasible. At the reporting date, one recreational property could achieve greater returns if converted to residential. The property is subject to a lease with 9 years remaining and upon review the Council does not consider it legally and financially sound to terminate the lease before expiry.

As stated in Note 13, material uncertainty in valuations also applies to Investment Properties.

Notes to the Accounts

16. Financial Instruments

Financial instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet

	Long-Term		Current	
	At 31 March 2020 £'000	At 31 March 2021 £'000	At 31 March 2020 £'000	At 31 March 2021 £'000
Investments				
Cash and Cash Equivalents at amortised cost	-	-	10,559	5,130
Total investments	-	-	10,559	5,130
Debtors				
Financial assets at amortised cost	387	254	5,062	6,229
Impairment Loss Allowance	-	-	(951)	(1,043)
Borrowings				
Financial liabilities at amortised cost	(188,116)	(196,701)	(9,000)	(10,210)
Creditors				
Financial liabilities carried at contract amounts	(285)	(164)	(10,452)	(10,992)

Notes to the Accounts

Income, Expense, Gains and Losses included in the Comprehensive Income and Expenditure Statement

Financial Liabilities: measured at amortised cost	Financial Assets: loans and receivables			Financial Liabilities: measured at amortised cost	Financial Assets: loans and receivables		
£'000	£'000	2019/20 Total £'000		£'000	£'000	2020/2021 Total £'000	
4,802	-	4,802	Total interest expense in the Surplus or Deficit on the Provision of Services	4,754	-	4,754	
-	(46)	(46)	Total interest income in the Surplus or Deficit on the Provision of Services	-	(11)	(11)	
4,802	(46)	4,756	Net (gain)/loss for the year in Surplus or Deficit on the Provision of Services	4,754	(11)	4,743	

Fair Value of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2021 of 0.96% to 2.19% for loans from the Public Works Loan Board (PWLB) based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value.
- The fair value of trade or other receivables is taken to be the invoiced or billed amount.

Notes to the Accounts

The fair values calculated are as follows:

Financial Assets

31 March 2020			31 March 2021	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
6,062	6,062	Cash	5,129	5,129
4,500	4,500	Fixed term deposits	348	346

Financial Liabilities

31 March 2020			31 March 2021	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
197,116	206,447	Public Works Loan Board loans	206,911	241,718
-	-	Other Local Authorities	-	-

The fair value of liabilities is higher than the carrying amount because the Council's portfolio of loans is made up of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to the PWLB above current market rates. However, we expect interest rates to rise over the remaining life of the loans and if they do, the loans' fair value will decrease by their maturity point, meaning that the notional loss shown here will not be realised.

Notes to the Accounts

17. Assets Held for Sale

These are qualifying assets where the Council considers it highly probable that completion of the sale will be within one year of classification as an asset held for sale.

2019/20 £'000		2020/21 £'000
9,982	Balance at start of year	6,670
-	Revaluation Gains/(Losses) in year	19
(4,045)	Assets sold in year	(3,520)
-	Assets reclassified out as unsold	(207)
	Assets newly classified as held for sale:	
733	Property, Plant & Equipment	1,403
6,670	Balance at Year End	4,365

Assets Held for Sale are valued at Fair Value as at 31 March 2021. Analysis of the relevant valuation techniques classifies these assets as Level 2 (see Note 15).

Notes to the Accounts

18. Short Term Debtors

For disclosure of the Loss Allowance by Asset Class for Non-financial Assets see note 39.

At 31 March 2020 £'000		At 31 March 2021 £'000
3,010	Central Government Bodies	4,849
353	Other Local Authorities	287
	Other entities and Individuals:	
1,845	Housing Rents arrears	1,657
(694)	Less Impairment Allowance	(761)
1,151	Housing arrears net	897
1,862	Council Tax and Business Rates	2,646
(974)	Less share of impairment allowances	(1,947)
888	Council Tax and Business Rates net	699
1,440	Rent allowances and rebates	1,457
283	Leaseholder rent arrears	265
657	Payments in advance	545
2,580	Other miscellaneous debtors	4,251
(631)	Less Impairment Allowance	(728)
4,329	Other net	5,790
9,731	Total	12,523

19. Cash and Cash Equivalents

Cash equivalents are investments and deposits maturing within three months of the date of the deposit. The balance of Cash and Cash Equivalents is made up of the following elements:

At 31 March 2020 £'000		At 31 March 2021 £'000
3	Cash held by the Council	3
6,054	Bank Current Accounts	5,121
5	Short-term deposits	5
6,062	Total Cash and Cash equivalents	5,129

Notes to the Accounts

20. Short Term Creditors

At 31 March 2020 £'000		At 31 March 2021 £'000
3,820	Collection Fund	3,630
9,959	Trade Creditors	10,553
1,115	Other Creditors	1,796
1,365	Receipts in advance	9,987
16,259	Total	25,966

21. Other Long-Term Liabilities and Short-Term and Long-Term Provisions

21.1 Long Term Liabilities

The Council holds deposits for commercial premises. The long-term portion of the deposits amounts to £0.089m (2019/20 £0.21m) and relates to leases expiring between 1 and 16 years from the Balance Sheet Date.

21.2 Provisions

Under the Business Rates Retention Scheme the Council is liable for its share of any business rates that are not collected. All business premises can appeal their valuation, set by the Valuation Office, which is used for setting the level of rates payable. Until the appeal is heard and decided a provision is estimated to cover the possibility of successful appeals. Changes to the provision are charged to the Collection Fund. The following table shows the movement in the Council's 40% share of the provision.

Provisions: Business Rate Appeals	
	£'000
Balance at 1 April 2020	2,986
Adj due to change in SADC share %	425
Adjusted balance at 1 April 2019	3,411
Additional provisions made	2,404
Amounts used	(1,035)
Balance at 31 March 2021	4,780
Made up of:	
Long Term provisions	1,920
Short Term provisions	2,860

Notes to the Accounts

Provisions: Business Rate Appeals	
	£'000
Balance at 1 April 2019	3,361
Adj due to change in SADC share %	(419)
Adjusted balance at 1 April 2019	2,942
Additional provisions made	611
Amounts used	(567)
Balance at 31 March 2020	2,986
Made up of:	
Long Term provisions	1,639
Short Term provisions	1,347

22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

23. Unusable Reserves

Unusable reserves arise from accounting entries not involving cash transactions and cannot therefore be used to fund future council activities. They include entries relating to the revaluation of buildings, depreciation, and other timing differences between the accounting requirements of the Code and those of legislation.

2019/20		2020/21
£'000		£'000
(389,950)	Revaluation Reserve	(453,446)
(204,016)	Capital Adjustment Account	(210,383)
41,105	Pensions Reserve	59,045
(70)	Deferred Capital Receipts Reserve	(53)
4,032	Collection Fund Adjustment Account	16,042
(548,899)	Total Unusable Reserves	(588,795)

Notes to the Accounts

23.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from the increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Revaluation Reserve includes adjustments for PPE, Investment Properties and Heritage Assets.

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

2019/20 £'000		2020/21 £'000
(380,694)	Balance at 1 April	(389,950)
(15,340)	Revaluation (gain)/loss of assets	(69,463)
-	- Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	102
(15,340)	(Surplus)/deficit on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services	(69,361)
3,547	Difference between fair value depreciation and historical cost depreciation transferred to the Capital Adjustment Account	3,948
2,537	Accumulated (gains)/losses on assets sold or scrapped	1,917
6,084	Amount written off to the Capital Adjustment Account	5,865
(389,950)	Balance at 31 March	(453,446)

23.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the

Notes to the Accounts

acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction, or enhancement in line with the depreciation, impairment losses and amortisations charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

The Account contains accumulated gains and losses on Investment Properties and Gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20 £'000		2020/21 £'000
28,450	Net written out amount of the cost of non-current assets consumed in the year (per the Capital Adjustment Account)	22,130
3,547	Add back amount transferred to the Revaluation Reserve	3,948
2,536	Add back accumulated gains on assets sold or scrapped	1,917
(1,010)	Less Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(423)
33,523	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (per note 8)	27,572

The “Net written out amount of the cost of non-current assets consumed in the year” is the reversal of the amounts charged to the CI&E for the consumption of assets with a life over one year (e.g. depreciation) and the amount transferred to the Revaluation Reserves. The following table reconciles this line to the Adjustments in note 8.

Notes to the Accounts

2019/20 £'000	Capital Adjustment Account	2020/21 £'000
(205,565)	Balance as at 1 April	(204,015)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
11,217	Charges for depreciation and impairment of non current assets	10,881
114	Movements in the market value of Investment Properties debited or credited to the comprehensive Income and Expenditure Statement	(515)
12,246	Revaluation losses on Property, Plant and Equipment	6,073
91	Amortisation of Intangibles	77
1,264	Revenue expenditure funded from capital under statute	1,482
9,601	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,997
34,533	Sub-total charges	27,995
(3,547)	Difference between fair value depreciation and historical cost depreciation transferred to the Revaluation Reserve	(3,948)
(2,536)	Accumulated gains on assets sold or scrapped	(1,917)
28,450	Net written out amount of the cost of non -current assets consumed in the year	22,130
	<i>Capital Financing applied in the year:</i>	
(9,537)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,460)
(6,588)	Use of Major Repairs Reserve to finance new capital expenditure	(5,999)
(1,010)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(423)
(250)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,080)
(941)	Direct Revenue Financing	(3,762)
(7,000)	Housing debt repayment provision	(9,000)
(1,574)	Statutory provision for the financing of capital investment charged against the General Fund	(1,774)
(26,900)	Sub-total capital financing	(28,498)
(204,015)	Balance at 31 March	(210,383)

Notes to the Accounts

23.3 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £'000	Pensions Reserve	2020/21 £'000
54,040	Balance at 1 April	41,105
(15,533)	Remeasurements of the net defined benefit liability	16,618
6,059	Reversal of items relating to retirement benefits debited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,013
(3,461)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,691)
41,105	Balance at 31 March	59,045

23.4 Collection fund Adjustment Account

2019/20			Collection Fund Adjustment Account	2020/21		
Council Tax £'000	Business Rates £'000	Total £'000		Council Tax £'000	Business Rates £'000	Total £'000
(231)	2,073	1,842	Balance at 1 April	(248)	4,280	4,032
(17)	2,207	2,190	Movement on account	151	11,858	12,009
(248)	4,280	4,032	Balance at 31 March	(97)	16,138	16,041

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Notes to the Accounts

The movement on the account is the amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.

A negative amount indicates that tax collected during the year was higher than distributed to the precepting bodies and government and a positive figure that more was paid to the precepting bodies than collected. In both cases adjustments are made in subsequent year to pay or recover the under/over payments.

24. Cash Flow Statement – Adjustment for Non-cash Movements

The adjustment to the net deficit on the provisions of services for non-cash movements is as follows:

2019/2020 £'000		2020/2021 £'000
	Non Cash Transactions	
23,463	Depreciation, downward revaluations and impairments	11,112
91	Amortisations	77
2,598	Pension fund adjustments	1,322
9,601	Carrying amount of non-current assets sold	10,052
25	(Increase)/decrease in stock	(7)
(2,090)	(Increase)/decrease in debtors	6,530
(276)	Other non-cash items charged on the provision of services	1,279
803	(Decrease)/increase in creditors	93
34,215	Total non-cash movements	30,458

Notes to the Accounts

25. Cash Flow Statement – Adjustments for Financing & Investing Activities

Adjustments for items included in the net deficit on the provision of services that are investing and financing activities are:

2019/2020 £'000		2020/2021 £'000
(7,136)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,208)
(1,322)	Capital grants credited to the surplus or deficit on the provision of services	(1,929)
(8,458)	Net adjustment	(7,137)

The net cash flow from operating activities for 2020/21 includes interest received of £11k (2019/20 £46k) and interest paid of £4,637k for 2020/21 (2019/20 £4,794k).

26. Cash Flow Statement – Investing Activities

2019/2020 £'000		2020/2021 £'000
(29,238)	Purchase of property, plant and equipment, investment property and intangible assets	(44,206)
(117,380)	Purchase of short-term investments	(941,664)
(582)	Loans granted	629
7,139	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,226
112,880	Proceeds from short-term and long term investments	946,163
2,154	Capital grants received	2,547
(25,027)	Net cash flows from investing activities	(31,305)

Notes to the Accounts

27. Cash Flow Statement – Financing Activities

2019/2020 £'000		2020/2021 £'000
91,545	Cash Receipts of Short-Term and Long-Term Borrowing	19,000
(71,845)	Repayment of Short-Term and Long-Term Borrowing	(9,205)
(3,438)	Council Tax, NNDR & other adjustments	(1,218)
16,262	Total cash flow from financing activities	8,576

27.1 Reconciliation of liabilities arising from financing activities

The following table provides more detail on how the cash flows from financing activities reconcile to the balance sheet carrying value of liabilities. It does not include the Council Tax and NNDR adjustments from the table above as these balances can alternate between assets and liabilities depending on the year-end position.

	2020/2021				
	1st April 2020 £'000	Loans Repaid £'000	New Loans £'000	Transfer between Short and Long Term Borrowing £'000	31st March 2021 £'000
Long term borrowings	188,116		19,000	(10,210)	196,906
Short term borrowings	9,000	(9,205)	-	10,210	10,005
Total liabilities from financing activities	197,116	(9,205)	19,000	-	206,911

	2019/2020				
	1st April 2019 £'000	Loans Repaid £'000	New Loans £'000	Transfer between Short and Long Term Borrowing £'000	31st March 2020 £'000
Long term borrowings	158,416		38,700	(9,000)	188,116
Short term borrowings	19,000	(71,845)	52,845	9,000	9,000
Total liabilities from financing activities	177,416	(71,845)	91,545	-	197,116

Notes to the Accounts

28. Trading Operations

The Council has the following trading operations:

- Markets – the Council operates a street market in St Albans city centre on Wednesdays and Saturdays, with additional market days for Farmers Markets, Continental Markets and Christmas Markets.
- Commercial premises – the Council owns various shops and business premises that are let on a commercial basis.

Trading Operations		2019/2020 £'000	2020/2021 £'000
Markets	Turnover	(509)	(240)
	Expenditure	758	577
	Deficit	249	337
Commercial Premises	Turnover	(626)	(605)
	Expenditure	345	390
	Surplus	(281)	(215)
Net (Surplus)/Deficit on Trading Operations		(32)	122

Note: Markets: In 2020/21 expenditure included £0.289m on staff (including redundancy payments) and £0.123m on rates and utilities. The remaining costs include cleansing and waste removal, parking and transport costs and internal charges. The Council received £3.36m Income Compensation Grant from the government of which £0.202m related to Markets, offsetting the deficit of £0.337m shown above.

29. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

2019/2020 £000	Members' Allowances	2020/2021 £000
431	Allowances	434
3	Expenses	2
434		436

Notes to the Accounts

30. Officers' Remuneration

The remuneration paid to the Councils' senior employees is as follows:

Post Title	Notes	Salary, fees and allowances	Benefits in kind	Total Remuneration excluding pension contributions	Employer's pension contribution	Total Remuneration including pension contributions
		£'000	£'000	£'000	£'000	£'000
Chief Executive and Head of Policy	2020/21	109.2	-	109.2	20.2	129.3
	2019/20	106.1	-	106.1	33.5	139.6
Deputy Chief Executive (Finance and Legal)	2020/21	78.7	-	78.7	14.6	93.2
	2019/20	76.7	-	76.7	24.2	100.9
Head of Housing	2020/21	76.7	-	76.7	14.2	90.9
	2019/20	74.7	-	74.7	16.3	90.9
Head of Community Services	2020/21	76.7	-	76.7	14.2	90.9
	2019/20	72.4	-	72.4	22.9	95.3
Head of Corporate Services	2020/21	73.7	-	73.7	14.2	87.9
	2019/20	72.4	-	72.4	22.9	95.3
Head of Planning and Building Control	2020/21	76.7	-	76.7	14.2	90.9
	2019/20	74.7	-	74.7	22.9	22.9
Head of Commercial and Development	2020/21	71.1	2.3	73.4	9.7	83.1
	2019/20	56.4	7.1	63.5	17.1	17.1
Acting Deputy Chief Executive (Public Services) and Head of Commercial and Development	2020/21	-	-	-	-	-
	2019/20 (i)	17.6	1.4	19.0	2.9	21.9
2019/20 Totals		551.0	8.5	559.5	162.7	583.9
2020/21 Totals		562.9	2.3	565.2	101.2	666.3

Note (i) The post holder for Head of Commercial and Development was acting up after the previous postholder left on 31 December 2019.

The information in the table above reflects the annual remuneration paid to employees in the posts as at 31 March 2021.

The Council's other employees receiving more than £50k remuneration for the year (excluding pension contributions) were paid the following amounts:

Remuneration	2019/2020		2020/21	
	Number ex. redundancies	Number inc. redundancies	Number ex. redundancies	Number inc. redundancies
£50,000 - £54,999	8	8	6	6
£55,000 - £59,999	7	7	10	10
£60,000 - £64,999	1	1	2	2
£65,000 - £69,999	0	0	1	1
£70,000 - £74,999	0	0	0	0
Total	16	16	19	19

Notes to the Accounts

31. Termination Benefits

The Council terminated the contract of seventeen employees in 2020/21, incurring a cost of £164.3k (£41.4k in 2019/20). The table below sets out the numbers of exit packages with total cost per band. All redundancies were compulsory.

Exit package cost (including special payments)	Number of compulsory redundancies		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20 £'000	2020/21 £'000
£0 - £20	1.0	15.0	9.6	91.5
>£20 - £40	1.0	1.0	31.8	25.1
>£40 - £60	0.0	1.0	0.0	47.7
Total	2.0	17.0	41.4	164.3

32. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections.

2019/2020 £'000		2020/2021 £'000
46	Fees payable with regard to external audit services carried out by the appointed auditor for the current year	46
11	Fees payable for the certification of grant claims and returns	6
57		52

Notes to the Accounts

33. Grants and Contributions Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

2019/20 £'000	Grant Income	2020/2021 £'000
	Credited to Taxation and Non specific grant income	
1,077	New Homes Bonus	737
8	EU Exit Funding	8
1,773	Small Business Rate relief	
-	- Coronavirus Grants	9,712
2,324	Capital grants and contributions	1,898
5,182	Sub-Total	26,638
	Credited to services	
24,785	Rent Allowances & Benefits	23,166
1,498	Recycling credits	1,559
310	Benefits Administration Grants	355
187	Contribution to NDR costs	183
-	- Council Tax Hardship Grant	786
101	Council Tax support admin. subsidy	104
441	Reclaimed Benefits	274
288	Grounds maintenance contributions	1,012
431	Homelessness Reduction Grant	443
119	Syrian Refugees Grant	71
358	Heritage Lottery and Museum contributions	31
762	Other contributions	815
29,280	Sub-Total	28,799
34,462	Total	55,437

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at the year-end are as follows:

31 March 2020 £'000	Capital Grants Received in Advance	31 March 2021 £'000
887	Section 106	1,007
343	Disabled Facilities Grants	565
79	Other	375
-	- COVID-19 Grant	56
1,309	Total Grants received in advance	2,003

Notes to the Accounts

34. Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 33 "Grants and Contributions Income".

Officers

During 2020/21 there were no declarations of pecuniary interest by Council Officers in accordance with section 117 of the Local Government Act 1972.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 29.

During 2020/21 the following declaration was made:

- Cllr Taylor is a councillor representative trustee for the Duchess of Marlborough charity. The Council acts as an agent for the collection of rent for the charity, and in 2020/21 charged a sum of £4,943 (£4,119 net) for this service

As at 6th August 2021 there were 15 declarations outstanding from current and former councillors.

All Related Party transactions were properly approved in accordance with the Council's constitution. All Councillors register their pecuniary interests annually and these are located on the Council Website.

Notes to the Accounts

Entities Controlled or Significantly Influenced by the Council

The Council manages Clarence Park, part of which is owned by a charity, Clarence Park Recreation Ground Trust, (charity number 1047751) for which the Council act as trustees, and this is incorporated in the Council's accounts. In addition, the New England Street Playing Field is owned by the Council as trustee of The Public Recreation Ground Trust (New England Street Playing Field) (charity number 302456), the New Museum + Gallery is owned by the Council as trustee of the Museum of St Albans (charity number 312128), and the Annesley Bequest (charity number 311082).

The Council has an agreement with five other Hertfordshire authorities for the running of the West Hertfordshire Crematorium through a Joint Committee. The Agreement provides for deficits to be met by the constituent councils but in practice the Crematorium meets its running costs from its own income and builds up reserves where possible to meet future capital improvement costs. The Agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment – in 2020/21 the Council received £50k. The assets and liabilities of the Joint Committee are shared by the five Hertfordshire Local Authorities in ratio of their populations except that the Land and Building assets are vested in the local authority where the Crematorium is situated. The Council's share of the assets and liabilities and of the net income is immaterial to the accounts and has not been consolidated.

The Council established a separate company called Oak Tree Gardens (St Albans) Management Company Limited, on 7 November 2018 expressly to manage the Oak Tree Gardens development. The director is Colm O'Callaghan (Deputy Chief Executive (Finance and Legal)). The Council made no payments to the managing agent in 2020/21.

Cllr Mandy McNeil is a director for St Albans Bid Ltd the company established to run the Business Improvement District (BID) in St Albans. A Council officer, Joe Tavernier (Head of Community Services) resigned as a director in August 2020. In 2020/21 the Council paid to the BID company a levy of £23,693 and the BID had an outstanding loan from the Council of £25,000 as at 31st March 2021.

In March 2020 the Council established a wholly owned private limited company called the St Albans City and District Estates Limited. There are currently three directors who are Council Officers, Tony Marmo the Head of Commercial and Development, Linda Middleton Transformation Manager and Linda Parker Financial Services Manager. The company has been established to manage residential properties outside of the Housing Revenue Account. The company had no financial transactions during 2020/21.

Notes to the Accounts

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2019/20 £'000	Capital financing Requirement	2020/21 £'000
215,615	Opening Capital Financing Requirement	222,890
	Capital investment	
32,777	Property, Plant and Equipment	44,233
-	Heritage Assets	-
135	Intangible Assets	146
1,264	Revenue Expenditure funded from Capital under Statute	1,482
34,176		45,861
	Less Sources of Finance	
9,537	Capital Receipts	5,460
455	Other Government Grants and other contributions	1,515
683	Disabled Facilities Grant	565
72	Heritage Lottery funding for New Museums and Galleries	-
50	Leaseholders Recharge	423
6,588	Major Repairs Reserve	5,999
942	Revenue contribution to capital	3,762
7,000	Voluntary revenue provision HRA	9,000
1,574	Minimum revenue provision General Fund	1,774
26,901		28,498
222,890	Closing Capital Financing Requirement	240,253

2019/20 £'000	Explanation of movements in year	2020/21 £'000
7,275	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	17,363
7,275	Increase/(decrease) in Capital Financing Requirement	17,363

Notes to the Accounts

36. Leases

Council as a Lessor

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of community services such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payment receivable under non-cancellable lease in future years are:

2019/2020 £'000		2020/2021 £'000
14	Not later than one year	37
715	Later than one year and not later than five years	1,042
6,355	Later than five years	3,897
7,084		4,976

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Council as a Lessee

The Council leases in property and equipment under operating leases for the following purposes:

- Photocopying & printing
- Electric moped bikes for parking enforcement

The future minimum lease payment payable under non-cancellable lease in future years are:

2019/2020 £'000		2020/2021 £'000
23	Not later than one year	26
38	Later than one year and not later than five years	42
61		68

Notes to the Accounts

37. Borrowing Costs

Since 2019/20 the Council has adopted an accounting policy to capitalise borrowing costs for qualifying assets. Prior to 2019/20 all borrowing costs had been charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the financial year in which they were incurred. Since 2019/20 the approach is to capitalise borrowing costs for qualifying assets and is set out in the council's accounting policies (see Notes to the Accounts 1.22).

The Council has capitalised borrowing costs of £0.92m during the financial period 2020-21 (£0.13m 2019-20). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation for the 2020-21 financial period, calculated using the weighted average interest rate on the Council's loan payments, was 2.37% (1.35% in 2019/20). A qualifying asset will be that which takes more than 18 months to get ready for intended use and has forecast spend of at least £100,000.

38. Defined Benefit Pension Scheme

Participation in the Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Hertfordshire County Council. Policy is determined in accordance with the Local Government Pension Scheme Regulations 2013. The Pensions Committee has appointed various investment fund managers and their performance is monitored by an Investment Sub-Committee.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported 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 post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

Notes to the Accounts

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

2019/2020 £'000	Transactions Relating to Post Employment Benefits	2020/2021 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
4,905	- Current Service Cost	4,075
(163)	- Past Service Costs (including curtailments)	
	Financing and Investment Income and Expenditure	
1,317	Net Interest expense	949
6,059	Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services	5,024
	Other Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	
	Remeasurements of the net defined benefit liability comprising:	
3,456	Return on plan assets (excluding the amount included in the net interest expense)	(20,676)
(3,785)	Actuarial (gains) and losses arising from changes in demographic assumptions	2,275
(12,484)	Actuarial (gains) and losses arising from changes in financial assumptions	36,780
(2,720)	Experience (gain) and losses	(1,761)
(15,533)	Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	16,618
	Movement in Reserves Statement	
(6,059)	Reversal of net charges made to the Surplus or deficit for the Provision of Services for employment benefits in accordance with the Code	(5,024)
3,461	Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	3,691
(2,598)	Pension costs transferred to/(from) the Pensions Reserve	(1,333)

Notes to the Accounts

Pension Assets and Liabilities Recognised in the Balance Sheet

The following table shows the pension scheme assets, liabilities, and net liability.

2019/2020 £'000		2020/2021 £'000
(148,501)	Present Value of the defined benefit obligation	(189,199)
107,396	Fair values of plan assets	130,143
(41,105)	Net liability arising from the defined benefit obligation	(59,056)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Reconciliation of the Movements in the Fair Value of Scheme Plan Assets

2019/2020 £'000	Pension Scheme Assets	2020/2021 £'000
109,220	Opening fair value of scheme assets at 1 April	107,396
2,615	Interest income	2,464
	Remeasurement gain/(loss):	
(3,456)	Return on plan assets, excluding the amount included in the net interest expense	20,676
3,461	Contributions from employer	3,691
743	Contributions from employees into the scheme	798
(5,187)	Benefits paid	(4,882)
107,396	Closing fair value of scheme assets at 31 March	130,143

Notes to the Accounts

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2019/2020 £'000	Pension Scheme Liabilities	2020/2021 £'000
163,260	Opening balance at 1 April	148,501
4,905	Current Service Cost	4,075
3,932	Interest Cost	3,413
743	Contributions from scheme participants	798
	Remeasurement (gains)/losses:	
(3,785)	Actuarial (gains) and losses arising from changes in demographic assumptions	2,275
(12,484)	Actuarial (gains) and losses arising from changes in financial assumptions	36,780
(2,720)	Experience (gain)/loss	(1,761)
(163)	Past service costs	
(5,187)	Benefits Paid	(4,882)
148,501	Closing balance at 31 March	189,199

Notes to the Accounts

Local Government Pension Scheme Assets Comprised:

As at 31 March 2020			Asset Category	As at 31 March 2021		
Fair value of scheme assets				Fair value of scheme assets		
Quoted prices in active markets	Quoted prices not in active markets	Total	Quoted prices in active markets	Quoted prices not in active markets	Total	
£'000	£'000	£'000	£'000	£'000	£'000	
2,319	-	2,319	Cash and cash equivalents	3,664	-	3,664
			Equity Instruments by industry type			
2,050	-	2,050	Consumer	1,156	-	1,156
1,637	-	1,637	Manufacturing	1,020	-	1,020
-	-	-	Energy and utilities	-	-	-
1,574	-	1,574	Financial institutions	834	-	834
966	-	966	Health and care	515	-	515
3,679	-	3,679	Information technology	2,967	-	2,967
176	-	176	Other	116	-	116
			Debt Securities			
-	2,783	2,783	Other	6,668	2,969	9,638
-	5,746	5,746	Private Equity	-	7,823	7,823
			Property			
-	3,247	3,247	UK property	-	7,202	7,202
-	6,409	6,409	Overseas property	-	5,997	5,997
			Investment Funds and Unit Trusts			
33,410	-	33,410	Equities	59,871	-	59,871
35,210	-	35,210	Bonds	21,045	-	21,045
-	-	-	Commodities	-	-	-
-	99	99	Infrastructure	-	54	54
906	7,299	8,205	Other	1,204	7,088	8,292
			Derivatives			
-	(114)	(114)	Foreign exchange	-	(51)	(51)
81,927	25,469	107,396	Totals	99,061	31,082	130,143

Notes to the Accounts

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries; estimates on the pension fund are based on the latest full valuation of the scheme as at 31 March 2021.

Notes to the Accounts

The significant assumptions used by the actuary have been:

31 March 2020	Actuarial Assumptions	31 March 2021
	Long-term expected rate of return on assets in the scheme	
2.3%	Equity investments	2.3%
2.3%	Bonds	2.3%
2.3%	Property	2.3%
2.3%	Cash	2.3%
	Mortality assumptions	
	Longevity at 65 for current pensioners	
21.9	Men	22.1
24.1	Women	24.5
	Longevity at 65 for future pensioners	
22.8	Men	23.2
25.5	Women	26.2
	Financial assumptions	
2.3%	Rate of inflation	2.9%
2.3%	Rate of increase in salaries	3.3%
1.9%	Rate of increase in pensions	2.9%
2.3%	Rate for discounting scheme liabilities	2.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Notes to the Accounts

Impact on the Authority's Cash Flows

Change in assumptions at 31 March 2021	Approximate % increase to employer liability	Approximate monetary amount £'000
0.1% decrease in Real Discount Rate	2%	3,438
1 year increase in member life expectancy	4%	7,568
0.1% increase in Salary Increase Rate	0%	269
0.1% increase in the Pension Increase Rate	2%	3,133

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £59.6m (2019/20 £41.1m). has substantial impact on the net worth of the Council as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Contributions payable by the Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2019), or at any other time as instructed to do so by the administering authority.

The estimated contribution to the scheme in 2020/21 is £3.7m (2019/2020 was £3.5m).

The weighted average duration of the defined benefit obligation for scheme members at 31 March 2021 is 18 years (31 March 2020 18 years).

39. Contingent Liabilities

In 1992, Municipal Mutual Insurance (MMI), one of our insurers at the time, stopped accepting new business. MMI and its policy holders, including local authorities, as members of the mutual have organised how the company can be closed if necessary. How much MMI owes to insureds cannot be worked out until all current and future claims have been settled. MMI may not have enough money to pay its debts in the future. If that is the case, MMI can claim back from its major policy holders as members of the mutual, including the Council, part of the claims paid from 1 October 1993. The balance of un-provided claims MMI could ask for as at 31 March 2021 is £0.447m (31 March 2020 £0.447m).

During 2018/19 a contractor lodged a claim for the loss of profits over the contract period and the Council is disputing this claim. We are unable to quantify the potential costs but we consider the underlying liability to be immaterial.

Notes to the Accounts

A contractor has made a claim against the Council over a dispute relating to the measurement of part of the contract outputs.

A mesothelioma related claim was received in March 2018 in respect of the estate of a former employee of Harpenden UDC, which transferred its assets to SADC on 1 April 1973. SADC is the successor authority so would be liable should the claim be successful. Liability was denied and we have heard nothing further from the claimant's solicitors.

A further mesothelioma claim for a contribution was received on behalf of a former employer of a Council employee and tenant. The former employer has settled the mesothelioma claim and are seeking a contribution from the Council. Liability has been denied and we have heard nothing further from the claimant's solicitors.

40. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a Central Treasury Team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in the Treasury Management Practices adopted by the Council. It also maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £4,403k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A

Notes to the Accounts

risk of irrecoverability applies to all the Council's deposits, but there was no evidence at 31 March 2021 that this was likely to crystallise.

Customers for goods and services are assessed, taking into account their financial position, past experience, and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council generally allows its debtors 14 days credit. Of the £3,209k (2019/20 £3,446k) outstanding from debtors, £2,309k (2019/20 £2,004k) is past due and this is analysed by age as follows:

31 March 2020 £'000	Trade Debtors Ageing	31 March 2021 £'000
1,462	Debtors not yet due	899
411	Less than 3 months overdue	314
209	3 to 6 months overdue	99
100	7 months to 1 year overdue	291
1,284	More than 1 year overdue	1,607
3,466		3,210

*Prior year balances updated to include debtors not yet due

Receipts after 31 March relating to the balances above lead the Council to the opinion that adequate provision has been made for the impairment of trade debtors.

Notes to the Accounts

Amounts arising from expected credit losses

The following table shows the movement in the impairment loss allowance from 1st April 2020 to 31st March 2021.

Loss allowance by Asset Class 2020/21	
Asset Class (amortised cost): Trade Debtors	Lifetime expected credit losses – simplified approach (for Trade Debtors only)
	£'000
Opening balance as at 1 April 2020	213
New financial assets originated or purchased	0
Amounts written off	0
Financial assets that have been derecognised (Repayment of debtors provided for in general & specific provision)	(112)
Changes due to modifications that did not result in derecognition (New Debtors)	94
Changes in models/risk parameters	28
Other changes	
As at 31 March 2021	223
Loss allowance by Asset Class 2019/20	
Asset Class (amortised cost): Trade Debtors	Lifetime expected credit losses – simplified approach (for Trade Debtors only)
	£'000
Opening balance as at 1 April 2019	213
New financial assets originated or purchased	21
Amounts written off	0
Financial assets that have been derecognised (Repayment of debtors provided for in general & specific provision)	(107)
Changes due to modifications that did not result in derecognition (New Debtors)	86
Changes in models/risk parameters	0
Other changes	
As at 31 March 2020	213

If collection rates were to deteriorate an increase in the impairment of doubtful debts would be required. To provide in full for overdue trade debtors over two months old would require an additional £554k to be set aside as an allowance.

Notes to the Accounts

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board.

The Council borrowed £189.6m in 2011/12 in order to provide the funds to pay for the Housing Self Financing debt, and existing Housing debt, taking the total housing debt to £191.1m. Housing Self Financing was the system for financing council housing introduced in April 2012 that replaced the Housing Revenue Account subsidy system. In order to take account of low interest rates and favourable terms, all borrowings were taken at fixed interest rates. The repayment of debt has been taken into account in the Housing 30 year business and £41.7m of the Housing Self Financing debt has so far been repaid on due dates. Additional HRA borrowing of £5m was required at the end of 2020/21 to fund the housing investment programme. The total HRA borrowing as at 31 March 2021 was £154.4m (£144.4m loans over 12 months and £10.0m loans 12 months and under).

During 2020/21 the Council borrowed £14m for the General Fund capital programme with loans between 3-6 years. All borrowing was from the PWLB and the repayment dates set to match the due dates for forecast capital receipts.

There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

31 March 2020 £'000	Maturity Analysis of Financial Liabilities	31 March 2021 £'000
9,000	Less than one year	10,210
10,000	Between one and two years	13,000
40,000	Between two and five years	59,000
84,500	Between five and ten years	89,916
14,916	Between ten and fifteen years	6,500
-	Between fifteen and twenty years	-
38,700	Greater than twenty years	28,285
197,116		206,911

All trade and other payables are due to be paid in less than one year. Liabilities have not been discounted for net present value.

Notes to the Accounts

Market Risk

Interest Rate Risk

The Council has several strategies for managing market risk, including interest rate risk. These include investing only with institutions having a high credit rating, limiting the amount of investment with any one institution, and limiting investment periods to less than one year.

The average interest rate earned on investments during the year was 0.025% and if interest rates throughout the year had been 0.5% higher this would have increased the amount of interest earned by £83k.

As mentioned above, all debt is at fixed interest rates ranging from 0.99% to 4.65% (for the longest-term debt), with a weighted average of 2.7%.

The Council does not invest in quoted companies and it has no assets or liabilities in foreign currencies. Therefore, the Council has no exposure arising from movements in share prices or exchange rates.

Notes to the Accounts

41. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority	Exhibits £'000	Silver £'000	Civic Regalia £'000	Cups and Trophies £'000	Sculptures £'000	War Memorials £'000	Total Assets £'000
Cost or valuation:							
1 April 2019	4,586	355	159	564	37	422	6,123
31 March 2020	4,691	363	162	575	38	434	6,263
Cost or valuation:							
1 April 2020	4,691	363	162	575	38	434	6,263
Additions	-	-	11	-	-	-	11
Revaluation	76	3	(9)	6	-	9	85
31 March 2021	4,767	366	164	581	38	443	6,359

A review of Heritage Assets was carried out in April 2013 with the auctioneers Christies completing a valuation. These values have been uplifted each year by an inflation provision.

Acquisitions for Heritage Assets are initially recognised at cost and will be adjusted for any changes required for insurance in future years.

42. Heritage Assets – Information on the Museums' Collections

The City and District of St Albans is an area of outstanding historical and cultural heritage. The Council provided museum services through two accredited museums and also manages a number of historic properties.

The museum's collections consist of approximately 80,000 objects and specimens which range from fossils and archaeological remains to archives such as maps, prints drawings, photographs and ephemera associated with St Albans and its people.

The Council owns a number of properties of historic interest that are currently in use such as the old Town Hall. These are classified as operational assets and therefore held within Property, Plant and Equipment.

The Council also owns non-operational Heritage Property Assets, including historical earthworks and exposed ruins. These assets have no intrinsic value but are held and maintained principally for their contribution to knowledge and culture.

Notes to the Accounts

Preservation and Management

Acquisition and Disposal

The general statements of policy on acquisition and disposal are set out in St Albans Museums Collection Policy 2019-2024 which is published on the museum service's website. These statements follow those published by Arts Council England as part of their accreditation scheme. The Museums' governing body, the City & District of St Albans, have also adopted the ethical guidance issued by the Museums Association, the Code of Ethics for Museums.

Preservation and Management – Collections Care

St Albans Museum Service is responsible for two museums, both of which have full Arts Council England Accreditation status. This accreditation ensures the museum service adheres to a high level of collections care and that the collections are well-managed. Regular reviews and action plans are created as part of this accreditation process and reviewed every 5 years.

The programme of remedial conservation work is guided by the requirements of the public programmes and the collection management action plans. A risk based approach is used to prioritise any conservation work for the collections that is not related to public programming priorities, primarily targeting objects that are not stable under the normal environment conditions that prevail within the museum buildings e.g. archaeological metalwork. Other remedial conservation work takes the form of targeted conservation linked to the collection care action plan.

Housing Revenue Account

HRA Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2019/20 £'000	Housing Revenue Account Income and Expenditure Statement	2020/21 £'000
	Expenditure	
5,042	Repairs and Maintenance	4,663
6,226	Supervision and Management	6,602
322	Rents, Rates, Taxes and other charges	188
7,396	Depreciation and impairment of non-current assets	7,744
10,573	Revaluation gains reversing prior year losses charged to the HRA	5,960
31	Debt Management costs	50
221	Movement in the allowance for bad debts	149
210	HRA services' share of Corporate and Democratic Core	186
30,021	Total Expenditure	25,542
	Income	
(26,633)	Dwelling rents	(26,869)
(1,240)	Non-dwelling rents	(1,120)
(650)	Charges for services and facilities	(639)
(28,523)	Total Income	(28,628)
1,498	Net (Income)/Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(3,086)
1,498	Net (Income)/Cost of HRA Services	(3,086)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(2,252)	Gain on sale of HRA non-current assets	(1,143)
4,343	Write-off of replaced asset components	5,759
4,788	Interest payable and similar charges	4,656
(56)	Interest and investment income	(5)
178	Net interest on the net defined benefit liability	135
(1,105)	Capital grants, contributions and other receipts	(1,112)
7,394	(Surplus)/Deficit for the year on HRA services	5,204

Housing Revenue Account

Movement in the Housing Revenue Account

The HRA Income and Expenditure Account shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to account for its statutory housing activity on a different accounting basis, the main differences being:

- The gain or loss on the disposal of HRA assets has to be reversed; and
- Any impairment on HRA dwellings, either due to economic consumption or valuation, has to be reversed from the account before a statutory balance can be finalised.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

2019/20 £'000	Movement on the Housing Revenue Account Statement	2020/21 £'000
(4,453)	Balance on the HRA at the end of the previous year	(9,031)
7,394	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	5,204
	Adjustments between accounting basis and funding basis under statute	
(10,586)	Transfer (from)/to the Capital Adjustment Account for the impairment of dwellings	(5,955)
7,000	Transfer to the Capital Adjustment Account for debt repayment provision	9,000
(7,000)	Loan repayment funded by MRR	(2,000)
(431)	Transfer from the Capital Adjustment Account for Revenue expenditure funded from capital under statute	(837)
(20)	Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(14)
501	Revenue contribution to capital	3,755
2,252	Gain on sale of HRA non-current assets	1,243
(4,343)	Write-off of replaced asset components	(5,759)
995	Capital grants and Contributions	988
9	Other Capital Receipts	-
(349)	HRA share of contributions to or from the Pensions Reserve	(224)
(4,578)	Net (increase)/decrease before transfers to or from	5,401
-	Transfers to/(from) reserves	(241)
(4,578)	(Increase)/decrease in year on the HRA	5,160
(9,031)	Balance on the HRA at the end of the current year	(3,871)

Housing Revenue Account

Notes to the Housing Revenue Account

H1. Analysis and Value of the Housing Stock

a) Number and Types of Dwelling in the Housing Stock

The Council was responsible for managing 4,958 dwellings as at 31 March 2021 as follows:

31 March 2020	Number of Dwellings by Type	31 March 2021
	One bedroom dwellings	
326	- Houses and Bungalows	326
1,092	- Flats	1,116
	Two bedroom dwellings	
511	- Houses and Bungalows	512
906	- Flats	928
	Three bedroom dwellings	
1,887	- Houses and Bungalows	1,888
30	- Flats	30
	Four or more bedroom dwellings	
88	- Houses and Bungalows	89
69	Multi-occupied dwellings	69
4,909		4,958

On 31 March 2021 0.30% (2020 1.26%) of lettable properties were vacant.

The change in stock can be summarised as follows:

2019/20	Dwelling Stock Reconciliation	2020/21
4,898	Stock at 1 April	4,909
(15)	Less: Right to buy sales	(10)
26	Purchases	14
	- Newly constructed	42
	- Reclassified, disposed, demolished	3
4,909	Stock at 31 March	4,958

Housing Revenue Account

b) Balance Sheet Value

HRA dwellings are valued using the Beacon basis whereby all properties are linked to a set of 'beacon' properties and valued in line with the change in average value of the 'beacons'. Beacon properties were revalued 1 April 2020, then reviewed and adjusted for as at 31 March 2021. The valuation is at 'Existing Use Value – Social Housing' reduced to a factor to reflect social housing tenancies. The factors for surrounding regions are set by central government each year, and 35% for 2020/21 (35% in 2020/21) has been deemed by a Registered Valuer and Local Property Expert as appropriate for St Albans.

31 March 2020 £'000	Housing land, dwellings and other property	31 March 2021 £'000
542,401	Dwellings	606,783
8,780	Other land and buildings	8,678
5,587	Garages	9,622
3,348	HRA shops	3,508
2	Vehicles, Plant and Equipment	1
5,065	Assets under construction	1,541
565,183	Total property plant and equipment	630,133
605	Assets Held for Sale	1,403
565,788	Total land, dwellings and other property	631,536

c) Vacant Possession Value

The Vacant Possession Value is the Council's estimate of the total sum that it would receive if all dwellings were sold on the open market, whereas the Balance Sheet Value is calculated on the basis of rents receivable on existing tenancies. Rents receivable are less than the rent that would be obtainable on the open market and therefore the Balance Sheet Value is lower than the Vacant Possession Valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

At 31 March 2020 £'000	Vacant Possession Value	At 31 March 2021 £'000
1,548,137	HRA Dwellings	1,613,265

Housing Revenue Account

H2. Major Repairs Reserve

Authorities are required by the Accounts and Audit (England) Regulation 2011 to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. The movement in the reserve was as follows:

2019/20 £'000	Major Repairs Reserve	2020/21 £'000
(10,624)	Opening Balance 1 April	(4,419)
	Transfer to Reserve in year	
(7,229)	Depreciation Dwellings	(7,468)
(145)	Depreciation Non-Dwellings	(275)
-	Impairment of Non-Dwellings	(3)
(9)	Other depreciation	(5)
(7,383)	Sub-total	(7,751)
6,588	Used to fund capital expenditure in year	5,999
7,000	Used to fund loan repayment in year	2,000
(4,419)	Closing Balance at 31 March	(4,171)

Housing Revenue Account

H3. Capital Expenditure

a) HRA Capital Expenditure consists mainly of expenditure on the improvement of Council dwellings as shown in the following table:

2019/20 £'000	Categories of Capital Expenditure	2020/21 £'000
121	Kitchens and bathrooms	191
734	External walls and roofing	1,079
903	Windows and doors	1,345
1,769	Heating, wiring and plumbing	1,631
406	Disabled Adaptations	751
410	Other	770
8,262	Property Purchases	4,600
12,605	Council Dwellings Additions	10,367
217	Other land and buildings	161
2,752	Social Housing Development	4,318
634	Disabled Facilities Grants	553
551	Other capital expenditure	895
16,759	Total Capital Expenditure	16,294

b) This was financed as follows:

2019/20 £'000	Financing of Capital Expenditure	2020/21 £'000
6,588	Major Repairs Reserve	5,999
6,412	Capital Receipts Reserve	2,562
1,224	Grants and contributions	2,308
501	Revenue Contribution to Capital	3,755
2,034	Borrowing	1,669
16,759	Total Capital Funding	16,294

c) The Council has capital contract commitments as at 31 March 2021 of £657k relating to Housing Investment Programme schemes (the Housing capital programme).

Housing Revenue Account

H4. Capital Receipts

The number of Council property sales was 10 (2019/20: 15). The following table is a summary of the capital receipts from disposals of land, houses and other property within the Council's HRA during the financial year.

2019/20 £'000	Capital Receipts	2020/21 £'000
4,005	Dwelling sales (subject to pooling)	2,342
9	Non-poolable receipts	30
4,014	Gross capital receipts	2,372
(20)	Less Costs	(14)
	Payable to National Pool	
(934)	For current year	(934)
3,060	Retained Capital Receipts	1,424

The Housing Capital receipt balance on 31 March 2021 was £4,449k (2019/20: £9,424k). £974k of this has been retained on condition that it will be spent on the provision of new affordable housing and the Council has plans to meet this condition.

Housing Revenue Account

H5. Depreciation

For Council dwellings land and buildings are split on a 33:67 basis. Land is not depreciated. Depreciation is on a straight-line basis over the following periods:

Structure: 100 years Roof: 70 years
Windows: 30 years Internal Components: 15-40 years

2019/20 £'000	Depreciation	2020/21 £'000
7,119	Dwellings	7,362
111	Multi Occupancy Properties	107
8	Equipment, Vehicles and Intangibles	5
145	Garages	275
7,383	Total Depreciation Charged to the HRA	7,749

H6. Pension Costs

The following table shows the charges to the HRA, in accordance with IAS 19, to give the 'Net Charge to the HRA' required by the Code. The adjustment in the 'Movement in HRA Reserve Statement' is shown to arrive at the amount charged against the HRA balance as required by statute, which is the employer's contributions actually paid into the scheme.

Full details of the pension costs for the whole Council are included within Note 38 to the Core Financial Statements.

2019/20 £'000	Pension Costs	2020/21 £'000
	Net Cost of Services:	
663	- Current Service Cost	586
	Net Operating Expenditure:	
178	- Net Interest expense	135
841	Net charge to the HRA	721
	Amounts to be met from Government Grants and Local taxation:	
(349)	- Movement on pensions reserve	(224)
492	Actual amount charged against Council tax for pensions in the year: Employer's contributions payable to the scheme	497

Housing Revenue Account

H7. Rent Arrears and Bad Debts

a) Arrears – amounts outstanding from Council Tenants

2019/20	Council Tenant Rent Arrears	2020/21
£'000		£'000
1,845	Arrears at 31 March	1,787
7.0%	Rent arrears as a percentage of gross rent income	6.8%

b) Bad Debts – provision for non-payment of rents

2019/20	Bad Debt Provision	2020/21
£'000		£'000
508	Bad debts provision at 1 April	695
(37)	Debts written off in the year	(98)
224	Increase/(decrease) in provision	164
695	Bad debt provision at 31 March	761

H8. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. In 2020/21 32.5% (2019/20 35.8%) of the Council's rents receivable were by way of benefits. Rent rebates are chargeable to the General Fund and reclaimed from Central Government by way of a Housing Benefit grant.

Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from tax payers and distribution to local authorities and the Government of the Council Tax and Business Rates.

2019/20			Collection Fund Income and Expenditure Account	2020/21			
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total	
£'000	£'000	£'000	Note	£'000	£'000	£'000	
			Income				
-	(111,803)	(111,803)	Council tax receivable	C1	-	(115,522)	(115,522)
			Transfer for Transitional Relief, S13A(1)(C) Reliefs			(727)	
(60,114)	-	(60,114)	Business rates receivable	C2	(27,887)	-	(27,887)
102	-	102	Less Transitional payment protection payable		366	-	366
(60,012)	(111,803)	(171,815)	Total Income		(27,521)	(116,249)	(143,043)
			Expenditure				
			Precepts, Demands and shares:				
23,780	84,462	108,242	Hertfordshire County Council		5,907	88,841	94,748
-	11,676	11,676	Police and Crime Commissioner for Hertfordshire		-	12,439	12,439
20,808	13,708	34,516	St Albans District Council (including Parishes)		23,627	14,309	37,936
14,863	-	14,863	Central Government		29,533	-	29,533
			Charges to Collection Fund				
187	-	187	Costs of collection		183	-	183
-	73	73	Write-offs of uncollectable amounts		-	44	44
295	327	622	Allowance for impairment		2,027	659	2,686
1,745	-	1,745	Provision for appeals		3,421	-	3,421
126	-	126	Enterprise Zone		156	-	156
3,412	1,389	4,801	Contributions towards previous year's estimated Collection Fund surplus/(deficit)	C3	(7,384)	1,413	(5,972)
65,216	111,635	176,851	Total Expenditure		57,470	117,705	175,175
5,204	(168)	5,036	Movement on Fund balance		29,949	1,456	32,132
5,720	(2,107)	3,613	Balance at 1 April brought forward		10,924	(2,275)	8,649
10,924	(2,275)	8,649	Balance at 31 March carried forward		40,873	(820)	40,781
			Shares of balance				
1,630	(1,780)	(150)	Hertfordshire County Council		5,150	(623)	4,527
-	(247)	(247)	Police and Crime Commissioner for Hertfordshire		-	(100)	(100)
4,280	(248)	4,032	St Albans District Council (included in		16,172	(97)	16,075
5,014	-	5,014	Central Government		19,551	-	19,551
10,924	(2,275)	8,649	Total carried forward		40,873	(820)	40,053

C1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands.

The amount of Council Tax is estimated by calculating the amount of income required to be taken from the Collection Fund by the precepting authorities (Hertfordshire County Council, the Police and Crime Commissioner for Hertfordshire, Parish Councils and the Council) for the forthcoming year to meet their service requirements. Individual charges are calculated by dividing this total by the Council Tax base (the total number of properties in each band adjusted by a ratio to convert the number to a band D equivalent and adjusted for discounts.)

Taxes for other bands are derived by applying the ratios in the following table to the band D tax.

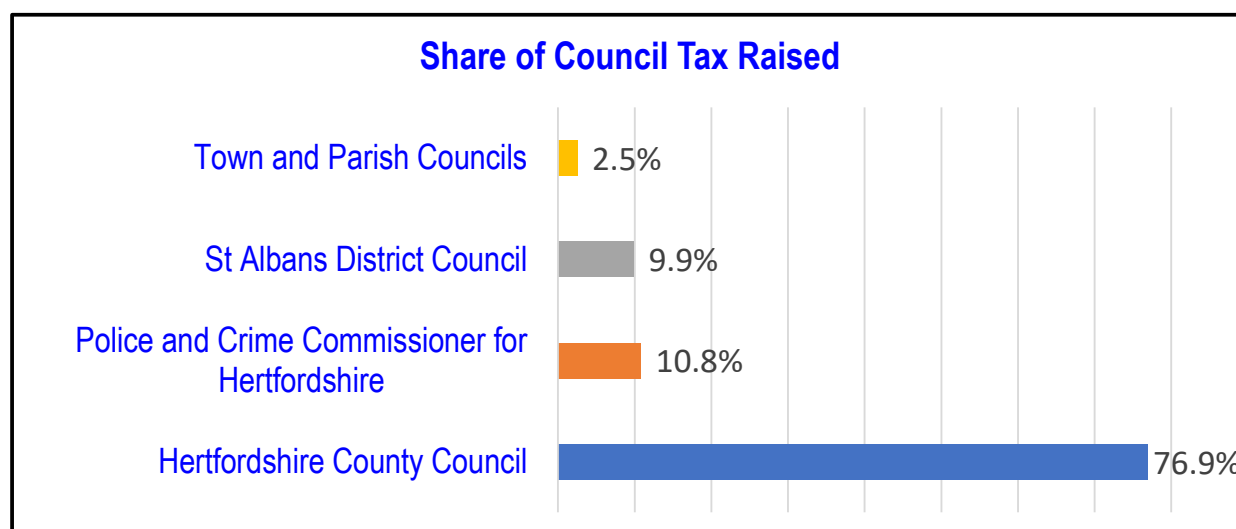
Band	Property Value	Number of dwellings	Ratios	Band D equivalents
A	up to £40,000	623	0.67	417
B	between £40,001 and £52,000	1,888	0.78	1,473
C	between £52,001 and £68,000	7,240	0.89	6,444
D	between £68,001 and £88,000	13,729	1.00	13,729
E	between £88,001 and £120,000	11,704	1.22	14,278
F	between £120,001 and £160,000	8,599	1.44	12,383
G	between £160,001 and £320,000	7,342	1.67	12,261
H	over £320,000	1,235	2.00	2,470
		52,360		63,456
	Less adjustment for non-collection (1%)			(635)
	Council Tax Base for 2020/21			62,821
	Council Tax Base for 2019/20			62,107

Council Tax Levy at Band D by Precepting Council:

2019/20	Council Tax Levy at Band D	2020/21
£1,359.94	- Hertfordshire County Council	£1,414.20
£188.00	- Police and Crime Commissioner for Hertfordshire	£198.00
£176.89	- St Albans District Council	£181.89
£43.82	- Town and Parish Councils	£45.88
£1,768.65	Average Council tax Levy at Band D	£1,839.97

The following graph shows how the council tax collected is distributed between the various precepting bodies with Hertfordshire County Council receiving over three quarters of the total.

Collection Fund – Notes to the Collection Fund



C2. Income from Business Rates

The Council collects business rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by central government.

This following table shows information required to be disclosed relating to Business Rates:

2019/20	Business Rate Factors	2020/21
£ 146,732,092	Rateable value at 31 March as notified by the Valuation Office Agency	£ 146,658,697
50.4p	Business Rate multiplier	51.2
49.1p	Small business rate multiplier	49.9

Business rate surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations. From 2013/14 to 2018/19 and for 2020/21 50% of business rates collected in the area were retained locally (the Council retained 40% and Herts County Council 10%) and 50% returned to central government. From 1 April 2019-31st March 2020, the Council took part in the Hertfordshire Business Rates Pilot Scheme. The Council joined with all of the other councils in Hertfordshire, including Herts County Council, to retain 75% of business rates within the area with the remaining 25% paid to central government.

Collection Fund – Notes to the Collection Fund

C3. Contributions to Previous Year’s Estimated Collection Fund Surpluses and Deficits

The following table shows the distribution of the prior year’s estimated surplus.

2019/20			Precepting Authorities	2020/21		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
341	1,096	1,437	Hertfordshire County Council	(214)	1,101	887
-	136	136	Police and Crime Commissioner for Hertfordshire	-	152	152
1,365	157	1,522	St Albans District Council	(3,041)	160	(2,881)
1,706	-	1,706	Central Government	(4,129)	-	(4,129)
3,412	1,389	4,801	Total surplus/(deficit)	(7,384)	1,413	(5,972)

The surplus/deficit arising on the Collection Fund will be distributed/recovered in accordance with legislation.

ST. ALBANS CITY AND DISTRICT COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT 2020-21

JULY 2021

Annual Governance Statement

St. Alban's District Council – Annual Governance Statement 2020-21

1. Scope of Responsibility

- 1.1 St. Albans City and District Council (SADC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. That public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council 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 regards to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Council is responsible for putting in place proper governance of its affairs, the effective exercise of its functions, which includes arrangement for managing risk.
- 1.3 The Annual Governance Statement (AGS) describes the extent to which the Council has, for the year ended 31 March 2021, complied with its corporate code of conduct and the requirements of the Accounts and Audit Regulations 2015, regulation 6(1). It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for 2021/22.
- 1.4 The AGS has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) – The 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom. Also supporting the AGS is the Council's Code of Corporate Governance, which too is consistent with the principles of the SOLACE framework.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled. This includes the activities through which it engages with, leads and accounts to its communities. It enables the Council to monitor the achievement of its strategic objectives of appropriate, cost effective services and activities in line with its policy and budget framework.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage the Council's risks to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and corporate objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is a process designed to identify and prioritise the risks to the achievement of the Council's policies and priorities. It evaluates the likelihood of those risks being realised, and the impact should they be realised, and to manage them economically, efficiently and effectively.
- 2.3 The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

Annual Governance Statement

2.4 The Council's Code of Governance recognises that effective governance is achieved through the following seven CIPFA/SOLACE principles:

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement.
- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (iv) Determining the interventions necessary to optimise the achievement of intended outcomes.
- (v) Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management.
- (vii) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

2.5 The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the annual statement of accounts.

3 The Governance Framework

3.1 Key features of the Council's governance framework during 2020/21 included:

- i. **The Corporate Plan** – identifies and communicates the Council's vision, objectives and priorities.
- ii. **The Corporate Risk Register** – reflects the objectives of the Corporate Plan and identifies the implications for the Council's governance arrangements.
- iii. **The Constitution** – sets out the Council's decision-making framework and is regularly updated:
 - gives a clear definition of the roles and responsibilities of councillors, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer);
 - includes a scheme of delegation of responsibility, financial regulations and contract standing orders; and
 - defines codes of conduct for Councillors and officers, and a protocol for how the two work together.
- iv. **Council** – is the ultimate decision-making body for all matters other than those delegated to the, Planning, Licensing and Standards Committees, and operational decision making to specific officers.
- v. **Cabinet** – comprising the Leader, Deputy Leader and Portfolio Holders is an executive body, has executive authority and can take "key" decisions. Its role is to formulate strategy and policy and make recommendations to Council.
- vi. **Scrutiny Committees** – support the work of the Cabinet and the Council as a whole. The committees can 'call-in' key decisions which have been made but not yet implemented. The Scrutiny Committees may recommend that Cabinet or other decision takers reconsider the decision.

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- vii. Audit Committee** – this and the Standards Committee are Regulatory Committees. The Audit Committee reviews the effectiveness of the internal control, risk and governance environment, receives reports from the Internal and External Auditors and approves the Council's statutory accounts and the Annual Governance Statement.
- viii. Standards Committee** – promotes high standards of conduct and has responsibility for overseeing investigations of complaints against Councillors.
- ix. Regulatory Committees** – ensure compliance to regulations
 - Licensing and Regulatory Committee
 - Licensing Sub Committee
 - Planning (Development Control) Committees: and
 - Planning Referrals Committee
- x. City Neighbourhoods Committee** – was established in 2013 and has delegated authority from Cabinet. The Committee advances the localism agenda and encourages local groups to take a greater role in relation to the strategic oversight or management of assets. The councillor representation is drawn from the unparished wards in the City Centre. As these wards have no parish council, the City Neighbourhoods Committee considers matters which might otherwise normally fall within the remit of a parish council.
- xi. The Chief Executive** – (Head of Paid Service) as part of the Senior Management Team has delegated authority to take operational decisions within policies and budgets set by Council.
- xii. The Deputy Chief Executive (Finance and Legal)** – is the Council's Section 151 Officer leading a finance service which promotes effective financial management so that public money is safeguarded and used economically, efficiently and effectively.
- xiii. The Solicitor to the Council** - acts as the Council's Monitoring Officer and is responsible for maintaining and advising on the Constitution. This Officer ensures that the Council's decision making is lawful and fair and supports the promotion of high ethical standards and compliance with Codes of Conduct.
- xiv. Chief Executive Board** – comprises the Chief Executive, Deputy Chief Executive, and Heads of Service, responsible for the day to day management of the Council.
- xv. Risk Management** - a Corporate Risk Strategy overseen by the Chief Executive Board and Audit Committee.
- xvi. Standard committee report format** - that includes specific consideration of all legal, financial, professional, technical, risk management and equalities implications.
- xvii. Medium Term Financial Strategy** – which informs service planning and budget setting.

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xviii. A complaints procedure

xix. Internal Audit - a risk-based approach to internal audit, emphasising the need for sound control, governance, and risk management arrangements

xx. Whistle blowing policy and process - along with an anti-fraud, bribery and corruption strategy outlining the Council's zero tolerance approach to fraud, bribery, and corruption

3.2 At its December 2020 meeting Full Council approved that the Council moves from a Leader and Cabinet executive arrangement for governance to a Committee form of governance arrangements, to take effect from the Annual Council meeting in 2021. The Council carried out the publicity and consultation requirements for the change of governance arrangements and revisions to the Constitution to reflect the change of governance were presented to the Council at its meeting on 26 May 2021 and approved.

4 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the various sources noted below as well as the work of officers within the Council who have responsibility for the development and maintenance of the governance environment.

- Review of executive decision making by Scrutiny Committees;
- The Standards Committee monitors and reports annually to the Council on the operation of the Council's executive arrangements with regard to transparency and accountability;
- Annual reporting to Council on the work of the Audit Committee;
- The Chief Executive and Heads of Service assurance statements provide evidence that the key elements of the system of internal control are operating effectively;
- The work of Internal Audit including the Annual Report of the Internal Audit Manager which provides assurance in this regard is overseen by the Audit Committee;
- The work of the Council's external auditor – including the annual Audit Result's Report and other reports in relation to financial and other aspects of the Council's governance;
- A comprehensive risk management process ensures that key operational and strategic risks across the Council are captured and reported to senior managers and the Audit Committee; and
- Consideration of this document by the Deputy Chief Executive (Finance and Legal) and the Chief Executive with reference to the wider aspects of governance;
- Significant governance issues from previous years and from 2020/21.

5 Impact of coronavirus on the Council's governance arrangements for 2020/21

5.1 On 23 March 2020 the Prime Minister announced a national lockdown due to the coronavirus pandemic. This led to the majority of staff working from home and a temporary cessation of Council meetings. Due to the outbreak a small number of decisions were taken under urgency procedures under 1.9 of the Introduction to the Scheme of Delegation in the Council's Constitution. This allowed the Chief Executive, in consultation with the relevant Portfolio Holder, or in their absence the Leader of the Council, to carry out the functions of the Council and Cabinet.

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- 5.2 This process was in place only until the local authorities in England were granted new powers to hold public meetings virtually by using video or telephone conferencing technology, which took effect from 04 April 2020. From the end of April 2020 St Albans Council has held virtual meetings. Cabinet and Committee meetings are open to the public. The legislation to allow virtual meetings and regulations which have allowed local authorities to meet remotely during the Covid-19 pandemic do not apply to meetings after 6 May 2021.
- 5.3 Key Council services, including all statutory ones, continued during lockdown although some processes were amended to allow for remote working, for example allowing approval by email instead of a wet signature. These were discussed with Internal Audit and Legal prior to adoption. Some non-statutory services were paused for a while, including the Council's theatre and leisure services, and others adapted for example the museum introduced on-line shopping and virtual tours.
- 5.4 Coronavirus also led to some new activities being undertaken, for example distribution of the government's Covid-19 related business and discretionary grants (over £47m to over 2,000 businesses in a joint effort by Revenues, Economic Development, and Internal Audit).

6 Overall opinion of St Alban's governance arrangements

- 6.1 Despite coronavirus this AGS demonstrates that the Council's governance arrangements have remained fit for purpose, even when flexed, for example by invoking the Council's emergency powers and holding Cabinet, Council, and committee meetings virtually. There has been no significant detriment on the Council's ability to deliver its statutory services.
- 6.2 The Council prepared a Covid-19 risk register to specifically address risks that arose as a result of the pandemic. This is reviewed regularly by the Chief Executive Board and has been presented to, and scrutinised by, the Audit Committee.
- 6.3 Risk of poor financial resilience is, as with others in the public sector, a concern, especially in light of the upheaval and challenges posed by Covid-19. The Council continues to effectively manage its finances in order to minimise the risks of having to issue a Section 114 Notice. In the unlikely event that this was required then this would be the responsibility of the Section 151 Officer (the Deputy Chief Executive – Finance).

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- 6.4 The Council has adjusted its approach to capital projects to ensure it delivers on the Council's objectives and assist in the regeneration of the city and district. This approach is in line with the revised approach to the use of funds from the Public Works Loan Board.
- 6.5 The majority of Council staff continue working from home and the risks to cyber security and, with the sharing of electronic documents, the risk of breaching data protection (GDPR) legislation continues to be monitored. This is supported with regular staff awareness and training programmes.

7 Governance Issues Identified

- 7.1 In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement. These are set out in the table below, together with the steps to be taken to address them:

Table 1: Areas for improvement or monitoring during 2021/22

Key improvement/review area	Action to be taken in 2021/22
Ensuring the health and safety of staff, partners and the public in the way it delivers its services	As in 2020/21 the Council will keep under review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding the country's recovery from Covid-19, especially where the Council is delivering its services. In addition, ensuring that Health and Safety requirements remain satisfactory while staff continue to work from home.
Financial Resilience and Financial Management Code review	2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. Or if there are deficiencies, develop an action plan to address these. In addition, the financial planning process, and the Council's Medium-Term Financial Strategy in particular, will be kept under review as the Council seeks to restore financial stability and maintain sustainability in the longer term.
Restructure	As the Council embarks on its restructure (both in terms of the Cabinet and Committees and for officers) it is important there is no deterioration in the Council's governance framework. This includes the Council's scheme of delegation (which was one of the themes coming out of the Service Assurance Statements). The Chief Executive Board will be receptive to this and seek advice, guidance and assurances as required, including from Internal Audit.

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Common themes from the Service Assurance Statements were:	
Risk Management	There is a need to further embed risk management and ensure that this now works from the bottom up as well as top down. Arrangements have been made for risk management training to be available to all staff.
Financial training/awareness	There was a general consensus that Officers would welcome guidance and training on the Council's Financial Regulations, Contract Standing Orders, budget and financial monitoring, and anti-fraud awareness. There will be a joined up approach between Finance, Procurement, HR and Internal Audit to ensure this is both proportionate and targeted.
Business Continuity Planning	The Business Continuity Plans are to be tested and further work will continue to ensure that these remain robust as the new operating model for the Council is adopted.

- 7.2 The Chief Executive Board will oversee this action plan over the coming year and report on progress to the Audit Committee. The Chief Executive Board will ensure that governance issues continue to be promoted, addressed and monitored in a co-ordinated manner throughout the next financial year.

We, the undersigned, are satisfied that appropriate governance arrangements are in place. We propose over the coming year to continue to review and where appropriate improve matters to further enhance our governance arrangements.

Signed: _____ Date: _____

Chris White (Leader of the Council)

Signed: _____ Date: _____

Amanda Foley (Chief Executive)

Independent Auditor's Report

GLOSSARY OF TERMS

While the Council makes every effort to make the Statement of Accounts as simple as possible, it is necessary to comply with accounting regulations and standards and as such terms and phrases not in ordinary usage are necessary. This glossary explains some of the main accounting terms and phrases used in the Statement of Accounts.

Accounting Policies

The principles, bases, conventions, rules and practices the Council applies that specify how the effects of transactions and other events are to be reflected in the financial statements.

Accounting Period

The period of time covered by the statements/reports/accounts (*e.g. financial year*).

Accounts

Statements setting out records of income and expenditure.

Accrual

A sum included in the accounts to cover spending on goods or services received during the accounting period for which payment has not been made by the year end.

Actual Expenditure and Income

Costs incurred/income attributable to an accounting period, as opposed to budgeted expenditure and income.

Actuarial Gains and Losses

A pension fund actuary is a business professional who deals with the financial impact of risk and uncertainty relating to, for example, assumptions on mortality rates and future investment growths. The actuary calculates changes in gains and losses, which, for a defined benefit pension scheme, arise because:

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

Asset

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

Budget

The representation in financial terms of an organisation's policy for a specified period of time.

GLOSSARY OF TERMS

Business Rates

Sometimes referred to as National Non-Domestic Rates (NNDR) these are rates charged on properties other than domestic properties. The business rate 'multiplier' or 'poundage' is set annually by Central Government and is a flat rate throughout the country.

Capital Expenditure

Expenditure on the acquisition of assets such as land, buildings and equipment which will benefit more than one accounting period and expenditure on refurbishment of existing assets that will increase the value of an extend the life of those assets.

CFR – Capital Financing Requirement

This was introduced in accordance with the Local Government Act 2003 and associated regulations. It measures the net capital indebtedness of a Council. It increases when capital expenditure is financed by borrowing (*whether internal or external*) and reduces by the amount of Minimum Revenue Provision applied. It is split into Housing and other (General Fund) elements.

Capital Receipts

Income derived from the disposal of capital assets. In accordance with legislation a proportion of the value of the disposal of housing assets must be paid into the Government's National Pool. The balance can be used for re-investment in capital programmes.

Cash Equivalent

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has defined 'short term' as being under 3 months.

Central Services Charges (Support Services)

Charges made to reflect the support provided to service departments by the central departments. This includes financial, legal, estates, audit, purchasing, human resources, information technology, corporate policy and general administrative support. Also called Central Establishment Charges.

CIPFA

Chartered Institute of Public Finance and Accountancy – the professional body for accountants in the public sector.

Code

This is the code of practice on Local Authority accounting in the United Kingdom issued by the professional accounting body for the Public Sector – CIPFA. It sets out the rules on how to prepare the Statement of Accounts and the disclosure requirements.

Contingency

A sum set aside in the budget to provide for foreseen, but unquantifiable future commitments, or for unforeseen expenditure which may become necessary.

Collection Fund

GLOSSARY OF TERMS

A fund administered by charging authorities into which Council Tax income and Business Rates collected locally, are paid. Precepts, demands and shares are paid from the fund and allowable costs charged. The balance on the fund is shared between the precepting bodies and taken into account in distribution in future years.

Collection Fund Adjustment Account

This account holds the difference between the income included in the Consolidated Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.

Community Assets

Assets that a local Council intends to hold in perpetuity and for the benefit of the whole community that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks, cemeteries and allotments. The value of the assets in the Balance Sheet is usually nil.

Council Tax

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

Counter Party Lists and Limits

The Counter Party list of institutions that the Council will place excess funds with and limit is the monetary limit to be placed with either a specific institution or a class of institutions. The list and limits is based on criteria in the Treasury Management System approved at least annually by full Council.

Creditor

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

Debtor

Sums of money due to the Council but not received at the Balance Sheet Date.

Depreciation

Depreciation is a measure of the wearing out, consumption or other reduction in the useful economic life of assets, whether from use, passage of time or obsolescence through technology and market changes.

Exceptional Items

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

Expenditure

Amounts paid for goods and services received.

GLOSSARY OF TERMS

External Auditors

Auditors appointed to carry out independent examinations of the activities and accounts of local authorities.

Fees and Charges

Income arising from direct charges made to users of services (e.g. car parks, building control, markets, etc).

Final Accounts

Accounts prepared relating to an accounting period.

Financial Year (also referred to as Fiscal Year)

The annual period of accounting (1 April to 31 March for local authorities)

Financial Regulations

A written code approved by a Council to provide a framework within which its financial affairs are conducted.

FRS – Financing Reporting Standard

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

General Fund

An account showing the cost of carrying out the Council's major functions/activities other than housing.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the income and expenditure accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Gross (Expenditure/Income)

The term gross indicates that there has been no setting off income against expenditure or vice-versa. They are the total amounts received or spent.

GLOSSARY OF TERMS

Housing Benefits

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

Housing Revenue Account (HRA)

An account showing expenditure incurred and income received in connection with managing and maintaining the Council's housing stock.

IFRS – International Financial Reporting Standards

A combination of authoritative standards (set by policy boards and the accepted methods of accountancy). The idea behind IFRS is to ensure that financial accounting information is assembled and reported objectively to a certain standard, so ensuring that data is accurate and comparable between organisations.

Impairment

The diminution in value of an asset due to 'consumption of economic value' (e.g. physical damage or wearing out).

Income

Amounts due to the Council which have been, or are expected to be, received.

Infrastructure Assets

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

Inventories

Comprise the following categories

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long term contract balances; and
- Products for sale; finished goods

Investments

A long term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments which do not meet criteria are short term investments and are qualified as current assets.

GLOSSARY OF TERMS

Liabilities

Amounts owed by the Council for goods or services received.

Liquid Resources

Liquid Resources are current asset investments held as cash or that are quickly and easily convertible into cash.

Local Authority Business Growth Initiative (LABGI)

The Local Authority Business Growth Incentive (LABGI) is a government grant designed to give local authorities an incentive to encourage local economic and business growth.

Minimum Revenue Provision (MRP)

This is the amount prescribed by legislation, that local authorities have to set aside annually to repay their capital debt. There is no statutory requirement to provide for the repayment of HRA debt but the Council makes voluntary contributions equivalent to the debt repayment schedule.

Net (Expenditure/Income)

The term 'net' indicates that expenditure has been set off against or combined with income to give a combined result. If income is greater than expenditure then netting the two will give a net income.

Non-Current Assets

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

Operational Assets

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

Outturn

Actual expenditure and income for the whole financial year.

Performance Plan

An annual report outlining the Council's performance against targets and performance indicators.

Post Balance Sheet Events

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

GLOSSARY OF TERMS

Precepts

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

Provisions

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

Public Works Loan Board (PWLB)

A government agency established to provide long-term loans to local authorities to finance part of their capital expenditure.

REFCUS – Revenue Expenditure Funded from Capital Under Statute

This is expenditure that does not fall within the Code's definition of Non-Current Assets, but is classified as expenditure for capital purposes with respect to the prudential framework. Examples are home improvement grants, and grants to housing associations to build or buy houses.

Related Party Transactions

The objective is to identify any transactions which may have taken place as a result of the control or influence exercised by one party over another. The concern is that such transactions may not be, or may not be perceived to be, in the best interest of the Council.

Rent Allowances

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

Rent Rebates

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

Reserve

A reserve can be established by contributions with a view to defraying expenditure in future years. Reserves may be established for specific purposes (*for example repairs and renewals*) or for general purposes.

Revenue Expenditure

Spending on day-to-day items including salaries and wages, premises costs and running costs (*e.g. supplies and services*).

Revenue Support Grant

Central Government Grant towards the cost of Local Council Services.

Specific Grant

GLOSSARY OF TERMS

A grant paid by central government or other bodies towards the cost of a specific service. The grant is only received if the money is spent on the services specified.

Total Cost

The total cost of a service or activity reflects all associated costs and exists in both gross and net terms.

Trading Account

A statement detailing expenditure and income for a discrete activity.

Variance

A difference between the amount budgeted for an item or service and the actual income or expenditure on that item or service.